

Diageo plc

Matters reserved for the Board

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

General

Any matter which may have a material effect on the Company including but not limited to the Company's financial position, reputation or share price.

Strategy and Financial Plan

Approval of the Group's strategic aims and financial plan(s), and review of performance against these aims and plan(s).

Major Investments and Disposals

Other than commercial or financial transactions in the ordinary course of business, approving all transactions exceeding £75 million, including the following:

- i) Capital expenditure outside the approved annual plan;
- ii) Unbudgeted revenue expenditure;
- iii) Company and asset acquisitions and disposals;
- iv) Investments in joint ventures; and
- v) Any matter covered by the UK Listing Authority Listing Rules which require shareholder approval or notification.

Structure and Capital

- i) Changes to share capital structure.
- ii) Any change to the Company's stock exchange listings or public company status.

Finance (including Treasury)

- i) Approving changes to the operating framework, policies and authority limits for the Treasury function.
- ii) Approving a financing programme or transaction which is not within existing authority limits for the Treasury function.
- iii) Approving the giving of an external guarantee, whether of debt securities (including debentures, bonds, loan notes and other debt instruments) or otherwise, whereby the Group's potential indebtedness is increased by more than £75 million.
- iv) Except under a programme previously approved by the Board, issuing or purchasing any shares of the Company or granting options, awards or other rights over them.

Articles of Association

Undertaking any of the following matters reserved to the Board under the Company's Articles of Association:

- i) Exercising the powers of the Board in relation to proceedings of the Board;
- ii) Authorising the calling of any meeting of shareholders (and the approval of resolutions to be submitted to such meetings).
- iii) Paying or recommending the payment of any dividend or exercising powers under the Articles in relation to reserves and capitalisation of profits;
- iv) Appointing or terminating the appointment of:
 - Any person as a director or as secretary;
 - A director to hold employment or executive office with the Company or to be chairman, senior independent director or chief executive; or
 - Any person as a member, chairman or secretary, of a Board Committee including in particular the Audit, Nomination and Remuneration Committees.
- v) Determining remuneration or other terms of service of any director; and
- vi) Upon the recommendation of the Audit Committee, appointing or dismissing the Company's external auditors, and selecting new external auditors, to be recommended to shareholders.

Accounts and Public Reporting

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

Statutory duties/governance

- i) Considering the balance of interests between shareholders, employees, customers and the community.
- ii) Maintain a sound system of internal control and risk management, including:
 - The review of the effectiveness of the Company's systems of internal control;
 - Approval of the Company's risk footprint and risk appetite statement; and
 - Approval of procedures for the detection of fraud and the prevention of bribery.
- iii) Authorisation of conflicts of interest of directors.
- iv) Annual review of the Board and its Committees, including ensuring an external evaluation is held at least once every 3 years.
- v) Determining the independence of the non-executive directors.

- v) Ensuring a satisfactory dialogue with shareholders and receiving reports on the views of the Company's shareholders.
- vii) Approval of the document (and any changes thereto) outlining the powers, duties and responsibilities of the Chairman, the CEO and the Senior Independent Director
- viii) Determining independence of the Company's auditors (upon the recommendation of the Audit Committee).
- ix) Approval of the Terms of Reference of Committees of the Board.
- x) Changes to this schedule of matters reserved for the Board.

Policies

- i) Approval of policies generally including, but not limited to, Dealing in Securities Code, Code of Business Conduct, Tax Policy, Group Statement of Authorities.
- ii) Making political and charitable donations.

Miscellaneous

- i) Approval of the return of capital, including dividends, policy.
- ii) Review and approval of recommendations of the Remuneration Committee.
- iii) Making a take-over offer for another company within the meaning of the City Code.
- iv) Responding to any approach regarding a take-over of the Company
- v) Responding to any approach by a shareholder activist.
- vi) Approving the long-term strategy for and any major changes to the group's pensions arrangements.
- vii) Prosecution, defence, settlement of litigation and tax cases (above agreed policy thresholds).
- viii) Matters to be brought to the Board's attention at the discretion of the Company Secretary (including but not limited to appointments to the Boards of subsidiary companies, regulatory filings, changes to corporate structure, any matter which may have a material effect on the Company's human resources, and any corporate governance matters which have an impact on the Company).

July 2018