Directors' remuneration report

Annual statement by the Chairman of the Remuneration Committee

Dear Shareholder

As Chairman of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 30 June 2017. This report complies with the UK Directors' Remuneration Reporting Regulations 2013 and contains:

- The new directors' remuneration policy, which will be put forward for shareholder approval at the AGM on 20 September 2017; and
- The Annual report on remuneration, describing how the remuneration policy that was approved by shareholders at the AGM in September 2014 has been put into practice during the year ended 30 June 2017.

Diageo's remuneration principles

The principles underpinning executive remuneration remain fundamentally unchanged, with sustainable performance and long-term value creation for shareholders at the heart of our remuneration policies and practices:

- **Delivery of business strategy:** Short- and long-term incentive plans for Executive Directors and senior managers reward the achievement of Diageo's business strategy and performance goals.
- **Sustainable, long-term performance:** The focus is on the delivery of performance in a consistent and responsible way which also creates long-term value for our shareholders. Alignment between the interests of Executive Directors and shareholders remains a key principle, with Executive Directors required to acquire and hold Diageo shares over the long term.
- **Performance-related compensation:** Reward components offer a balanced mix of short- and long-term incentives conditional upon achieving stretching performance targets. Performance measures such as organic net sales, profit growth, cash efficiency and relative total shareholder return (TSR) are key drivers of growth for the business that are aligned with the creation of shareholder value.
- **Competitive total remuneration:** Reward levels are framed in the context of total remuneration packages paid by relevant global comparators. In competition with similar global companies, the ability to recruit and retain the best talent from all over the world is critical to Diageo's continued business success.
- **Simplicity and transparency:** The Committee seeks to embed simplicity and transparency in the design and delivery of executive reward programmes. Performance targets clearly align with the company's short- and long-term goals.

Remuneration in 2017 at a glance

Base salary	2% increases for both the Chief Executive and the Chief Financial Officer in October 2017 (versus budgeted 2.5% in the United Kingdom and 3% in the United States for the wider workforce)
Allowances and benefits	Unchanged from last year
Retirement benefits	Chief Executive's pension contribution reduced from 40% to 30% of salary from 1 July 2016
Annual incentive	Pay-out above target, delivering 68.0% and 69.7% of maximum opportunity for the Chief Executive and Chief Financial Officer respectively
Long-term incentives	Nil vesting of performance shares and share options

As a result of the long-term incentive performance conditions not being achieved, total variable pay to the Chief Executive and Chief Financial Officer in respect of the year ended 30 June 2017 is 35% and 50% lower respectively than in the year ended 30 June 2016.

Over the period 1 July 2014 to 30 June 2017 (the performance period for long-term incentive awards that vest in September 2017), Diageo's share price grew by 19%, from 1902.5 pence to 2268.5 pence, and the company paid a total dividend of 171.3 pence per share. Dividend distribution to shareholders in the year ended 30 June 2017 was increased by 5% compared to the previous year.

Looking ahead

Following a comprehensive review of the effectiveness of the directors' remuneration policy in the context of the external viewpoints of the investor community, the Committee concluded that the policy remains in line with business strategy and well-aligned to shareholder interests. As a result, there have been no material changes to the remuneration policy in terms of the design or quantum of executive remuneration. The key changes to the remuneration policy are as follows:

- **Reduction of maximum company pension contribution from 30% to 20% of salary for new hires:** Bringing executive pension arrangements more in line with the pension arrangements for other employees in the United Kingdom and United States, as well as enabling consistency in approach for the rest of the Executive Committee.
- **Significant increase to the Chief Executive's shareholding requirement from 300% to 500% of salary, and for the Chief Financial Officer from 250% to 400% of salary:** Positioning the shareholding requirement at or above the face value of their long-term incentive award opportunity after tax.
- **Restriction on selling shares of 50% of the executive's vested long-term incentive awards (after the sale of shares to cover tax), until the shareholding requirement is met:** To support executives meeting their shareholding requirements within five years of appointment.

Throughout the remuneration policy review, the company has proactively engaged with its largest shareholders to understand their views on the policy proposals, as well as continuing an open dialogue on the ongoing appropriateness of executive short- and long-term incentive plan design, the level of stretch in performance measures as part of the target-setting process, and ensuring that remuneration arrangements continue to attract and retain the highest quality global talent.

Whilst arrangements that defer part of the annual bonus into shares are common practice in the FTSE 100, the Committee is satisfied that the company's current annual bonus structure (payable entirely in cash) remains appropriate, as the increased shareholding requirement, the level of stretch in the long-term incentive plan, and the post-vesting holding period in concert provide appropriate alignment of executives with the interests of shareholders in fostering sustainable share price growth over the long term. There are also robust clawback and malus provisions under both the annual and long-term incentive plans, which apply to all members of the Executive Committee.

The Committee remains confident that the mix of performance shares and share options is an appropriate long-term incentive for the leaders of the business, and the share options element provides an additional stretch in that the share price has to grow materially in addition to the performance condition being achieved in order for it to provide value for executives. This strengthens the alignment between executives and shareholders in the commitment to fostering sustainable share price growth. Share option plans remain majority practice within Diageo's international peer group, against which the company needs to remain competitive in order to attract and retain the highest calibre of talent.

The directors' remuneration policy will be put forward for your consideration and approval by binding vote, and the annual remuneration report by advisory vote at the AGM on 20 September 2017.

We were very pleased to receive a strong vote in favour of our remuneration report last year. I highly value the direct engagement and feedback from our shareholders and their representative bodies on Diageo's remuneration policy and look forward to welcoming you and receiving your support again at the AGM this year.

E. Mervyn Davies

Lord Davies of Abersoch
Senior independent Non-Executive Director and
Chairman of the Remuneration Committee

Directors' remuneration policy

This section of the report sets out the policy for Executive Directors' remuneration. The proposed policy is broadly consistent with the policy approved in 2014, save for the changes highlighted in the Remuneration Committee Chairman's statement. The policy will be put to shareholders for approval in a binding vote at the AGM in 2017, in accordance with section 439A of the Companies Act 2006, and, if approved, will formally come into effect from 20 September 2017, the date of the AGM.

Remuneration policy framework

The remuneration structures and performance measures used in executive incentive plans are designed to support Diageo's business strategy as follows:

- *Focused on consistent growth drivers:* As a public limited company, Diageo has a fiduciary responsibility to maximise long-term value for shareholders. Thus, variable elements of remuneration are dependent upon the achievement of performance measures that are identified as key consistent and responsible growth drivers for the business and that are aligned with the creation of shareholder value.
- *Variable with performance:* A significant proportion of total remuneration for the Executive Directors is linked to business and individual performance so that remuneration will increase or decrease in line with performance.
- *Share ownership:* Full participation in incentives is conditional upon building up a significant personal shareholding in Diageo to ensure the company's leaders think and act like owners.
- *Cost effectiveness:* Fixed elements of remuneration are determined by reference to the median of the market, individual experience and performance, and other relevant factors to ensure competitiveness while controlling fixed costs to maximise efficiency.

Future policy table

Set out below is the remuneration policy for Executive Directors which, if approved by shareholders, will be applied from the date of the AGM on 20 September 2017.

Base salary

Purpose and link to strategy

Supports the attraction and retention of the best global talent with the capability to deliver Diageo's strategy and performance goals.

Operation

- Normally reviewed annually or following a change in responsibilities with any increases usually taking effect from 1 October.
- The Remuneration Committee considers the following parameters when reviewing base salary levels:
  - Pay increases for other employees across the group.
  - Economic conditions and governance trends.
  - The individual's performance, skills and responsibilities.
  - Base salaries (and total remuneration) at companies of similar size and international scope to Diageo, with roles typically benchmarked against the FTSE 30 excluding financial services companies, or against similar comparator groups in other locations dependent on the Executive Director's home market.

Opportunity

Salary increases will be made in the context of the broader employee pay environment, and will normally be in line with those made to other employees in relevant markets in which Diageo operates, typically the United Kingdom and the United States, unless there is a change in role or responsibility or other exceptional circumstances.

Benefits

Purpose and link to strategy

Provides market competitive and cost effective benefits.

Operation

- The provision of benefits depends on the country of residence of the Executive Director and may include but is not limited to a company car or car allowance, the provision of a car and contracted car service or equivalent, product allowance, life insurance, accidental death & disability insurance, medical cover, financial counselling and tax advice.
- The Remuneration Committee has discretion to offer additional allowances, or benefits, to Executive Directors, if considered appropriate and reasonable. These may include relocation expenses, housing allowance and school fees where a Director is asked to relocate from his/her home location as part of their appointment.

Opportunity

The benefits package is set at a level which the Remuneration Committee considers:

- Provides an appropriate level of benefits depending on the role and individual circumstances;
- Is appropriate in the context of the benefits offered to the wider workforce in the relevant market, and
- Is in line with comparable roles in companies of a similar size and complexity in the relevant market.

Post-retirement provisions

Purpose and link to strategy
Provides cost-effective, competitive post-retirement benefits.

Operation
- Provision of market competitive pension arrangements or a cash alternative based on a percentage of base salary.
- Further detail on current pension provisions for Executive Directors is disclosed in the Annual report on remuneration.

Opportunity
- The maximum company pension contribution is 20% of base salary for any new external appointments to an Executive Director position.
- Current legacy company contributions for Ivan Menezes and Kathryn Mikells in the year ended 30 June 2017 were 30% and 20% of base salary respectively. At his request, Ivan Menezes' company contribution was reduced from 40% to 30% effective 1 July 2016.

Annual incentive plan (AIP)

Purpose and link to strategy
Incentivises year on year delivery of Diageo's annual financial and strategic targets. Provides focus on key financial metrics and the individual's contribution to the company's performance.

Operation
- Performance measures, weightings and targets are set annually by the Remuneration Committee. Appropriately stretching targets are set by reference to the annual operating plan and historical and projected performance for the company and its peer group.
- The level of award is determined with reference to Diageo's overall financial and strategic performance and individual performance and is paid out in cash after the end of the financial year.
- The Committee has discretion to adjust the level of payment if it is not deemed to reflect appropriately the individual's contribution or the overall business performance. Any discretionary adjustments will be detailed in the following year's Annual report on remuneration.
- The Committee has discretion to apply clawback to bonus, i.e. the company may seek to recover bonus paid in exceptional circumstances, such as gross misconduct or gross negligence during the performance period.
- Details of the AIP for 2017 are set out in the Annual report on remuneration on pages 77 and 78.

Opportunity
For threshold performance, up to 50% of salary may be earned, with up to 100% of salary earned for on target performance and a maximum of 200% of salary payable for outstanding performance.

Performance conditions
Annual incentive plan awards are based 70%-100% on financial measures which may include, but are not limited to, measures of revenue, profit and cash and 0%-30% on broader objectives based on strategic goals and/or individual contribution. Details of the measures and weightings applicable for the year ending 30 June 2018 are set out on page 78. Details of the targets will be disclosed retrospectively in next year's Annual report on remuneration, when they are no longer deemed commercially sensitive by the Board.

Diageo long-term incentive plan (DLTIP)

Purpose and link to strategy
Provides focus on delivering superior long-term returns to shareholders.

Operation
- An annual grant of performance shares and/or market price share options which vest subject to a performance test and continued employment normally over a period of three years.
- Measures and stretching targets are reviewed annually by the Remuneration Committee for each new award. Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual report on remuneration.
- Following vesting there is a further retention period of two years. Executive Directors are able to exercise an option or sell sufficient shares to cover any tax liability when an award vests, provided they retain the net shares arising for the two-year retention period.
- Notional dividends accrue on performance share awards to the extent that the performance conditions have been met, delivered as shares or cash at the discretion of the Remuneration Committee at the end of the vesting period.
- The Committee has discretion to reduce the number of shares which vest (subject to HMRC rules regarding approved share options), for example in the event of a material performance failure, or a material restatement of the financial statements. There is an extensive malus clause for awards made from September 2014. The Committee has discretion to decide that:
  - the number of shares subject to the award will be reduced;
  - the award will lapse;
  - retention shares (i.e. vested shares subject to the additional two-year retention period) will be forfeited;
  - vesting of the award or the end of any retention period will be delayed (e.g. until an investigation is completed);
  - additional conditions will be imposed on the vesting of the award or the end of the retention period; and/or
  - any award, bonus or other benefit which might have been granted or paid to the participant in any later year will be reduced or not awarded.

Malus and clawback provisions will apply up to delivery of shares at the end of the retention period (as opposed to the vesting date). The company also has the standard discretion to take account of unforeseen events such as a variation to share capital.

Under the DLTIP plan rules, long-term incentive awards, when aggregated with awards under all of the company's other share plans, will not exceed 10% of the company's issued share capital (adjusted for share issuance and cancellation) in any rolling 10-year period. In addition, awards under executive schemes will not exceed 5% of the company's issued share capital in any rolling 10-year period.

- Further details of the DLTIP are set out in the Annual report on remuneration on pages 78-80.

Opportunity

- The maximum annual grants for the Chief Executive and Chief Financial Officer are 500% and 480% of salary in performance share equivalents respectively (where a market price option is valued at one-third of a performance share). Under the DLTIP no more than 375% of salary will be awarded in face value terms in options to any Executive Director in any year.
- Threshold vesting level of 20% of maximum with straight line vesting up to 100% at maximum for attaining financial metrics and a ranking profile for relative total shareholder return.

Performance conditions

- The vesting of awards is linked to a range of measures which may include, but are not limited to:
  - a growth measure (e.g. net sales, profit growth);
  - a measure of efficiency (e.g. operating margin, cumulative free cash flow, return on invested capital (ROIC)); and
  - a measure of Diageo's relative performance in relation to its peers (e.g. relative total shareholder return).

Measures that apply to performance shares and market price options may differ, as is the case for current awards. Weightings of these measures may vary year-on-year. Details of the measures, including targets for the awards to be made in September 2017 are set out on page 80.

- The Remuneration Committee has discretion to amend the performance conditions in exceptional circumstances if it considers it appropriate to do so, e.g. in cases of accounting policy changes, merger and acquisition activities and disposals. Any such amendments would be fully disclosed and explained in the following year's Annual report on remuneration.

All-employee share plans

Purpose and link to strategy

To encourage broader employee share ownership through locally approved plans.

Operation

- The company operates tax-efficient all-employee share savings plans in various jurisdictions.
- Executive Directors' eligibility may depend on their country of residence, tax status and employment company.

Opportunity

Limits for all-employee share plans are set by the tax authorities. The company may choose to set its own lower limits.

Performance conditions

UK Freeshares: based on Diageo plc financial measures which may include, but are not limited to, measures of revenue, profit and cash.

Shareholding requirement

Purpose and link to strategy

Ensures alignment between the interests of Executive Directors and shareholders.

Operation

- The minimum shareholding requirement is 500% of base salary for the Chief Executive and 400% of base salary for any other Executive Directors.
- Executive Directors are expected to build up their shareholding within five years of their appointment to the Board.
- Executive Directors will be restricted from selling more than 50% of shares which vest under the long-term incentive plan (excluding the sale of shares to cover tax on vesting and other exceptional circumstances to be specifically approved by the Chief Executive and/or Chairman), until the shareholding requirement is met.

Chairman of the board and non-executive directors

Purpose and link to strategy

Supports the attraction, motivation and retention of world-class talent and reflects the value of the individual, their skills and experience, and performance.

Operation

- Fees for the Chairman and Non-Executive Directors are normally reviewed every two years.
- A proportion of the Chairman's annual fee is used for the monthly purchase of Diageo ordinary shares, which have to be retained until the Chairman retires from the company or ceases to be a Director.
- Fees are reviewed in the light of market practice in the FTSE 30, excluding financial services companies, and anticipated workload, tasks and potential liabilities.
- The Chairman and Non-Executive Directors do not participate in any of the company's incentive plans nor do they receive pension contributions or benefits. Their travel and accommodation expenses in connection with the attendance of Board meetings (and any tax thereon) are paid by the company.
- The Chairman and Non-Executive Directors are eligible to receive a product allowance or cash equivalent at the same level as the Executive Directors.

All Non-Executive Directors have letters of appointment. A summary of their terms and conditions of appointment is available at **www.diageo.com/en/our-business/corporate-governance/compliance**. The Chairman of the Board, Javier Ferrán, was appointed on 1 January 2017, under a letter of appointment for an initial three-year term, terminable on six months' notice by either party or, if terminated by the company, by payment of six months' fees in lieu of notice.

Opportunity

- Fees for Non-Executive Directors are within the limits set by the shareholders from time to time, with an aggregate limit of £1,200,000, excluding the Chairman's fees.
- Current fee levels are disclosed in the Annual report on remuneration on page 85.

NOTES TO THE POLICY TABLE

Performance measures and targets

Further details of AIP performance measures and DLTIP performance measures and targets that will apply for awards made in September 2017, and how they are aligned with company strategy and the creation of shareholder value, are set out in the Annual report on remuneration, on pages 78 and 80.

Performance targets are set to be stretching yet achievable, and take into account the company's strategic priorities and business environment. The Committee sets targets based on a range of reference points including the corporate strategy and broker forecasts for both Diageo and its peers.

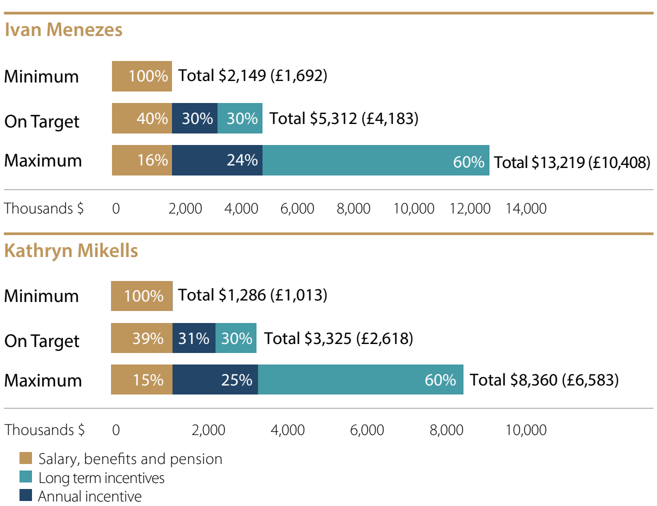
Differences in remuneration policy for other employees

The remuneration approach for Executive Directors is consistent with the reward package for members of the Executive Committee and the senior management population.

Generally speaking, a much higher proportion of total remuneration for the Executive Directors is linked to business performance, compared to the rest of the employee population, so that remuneration will increase or decrease in line with business performance and to align the interests of Executive Directors and shareholders. The structure of the reward package for the wider employee population is based on the principle that it should be sufficient to attract and retain the best talent and be competitive within our broader industry, remunerating employees for their contribution linked to our holistic performance whilst mindful not to overpay. It is driven by local market practice as well as level of seniority and accountability, reflecting the global nature of Diageo's business.

Illustrations of application of the remuneration policy

The graphs below illustrate scenarios for the projected total remuneration of Executive Directors at three different levels of performance: minimum, on-target and maximum. Note that the projected values exclude the impact of any share price movements. These charts reflect projected remuneration for the financial year ending 30 June 2018.



Basis of calculation and assumptions:

The 'Minimum' scenario shows fixed remuneration only, i.e. base salary for the year ending 30 June 2018, total value of contractually agreed benefits for 2018, and the pension benefits to be accrued over the year ending 30 June 2018. These are the only elements of the Executive Directors' remuneration packages which are not subject to performance conditions.

The 'On-target' scenario shows fixed remuneration as above, plus a target pay-out of 50% of the maximum annual bonus and threshold performance vesting for long-term incentive awards of 20% of maximum award.

The 'Maximum' scenario reflects fixed remuneration, plus full pay-out of annual and long-term incentives.

Approach to recruitment remuneration

The Remuneration Committee's overarching principle for recruitment remuneration is to pay no more than is necessary to attract an Executive Director of the calibre required to shape and deliver Diageo's business strategy in recognition that Diageo competes for talent in a global marketplace. The Committee will seek to align the remuneration package with Diageo's remuneration policy as laid out above, but retains the discretion to offer a remuneration package which is necessary to meet the individual circumstances of the recruited Executive Director and to enable the hiring of an individual with the necessary skills and expertise. However, except as described below, variable pay will follow the policy.

Diageo is a global organisation operating in more than 180 countries around the world. The ability, therefore, to recruit and retain the best talent from all over the world is critical to the future success of the business. People diversity in all its forms is a core element of Diageo's global talent strategy and, managed effectively, is a key driver that will deliver Diageo's performance ambition.

On appointment of an external Executive Director, the Committee may decide to compensate for variable remuneration elements the Director forfeits when leaving their current employer. In doing so, the Committee will ensure that any such compensation would have a fair value no higher than that of the awards forfeited, and would generally be determined on a comparable basis taking into account factors including the form in which the awards were granted, performance conditions attached, the probability of the awards vesting (e.g. past, current and likely future performance) as well as the vesting schedules. Depending on individual circumstances at the time, the Committee has the discretion to determine the type of award (i.e. cash, shares or options, holding period and whether or not performance conditions would apply).

Any such award would be fully disclosed and explained in the following year's Annual report on remuneration. When exercising its discretion in establishing the reward package for a new Executive Director, the Committee will carefully consider the balance between the need to secure an individual in the best interests of the company against the concerns of investors about the quantum of remuneration and, if considered appropriate at the time, will consult with the company's biggest shareholders. The Remuneration Committee will provide timely disclosure of the reward package of any new Executive Director.

In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

Service contracts and policy on payment for loss of office (including takeover provisions)
Executive Directors have rolling service contracts, details of which are set out below. These are available for inspection at the company's registered office.

Executive Director	Date of service contract
Ivan Menezes	7 May 2013
Kathryn Mikells	1 October 2015

Notice period	The contracts provide for a period of six months' notice by the Executive Director or 12 months' notice by the company. A payment may be made in lieu of notice equivalent to 12 months' base salary and the cost to the company of providing contractual benefits (excluding incentive plans). The service contracts also provide for the payment of outstanding pay and bonus, if Executive Directors are terminated following a takeover, or other change of control of Diageo plc. If, on the termination date, the Executive Director has exceeded his/her accrued holiday entitlement, the value of such excess may be deducted by the company from any sums due to him/her, except to the extent that such deduction would subject the Executive Director to additional tax under Section 409A of the Code (in the case of Ivan Menezes). If the Executive Director on the termination date has accrued but untaken holiday entitlement, the company will, at its discretion, either require the Executive Director to take such unused holiday during any notice period or make a payment to him/her in lieu of it, provided always that if the employment is terminated for cause then the Executive Director will not be entitled to any such payment. For these purposes, salary in respect of one day of holiday entitlement will be calculated as 1/261 of salary.
Mitigation	The Remuneration Committee may exercise its discretion to require a proportion of the termination payment to be paid in instalments and, upon the Executive Director commencing new employment, to be subject to mitigation except where termination is within 12 months of a takeover, or within such 12 months the Executive Director leaves due to a material diminution in status.
Annual incentive plan (AIP)	Where the Executive Director leaves for reasons including retirement, death in service, disability, ill-health, injury, redundancy, transfer out of the group and other circumstances at the Remuneration Committee's discretion ("Good Leaver Reasons") during the financial year, they are usually entitled to an incentive payment pro-rated for the period of service during the performance period, which is typically payable at the usual payment date. Where the Executive Director leaves for any other reason, no payment will be made. The amount is subject to performance conditions being met and at the discretion of the Committee. The Committee has discretion to determine an earlier payment date, for example on death in service.
Diageo 2014 long-term incentive plan (DLTIP)	When an Executive Director leaves for any reason other than Good Leaver Reasons, all unvested awards generally lapse immediately. In cases where Good Leaver Reasons apply, awards vest on the original vesting date unless the Remuneration Committee decides otherwise (for example in the case of death in service). The retention period for vested awards continues for all leavers other than in cases of disability, ill health or death in service, unless the Remuneration Committee decides otherwise. The proportion of the award released depends on the extent to which the performance condition is met. The number of shares is reduced on a pro-rata basis reflecting the length of time the Executive Director was employed by the company during the performance period, unless the Committee decides otherwise (for example in the case of death in service). On a takeover or other corporate event, awards vest subject to the extent to which the performance conditions are met and, unless the Committee decides otherwise, the awards are time pro-rated. Otherwise the Committee, in agreement with the new company, may decide that awards should be swapped for awards over shares in the new company; where awards are granted in the form of options then on vesting they are generally exercisable for 12 months (or six months for approved options). Awards may be adjusted on a variation of share capital, demerger or other similar event. The Remuneration Committee may amend the plans, except that any changes to the advantage of participants require shareholder approval, unless the change relates to the administration, or taxation of the plan or participants, or is needed to ensure that the plans operate effectively in another jurisdiction. Details of existing awards are set out in the Annual report on remuneration.
Repatriation	In cases where an Executive Director was recruited from outside the United Kingdom and has been relocated to the United Kingdom as part of their appointment, the company will pay reasonable costs for the repatriation of Good Leavers.

Non-Executive Directors' unexpired terms of appointment

All Non-Executive Directors are on three-year terms which are expected to be extended up to a total of nine years. The date of initial appointment to the Board and the point at which the current letter of appointment expires for Non-Executive Directors are shown in the table below.

Non-Executive Directors	Date of appointment to the Board	Current letter of appointment expires at AGM
Javier Ferrán	22 July 2016	September 2019
Lord Davies of Abersoch	1 September 2010	September 2019
Peggy B Bruzelius	24 April 2009	September 2018
Betsy D Holden	1 September 2009	September 2018
Ho KwonPing	1 October 2012	September 2018
Nicola S Mendelsohn	1 September 2014	September 2017
Philip G Scott	17 October 2007	September 2017
Alan JH Stewart	1 September 2014	September 2017

External appointments

Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any related fees paid to them, subject to the specific approval of the Board in each case.

Payments under previous policies

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed (i) under a previous policy, in which case the provision of that policy shall continue to apply until such payments have been made; (ii) before the policy or the relevant legislation came into effect; or (iii) at a time when the relevant individual was not a director of the company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the company. For these purposes, 'payments' include the satisfaction of awards of variable remuneration and, in relation to awards of shares, the terms of the payment which are agreed at the time the award is granted.

Consideration of employment conditions elsewhere in the company

When reviewing and determining pay for Executive Directors, the Committee takes into account the level and structure of remuneration as well as salary budgets for other employees in the group. More specifically, the Committee reviews annual salary increase budgets for the general employee population in the United Kingdom and United States as well as the remuneration structure and policy for the global senior management population.

Diageo employs 30,400 employees and operates in more than 180 countries around the world. Diageo runs annual employee surveys which give employees the opportunity to give feedback and express their views on a variety of topics, including remuneration. Any comments relating to Executive Directors' remuneration are fed back to the Remuneration Committee.

Consideration of shareholder views

The Committee values the continued dialogue with Diageo's shareholders and engages directly with them and their representative bodies at the earliest opportunity to take their views into account when setting and implementing the company's remuneration policies. This year, the company has engaged extensively with shareholders and their proxy advisers about the new directors' remuneration policy, as well as the base salary proposals for 2017, short- and long-term incentive plan design and target setting for long-term incentive awards to be made in 2017.

Annual report on remuneration

The following section provides details of how the company's 2014 remuneration policy was implemented during the year ended 30 June 2017, and how the Remuneration Committee intends to implement the proposed remuneration policy in the year ending 30 June 2018.

Single total figure of remuneration for Executive Directors (audited)

The table below details the Executive Directors' remuneration for the year ended 30 June 2017.

	Ivan Menezes[i]				Kathryn Mikells[i], [ii]			
Fixed pay	**2017 '000**	**2017 '000**	2016 '000	2016 '000	**2017 '000**	**2017 '000**	2016 '000	2016 '000
Salary	**£1,215**	**$1,543**	£1,027	$1,520	**£671**	**$853**	£419	$620
Benefits[ii]	**£92**	**$117**	£78	$115	**£198**	**$251**	£64	$95
Pension[iii]	**£432**	**$549**	£486	$719	**£135**	**$171**	£83	$123
Total fixed pay	**£1,739**	**$2,209**	£1,591	$2,354	**£1,004**	**$1,275**	£566	$838
Performance related pay								
Annual incentive	**£1,660**	**$2,109**	£1,330	$1,969	**£1,120**	**$1,422**	£585	$866
Long-term incentives[iv]	**–**	**–**	£1,235	$1,827	**–**	**–**	£1,660	$2,457
Other incentives[v]	**–**	**–**	–	–	**£4**	**$5**	–	–
Total remuneration for Executive Director appointment	**£3,399**	**$4,318**	£4,156	$6,150	**£2,128**	**$2,702**	£2,811	$4,161
Other performance related pay								
(Granted prior to appointment as Executive Director)								
Long-term incentives[vi]	**–**	**–**	£366	$542	**–**	**–**	–	–
TOTAL SINGLE FIGURE	**£3,399**	**$4,318**	£4,522	$6,692	**£2,128**	**$2,702**	£2,811	$4,161

Notes

(i) The amounts shown in sterling are converted using the cumulative weighted average exchange rate for the respective financial year. For the year ended 30 June 2017 the exchange rate was £1 = $1.27 and for the year ended 30 June 2016 the exchange rate was £1 = $1.48.

(ii) Benefits is the gross value of all taxable benefits. For Ivan Menezes, these include medical insurance (£20k), company car allowance (£20k), contracted car service (£6k), financial counselling (£42k), product allowance, flexible benefits allowance and life and long-term disability cover. Kathryn Mikells' benefits include flexible benefits allowance (£18k), financial counselling (£14k), contracted car service, life cover and product allowance. 2017 remuneration includes one-off relocation costs in relation to her move from the United States to the United Kingdom, grossed up for tax (£162k).

(iii) Pension benefits earned during the year represent the increase in the pension fund balances over the year in the Diageo North America Inc. pension plans over and above the increase due to inflation. As Ivan Menezes has been a deferred member of the Diageo Pension Scheme (DPS) in the United Kingdom since 31 January 2012, and receives standard statutory increases in deferment the United Kingdom pension amount that accrued over the two years in excess of inflation is nil. Kathryn Mikells became a director and started accruing benefits in the Supplemental Executive Retirement Plan (SERP) with effect from 9 November 2015. The pension input amount for the year ended 30 June 2016 only reflects the period from 9 November 2015 and Kathryn Mikells did not build up any pension benefits prior to that point.

(iv) Long-term incentives represent the estimated gain delivered through share options and performance shares where performance conditions have been met in the respective financial year. For Ivan Menezes in 2017, performance shares and share options awarded under DLTIP in 2014 all lapsed due to the performance conditions not being met. Long-term incentives for 2016 have been adjusted to reflect the actual share price on the date of vesting on 5 September 2016. For further information on the PSP and SESOP performance conditions and vesting outcomes please refer to the 'LTIP awards vesting in the year ended 30 June 2017' section of the report. For Kathryn Mikells, 2016 long-term incentives represents the face value of 87,736 time-vesting replacement share awards (not subject to performance conditions) made on 9 November 2015 in recognition of share awards forfeited from her former employer, and granted in accordance with the remuneration policy on recruitment remuneration. The average closing share price of an ordinary share over the three dealing days prior to the date of grant was 1892.0 pence. There are no other long-term incentive awards vesting based on performance in the year ended 30 June 2017 to report for Kathryn Mikells.

(v) Other incentives include the face value of awards made under all-employee share plans. Awards do not have performance conditions attached.

(vi) Ivan Menezes retains interests in long-term incentive awards that were granted to him in 2012, prior to joining the Board under 'below-Board' plans (Diageo Incentive Plan), details of which are shown on page 79. The part of the third tranche of the award based on performance for the year ended 30 June 2017 will lapse as the performance conditions have not been met. The part of the award based on continuing employment for the year ended 30 June 2017 is not required to be reported in the table above and amounts to 14,643 ADRs, which will vest on 8 March 2018. For 2016, the value of the second tranche of the award has been restated to account for the actual share price on the date of vesting ($110.99 for ADRs).

Salary

Salary increases to be applied in the year ending 30 June 2018

As outlined in the 2016 Annual report on remuneration, base salaries for the Chief Executive and Chief Financial Officer were increased by 2%, effective from 1 October 2016.

In June 2017, the Remuneration Committee reviewed base salaries for senior management and agreed new salaries which will apply from 1 October 2017. In determining these salaries, the Remuneration Committee took into consideration a number of factors including general employee salary budgets and employment conditions, individual performance and experience, and salary positioning relative to internal and external peers. The overall budgeted salary increase for the salary review in October 2017 is 2.5% of base salary for employees in the United Kingdom and 3% in North America.

The Committee considered very carefully the total remuneration positioning of the Chief Executive and Chief Financial Officer, the salary budget for all employees in the United Kingdom and the expectations of shareholders with respect to continuing pay restraint. As a result, it was agreed that there would be a 2% salary increase for both the Chief Executive and the Chief Financial Officer, effective from 1 October 2017. The Chief Financial Officer, Kathryn Mikells, is a US national and her salary on appointment on 9 November 2015 ($1,000,000) was converted into sterling (£650,000) based on the prevailing exchange rate at that point (£1 = $1.54). As Kathryn continues to have living costs in the United States, her salary has been fixed in US dollars from 1 June 2017, rather than in sterling, with salary increases since appointment applied to her US dollar salary. Her salary for 2016 has been converted to US dollars using the same exchange rate as at her appointment.

	Ivan Menezes		Kathryn Mikells	
Salary at 1 October ('000)	**2017**	2016	**2017**	2016
Base salary	**$1,581**	$1,550	**$1,040**	$1,020
% increase (over previous year)	**2%**	2%	**2%**	2%

Annual incentive plan (AIP) (audited)

AIP payout for the year ended 30 June 2017

Performance against the group financial measures and the Individual Business Objectives (IBOs), as assessed by the Remuneration Committee, is described below.

The overall level of performance achieved resulted in an AIP award equating to 136.0% of base salary for Ivan Menezes and 139.4% of base salary for Kathryn Mikells. The actual awards received by the Executive Directors are shown in the 'single total figure of remuneration' table on page 76.

Annual incentive plan (AIP) outcome in the year ended 30 June 2017

Diageo Group(i) (80% of total AIP opportunity)		Threshold	Target	Maximum	Payout (% of total AIP opportunity)
Net sales measure (% growth)(ii)	Performance target	2.25%	4.5%	6.75%	
	Actual performance		4.5%		
	AIP opportunity	**6.25%**	**12.50%**	**25.00%**	**12.5%**
Profit before exceptional items and tax measure (% growth)(iii)	Performance target	4.1%	7.8%	11.5%	
	Actual performance		8.8%		
	AIP opportunity	**6.25%**	**12.50%**	**25.00%**	**15.8%**
Operating cash conversion measure (%)(iv)	Performance target	97%	102%	107%	
	Actual performance			106.9%	
	AIP opportunity	**7.50%**	**15.00%**	**30.00%**	**29.7%**
Total Diageo group AIP outcome		20%	40%	80%	**58.0%**

(i) Performance against the AIP measures is calculated using 2017 budgeted exchange rates in line with management reporting and excludes the impact of IAS 21 in respect of short term intercompany funding balances and IAS 39 in respect of market value movements as recognised in net finance charges and any exceptional items.
(ii) For AIP purposes, the net sales measure is calculated after adjustments for acquisitions and disposals.
(iii) For AIP purposes, the profit before exceptional items and tax measure is calculated as operating profit after adjustments for acquisitions and disposals plus earnings from associated companies less net interest, IAS 21/39 adjustments and year-on-year exchange in respect of interest.
(iv) Operating cash conversion measure is calculated by dividing cash generated from operations excluding cash inflows/outflows in respect of exceptional items, dividends, maturing inventories and post-employment payments in excess of the amount charged to operating profit by operating profit before depreciation, amortisation, impairment and exceptional items. The ratio is stated at the budgeted exchange rate for the respective year in line with management reporting and is expressed as a percentage.

		Payout					
Individual	Individual Business Objectives(v)	IBOs	Group	Total (% max)	Total (% salary)	Total (£'000)	Total ($'000)
Maximum AIP opportunity		20%	80%	**100%**	200%		
Ivan Menezes CEO	– Shift to a productivity focused organisation and deliver the F17 productivity objectives for Diageo – Deliver the Diageo Scotch ambition and Scotch plan and beat the competition – Deliver performance improvement in North America market	10.0%	58.0%	**68.0%**	136.0%	£1,660	$2,109
Kathryn Mikells CFO	– Deliver the F17 productivity objectives for Diageo and the global finance function – Deliver the Diageo Scotch ambition and Scotch plan and beat the competition – Reduce average working capital as a proportion of net sales through improvements to inventory levels and sales forecast accuracy, and achieve nominal cash delivery target	11.7%	58.0%	**69.7%**	139.4%	£1,120	$1,422

(v) The Committee assessed the Executive Directors' performance against each of the IBOs and awarded a rating based on whether they had partially met, achieved or exceeded each goal. The average of all IBO ratings (weighted equally) is shown as the final payout against the IBO element in the table above.

AIP design for the year ending 30 June 2018

The measures and targets used in the AIP are reviewed annually by the Remuneration Committee and are chosen to drive financial and individual business performance goals related to the company's short term strategic operational objectives.

For the year ending 30 June 2018, the Remuneration Committee has decided to replace the measure on operating cash conversion with average working capital as a proportion of net sales, in order to drive focus on working capital management throughout the year and incentivise sustainable actions beneficial to the business in the long term. In addition, the measure on profit before exceptional items and tax (PBET) will be replaced with organic operating profit growth, to align with the profit measure currently used across the rest of Diageo. PBET will instead be measured under the long-term incentive plan. The weightings remain unchanged from last year.

The AIP design for the year ending 30 June 2018 will comprise of four measures (weightings in brackets):

- Operating profit (% growth) (25%): stretching profit targets drive operational efficiency and influence the level of returns that can be delivered to shareholders through increases in share price and dividend income not including exceptional items or exchange;
- Net sales (% growth) (25%): a key performance measure of year-on-year top-line growth;
- Average working capital as a proportion of net sales (30%): ensures focus on working capital management throughout the year and incentivises sustainable actions that are beneficial for the business in the long term; and
- Individual business objectives (20%): measurable deliverables that are specific to the individual and are focused on supporting the delivery of key strategic objectives.

Details of the targets for the year ending 30 June 2018 will be disclosed retrospectively in next year's annual report on remuneration, by which time they will no longer be deemed commercially sensitive by the Board.

Long-term incentive plans (LTIPs) (audited)

LTIP awards vesting in the year ended 30 June 2017 (audited)

As approved by shareholders at the AGM in September 2014, long-term incentive awards are made under the Diageo Long-Term Incentive Plan (DLTIP) for awards from 2014 onwards. Awards are designed to incentivise Executive Directors and senior managers to deliver long-term sustainable performance and are subject to performance conditions normally measured over a three-year period.

Share options – granted in September 2014, vesting in September 2017 (audited)

On 25 September 2014, Ivan Menezes received an award of 45,447 (ADRs) under the DLTIP. The award was subject to a performance condition based on absolute compound annual growth in eps at constant exchange rates, with a straight-line payout between threshold and maximum. Options only vest when stretching eps targets are achieved. Vesting is on a pro rata basis ranging from a threshold level of 20% to a maximum level of 100%. The eps growth targets and actual performance for the 2014 DLTIP awards are set out below:

Vesting of 2014 share option awards	Target	Vesting (% maximum)
Compound annual adjusted eps growth over 1 July 2014 – 30 June 2017		
Threshold	6% p.a.	20%
Maximum	11% p.a.	100%
Actual	**3.0% p.a.**	**0%**

Accordingly, the 2014 DLTIP award has not met the threshold under the performance condition and the options under the award will lapse.

Performance shares – awarded in September 2014, vesting in September 2017 (audited)

On 25 September 2014, Ivan Menezes received an award of 45,447 (ADRs) under the DLTIP. Awards vest after a three-year period subject to the achievement of specified performance tests. Notional dividends accrue on awards and are paid out either in cash or shares in accordance with the vesting schedule.

For the 2014 awards, the primary performance test is split between three equally weighted performance measures:

1. A comparison of Diageo's three-year total shareholder return (TSR) – the percentage growth in Diageo's share price (assuming all dividends and capital distributions are re-invested) – with the TSR of a peer group of international drinks and consumer goods companies. TSR is calculated on a common currency (US dollar) basis;
2. Growth in organic net sales on a compound annual basis; and
3. Total organic operating margin improvement.

The targets and vesting profile for performance share awards granted in September 2014 are shown in the following tables:

Vesting of 2014 performance share awards	Threshold	Mid-point	Maximum	Actual	Vesting (% maximum)
Relative total shareholder return	Median ranking (9th)	–	Upper quintile (3rd or above)	16th	0%
Organic net sales (CAGR)	4.0% p.a.	5.5% p.a.	7.0% p.a.	2.3% p.a.	0%
Organic operating margin improvement	125bps	175bps	225 bps	80 bps	0%
Vesting (% maximum)	20%	60%	100%	0%	0%

The three conditions are weighted equally. For operating margin and net sales, there is straight line vesting between threshold and the midpoint, and between the mid-point and the maximum. The full vesting profile for TSR is shown below:

TSR ranking (out of 17)	Vesting profile for DLTIP performance share awards from 2014
1st, 2nd or 3rd	100%
4th	95%
5th	75%
6th	65%
7th	55%
8th	45%
9th	20%
10th or below	0%

TSR peer group (16 companies)	
AB Inbev	Mondelēz International
Brown Forman	Nestlé
Carlsberg	PepsiCo
Coca-Cola	Pernod Ricard
Colgate-Palmolive	Procter & Gamble
Groupe Danone	Reckitt Benckiser
Heineken	SABMiller
Kimberly-Clark	Unilever

On the basis of this performance, the 2014 performance share award did not meet the performance conditions and, consequently, the shares will lapse.

Diageo Incentive Plan (DIP) (audited)

Ivan Menezes retains interests in awards under the Diageo Incentive Plan that were granted to him in 2012, prior to his appointment as Executive Director. The number of shares granted to him on 8 March 2012 was 117,142 ADRs. 50% of this award is subject to meeting the mid-point of the targets for the financial measures under the long-term incentive plan over the three-year performance periods ending 30 June 2015, 30 June 2016, 30 June 2017 and 30 June 2018. The remaining 50% is subject to continued satisfactory employment. The financial measures under the performance part of the award are equally weighted. Actual performance for the third tranche of the 2012 DIP award (i.e. the tranche based on performance over the three years to 30 June 2017) versus target is set out below:

Vesting of third performance-based tranche of March 2012 DIP award

Performance measures (equally weighted)	Target	Actual	Vesting (% of maximum)
Organic net sales growth (CAGR)	5.5% p.a.	2.3% p.a.	0%
Organic operating margin improvement	175 bps	80 bps	0%
Compound annual adjusted EPS growth	8.5% p.a.	3.0% p.a.	0%
Total			0%

As the table shows, none of the performance related ADRs under the third tranche of the 2012 DIP award will vest in March 2018. The award that will vest to Ivan Menezes in March 2018 will therefore be the part based on continuing employment only (50% of the third tranche), which is 14,643 ADRs, provided he remains employed at the time of vesting. As no part of the award vesting in March 2018 is based on performance during the year ended 30 June 2017, it is not included in the single total figure of remuneration.

DLTIP awards made during the year ended 30 June 2017 (audited)

On 5 September 2016, Ivan Menezes and Kathryn Mikells received awards of 54,356 (ADRs) and 128,253 (ordinary shares) performance shares respectively, and 54,356 (ADRs) and 128,253 (ordinary shares) market price share options respectively, under the DLTIP; details are provided in the table below. The three-year period over which performance will be measured is 1 July 2016 to 30 June 2019. The performance measures are relative total shareholder return, organic net sales growth, cumulative free cash flow and adjusted eps growth, equally weighted. 20% of the award will vest at threshold, with straight-line vesting up to 100% if the maximum level of performance is achieved.

Executive Director	Date of grant	Plan	Share type	Awards made during the year	Exercise price	Face value '000	Face value (% of salary)
Ivan Menezes	05/09/2016	DLTIP – share options	ADR	54,356	$113.66	$5,814	375%
Ivan Menezes	05/09/2016	DLTIP – performance shares	ADR	54,356	–	$5,814	375%
Kathryn Mikells	05/09/2016	DLTIP – share options*	Ord	128,253	2113p	£2,387	360%
Kathryn Mikells	05/09/2016	DLTIP – performance shares	Ord	128,253	–	£2,387	360%

* Of these, 1,419 were tax qualified options and the remainder were non-tax qualified.

The table above specifies the number of performance shares and share options initially awarded under the DLTIP. The proportion of the awards that will vest is dependent upon the achievement of performance conditions and continued employment, and the actual value may be nil. The vesting outcomes will be disclosed in the 2019 annual report.

The face value of each award has been calculated using the award price at the time of grant. In accordance with the rules, the number of performance shares and share options granted under the DLTIP was calculated by using the average closing share price for the last six months of the preceding financial year (1861 pence for ordinary shares and $106.96 for ADRs). In accordance with the plan rules, the exercise price was calculated using the average closing share price of the three days preceding the grant date (2113 pence for ordinary shares and $113.66 for ADRs). The share price on the date of grant was 2126.5 pence for ordinary shares and $115.77 for ADRs.

DLTIP awards to be made in the year ending 30 June 2018

The long-term incentive plan measures are reviewed annually by the Remuneration Committee and are selected to reward long-term consistent performance in line with Diageo's business strategy and to create alignment with the delivery of value for shareholders. The Committee has ensured that the incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour.

The Committee has considered the mix and appropriateness of performance measures under the DLTIP, in view of the uncertainty of the tax environment and the unpredictability of the effective tax rate in years to come.

As a result, for DLTIP awards to be granted in September 2017, the measure on earnings per share (eps) growth will be replaced with one on profit before exceptional items and tax (PBET) growth, and the allocation of measures between the performance share and share option elements of the plan will be shifted, as outlined in the table below.

	Eligibility	2016 DLTIP awards	2017 DLTIP awards
Share options	Executive Directors and Executive Committee	100% on adjusted eps growth	50% on relative TSR vs peer group 50% on organic PBET growth
Performance shares	Executive Directors, Executive Committee & senior leaders	1/3rd on Relative TSR vs peer group	1/3rd on organic PBET growth
		1/3rd on cumulative free cash flow	1/3rd on cumulative free cash flow
		1/3rd on organic net sales growth	1/3rd on organic net sales growth

The performance share element of the DLTIP applies to the Executive Committee and the top 50 senior leaders across the organisation worldwide, whilst the share option element is applicable to a much smaller population comprising only members of the Executive Committee. The structure for the performance share element of DLTIP using PBET instead of relative TSR will embed a focus on long-term earnings growth deeper in the organisation. This enables performance to be driven against a measure that the senior leadership group can directly influence.

Relative TSR, which reflects the value of share price growth plus dividends, is still seen as an important measure of long-term performance, and one that provides alignment with shareholder value, and this measure will therefore be retained under the share option element of the DLTIP, where it is a more appropriate focal point for the Executive Committee. It is proposed to also introduce PBET under the share option element of DLTIP to provide a more balanced view of long-term performance by capturing both internal and external, and relative and absolute performance. Although the impact of any changes to the tax rate will not be directly incentivised under the DLTIP, management of the tax rate will continue to be part of the accountabilities of the Chief Financial Officer and the Head of Group Tax.

The table below outlines the targets and the vesting profile for these awards to the Executive Directors and the relative weightings of each performance measure as a percentage of the total award in performance share equivalents. Performance will be tested over three financial years, beginning with the year ending 30 June 2018.

			Performance shares	Share options		
	Profit before exceptional items and tax growth (CAGR)	Organic net sales (CAGR)	Cumulative free cash flow (£m)	Relative total shareholder return	Profit before exceptional items and tax growth (CAGR)	Vesting profile
Weighting (% total)	25%	25%	25%	12.5%	12.5%	100%
Threshold	4.5% p.a.	3.5% p.a.	£7,200m	Median ranking (ninth)	4.5% p.a.	20%
Mid-point	7.5% p.a.	4.75% p.a.	£7,900m	–	7.5% p.a.	60%
Maximum	10.5% p.a.	6% p.a.	£8,600m	Upper quintile (third or above)	10.5% p.a.	100%

It is intended that a performance share award of 375% of base salary and an award of market price share options of 125% of base salary (in performance share equivalents; one market price option is valued at one-third of a performance share) will be made to Ivan Menezes in September 2017.

It is intended that Kathryn Mikells will be awarded a performance share award of 360% of base salary and an award of market price share options of 120% of base salary (in performance share equivalents) in September 2017.

Pension and benefits in the year ended 30 June 2017

Benefits
Benefits provisions for the Executive Directors continue to be in line with the information set out in the future policy table.

Pension arrangements (audited)
Ivan Menezes and Kathryn Mikells are members of the Diageo North America Inc. Supplemental Executive Retirement Plan (SERP) with an accrual rate of 30% and 20% of base salary, respectively during the year ended 30 June 2017.

The SERP is an unfunded, non-qualified supplemental retirement programme. Under the plan, accrued company contributions are subject to quarterly interest credits. Under the rules of the SERP, employees can withdraw the balance of the plan in the form of five equal annual instalments or a lump sum upon reaching age 55 (Kathryn Mikells) and after having left service with Diageo (within six months of separation from service).

Ivan Menezes participated in the US Cash Balance Plan and the Benefit Supplemental Plan (BSP) until August 2012 and has accrued benefits under both plans. The Cash Balance Plan is a qualified funded pension arrangement. Employer contributions are 10% of pay capped at the Internal Revenue Service (IRS) limit. The BSP is a non-qualified unfunded arrangement; notional employer contributions are 10% of pay above the IRS limit. Interest (notional for the BSP) is credited quarterly on both plans.

Ivan Menezes was also a member of the Diageo Pension Scheme (DPS) in the United Kingdom between 1 February 1997 and 30 November 1999. The accrual of pensionable service ceased in 1999 but the linkage to salary remained until January 2012. Under the Rules of the Scheme, this benefit is payable unreduced from age 60.

Upon death in service, a life insurance benefit of $3 million is payable to Ivan Menezes and a lump sum of four times base salary is payable to Kathryn Mikells.

The table below shows the pension benefits accrued by each Director to date. Note that the accrued United Kingdom benefits for Ivan Menezes are annual pension amounts, whereas the accrued US benefits for Ivan Menezes and Kathryn Mikells are one-off cash balance amounts.

	30 June 2017		30 June 2016	
Executive Director	UK pension £'000 p.a.	US benefit £'000	UK pension £'000 p.a.	US benefit £'000
Ivan Menezes(i)	69	6,236	69	5,588
Kathryn Mikells(ii)	Nil	227	Nil	92

(i) Ivan Menezes' US benefits are higher at 30 June 2017 than at 30 June 2016 by £648k;
(a) £463k higher due to pension benefits earned over the year (£432k of which is over and above the increase due to inflation – as reported in the single figure of remuneration, see page 76);
(b) £69k higher due to interest earned on his deferred US benefits over the year; and
(c) £116k higher due to exchange rate movements over the year.
(ii) Kathryn Mikells' US benefits are higher at 30 June 2017 than at 30 June 2016 by £135k;
(a) £136k higher due to pension benefits earned over the year (£135k of which is over and above the increase due to inflation – as reported in the single figure of remuneration, see page 76); and
(b) £1k lower due to exchange rate movements over the year.

The Normal Retirement Age applicable to each Director's benefits depends on the pension scheme, as outlined below.

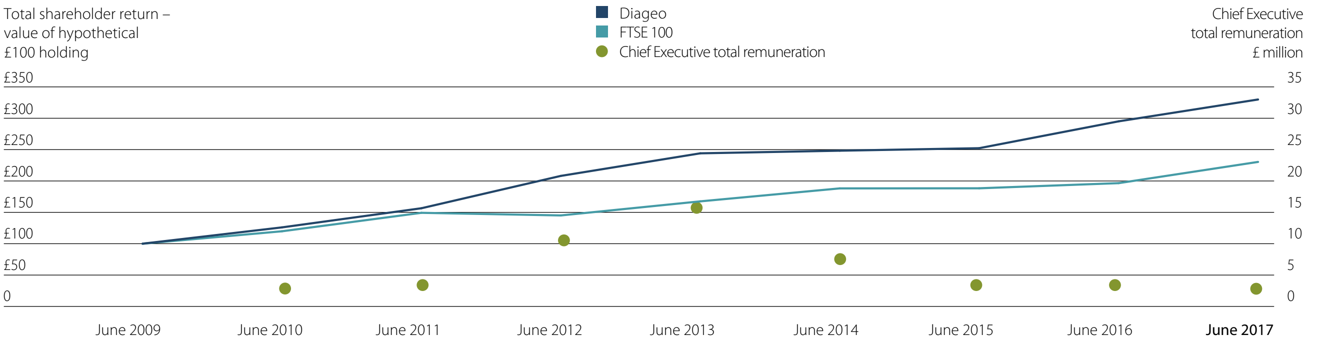
Executive Director	UK benefits (DPS)	US benefits (Cash balance)	US benefits (BSP)	US benefits (SERP)
Ivan Menezes(i)	60	65	6 months after age of leaving service	6 months after age of leaving service
Kathryn Mikells	n/a	n/a	n/a	6 months after age of leaving service, or age 55 if later

(i) Ivan Menezes is able to take his UK pension benefits from age 58 without consent, and his benefits would not be subject to any actuarial reduction in respect of early payment. However, this is a discretionary policy Diageo offers that is not set out in the DPS Scheme Rules.

Governance

Performance graph and table

The graph below shows the total shareholder return for Diageo and the FTSE100 Index since 30 June 2009 and demonstrates the relationship between pay and performance for the Chief Executive, using current and previously published single total remuneration figures. The FTSE100 Index has been chosen because it is a widely recognised performance benchmark for large companies in the United Kingdom.



	Paul S Walsh £'000	Paul S Walsh £'000	Paul S Walsh £'000	Paul S Walsh £'000	Ivan Menezes[(i)] £'000	Ivan Menezes[(i)] £'000	Ivan Menezes[(i)] £'000	**Ivan Menezes[(i)] £'000**
Chief Executive total remuneration (includes legacy LTIP awards)	3,231	4,449	11,746	15,557	7,312	3,888	4,156	**3,399**
Annual incentive (% maximum opportunity)	86%	77%	74%	51%	9%	44%	65%	**68%**
LT – SESOP (% maximum opportunity)	100%	100%	100%	100%	71%	0%	0%	**0%**
LTI – PSP (% maximum opportunity)	0%	0%	65%	95%	55%	33%	31%	**0%**

(i) To enable comparison Ivan Menezes' single total figure of remuneration has been converted into sterling using the cumulative average weighted exchange rate for the relevant financial year.

Percentage change in remuneration of the director undertaking the role of Chief Executive

The table below shows a comparison of the percentage change in the Chief Executive's remuneration to the average percentage change in remuneration for the UK and US population from 2016 to 2017. The chosen population represents the most appropriate comparator group for the Chief Executive, as the Committee considers salary increase budgets in these countries when reviewing Executive Directors' base salaries. Furthermore, the majority of Executive Committee members as well as the Executive Directors are on UK or US reward packages.

	Salary	Taxable benefits	Bonus
	% change	% change	% change
Chief Executive percentage change from 2016 to 2017	2%	2%	7%
Average % change for the UK and US workforce from 2016 to 2017	4%	0%	2%

The percentage change for the Chief Executive is based on the remuneration of Ivan Menezes from 2016 to 2017.

UK salary, benefits and bonus data for both 2016 and 2017 have been converted into US dollars using the cumulative weighted average exchange rate for the year ended 30 June 2017 of £1 = $1.27.

Directors' shareholding requirements and share and other interests (audited)

The beneficial interests of the Directors in office at 30 June 2017 (and their connected persons) in the ordinary shares (or ordinary share equivalents) of the company are shown in the table below.

	Ordinary shares or equivalent[(i)]					
	13 July 2017	30 June 2017 (or date of departure, if earlier)	30 June 2016 (or date of appointment, if later)	Shareholding requirement (% salary)[(ii)]	Shareholding at 13 July 2017 (% salary)[(ii)]	Shareholding requirement met
Chairman						
Javier Ferrán[(iii)]	48,685	48,323	–	–	–	–
Executive Directors						
Ivan Menezes[(iv)]	943,854	943,854	864,714	500%	1696%	Yes
Kathryn Mikells[(iv), (vi)]	37,036	37,028	13,580	400%	123%	No
Non-Executive Directors						
Lord Davies of Abersoch	5,052	5,052	5,052	–	–	–
Peggy B Bruzelius	5,000	5,000	5,000	–	–	–
Betsy D Holden[(iv)]	17,400	17,400	17,400	–	–	–
Ho KwonPing	4,397	4,397	4,353	–	–	–
Nicola S Mendelsohn	5,000	5,000	5,000	–	–	–
Philip G Scott	2,000	2,000	10,000	–	–	–
Alan JH Stewart	2,560	2,560	2,560	–	–	–
Emma Walmsley[(v)]	–	5,094	5,094	–	–	–

Notes
(i) Each person listed beneficially owns less than one percent of Diageo's ordinary shares. Ordinary shares held by Directors have the same voting rights as all other ordinary shares.
(ii) Both the shareholding requirement and shareholding at 13 July 2017 are expressed as a percentage of base salary on 30 June 2017 and calculated using an average share price for the year ended 30 June 2017 of 2193.46 pence.
(iii) Javier Ferrán joined the Board on 22 July 2016, initially in the role of a non-executive director, and was appointed as Chairman on 1 January 2017.
(iv) Ivan Menezes, Kathryn Mikells and Betsy D Holden have share interests in ADRs (one ADR is equivalent to four ordinary shares); the share interests in the table are stated as ordinary share equivalents.
(v) Emma Walmsley was appointed on 1 January 2016 and stepped down from the Board on 21 September 2016.
(vi) Kathryn Mikells has five years from the date of her appointment, that is, until 9 November 2020, to meet the shareholding requirement.

Outstanding share plan interests (audited)

Plan name	Date of award	Performance period	Date of vesting	Share type	Share price on date of grant	Exercise price	Number of shares/ options at 30 June 2016[(i)]	Granted	Vested/ exercised	Dividends awarded and released	Lapsed	Number of shares/ options at 30 June 2017	Total number of shares/ options in Ords[(ii)]
Ivan Menezes													
SESOP[(iii)]	Sep 2010	2010-2013	2013	ADR		\$67.84	55,512		55,512			–	
SESOP[(iii)]	Sep 2011	2011-2014	2014	ADR		\$76.70	36,587					36,587	
SESOP	Sep 2013	2013-2016	2016	ADR		\$123.27	46,239				46,239	–	
Total vested but unexercised share options													**146,348**
DLTIP – share options[(v)]	Sep 2014	2014-2017	2017	ADR		\$117.55	45,447					45,447	
DLTIP – share options[(vi)]	Sep 2015	2015-2018	2018	ADR		\$104.93	49,825					49,825	
DLTIP – share options	Sep 2016	2016 -2019	2019	ADR		\$113.66	–	54,356				54,356	
Total unvested share options subject to performance													**598,512**
DIP[(iv)]	Mar 2012	2012-2019	2016-2019	ADR	\$96.44		43,928		4,880		9,762	29,286	
PSP	Sep 2013	2013-2016	2016	ADR	\$123.08		47,484		14,530		32,954	–	
DLTIP – performance shares[(v)]	Sep 2014	2014-2017	2017	ADR	\$115.80		45,447					45,447	
DLTIP – performance shares[(vi)]	Sep 2015	2015-2018	2018	ADR	\$104.30		49,825					49,825	
DLTIP – performance shares	Sep 2016	2016-2019	2019	ADR	\$115.77		–	54,356				54,356	
Total unvested shares subject to performance													**715,656**
DIP[(iv)]	Mar 2012	2012-2019	2016-2019	ADR	\$96.44		43,929		14,643			29,286	
Total unvested shares not subject to performance													**117,144**
Kathryn Mikells													
DLTIP – share options	Sep 2016	2016-2019	2019	Ord		2113p	–	128,253				128,253	
Total unvested share options subject to performance													**128,253**
DBOP – performance shares[(vii)]	Nov 2015	2015-2018	2018	Ord	1866p		246,300					246,300	
DLTIP – performance shares[(viii)]	Sep 2016	2016-2019	2019	Ord	2127p		–	128,253				128,253	
Total unvested shares subject to performance													**374,553**
DBOP – restricted shares[(vii)]	Nov 2015	2015-2017	2017	Ord	1866p		43,868		43,868			–	
DBOP – restricted shares	Nov 2015	2015-2018	2018	Ord	1866p		43,868					43,868	
Total unvested shares not subject to performance													**43,868**

(i) For unvested awards this is the number of shares/options initially awarded. For exercisable share options, this is the number of outstanding options. All share options have an expiry date of ten years after the date of grant.
(ii) ADRs have been converted to Ords (one ADR is equivalent to four ordinary shares) for the purpose of calculating the total number of vested and unvested shares and options.
(iii) Shares/options granted prior to the Executive's appointment to the Board.
(iv) Ivan Menezes retains interests in an award that were granted to him prior to joining the Board under 'below-board' plans (Discretionary Incentive Plan), amounting to a total of 117,142 ADRs, granted in 2012 (58,572 of award remains unvested). The award is subject to performance conditions and continuing employment. 66.67% of the first tranche vested in March 2016, 66.67% of the second tranche vested in March 2017 and 50% of the third tranche is due to vest in March 2018, with the remaining tranche vesting in March 2019.
(v) Awards made of performance shares and share options under the DLTIP in September 2014 and due to vest in September 2017 are included here as unvested share awards subject to performance conditions, although the awards have also been included in the single figure of remuneration table on page 76, since the performance period ended during the year ended 30 June 2017.
(vi) Details of the performance conditions attached to DLTIP awards of performance shares and share options granted in 2015 were disclosed in Diageo's 2016 Annual Report.
(vii) Replacement shares awarded to Kathryn Mikells on her appointment as Chief Financial Officer on 9 November 2015, in recognition of share awards she forfeited from her previous employer. These awards were made under the Diageo Buy Out Plan (DBOP).
(viii) 1,419 Ords of this award were delivered as tax-qualified share options.

Payments to former directors (audited)

There were no payments to former directors above the de minimis level of £3k in the year ended 30 June 2017.

Payments for loss of office (audited)

There were no payments for loss of office to Executive Directors for the year ended 30 June 2017.

Non-Executive Directors' fees

Javier Ferrán's fee as non-executive Chairman effective 1 January 2017 is £600,000 per annum. The Chairman's fee is appropriately positioned against our comparator group of FTSE 30 companies excluding financial services.

There have been no changes to the basic fee levels for Non-Executive Directors or to the additional fees for the Chairman of the Audit and the Chairman of the Remuneration Committee in the year ended 30 June 2017. The next review is scheduled for January 2018.

	January 2017	January 2016
Per annum fees	£'000	£'000
Chairman of the Board	600	600
Non-Executive Directors		
Base fee	87	87
Senior Non-Executive Director	25	25
Chairman of the Audit Committee	30	30
Chairman of the Remuneration Committee	25	25

Non-Executive Directors' remuneration for the year ended 30 June 2017 (audited)

	Fees £'000		Taxable benefits[i] £'000		Total £'000	
	2017	2016	2017	2016	2017	2016
Chairman						
Dr Franz B Humer	300	550	6	6	306	556
Javier Ferrán[ii]	338	–	1	–	339	–
Non-Executive Directors						
Lord Davies of Abersoch	137	133	2	3	139	136
Peggy B Bruzelius	87	86	3	6	90	92
Betsy D Holden	87	86	6	10	93	96
Ho KwonPing	87	86	1	1	88	87
Nicola S Mendelsohn	87	86	1	1	88	87
Philip G Scott	102	116	13	12	115	128
Alan JH Stewart	102	86	1	1	103	87
Emma Walmsley[iii]	22	44	2	1	24	45

(i) Taxable benefits include a contracted car service, product allowance and expense reimbursements relating to travel, accommodation and subsistence in connection with the attendance of Board meetings during the year, which are deemed by HMRC to be taxable in the United Kingdom. The amounts in the single figure of total remuneration table above include the grossed-up cost of UK tax paid by the company on behalf of the directors. Non-taxable expense reimbursements have not been included in the single figure of remuneration table above.
(ii) £50,000 of Javier Ferrán's net remuneration in the year ended 30 June 2017 was used for the monthly purchase of Diageo ordinary shares, which must be retained until he retires from the company or ceases to be a Director for any other reason.
(iii) Emma Walmsley was appointed to the Board on 1 January 2016 and stepped down from the Board on 21 September 2016.

External appointments held by the Executive Directors

Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any related fees paid to them, subject to the specific approval of the Board in each case.

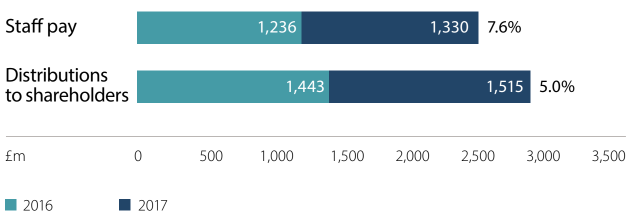
Ivan Menezes – During the year ended 30 June 2017, Ivan Menezes served as a Non-Executive Director of Coach Inc and earned fees of $81,250, which he retained. In line with the Coach Inc policy for outside directors, Ivan Menezes is eligible to be granted share options and restricted share units (RSUs). During the year ended 30 June 2017, he was granted 11,284 options at an option price of $36.72 and 2,078 RSUs (including dividends received) at a fair market value of $36.72 per share.

Kathryn Mikells – During the year ended 30 June 2017, Kathryn Mikells served as a Non-Executive Director of Hartford Financial Services Group Inc. and earned fees of $100,000 for the full year, which were deferred into equity.

Relative importance of spend on pay

The graph below illustrates the relative importance of spend on pay (total remuneration of all group employees) compared with distributions to shareholders, and the percentage change from the year ended 30 June 2016 to the year ended 30 June 2017. Distributions to shareholders are total dividends. The Committee considers that there are no other significant distributions or payments of profit or cash flow.

Relative importance of spend on pay – percentage change



Remuneration committee

The Remuneration Committee consists of the following independent Non-Executive Directors: Peggy B Bruzelius, Lord Davies of Abersoch, Betsy D Holden, Ho KwonPing, Philip G Scott, Nicola S Mendelsohn and Alan JH Stewart. Lord Davies is the Chairman of the Remuneration Committee. The Chairman of the Board and the Chief Executive may, by invitation, attend Remuneration Committee meetings except when their own remuneration is discussed. Diageo's Global Human Resources Director and Global Performance and Reward Director are also invited from time to time by the Remuneration Committee to provide their views and advice. The Chief Executive and Global Human Resources Director are not present when their own remuneration is discussed. The Chief Financial Officer may also attend to provide performance context to the Committee during its discussions about target setting. Information on meetings held and director attendance is disclosed in the corporate governance report.

The Remuneration Committee's principal responsibilities are:

- Making recommendations to the Board on remuneration policy as applied to the Executive Directors and the Executive Committee;
- Setting, reviewing and approving individual remuneration arrangements for the Chairman of the Board, Executive Directors and Executive Committee members including terms and conditions of employment;
- Determining arrangements in relation to termination of employment of the Executive Directors and other designated senior executives; and
- Making recommendations to the Board concerning the introduction of any new share incentive plans which require approval by shareholders.

Full terms of reference for the Committee are available at **www.diageo.com** and on request from the Company Secretary.

External advisors

During the year ended 30 June 2017, the Remuneration Committee received advice from Kepler (a brand of Mercer), appointed by the Committee in December 2013 following a tendering process, who provided independent advice on remuneration best practice and senior executive remuneration.

Kepler is a signatory to, and abides by, the Remuneration Consultants Group Code of Conduct. Further details can be found at **www.remunerationconsultantsgroup.com**. Kepler's parent company, Mercer, provides unrelated services to the company in the areas of all-employee reward and retirement benefits. During the year, Kepler supported the Committee in preparing this Directors' remuneration report, provided remuneration benchmarking survey data to support the salary review for the Executive Committee, provided advice on the design of the long-term incentives, and calculated the TSR of Diageo and its peer companies for the 2013 PSP and 2014 DLTIP awards and provided periodic updates on all outstanding performance cycles. The fees paid to Kepler in relation to advice provided to the Committee were £139,333 and are determined on a time and expenses basis.

Clifford Chance provided advice on the operation of share plans during the year. Fees paid in relation to this advice, again on a time and expenses basis, were £29,367.

The Remuneration Committee is satisfied that the advice it receives from Kepler and Clifford Chance is independent.

The Committee is satisfied that Kepler and Clifford Chance engagement partner and team, that provide remuneration advice to the Committee, do not have connections with Diageo that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Statement of voting

The following table summarises the details of votes cast in respect of the resolutions on the directors' remuneration policy at the 2014 AGM and Annual report on remuneration at the 2016 AGM.

		For	Against	Total votes cast	Abstentions
Directors' remuneration policy	Total number of votes	1,663,866,061	43,275,688	1,707,141,749	18,288,488
	Percentage of votes cast	97.47%	2.53%	100%	n/a
Annual report on remuneration	Total number of votes	1,847,226,415	100,963,321	1,948,189,736	1,783,328
	Percentage of votes cast	94.82%	5.18%	100%	n/a

The Committee was pleased with the level of support shown for the remuneration policy and implementation report and appreciated the active participation of shareholders and their representative advisory bodies in consulting on executive remuneration matters.

Additional information

Emoluments and share interests of senior management
The total emoluments for the year ended 30 June 2017 of the Executive Directors, the Executive Committee members and the Company Secretary (together, the senior management) of Diageo comprising base salary, annual incentive plan, share incentive plan, termination payments and other benefits were £21.8 million (2016 – £20.5 million).

The aggregate amount of gains made by the senior management from the exercise of share options and from the vesting of awards during the year was £11.4 million. In addition, they were granted 1,095,347 performance-based share options under the Diageo Long-Term Incentive Plan (DLTIP) during the year at a weighted average share price of 1708 pence, exercisable by 2027 and 1,703 options not subject to performance under the DLTIP, which will vest in three years. In addition they were granted 516 options over ordinary shares under the UK savings-related share options scheme (SAYE). They were also awarded 1,056,437 performance shares under the DLTIP in September 2016, which will vest in three years subject to the performance tests described in the section on DLTIP awards made during the year ended 30 June 2017 and 87,980 shares under the DIP, which will vest in September 2019.

Senior management options over ordinary shares
At 13 July 2017, the senior management had an aggregate beneficial interest in 1,911,458 ordinary shares in the company and in the following options over ordinary shares in the company:

	Number of options	Weighted average exercise price	Option period
Ivan Menezes	744,860	1754p	2014 – 2026
Kathryn Mikells	128,253	2113p	2019 – 2026
Other[(i)]	2,446,971	1708p	2012 – 2026
	3,320,084		

(i) Other members of the Executive Committee and the Company Secretary.

Key management personnel related party transactions (audited)
Key management personnel of the group comprises the Executive and Non-Executive Directors, the members of the Executive Committee and the Company Secretary.

Diageo plc has granted rolling indemnities to the Directors and the Company Secretary, uncapped in amount, in relation to certain losses and liabilities which they may incur in the course of acting as Directors or Company Secretary (as applicable) of Diageo plc or of one or more of its subsidiaries. These indemnities continue to be in place at 30 June 2017.

Other than disclosed in this report, no Director had any interest, beneficial or non-beneficial, in the share capital of the company. Save as disclosed above, no Director has or has had any interest in any transaction which is or was unusual in its nature, or which is or was significant to the business of the group and which was effected by any member of the group during the financial year, or which having been effected during an earlier financial year, remains in any respect outstanding or unperformed. There have been no material transactions during the last three years to which any Director or officer, or 3% or greater shareholder, or any spouse or dependent thereof, was a party. There is no significant outstanding indebtedness to the company from any Directors or officer or 3% or greater shareholder.

Statutory and audit requirements
This report was approved by a duly authorised Committee of the Board of Directors, on 25 July 2017 and was signed on its behalf by Lord Davies of Abersoch who is senior Non-Executive Director and Chairman of the Remuneration Committee.

The Board has followed the principles of good governance as set out in the UK Corporate Governance Code and complied with the regulations contained in the Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Listing Rules of the Financial Conduct Authority and the relevant schedules of the Companies Act 2006.

The Companies Act 2006 and the Listing Rules require the company's auditor to report on the audited information in their report and to state that this section has been properly prepared in accordance with these regulations.

PWC LLP has audited the report to the extent required by the Regulations, being the sections headed Single total figure of remuneration for Executive Directors (and notes), Annual incentive plan (AIP), Long-term incentive plans (LTIPs), Pension arrangements, Directors' shareholding requirements and share and other interests, Outstanding share plan interests, Non-Executive Directors' remuneration and Key management personnel related party transactions.

The annual report on remuneration is subject to shareholder approval at the AGM on 18 September 2017; the directors' remuneration policy was approved by shareholders at the 2014 AGM.

Terms defined in this remuneration report are used solely herein.

Directors' report

The Directors have pleasure in submitting their Annual Report for the year ended 30 June 2017.

Annual General Meeting

The AGM will be held at The Mermaid Conference & Events Centre, Puddle Dock, Blackfriars, London EC4V 3DB at 2.30pm on Wednesday, 20 September 2017.

Directors

The Directors of the company who served during the year are shown in the section 'Board of Directors and Company Secretary' and 'Executive Committee' above.

In accordance with the UK Corporate Governance Code all the Directors will retire by rotation at the AGM and offer themselves for re-election with the exception of Philip G Scott, who will retire at the end of the AGM.

Further details of Directors' contracts, remuneration and their interests in the shares of the company at 30 June 2017 are given in the Directors' remuneration report.

The Directors' powers are determined by UK legislation and Diageo's articles of association. The Directors may exercise all the company's powers provided that Diageo's articles of association or applicable legislation do not stipulate that any powers must be exercised by the members.

Auditor

The auditor, PricewaterhouseCoopers LLP, is willing to continue in office and a resolution for its re-appointment as auditor of the company will be submitted to the AGM.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all reasonable steps to ascertain any relevant audit information and to ensure that the company's auditor is aware of that information.

Corporate governance statement

The corporate governance statement, prepared in accordance with rule 7.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, comprises the following sections of the Annual Report: the 'Corporate governance report', the 'Report of the Audit Committee' and the 'Additional information for shareholders'.

Significant agreements – change of control

The following significant agreements contain certain termination and other rights for Diageo's counterparties upon a change of control of the company.

Under the agreement governing the company's 34% investment in Moët Hennessy SNC (MH) and Moët Hennessy International SAS (MHI), if a competitor (as defined therein) directly or indirectly takes control of the company (which, for these purposes, would occur if such competitor acquired more than 34% of the voting rights or equity interests in the company), LVMH Moët Hennessy – Louis Vuitton SA (LVMH) may require the company to sell its interests in MH and MHI to LVMH.

The master agreement governing the operation of the group's regional joint ventures with LVMH states that upon a change of control of the company (being, for these purposes, the acquisition by a third party of 30% or more of the issued share capital having voting rights in the company), LVMH may either appoint and remove the chairman of each joint venture entity governed by such master agreement, who shall be given a casting vote, or require each joint venture entity to be wound up.

Other information

Other information relevant to the Directors' report may be found in the following sections of the Annual Report:

Information (including that required by UK Listing Authority Listing Rule 9.8.4)	Location in Annual Report
Agreements with controlling shareholders	Not applicable
Amendment of articles of association	Additional information for shareholders – Articles of association
Contracts of significance	Not applicable
Details of long-term incentive schemes	Directors' remuneration report
Directors – appointment and powers	Additional information for shareholders – Articles of association – Directors
Directors' indemnities and compensation	Directors' remuneration report – Directors' remuneration policy and Additional information; Financial statements – note 20 Related party transactions
Dividends	Financial Statements – Unaudited financial information and group financial review
Employment Policies	Strategic report – Our strategy in action; Strategic report – How we protect our business: risk management and principal risks; Strategic report – Sustainability & Responsibility review
Events since 30 June 2017	Financial statements – note 22 Post balance sheet events
Financial risk management	Financial statements – note 15 Financial instruments and risk management
Future developments	Chairman's statement; Chief Executive's statement; Market Dynamics
Greenhouse gas emissions	Strategic report – Sustainability & responsibility review – Reducing our environmental impact; Additional information for shareholders – External limited assurance of selected sustainability & responsibility performance data
Interest capitalised	Not applicable
Non pre-emptive issues of equity for cash (including in respect of major unlisted subsidiaries)	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Political donations	Corporate governance report
Provision of services by a controlling shareholder	Not applicable
Publication of unaudited financial information	Unaudited information
Purchase of own shares	Additional information for shareholders – Repurchase of shares; Financial statements – note 17 Equity
Research and development	Financial Statements – note 3 Operating costs
Restrictions on transfer of securities	Additional information for shareholders – Restrictions on transfer of shares
Review of the business and principal risks and uncertainties	Chief Executive's statement; Strategic report: How we protect our business: risk management and principal risks
Share capital – structure, voting and other rights	Additional information for shareholders – Share capital and Articles of association; Financial statements – note 17 Equity
Share capital – employee share plan voting rights	Financial statements – note 17 Equity
Shareholdings in the company	Additional information for shareholders – Share capital
Shareholder waivers of dividends	Financial statements – note 17 Equity
Shareholder waivers of future dividends	Financial statements – note 17 Equity
Sustainability and responsibility	Strategic report – How we will deliver our Performance Ambition: Sustainability & Responsibility; Strategic report – How we protect our business: risk management and principal risks; Strategic report – Sustainability & Responsibility review
Waiver of emoluments by a director	Not applicable
Waiver of future emoluments by a director	Not applicable

The Directors' report of Diageo plc for the year ended 30 June 2017 comprises these pages and the sections of the Annual Report referred to under 'Directors', 'Corporate governance statement' and 'Other information' above, which are incorporated into the Directors' report by reference. In addition, certain disclosures required to be contained in the Directors' report, have been incorporated into the 'Strategic report' as set out in 'Other information' above.

The Directors' report was approved by a duly appointed and authorised committee of the Board of Directors on 26 July 2017 and signed on its behalf by David Harlock, the Company Secretary.