

External assurance: PwC

Independent Limited Assurance Report on Selected Information



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Independent Limited Assurance Report to the Directors of Diageo plc on Selected Information

Our limited assurance conclusion

Based on the procedures we have performed, as described under “Summary of work performed” and the “Key Assurance Matters” sections below, and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information marked with the symbol Δ in Diageo plc’s (‘Diageo’s’) ESG Reporting Index 2024 (‘the Report’) for the year ended 30 June 2024 and summarised below (together, the ‘Subject Matter Information’), has not been prepared, in all material respects, in accordance with Diageo’s Non-financial Reporting boundaries and methodologies (the ‘Reporting Criteria’) set out on pages 94-116 of the ESG Reporting Index.

What we were engaged to assure

The Subject Matter Information needs to be read and understood together with the Reporting Criteria which Diageo’s Directors are solely responsible for selecting and applying. The Subject Matter Information set out in the table below and the Reporting Criteria set out on pages 94-116 of the Report:

Subject Matter Information (for the year ended 30 June 2024 unless otherwise stated)	Reported Figure	Location of Subject Matter Information in the Report
Environmental indicators:		
Total mains water withdrawn (ML) ⁽¹⁾	8,690	page 39
Total ground water withdrawn (ML) ⁽¹⁾	5,124	page 39
Total surface water withdrawn (ML) ⁽¹⁾	1,615	page 39
Total water withdrawn (ML) ⁽¹⁾	15,429	page 39
Direct greenhouse gas emissions by weight (market/net based) (1,000 tonnes CO ₂ e) ⁽¹⁾	354	page 48
Indirect greenhouse gas emissions by weight (market/net based) (1,000 tonnes CO ₂ e) ⁽¹⁾	4	page 48
Direct greenhouse gas emissions by weight (location/gross based) (1,000 tonnes CO ₂ e) ⁽¹⁾	418	page 48
Indirect greenhouse gas emissions by weight (location/gross based) (1,000 tonnes CO ₂ e) ⁽¹⁾	181	page 48
Total direct and indirect greenhouse gas emissions by weight (location/gross based) (1,000 tonnes CO ₂ e) ⁽¹⁾	599	page 48
Location based (gross) intensity ratio of greenhouse gas emissions (g CO ₂ e per litre of packaged product) ⁽¹⁾	160	page 49
Total direct (renewable and non-renewable) energy consumption (TJ) ⁽¹⁾	10,289	page 36
Direct energy efficiency (MJ/litre packaged) ⁽¹⁾	2.7	page 37
Indirect energy efficiency (MJ/litre packaged) ⁽¹⁾	0.6	page 37
Total direct and indirect energy efficiency (MJ/litre packaged) ⁽¹⁾	3.3	page 37
Wastewater polluting power (‘BOD’), total under direct control (tonnes) ⁽¹⁾	31,364	page 40

(1) The footnotes refer to our assessment of materiality discussed in the ‘Materiality’ this report.

The scope of our work did not extend to information in respect of earlier periods or to any other information included in, or linked from, the Report.

Our work

Professional standards applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', and, in respect of the greenhouse gas (GHG) emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board.

Our independence and quality control

We have complied with the Institute of Chartered Accountants in England and Wales Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code).

We apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed

We performed a limited assurance engagement. Because the level of assurance obtained in a limited assurance can vary, we give more detail about the procedures performed, so that the intended users of the Subject Matter Information can understand the nature, timing and extent of procedures we performed as context for our conclusion. These procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

In performing our assurance procedures, which were based on our professional judgement, we performed the following:

- evaluated the suitability in the circumstances of Diageo's use of the Reporting Criteria as the basis for preparing the Subject Matter Information including the associated reporting boundaries;
- through enquiries, obtained an understanding of Diageo's control environment, processes and systems relevant to the preparation of the Subject Matter Information. Our procedures did not include evaluating the suitability of design, obtaining evidence about their implementation or testing operating effectiveness of particular control activities;
- evaluated whether Diageo's methods for developing certain estimates are appropriate and had been consistently applied, noting that our procedures did not involve testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Diageo's estimates;
- compared year on year movements and obtained explanations from management for significant differences we identified;

- performed limited substantive testing on a selective basis of the Subject Matter Information, which is aggregated from information submitted by Diageo's operational sites. We undertook site visits at 10 of Diageo's operational sites which we selected based on their inherent risk, materiality and unexpected fluctuations in the site level Subject Matter Information since the prior period. Testing involved, on a sample basis, agreeing arithmetical accuracy of calculations, and agreeing data points to or from source information to check that the underlying subject matter had been appropriately evaluated or measured, recorded, collated and reported;
- evaluated the disclosures in, and overall presentation of, the Subject Matter Information.

Materiality

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Subject Matter Information is likely to arise. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our procedures in support of our conclusion. We believe that it is important that the intended users have the information they need to understand the concept and the level of materiality to place our conclusion in context. Based on our professional judgement, we determined materiality for the Subject Matter Information as follows:

Overall materiality

Materiality may differ depending upon the nature of the Subject Matter Information. We apply professional judgement to consider the most appropriate materiality benchmark for each aspect of the Subject Matter Information, having considered how the intended users may use the information.

The benchmark approach for each aspect of the Subject Matter Information is indicated in the "What we were engaged to assure" table by the following:

1. This metric is an absolute number or a ratio. A benchmark materiality of 5% has been applied.

We also agreed to report to the Directors misstatements ('reportable misstatements') identified during our work at a level below overall materiality, as well as misstatements below that lower level that in our view warranted reporting for qualitative reasons. The Directors are responsible for deciding whether adjustments should be made to the Subject Matter Information in respect of those items.

Key Assurance Matters

Key Assurance Matters are those areas of our work that in our professional judgement required particular focus and attention, including those which had the greatest effect on the overall assurance strategy, the allocation of resources, and directing the efforts of the engagement team.

We considered the following area to be a Key Assurance Matter and discussed it with Diageo's management.

Clarity and application of the organisational boundary criteria

Nature of the issue

The Subject Matter Information has been prepared using internally generated Reporting Criteria that draw on aspects of sustainability reporting frameworks, such as the GHG Protocol Corporate Standard. This approach to developing Reporting Criteria is accepted practice in the UK.

As part of their Reporting Criteria, Diageo defines and applies an ‘operational control’ approach to identify its organisational boundary which determines what should be included within their environmental reporting. Due to the nature and complexity of certain arrangements, management uses judgement in determining whether Diageo has operational control. For example, management judgement has been applied in assessing operational control for leased manufacturing units, third party manufacturing units, joint ventures, associates, assets under construction and commissioning, acquisitions and disposals.

In the current period, Diageo has updated their Reporting Criteria to provide further clarity and highlight the judgements made to improve understandability for users of what is included within the organisational boundary.

Changes to organisational boundaries can have a significant impact on the reported Subject Matter Information which is why we have determined this to be an area of audit focus.

How our work addressed the Key Assurance Matter

The following procedures have been performed to address the identified risk:

- Considered the appropriateness of Diageo’s Reporting Criteria with respect to its organisational boundary, taking into consideration relevant sustainability reporting frameworks;
- Tested the application of the organisational boundary as defined by the updated Reporting Criteria.

Element(s) of the Subject Matter Information most significantly impacted

Environmental indicators referenced above within the table in the “What we were engaged to assure” section.

Challenges of non-financial information

The absence of a significant body of established practice upon which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities, and over time.

Non-financial information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for measuring or evaluating it. The precision of different measurement techniques may also vary.

Reporting on Other Information

The other information comprises all of the information in the Report other than the Subject Matter Information and our assurance report. The Directors are responsible for the other information. As explained

above, our conclusion does not extend to the other information and, accordingly, we do not express any form of assurance thereon.

In connection with our assurance of the Subject Matter Information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

Responsibilities of the Directors

The Directors of Diageo are responsible for:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring or evaluating the underlying subject matter;
- ensuring that those Reporting Criteria are relevant and appropriate to Diageo and the intended users of the Report;
- the preparation of the Subject Matter Information in accordance with the Reporting Criteria including designing, implementing and maintaining systems, processes and internal controls over the evaluation or measurement of the underlying subject matter to result in Subject Matter Information that is free from material misstatement, whether due to fraud or error;
- documenting and retaining underlying data and records to support the Subject Matter Information; and
- producing the Report that provides a balanced reflection of Diageo’s performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the Report; and
- producing a statement of Directors’ responsibility.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error and in accordance with the Reporting Criteria;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Diageo.

Use of our report

Our report, including our conclusion, has been prepared solely for the Directors of Diageo in accordance with the agreement between us dated 29 November 2023 (as varied) (the “agreement”). To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Board of Directors and Diageo for our work or our report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
London
29 July 2024

DIAGEO

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every day, everywhere

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