**Foreword**

At Diageo, our ambition is to become one of the most trusted and respected consumer products companies in the world. We are driven by a core belief that successful businesses are those that harness the benefits of a truly diverse and inclusive culture.

Women currently make up 44% of our Board, 40% of our Executive Committee and more than 30% of our global senior leadership team. In April 2018, our Board will reach gender parity when Ursula Burns takes up her position as Non-Executive Director. Diageo was ranked third in the 2017 ‘Hampton-Alexander Review FTSE 100 for Women on Boards and in Leadership’. We are proud of the progress we have already made towards gender equality in our business and have a clear ambition to deliver more. We have recently increased our goal for female representation on our global senior leadership team to 40% and we intend to achieve this target by 2025.

Women are already 50% of our global graduate hires; in Scotland this year, nearly 30% of our new apprentices were women; and our career development programmes have an equal intake of women and men to attract, retain and grow the best talent. We have a number of initiatives in place that have contributed to this progress, and we know there is more to do.

In this report, we provide our gender pay gap information for both our Great Britain and Scotland businesses; identify the causes of the pay gap and outline our plans for closing this gap. We are clear on our ambition to go further and we will deliver more opportunities for women, as we move towards making Diageo the UK company women want to join.

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**Fast facts Diageo plc**

**Hampton-Alexander Review**

3rd

in the ‘Hampton-Alexander Review FTSE 100 for Women on Boards and in Leadership’

**Senior leadership**

>30%

of our senior leadership team are women

**Executive Committee**

40% of our Executive Committee are women

**Our Board**

We will achieve gender parity on our Board in April 2018

**Graduates**

50%

of global graduate hires are women

**Number of employees**

>4,500

in England & Scotland
Measuring the pay gap

The gender pay gap shows the difference in average pay between women and men. It does not measure equal pay, which relates to what women and men are paid for the same or similar jobs or work of equal value.

Calculating our numbers

Under the UK Government’s new Gender Pay Gap regulation, companies need to report their gender pay gap for all legal entities in Great Britain with more than 250 employees.

Diageo employs approximately 4,500 people across the two legal entities in Great Britain covered by the regulations: Diageo Great Britain (1,300) and Diageo Scotland (3,200).

- Diageo Great Britain employs those involved in support and global functions, the packaging of beer and the distribution, marketing, import and sale of beer and spirits.

- Diageo Scotland is primarily a 24/7 manufacturing business and employs those involved in the distillation, warehousing, maturation, bottling and packaging of Scotch whisky and other spirits.

We are also providing combined gender pay data for all employees across Great Britain, which includes employees in legal entities with fewer than 250 employees. Our figures exclude our employees in Northern Ireland, as Northern Ireland is not covered by these reporting regulations.

In this report we are sharing the median and mean (average) pay gaps between men and women's hourly pay and bonuses.
Understanding our pay gap

The median pay gap for employees across these businesses is +8.6%, significantly lower than the Office of National Statistics (ONS) Great Britain (England, Scotland and Wales) median of 18.8%.

The gap is primarily driven by our manufacturing business in Scotland, where we have a large number of manufacturing roles held by men, consistent with demographics in the wider manufacturing sector. In particular, shift patterns requiring employees to work unsociable hours attract a shift allowance, and women are less likely than men to work these shift patterns.

Additionally, in Scotland a smaller proportion of women than men currently occupy senior leadership roles. We are making progress in this area, but due to low levels of voluntary turnover within our Scotland business, we have had limited opportunities to progress women into senior leadership roles.

Diageo Great Britain

There are 1,300 employees in our Great Britain business, which employs all our England employees, a large number of whom are based at our global headquarters in London. These are largely office based roles across functions such as marketing, finance, procurement, HR, information systems and sales.

The median pay gap in our Great Britain business is -9.8%. This reflects the fact that there is a higher proportion of men in more junior field sales and manufacturing roles, and a higher proportion of women in our office based functional roles. On average, office based functional roles sit at a higher job level than field sales and manufacturing roles, resulting in a higher hourly rate for women at the median.

In our Great Britain business, our median bonus pay gap of +12.3% is driven by two factors: a higher proportion of men (than women) are in our field sales force and these roles attract higher levels of annual incentives. The second factor is that a larger proportion of men are in senior leadership roles than women. Bonus targets are higher for senior leadership roles and also attract an annual long-term incentive share grant, which is included in the bonus pay gap calculation.

Diageo Scotland

There are 3,200 employees in our Scottish business. Diageo Scotland is a business that operates a number of 24/7 distilling and packaging sites along with warehousing operations and our cooperage and coppersmith workshop.

In Scotland, our median pay gap is +16.7%. This pay gap is driven by a larger number of manufacturing roles, which traditionally struggle to attract women, in part, due to unsociable shift patterns. These roles can attract higher levels of shift allowance and are more likely to be staffed by men. Men are also more likely to be in the higher paying manufacturing roles such as coopers and craft technicians, due to the nature of the work and elements of heavy manual labour.

The other driver of our median pay gap in Scotland is that fewer women currently occupy senior leadership roles. We are making progress in this area, including building strong, diverse talent pipelines, but due to low levels of voluntary turnover within our Scotland business, we have had limited opportunities to progress women into senior leadership roles.
Closing the gap

Our ambition is to close the gap. To achieve this, we are committed to delivering current and new initiatives to improve how we attract, engage and develop women, as well as other under-represented groups.

• **Leadership development:** We provide training and mentoring for women at all stages of their careers to support their development as leaders. We are continuing our “Women and Leadership in Supply” programme, which in the past three years has reached more than 650 women across our business globally.

• **Maternity support:** We offer coaching to women before, during and after maternity leave to retain talent in our business.

• **Flexible job design:** We are proactively identifying roles across the business that are particularly suitable for part-time, job share and flexible job design to help break down barriers for applicants who do not wish to work full-time. We aim to create an internal job share portal, allowing employees to indicate that they are interested in a job share and find potential job share partners. In addition, if we have an employee who wants to apply for a role on a job share basis and they cannot find a job share partner internally, we will explore whether it is possible to find them a job share partner through external recruitment. In Diageo Great Britain, we will continue to partner with Timewise to ensure roles can be delivered flexibly.

• **Diversity training:** In the first half of 2018, we will be rolling out our “Unconscious Bias in Talent Assessment” training in Scotland for hiring managers.

• **Encouraging women into STEM:** We are planning to introduce Science, Technology, Engineering and Mathematics (STEM) female student internships in 2018. We are also introducing a scholarship programme for women who wish to become STEM students and will work to reach more part-time women STEM returners through work placements.

• **Beyond gender:** We are also committed to ensuring our employee base is reflective of the general population, including nationality, ethnicity, disability and sexual orientation.
Statutory disclosures

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<thead>
<tr>
<th></th>
<th>Diageo Great Britain</th>
<th>Diageo Scotland</th>
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<tbody>
<tr>
<td>% male/female employees</td>
<td>51.1/48.9%</td>
<td>68.0/32.0%</td>
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<tr>
<td>Median gender pay gap</td>
<td>-9.8%</td>
<td>+16.7%</td>
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<tr>
<td>Mean gender pay gap</td>
<td>+4.1%</td>
<td>+11.3%</td>
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<tr>
<td>Median bonus pay gap</td>
<td>+12.3%</td>
<td>-263.1%</td>
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<tr>
<td>Mean bonus pay gap</td>
<td>+23.5%</td>
<td>+9.6%</td>
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<tr>
<td>% males/females receiving a bonus payment</td>
<td>86.3/91.8%</td>
<td>93.6/94.4%</td>
</tr>
<tr>
<td>Upper quartile* (male/female %)</td>
<td>57.3/42.7%</td>
<td>78.5/21.5%</td>
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<tr>
<td>Upper middle quartile (male/female %)</td>
<td>44.1/55.9%</td>
<td>76.4/23.6%</td>
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<tr>
<td>Lower middle quartile (male/female %)</td>
<td>44.0/56.0%</td>
<td>62.1/37.9%</td>
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<tr>
<td>Lower quartile (male/female %)</td>
<td>60.7/39.3%</td>
<td>55.5/45.0%</td>
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*Quartiles are based on hourly pay rates

Declaration

We confirm the information and data reported is accurate as of the snapshot date 5 April 2017.

Ivan Menezes  Mairéad Nayager
Chief Executive  Human Resources Director