

Leadership and *experience*



Javier Ferrán
Chairman
Nationality: Spanish

Appointed: Chairman and Chairman of the Nomination Committee: January 2017 (Appointed Chairman Designate and Non-Executive Director: July 2016)

Key strengths: Brings extensive board-level experience from the drinks and consumer products industry, including at chief executive level, and has a wealth of experience in consumer goods through his venture capital activities to draw from in his role as Chairman and leader of the Board

Current external appointments: Chairman, International Consolidated Airlines Group, S.A.; Senior Advisor and chairman of investee company board, BlackRock Long Term Private Capital

Previous relevant experience: Non-Executive Director and Senior Independent Director, Associated British Foods plc; Non-Executive Director, Coca-Cola European Partners plc; Member, Advisory Board of ESADE Business School; President and CEO, Bacardi Limited; Non-Executive Director, SABMiller plc



Ivan Menezes
Chief Executive
Nationality: American/British

Appointed: Chief Executive: July 2013 (Appointed Executive Director: July 2012)

Key strengths: Has extensive experience of over 20 years with the Diageo group at operational and leadership levels and within the consumer products industry, which brings valuable insight to lead the group and implement the strategy

Current external appointments: Chairman of the Council, Scotch Whisky Association; Non-Executive Director, Tapestry Inc.; Member of the Global Advisory Board, Kellogg School of Management, Northwestern University; Trustee, Movement to Work; Member, International Alliance for Responsible Drinking, CEO Group

Previous Diageo roles: Chief Operating Officer; President, North America; Chairman, Diageo Asia Pacific; Chairman, Diageo Latin America and Caribbean; senior management positions, Guinness and then Diageo

Previous relevant experience: Marketing and strategy roles, Nestlé, Booz Allen Hamilton Inc. and Whirlpool



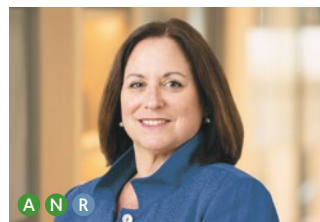
Lavanya Chandrashekar
Chief Financial Officer
Nationality: American

Appointed: Chief Financial Officer and Executive Director: July 2021

Key strengths: Brings broad financial expertise, commercial skills and strong consumer goods experience to manage the group's affairs relating to financial controls, accounting, tax, treasury and investor relations

Previous Diageo roles: Chief Financial Officer, Diageo North America and Global Head of Investor Relations

Previous relevant experience: Vice President Finance, Global Cost Leadership and Supply Chain, Mondelez International; VP Finance, North America, Mondelez International, VP Finance, Eastern Europe, Middle East and Africa, Mondelez International; various senior finance roles at Procter & Gamble



Susan Kilsby
Senior Independent Director
Nationality: American/British

Appointed: Senior Independent Director: October 2019 (Appointed Non-Executive Director: April 2018 and Chairman of the Remuneration Committee: January 2019)

Key strengths: Brings wide-ranging corporate governance and board level experience across a number of industries, including a consumer goods sector focus, with particular expertise in mergers and acquisitions, corporate finance and transaction advisory work

Current external appointments: Non-Executive Chair, Fortune Brands Home & Security, Inc.; Non-Executive Director, Unilever PLC, NHS England; Member, the Takeover Panel

Previous relevant experience: Senior Independent Director and Chair of Remuneration Committee, BHP Group Plc, BHP Group Limited; Senior Independent Director, BBA Aviation plc; Chairman, Shire plc; Chairman, Mergers and Acquisitions EMEA, Credit Suisse; Senior Advisor, Credit Suisse; Non-Executive Director, Goldman Sachs International, Keurig Green Mountain, L'Occitane International, Coca-Cola HBC



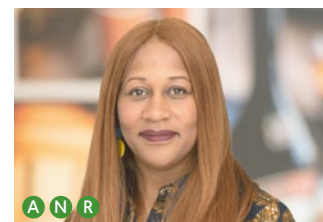
Melissa Bethell
Non-Executive Director
Nationality: American/British

Appointed: Non-Executive Director: June 2020

Key strengths: Has extensive international corporate and financial experience, including in relation to private equity, financial sectors, strategic consultancy and advisory services, as well as having strong non-executive experience at board and committee levels across a range of industries, including retail, consumer goods and financial services

Current external appointments: Managing Partner, Atairos Europe; Non-Executive Director, Tesco PLC, Exor N.V.; Trustee, Sadlers Wells

Previous relevant experience: Managing Director and Senior Advisor, Private Equity, Bain Capital; Non-Executive Director, Atento S.A., Worldpay plc, Samsonite S.A.



Karen Blackett
Non-Executive Director
Nationality: British

Appointed: Non-Executive Director: June 2022

Key strengths: Brings expertise in marketing, media and the creative industries, as well as broad experience in public policy and strategic initiatives through a number of different government, industry and public bodies

Current external appointments: UK Country Manager, WPP plc; Chief Executive Officer, GroupM UK; Chancellor, University of Portsmouth; Founding Trustee, Black Equity Organisation; Non-Executive Director, Creative UK; Non-Executive Director, The MOBO Trust

Previous relevant experience: UK Race Equality Business Champion, HM Government; Business Ambassador, Department for International Trade, HM Government; Chairwoman, MediaCom UK & Ireland, Chief Executive Officer, MediaCom UK; Chief Operations Officer, MediaCom EMEA; Marketing Director, MediaCom



Valérie Chapoulard-Floquet
Non-Executive Director
Nationality: French

Appointed: Non-Executive Director: January 2021

Key strengths: Brings strong experience and expertise in the luxury consumer goods sector, having spent her career in the industry working in a number of international markets, including developed and emerging markets, and as a former CEO in the premium drinks industry

Current external appointments: Non-Executive Director, Danone S.A., Nextstage S.C.A., Jacobs Holding AG; Vice Chairman, Sofisport

Previous relevant experience: Chief Executive Officer, Rémy Cointreau S.A.; President and CEO for the Americas, Louis Vuitton, LVMH Group; President and CEO for North America, Louis Vuitton, LVMH Group; President South Europe, Louis Vuitton, LVMH Group; President and CEO, Louis Vuitton Taiwan, LVMH Group; President, Luxury Product Division for the USA, L'Oréal Group



Sir John Manzoni
Non-Executive Director
Nationality: British

Appointed: Non-Executive Director: October 2020

Key strengths: Has strong commercial executive experience as a former CEO in the energy sector and non-executive board level experience, including in the alcoholic beverage industry, as well as more recent expertise in public policy and government affairs

Current external appointments: Chairman, SSE plc; Chairman, Atomic Weapons Establishment; Non-Executive Director, KBR Inc.

Previous relevant experience: Chief Executive of the Civil Service and Permanent Secretary of the Cabinet Office, HM Government; President and Chief Executive Officer, Talisman Energy; Chief Executive, Refining & Marketing, BP p.l.c.; Chief Executive, Gas & Power, BP p.l.c.; Non-Executive Director, SABMiller plc



Lady Mendelsohn
Non-Executive Director
Nationality: British

Appointed: Non-Executive Director: September 2014

Key strengths: Has specialist knowledge and understanding of consumer-facing emerging technologies, privacy and data issues, as well as wide experience of board and committee level appointments across diverse commercial, governmental and charitable

institutions, as well as advisory roles in advertising and production of consumer goods

Current external appointments: Head of the Global Business Group, Meta Platforms Inc.; Co-President, Norwood; Member, Mayor's Business Advisory Board; Chair, Follicular Lymphoma Foundation

Previous relevant experience: Executive Chairman, Karmarama; Deputy Chairman, Grey London; Board Director, BBH, Fragrance Foundation; President, Institute of Practitioners in Advertising; Director, Women's Prize for Fiction; Co-Chair, Creative Industries Council; Member, HMG Industrial Strategy Council; Board Member, CEW; Trustee, White Ribbon Alliance; Chair, Corporate Board, Women's Aid



Alan Stewart
Non-Executive Director
Nationality: British

Appointed: Non-Executive Director: September 2014 (Appointed Chairman of the Audit Committee: January 2017)

Key strengths: Has a strong background in financial, investment banking and commercial matters, with particular expertise in consumer retail industries, as well as board and committee level experience at industry institutions

Current external appointments: Non-Executive Director, Reckitt Benckiser Group PLC

Previous relevant experience: Chief Financial Officer, Tesco PLC; Non-Executive Director, Tesco Bank; Chief Financial Officer, Marks & Spencer Group plc, AWAS; Non-Executive Director, Games Workshop plc; Group Finance Director, WH Smith PLC; Chief Executive, Thomas Cook UK



Ireena Vittal
Non-Executive Director
Nationality: Indian

Appointed: Non-Executive Director: October 2020

Key strengths: Brings a wealth of FMCG experience from a career in executive consulting with a focus on consumer sectors and emerging markets, including India, as well as broad experience in non-executive board roles in the UK and India

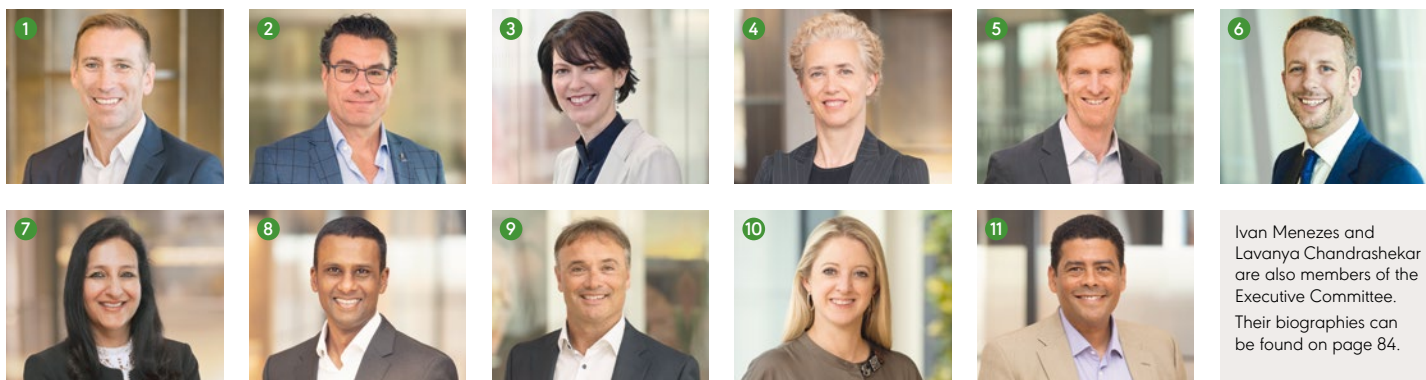
Current external appointments: Non-Executive Director, Compass Group PLC, Housing Development Finance Corporation Limited; Non-Executive and Lead Independent Director, Godrej Consumer Products Limited, Wipro Limited

Previous relevant experience: Head of Marketing and Sales, Hutchinson Max Telecom; Partner, McKinsey and Company; Non-Executive Director, Titan Company Limited, Tata Global Beverages Limited, Tata Industries, GlaxoSmithKline Consumer Healthcare

Board committees

- A Audit Committee
- E Executive Committee
- N Nomination Committee
- R Remuneration Committee
- Chairman of the committee

Expertise and *diversity*



Ivan Menezes and Lavanya Chandrashekar are also members of the Executive Committee. Their biographies can be found on page 84.

1 Ewan Andrew, President, Global Supply Chain & Procurement and Chief Sustainability Officer
Nationality: British | **Appointed:** September 2019
Previous Diageo roles: Supply Director, International Supply Centre; Senior Vice President, Supply Chain & Procurement, Latin America & Caribbean; Senior Vice President Manufacturing & Distilling, North America; various supply chain, operational management and procurement roles
Current external appointments: Member, Scotch Whisky Association Council, Scottish Business Climate Collaboration Board, One Planet Business for Biodiversity Board

2 Alvaro Cardenas, President, Latin America and Caribbean
Nationality: Colombian | **Appointed:** January 2021
Previous Diageo roles: Managing Director, Andean Region; Director, End-to-End Global Commercial Processes; Finance Director, South East Asia Region, PUB (Paraguay, Uruguay and Brazil) Region, Andean Region, Colombia

3 Debra Crew, President, North America & Global Supply
Nationality: American | **Appointed:** July 2020
Previous Diageo roles: Non-Executive Director, Diageo plc
Current external appointments: Non-Executive Director, Stanley Black & Decker, Inc.
Previous relevant experience: Non-Executive Director, Newell Brands, Mondelez International Inc.; President and CEO, Reynolds American, Inc; President, PepsiCo North America Nutrition, PepsiCo Americas Beverages, Western Europe Region; various positions with Kraft Foods, Nestlé, S.A., and Mars

4 Cristina Diezhandino, Chief Marketing Officer
Nationality: Spanish | **Appointed:** July 2020
Previous Diageo roles: Global Category Director, Scotch & Managing Director, Reserve Brands; Managing Director, Caribbean and Central America; Marketing & Innovation Director, Diageo Africa; Category Director, Scotch Portfolio & Gins; Global Brand Director, Johnnie Walker
Previous relevant experience: Corporate Marketing Director, Allied Domecq Spain; marketing roles, Unilever HPC US, UK and Spain

5 John Kennedy, President, Europe and India
Nationality: American | **Appointed:** July 2016
Previous Diageo roles: President, Europe and Western Europe; Chief Operating Officer, Western Europe; Marketing Director, Australia; General Manager for Innovation, North America; President and Chief Executive Officer, Diageo Canada; Managing Director, Diageo Ireland
Previous relevant experience: Brand management roles, GlaxoSmithKline and Quaker Oats

6 Daniel Mobley, Global Corporate Relations Director
Nationality: British | **Appointed:** June 2017
Previous Diageo roles: Corporate Relations Director, Europe
Previous relevant experience: Regional Head of Corporate Affairs, India & South Asia, Regional Head of Corporate Affairs, Africa, Group Head of Government Relations, Standard Chartered; extensive government experience including in HM Treasury and Foreign & Commonwealth Office

7 Hina Nagarajan, Managing Director and CEO of United Spirits Limited
Nationality: Indian | **Appointed:** July 2021
Previous Diageo roles: CEO-Designate, United Spirits Limited; Managing Director, Africa Regional Markets
Previous relevant experience: Managing Director, China & SVP North Asia, Reckitt Benckiser; General Manager, Malaysia & Singapore, Reckitt Benckiser; CEO & MD Mary Kay India; senior marketing and general management roles, ICI Paints India and Nestlé India

8 Dayalan Nayager, President, Africa
Nationality: South African/British | **Appointed:** July 2022
Previous Diageo roles: Managing Director, Great Britain and Justerini & Brooks, Ireland and France, Global Travel; Regional Director, Global Travel Europe; Commercial Director, South Africa; Customer Marketing Director, South Africa; Key Account Director, South Africa
Previous relevant experience: Various positions, Heinz, Mars and Pick n Pay Retailers

9 John O’Keeffe, President, Asia Pacific & Global Travel
Nationality: Irish | **Appointed:** July 2015
Previous Diageo roles: President, Africa & Beer; CEO and Managing Director, Guinness Nigeria; Global Head, Innovation; Global Head, Beer and Baileys; Managing Director, Russia and Eastern Europe; various management and marketing positions

10 Louise Prashad, Chief HR Officer
Nationality: British | **Appointed:** January 2022
Previous Diageo roles: Global Talent Director; Talent Director, Africa; HR Director, Europe, West Latin America and Caribbean, Global Functions
Previous relevant experience: various HR roles, Diageo, Stakis Group and Hilton Hotels

11 Tom Shropshire, General Counsel & Company Secretary
Nationality: American/British | **Appointed:** July 2021
Current external appointments: Member of the Steering Committee, The Parker Review; Trustee, Charity Projects Limited (Comic Relief); Director, Comic Relief Limited
Previous relevant experience: Partner & Global US Practice Head, Linklaters LLP

Effective governance *enabling growth*



Dear Shareholder

I am delighted to present, on behalf of the Board, our corporate governance report for the year ended 30 June 2022, which summarises the role of the Board in providing effective leadership in promoting the long-term sustainable success of Diageo.

The Board is very conscious of the role that it plays in ensuring that Diageo operates in a manner which is consistent with the highest standards of corporate governance - doing business the right way, from grain to glass. A core element of this is the work that the Board has done over the year to ensure that Diageo contributes to wider society through sustainable, long-term practices as well as through our 2030 targets. This has included reviewing and adapting internal governance processes to ensure that ESG considerations are fully embedded within Diageo's decision-making, and that our planning and decisions can be fully informed by the environmental and societal implications of those decisions. This is of particular importance at a time when we are continuing to invest, for long-term growth, in our brands and portfolio.

Effective leadership is also dependent on a healthy, empowered and positive business culture. Diageo has a strong and long-established purpose, culture and set of values which collectively anchor our priorities and actions even in recent challenging years. The importance of culture has been particularly acute this year as our workforce adapts to new ways of working and is supported to accelerate growth of our business. Further details on how the Board has monitored and assessed culture can be found on pages 96 to 97. The Board has expanded its workforce engagement programme through all Directors directly participating in sessions with a broad cross-section of Diageo's workforce as well as through additional surveys and feedback received on the behavioural change and optimal culture required to achieve Diageo's ambition. Insights from this engagement programme have been used to inform the steps taken by the Board to simplify ways of working and to improve efficiency of systems and processes, with the goal of empowering our people through enabling more agility and speed in execution. More details of how we have engaged with and listened to our people are set out in our workforce engagement statement on page 96.

Diageo is performing strongly despite the challenges of the pandemic over the last few years, continued instability in the global environment and economic uncertainty, and current inflationary pressures on supply chains. Performance is dependent on the Board providing effective leadership and setting Diageo's strategic priorities, enabling swift execution by management underpinned by a transparent and values-based culture. We will continue to refine and develop our governance processes, to ensure robustness and efficiency, at Board level and throughout the company, in a way which enables the creation of sustainable long-term value for our shareholders and other stakeholders.

Javier Ferrán
(Chairman)

Compliance with the UK Corporate Governance Code

During the year ended 30 June 2022, Diageo has applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 (the Code), with the exception of Provision 38 in respect of company pension contributions for incumbent Executive Directors, details of which are set out on page 113. Below are some examples of Diageo's compliance with certain areas of the Code, together with cross-references to other sections of this Annual Report where further information can be found.

- Whistle-blowing mechanisms (Provision 6): SpeakUp is a confidential global service which can be used by the workforce or any third parties to raise concerns about anything relating to Diageo, including potential breaches of Diageo's Code of Business Conduct, policies, standards or the law, or anything which might cause risk of harm to others or the environment. SpeakUp, which is administered by an independent service provider, can be accessed either online or by telephone and can, in countries where legally permitted, be used anonymously and reports kept confidential. Allegations are investigated by independent Diageo teams and progress on investigations monitored by the Business Integrity team. Where allegations are substantiated, appropriate disciplinary and corrective actions are taken. The Audit Committee receives and reviews regular reports on allegations, including trends information and investigation closure rates. Since all of Diageo's non-executive directors attend the Audit Committee, all non-executive directors who make up the Board routinely review the findings of the company's whistle-blowing processes in accordance with Provision 6 of the Code. Further information is set out on page 102.
- Independence (Provisions 9, 10, 11 and 12): The Chairman was considered independent on his appointment, as assessed against the criteria set out in Provision 10 of the Code. The roles of chairman and chief executive are not exercised by the same person. Over half of the Directors are independent non-executives and none have served for longer than nine years. Susan Kilsby is our Senior Independent Director and meets with other non-executive directors, without the Chairman attending, twice yearly to appraise the performance of the Chairman. Further information about the structure of the Board is set out on pages 88-90.
- Board effectiveness evaluation (Provisions 21 and 22): A formal rigorous assessment and evaluation of the performance of the Board, its Committees, its processes and procedures, and of individual directors including the Chairman is undertaken each year. During this year, the evaluation was carried out through an internal process overseen by the Nomination Committee and facilitated by Diageo's company secretarial team. Further details about this internal Board evaluation exercise, its methodology, recommendations and actions are set out on page 95.

Enabling our *ambition*

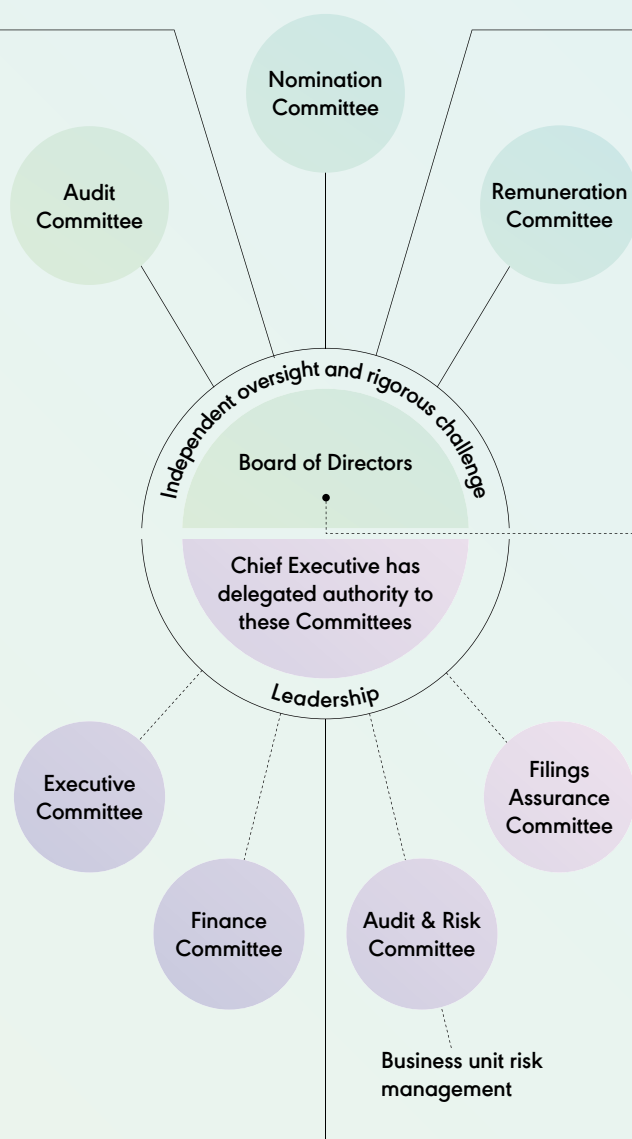
Corporate governance structure and division of responsibilities

Non-Executive Directors
 Melissa Bethell, Valérie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart, Ireena Vittal and Karen Blackett

The Non-Executive Directors, all of whom the Board has determined are independent, experienced and influential individuals from a diverse range of industries, backgrounds and countries.

- Constructively challenge the Executive Directors
- Develop proposals on strategy
- Scrutinise the performance of management
- Satisfy themselves on the integrity of the financial information, controls and systems of risk management
- Set the levels of remuneration for Executive Directors and senior management
- Make recommendations to the Board concerning appointments to the Board
- Devote such time as is necessary to the proper performance of their duties

A summary of the terms and conditions of appointment of the Non-Executive Directors is available at <https://www.diageo.com/en/our-business/corporate-governance>.



Senior Independent Director
 Susan Kilsby

- Acts as a sounding board for the Chairman and serves as an intermediary for the other Directors where necessary
- Together with the other Non-Executive Directors, leads the review of the performance of the Chairman, taking into account the views of the Executive Directors
- Available to shareholders if they have concerns where contact through the normal channels has failed

Company Secretary
 Tom Shropshire

- The Board is supported by the Company Secretary who ensures information is made available to Board members in a timely fashion
- Supports the Chairman in setting Board agendas, designing and delivering Board inductions and Board evaluations, and co-ordinates post-evaluation action plans, including risk review and training requirements for the Board
- Advises on corporate governance matters
- Is a member of the Executive Committee as General Counsel

<p>Chief Executive Ivan Menezes</p> <ul style="list-style-type: none"> • Develops the group’s strategic direction for consideration and approval by the Board • Implements the strategy agreed by the Board • Leads the Executive Committee • Manages the company and the group • Along with the Chief Financial Officer, leads discussions with investors • Is supported in his role by the Executive Committee • Is supported by the Finance Committee and Filings Assurance Committee in the management of financial reporting of the company 	<p>Chairman Javier Ferrán</p> <ul style="list-style-type: none"> • Responsible for the operation, leadership and governance of the Board • Ensures all Directors are fully informed of matters and receives precise, timely and clear information sufficient to make informed judgements • Sets Board agendas and ensures sufficient time is allocated to ensure effective debate to support sound decision making • Ensures the effectiveness of the Board • Engages in discussions with shareholders • Meets with the Non-Executive Directors independently of the Executive Directors • Acts as designated Non-Executive Director for workforce engagement 	<p>Chief Financial Officer Lavanya Chandrashekar</p> <ul style="list-style-type: none"> • Manages all aspects of the group’s financial affairs • Responsible for the management of the capital structure of the company • Contributes to the management of the group’s operations • Along with the Chief Executive, leads discussions with investors • Is supported by the Finance Committee and Filings Assurance Committee in the management of the financial affairs and reporting of the company • Is a member of the Executive Committee
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Board of Directors

Composition of the Board

The Board comprises the Non-Executive Chairman, two Executive Directors, the Senior Independent Director, and seven independent Non-Executive Directors. The biographies of all Directors are set out in this Annual Report on pages 84 and 85. During the year, the composition of the Board has not changed other than for the appointment of Karen Blackett as an additional Non-Executive Director with effect from 1 June 2022. With the retirement of Siobhán Moriarty from the company, Tom Shropshire took over as General Counsel and Company Secretary on 30 September 2021.

Inclusion and diversity

The Board sees championing inclusion and diversity as one of the key enablers for achieving Diageo's ambition. It is also a core principle of the company's global Human Rights Policy which applies to all employees, subsidiaries and third-party contractors and which has been implemented as part of our Code of Business Conduct programme. Our objective is to maintain and sustain an inclusive and diverse business, across all levels, functions and geographies, in order to create a better working environment and a better performing business. As part of this, the Board has adopted a written Board Diversity Policy alongside Diageo's Code of Business Conduct and associated global policies, which set out Diageo's broader commitment to inclusion and diversity. Diageo strongly supports diversity within its Board of Directors, including gender, ethnicity, age and professional diversity, as well as diversity of thought. The Board is comprised of individuals from a diverse range of skills, industries, backgrounds and nationalities, which enables a broad evaluation of all matters considered by the Board and contributes to a culture of collaborative and constructive discussion. The Board's objective, as set out in its Diversity Policy, is that it shall include no less than 40% female representation (with the ultimate goal being parity between males and females on the Board) and at least one director from a minority ethnic group. Currently, women make up 64% of the Board and there are five directors (45%) who self-disclose as being from minority ethnic groups. Further information can be found in the 'Our people' and 'Champion inclusion and diversity' sections of 'Our strategic priorities' on pages 18, 28-29. The Board's Diversity Policy is available at <https://www.diageo.com/en/our-business/corporate-governance/board-diversity-policy>.

Outside interests and conflicts

The Board has adopted guidelines for dealing with conflicts of interest, with directors' outside interests being regularly reviewed and responsibility for authorising conflicts of interest reserved for the Board. In the case of a potential conflict, the Nomination Committee considers the circumstances, appropriate controls and protocols, and makes a recommendation to the Board. The Board confirmed that it was not aware of any situations that may or did give rise to conflicts with the interests of the company, other than those that may arise from Directors' other appointments as disclosed in their biographies.

Duties of the Board

The Board manages overall control of the company's affairs with reference to the formal schedule of matters reserved for the Board for decision. The schedule was last reviewed in July 2022 and is available at <https://www.diageo.com/en/our-business/corporate-governance>. In order to fulfil their duties, procedures are in place for Directors to seek both independent advice and the advice and services of the Company Secretary, who is responsible for advising the Board on all governance matters. During the year, the Non-Executive Directors met without management present five times, and also without the Chairman present twice. The terms of reference of Board Committees are reviewed regularly, most recently in July 2022, and are available at <https://www.diageo.com/en/our-business/corporate-governance>.

Corporate governance requirements

The principal corporate governance rules applying to Diageo (as a UK company listed on the London Stock Exchange) for the year ended 30 June 2022 are contained in the Code and the UK Financial Conduct Authority (FCA) Listing Rules, which require us to describe, in our Annual Report, our corporate governance from two points of view: the first dealing generally with our application of the Code's main principles and the second dealing specifically with non-compliance with any of the Code's provisions. The two descriptions together are designed to give shareholders a picture of governance arrangements in relation to the Code as a criterion of good practice. A copy of the Code is publicly available on the website of the Financial Reporting Council (FRC), www.frc.org.uk. Diageo's statement as to compliance with the Code during the year ended 30 June 2022 can be found on page 87. Diageo must also comply with corporate governance rules contained in the FCA Disclosure Guidance and Transparency Rules and certain related provisions in the Companies Act 2006 (the Act). Diageo is also listed on the Euronext Dublin Exchange, the Euronext Paris Exchange and the New York Stock Exchange (NYSE), and as such is subject to applicable rules of those exchanges and jurisdictions. For example, Diageo is subject to the listing requirements of the NYSE and the rules of the US Securities and Exchange Commission (SEC), as they apply to foreign private issuers. Compliance with the provisions of the US Sarbanes-Oxley Act of 2002 (SOX), as it applies to foreign private issuers, is continually monitored.

Compliance with US corporate governance rules

Under applicable SEC rules and the NYSE's corporate governance rules for listed companies, Diageo must disclose any significant ways in which its corporate governance practices differ from those followed by US companies under NYSE listing standards. Diageo believes the following to be the significant areas in which there are differences between its corporate governance practices and NYSE corporate governance rules applicable to US companies. This information is also provided on the company's website at www.diageo.com.

- **Basis of regulation:** UK listed companies are required to include in their annual report a narrative statement of (i) how they have applied the principles of the Code and (ii) whether or not they have complied with the best practice provisions of the Code. NYSE listed companies must adopt and disclose their corporate governance guidelines. Certain UK companies are required to include in their annual report statements as to (i) how directors have complied with s.172 of the Act, which requires directors to promote the success of the company for the benefit of the members as a whole, having regard to the interests of stakeholders and (ii) how directors have engaged with and taken account of the views of the company's workforce and other stakeholder groups. Diageo complied throughout the year with the best practice provisions of the Code and the disclosure requirements noted above, other than as described on page 87.
- **Director independence:** the Code requires at least half the Board (excluding the Chairman) to be independent Non-Executive Directors, as determined by affirmatively concluding that a Director is independent in character and judgement and determining whether there are relationships and circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Code requires the Board to state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination. NYSE rules require a majority of independent directors, according to the NYSE's own 'brightline' tests and an affirmative determination by the Board that the Director has no material relationship with the listed company. Diageo's Board has determined that, in its judgement and without taking into account the NYSE brightline tests, all of the Non-Executive Directors are independent. As such, currently nine of Diageo's eleven directors are independent.

- **Chairman and Chief Executive:** the Code requires these roles to be separate. There is no corresponding requirement for US companies. Diageo has a separate chairman and chief executive.
- **Non-Executive Director meetings:** NYSE rules require Non-Management Directors to meet regularly without management and independent directors to meet separately at least once a year. The Code requires Non-Executive Directors to meet without the Chairman present at least annually to appraise the Chairman’s performance. During the year, Diageo has complied with these requirements with independent Non-Executive Directors, including the Chairman, meeting without the Executive Directors present five times and independent Non-Executive Directors meeting without the Chairman or Executive Directors present twice.
- **Board committees:** Diageo has a number of Board committees that are similar in purpose and constitution to those required by NYSE rules. Diageo’s Audit, Remuneration and Nomination Committees consist entirely of independent Non-Executive Directors. Under NYSE standards, companies are required to have a nominating/corporate governance committee, which develops and recommends a set of corporate governance principles and is composed entirely of independent directors. The terms of reference for Diageo’s Nomination Committee, which comply with the Code, do not contain such a requirement. In accordance with the requirements of the Code, Diageo has disclosed on page 95 the results and means of its annual evaluation of the Board, its Committees and the Directors, and it provides extensive information regarding the Directors’ compensation in the Directors’ remuneration report on pages 106-131.
- **Code of ethics:** NYSE rules require a Code of Business Conduct and Code of Ethics to be adopted for directors, officers and employees and disclosure of any waivers for executive directors or officers. Diageo has adopted a Code of Business Conduct for all directors, officers and employees, as well as a Code of Ethics for Senior Financial Officers in accordance with the requirements of SOX. See page 102 for further details.
- **Compliance certification:** NYSE rules require chief executives to certify to the NYSE their awareness of any NYSE corporate governance violations. Diageo is exempt from this as a foreign private issuer but is required to notify the NYSE if any executive officer becomes aware of any non-compliance with NYSE corporate governance standards. No such notification was necessary during the period covered by this report.

Structure and division of responsibilities

The Board is committed to the highest standards of corporate governance and risk management, which is demonstrated in its established corporate governance framework, illustrated on page 88. This includes the three Board Committees (Audit Committee, Nomination Committee and Remuneration Committee), as well as management committees which report to the Chief Executive or Chief Financial Officer (Executive Committee, Finance Committee, Audit & Risk Committee and Filings Assurance Committee). There is a clear

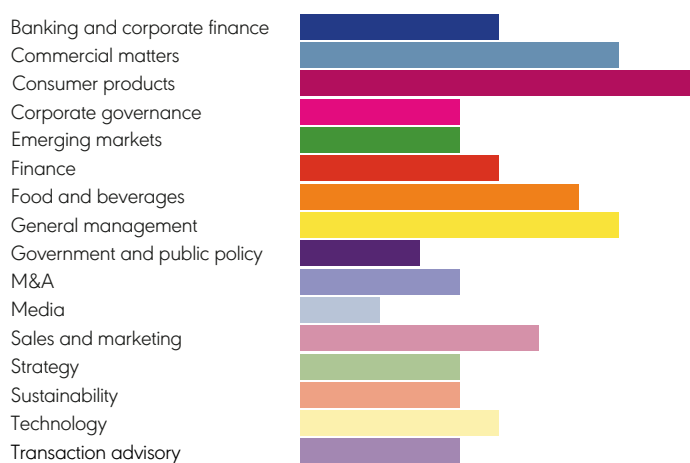
separation of the roles of the Chairman, the Senior Independent Director and the Chief Executive which has been clearly established, set out in writing and approved by the Board. A copy of this is available at <https://www.diageo.com/en/our-business/corporate-governance>. No individual or group dominates the Board’s decision-making processes.

FURTHER DETAILS ON THE BOARD COMMITTEES CAN BE FOUND IN THE SEPARATE REPORTS FROM EACH COMMITTEE ON PAGES 99-131, AND DETAILS OF THE EXECUTIVE COMMITTEE CAN BE FOUND ON PAGE 86

Board skills and experience

Having an appropriate mix of experience, expertise, diversity and independence is essential for Diageo’s Board. Such diverse attributes enable the Board as a whole to provide informed opinions and advice on strategy and relevant topics, thereby discharging its duty of oversight. The Board skills matrix helps to identify the experience and expertise of existing Directors, required skill sets or competencies, and the strategic requirements of the company.

Key strengths and relevant experience of each Director are set out on pages 84-85, and a matrix of the Board’s current skills and experience is set out in the chart below.



Board attendance

Directors’ attendance record at the last AGM, scheduled Board meetings and Board Committee meetings, for the year ended 30 June 2022 is set out in the table below. Directors are expected to attend all meetings of the Board and its Committees and the AGM, but if unable to do so they are encouraged to give their views to the chair of the meeting in advance. The 2021 AGM was held for the first time as a combined physical and electronic meeting via a live webcast with all directors attending either physically or by video link. For Board and Board Committee meetings, attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

	Annual General Meeting 2021	Board (maximum 7)	Audit Committee (maximum 5)	Nomination Committee (maximum 6)	Remuneration Committee (maximum 5)
Javier Ferrán	✓	7/7	5/5 ¹	6/6	5/5 ¹
Ivan Menezes	✓	7/7	3/5 ¹	6/6 ¹	5/5 ¹
Lavanya Chandrashekar	✓	7/7	5/5 ¹	0/0	2/2 ¹
Susan Kilsby	✓	7/7	5/5	6/6	5/5
Melissa Bethell	✓	7/7	5/5	6/6	5/5
Karen Blackett ²	N/A	0/0	0/0	0/0	1/1
Valérie Chapoulaud-Floquet	✓	7/7	5/5	6/6	5/5
Sir John Manzoni	✓	7/7	5/5	6/6	5/5
Nicola Mendelsohn	✓	7/7	4/5	6/6	5/5
Alan Stewart	✓	7/7	5/5	6/6	5/5
Ireena Vittal	✓	6/7	5/5	6/6	5/5

1. Attended by invitation
 2. Appointed to the Board on 1 June 2022

Elections

The Chairman has confirmed that the Non-Executive Directors standing for election or re-election at this year's AGM continue to perform effectively, both individually and collectively as a Board, and that each Non-Executive Director demonstrates commitment to their roles and continues to provide constructive challenge, strategic guidance and

offer specialist advice, as well as holding management to account. As can be seen from the attendance records set out below, directors' attendance levels have been consistently high throughout the year ended 30 June 2022.

Board activities

Details of the main areas of focus of the Board and its Committees during the year include those summarised below:

Areas of focus		Strategic priority	Strategic outcome	Stakeholders
Strategic matters	<ul style="list-style-type: none"> Held a two-day Annual Strategy Conference focussing on key strategic matters, including the digital economy, reserve and luxury portfolios, disruptive consumer trends, ESG, culture and capabilities Regularly reviewed the group's performance against the strategy Received reports on the financial performance of the group as against the annual plan Reviewed the group's tax strategy and policy Received regular reports on the macro-economic environment, world events and emerging trends Reviewed strategic topics including the group's beer and scotch whisky portfolios, tequila supply and resourcing strategy, potential post-pandemic tax and regulatory developments, e-commerce and digital strategy and the group's strategy in India 		EG	
			CVC	
Operational matters	<ul style="list-style-type: none"> Reviewed and approved the annual funding plan, insurance, banking and capital expenditure requirements Reviewed the impact of global trade developments and disputes Regularly reviewed and approved the group's M&A and business development activities, reorganisations and various other projects Reviewed and approved the group's supply chain activities, including supply footprint and capital expenditure investments, and various significant procurement, systems and other contracts Reviewed the company's innovation pipeline Reviewed the company's capital allocation, funding and liquidity positions, including those of its pension schemes, and approved interim and final dividends Reviewed and approved the recommencement of the company's share buyback programme Acting through the Nomination Committee, reviewed the company's succession planning and talent strategy 		EG	
			CVC	
			EP	
ESG matters	<ul style="list-style-type: none"> Carried out an investor perception survey and report to understand investor sentiment Received reports on workforce engagement over the year Received regular investor reports During each quarter, received an update on ESG matters and progress towards 'Society 2030: Spirit of Progress' targets Completed actions identified following the previous evaluation of the Board's performance and carried out an internal evaluation of the Board's performance Approved the appointment of a new Non-Executive Director Reviewed schedule of matters reserved for the Board and terms of reference of its committees 		CVC	
			CT	
			EP	
Assurance and risk management	<ul style="list-style-type: none"> Received reports in relation to material legal matters, including disputes, regulatory and governance developments, and areas of legal or regulatory risk On the recommendation of the Audit Committee, approved the company's risk footprint, including reviewing and updating the principal risks, including in relation to supply chain disruption On the recommendation of the Audit Committee, approved the company's filings, financial and non-financial reporting including interim and preliminary results announcements, US filings and Annual Report 		EG	
			CVC	
			CT	

Key

Strategic priorities

- Sustain quality growth
- Embed everyday efficiency
- Invest smartly
- Promote positive drinking
- Champion inclusion and diversity
- Pioneer grain-to-glass sustainability

Strategic outcomes

- Efficient growth
- Consistent value creation
- Credibility and trust
- Engaged people

Stakeholders

- People
- Consumers
- Customers
- Suppliers
- Communities
- Investors
- Governments and regulators

Stakeholder engagement

We aim to maintain open and positive dialogue with all our stakeholders, considering their key interests in our decision-making and communicating with them on a regular basis. This dialogue helps us build trust and respect and make choices as a business that help shape the role we play in society.

The development of strong and positive relationships between Diageo and its external stakeholders is an intrinsic part of our purpose and culture. Our stakeholders include not only business partners such as suppliers and customers, our people and workforce, but also government, consumers and the wider communities in which we operate. As noted in the company's statement on Section 172 of the Companies Act 2006 set out on page 7, in making their decisions and in discharging their duties to promote the success of the company, the Directors must have regard to the interests of its stakeholders. We have summarised below why our stakeholders are important to us, what their interests are and how the Board and company engages and responds.

How stakeholder engagement informs our decision-making

Our people



Our people are at the core of our business. We aim to build a trusting, respectful and inclusive culture where our people feel engaged and fulfilled. We want our people to feel that their human rights are respected and that they are treated with dignity at work.

What matters to them

Prioritisation of health, safety and wellbeing; Learning and development opportunities; Purpose, culture and benefits; Contributing to the growth of our brands and performance; Promotion of inclusion and diversity; Sustainability

How the Board engages and responds

The Board maintains an active dialogue with Diageo's employees and wider workforce, including contractors and temporary staff. As travel restrictions were lifted during the year, Directors were able to resume travel and site tours including visits to the group's offices in London, its consumer experience centres at Johnnie Walker Princes Street in Edinburgh and at the Guinness Storehouse in Dublin, and its production sites, distilleries, maturation facilities and packaging plants in Scotland and its brewery and distillation sites in Ireland. These visits enable the Board to engage directly with local management and other employees during presentations, site and trade visits, as well as at social events. Indirect engagement with employees also takes place through works councils, employee and workforce forums, community groups, pulse surveys and town hall meetings, most of which have been conducted virtually this year. The global survey of employees known as Your Voice is carried out annually and its findings are reviewed by the Board. This year our Non-Executive Directors have taken part in the Board's engagement programme, engaging directly with a wide range of employees in different markets, supporting the Chairman in his role as designated non-executive director for workforce engagement.

These direct engagements have enabled our Non-Executive Directors to have candid and constructive discussions with employees, to understand better their views and experiences of working at Diageo, including what works well and what needs improvement. Common themes and feedback from these engagement sessions are reported by the Chairman and other participating Directors to the rest of the Board. For example, the need to collaborate and further simplify internal decision-making processes across the business, in order to enable more pace and agility, had been identified through these engagements. Following this feedback, management encouraged the formation of cross-functional 'sprint teams' to identify, focus on and swiftly address specific risks and opportunities for the business.

Diageo's Workforce engagement statement is set out on page 96.

Consumers



Understanding our consumers is critical for the long-term growth of our business. Consumer motivations, attitudes and behaviour form the basis of our brand marketing and innovation. We want our products to be enjoyed responsibly and for consumers to 'drink better, not more'.

What matters to them

Choice of brands for different occasions, including no- and lower-alcohol; Innovation in heritage brands and creation and nurturing of new brands; Responsible marketing; Great experiences; Product quality; Sustainability and societal credentials; Price

How the Board engages and responds

The Board is aware that the company's continued success is dependent on having a deep understanding of our consumers, their behaviours and motivations and on the company's ability to respond to those consumer insights by ensuring that it has an attractive portfolio of products across multiple categories, channels, markets and price points. The Board regularly reviews emerging consumer trends at the Annual Strategy Conference, during which the Board receives presentations from senior executives on emerging trends, the risks and opportunities resulting from those trends and how the company is responding to them. At this year's Annual Strategy Conference held in May 2022, the Board reviewed in particular the digital economy, Reserve and luxury brand portfolios, disruptive consumer trends, and the importance of ESG to consumers. At other meetings during the year, the Board has reviewed the group's innovation pipeline, its e-commerce strategy and digital capabilities, new consumer attitudes and public policy priorities as economies recover from the pandemic. The Board has also reviewed the potential impact of inflationary pressures on consumer behaviour and on the ability of the company's supply chain to respond to evolving consumer trends. The Board has consciously made capital allocation and strategic decisions based on these consumer insights, investing in additional production capacity in growing categories such as tequila, consumer experience centres, including the Guinness microbrewery and culture hub in London, and actively managing the group's portfolio through acquisition and divestment.

Customers



We work with a wide range of customers, big and small, on-trade and off-trade, retailers, wholesalers and distributors, digital and e-commerce. We want to nurture mutually beneficial relationships to deliver joint value and great consumer experiences.

What matters to them

A portfolio of leading brands that meets evolving consumer preferences; Identification of opportunities that offer profitable growth; Insights into consumer behaviour and shopper trends; Trusted product quality; Innovation, promotional support and merchandising; Availability and reliable supply and stocking; Technical expertise; Joint risk assessment and mitigation; Sustainability and societal credentials

How the Board engages and responds

Maintaining a broad portfolio with consumer offerings at a variety of price points and categories is also a key priority for customers, as it is for consumers and therefore for Diageo. The Board regularly reviews both innovation and inorganic opportunities to enhance the company's portfolio and to ensure that it has sufficient breadth and depth in its portfolio to meet consumer demand. During the year, the Board has continued to shape the group's portfolio of brands through disposals, including of brands such as Picon sold in May 2022 and acquisitions of brands such as the fast growing super-premium flavoured tequila brand 21Seeds. In addition to inorganic opportunities, during the year the Board has approved investment in new research and development facilities in Shanghai to further our product innovation capabilities, using insights into consumer behaviour and shopper trends to enable the development of new products which appeal to Chinese consumers and enhance our portfolio offering for local customers.

Suppliers



Our suppliers, service providers and agencies are experts in the goods and services we need to create and market our brands. We collaborate with them to deliver high quality products, marketed responsibly, and to improve our collective impact, ensure sustainable supply chains and make positive contributions to society.

What matters to them

Strong, mutually beneficial partnerships; Strategic alignment and growth opportunities; Fair contract and payment terms; Collaboration to realise innovation; Consistent performance measures; Joint risk assessment and mitigation; Sustainability and societal credentials

How the Board engages and responds

Ensuring resilient and robust supply chains has been a priority for the Board during the year. The Board has reviewed the group's supply footprints in key markets including North America with the aim of ensuring resilience and flexibility in its supply chain, responding to climate change risk and reducing its environmental impact as well as responding to emerging consumer trends in relation to convenience and the 'at home' occasion. The Board has also reviewed and approved a number of significant procurement agreements over the year, diversifying the sourcing of certain key raw materials and components such as glass bottles and cans, in order to procure sufficient production materials to meet projected consumer demand over a number of years. The Board considers that it is important that the group remains a trusted partner for suppliers, with the relationship enhanced through fair contract and payment terms, compliance with Diageo's 'Partnering with Suppliers Standard', working collaboratively to mitigate our impact on the environment through shared best practice and learnings in respect of ESG commitments such as our 'Society 2030: Spirit of Progress' goals.

Principal Board decision - Investing in tequila to support long-term growth

Over the past few years, tequila has been one of the fastest growing spirits categories with Diageo's organic net sales having grown 25% in F20, 79% in F21, and 55% in F22, through brands such as Casamigos, Don Julio and DeLeón. Continued growth is expected in the tequila category as a result of strong demand from customers and consumers, especially in North America. Since tequila is produced from agave plants grown only in the Jalisco region in Mexico, usually with a maturity of six or more years old, securing availability of adequate volumes of high quality raw materials is of critical importance to ensure continued supply to meet the demands of consumers and our customers. The supply of agave is also largely dependent on a large number of small-scale growers with limited infrastructure and capability to supply large volumes of raw materials, resulting in a volatile commodity market. In addition, while Diageo had existing distillation, warehousing and maturation facilities at El Charcón in Atotonilco El Alto, Jalisco, these were insufficient to meet forecast volumes over the long-term. Recognising the need for both agility in securing adequate raw materials in the short-term and for strategic investment in the company's production capacity over the long-term, in April 2021 the Board approved a delegation of authority to a dedicated tequila supply council to make purchases of agave and liquid within certain parameters during the course of fiscal 22 while also authorising management to review various options to expand its production footprint in Jalisco including through acquisition or expansion. At subsequent Board meetings throughout the year, the Board monitored the levels of investment incurred on agave and liquid under that delegated authority while also approving plans to expand its manufacturing footprint in Mexico through an investment of more than \$500 million. The Board also reviewed management's supply chain and procurement strategy for tequila, which took into consideration management's updated assessment as to the long-term volume growth of the category, the company's approach to agave procurement and its capital investment requirements in direct operations and contracted supply. There were multiple factors which the Board took into consideration when making these decisions, including potential impacts on different stakeholder groups as required under s.172 of the Companies Act, for example:

- the potential demands of consumers and customers over a 10-year timescale, including under different growth scenarios, and the need for robust forecasts and modelling in demand and growth over such an extended period;
- the potential for surplus agave availability over that same period, given planting and growth cycles, and any consequent impact on pricing;
- implications of the expansion of existing production facilities or the construction of new facilities on the ability of the company to achieve its 'Society 2030: Spirit of Progress' targets, including incorporating sustainability by design into capital expenditure planning through, for example, investment in renewable energy, reduction of carbon emissions and efficiencies in water usage;
- assessing and balancing the impact of expanding our supply footprint on the local environment and communities including responsible water use in areas suffering from water-stress and the potential for increased employment and development opportunities in the local community, including through initiatives such as Hablemos de Emprendedoras, a skills programme for female entrepreneurs in Jalisco; and
- the ability of third party suppliers and contractors to meet Diageo's requirements, not only as to quality, volume, price and standards, but also as to compliance with our Partnering with Suppliers policy setting minimum standards in areas such as human rights, health and safety, inclusion and diversity, and environmental sustainability.

Communities



We aim to create long-term value for the communities in which we live, work, source and sell. By ensuring we empower people, increase their access to opportunities and champion inclusion and diversity, we can help build thriving communities and strengthen our business.

What matters to them

Impact of our operations on the local economy; Access to skills development, employment and supplier opportunities; Inclusion, diversity and tackling inequality in all forms; Responsible use of natural resources and sustainability; Transparency and engagement

How the Board engages and responds

The Board considers the maintenance of close and supportive relationships with the communities in which Diageo operates to be of particular importance to the company, especially given the impact of inflation and economic instability on communities recovering from the impact of the pandemic. During the year, the Board has regularly reviewed progress towards the company's 'Society 2030: Spirit of Progress' goals including in relation to those which impact on communities and broader society. The Board has also supervised the second year of the 'Raising the Bar' programme, Diageo's \$100 million fund supporting the recovery of the on-trade and hospitality industry which concluded at the end of the financial year.

Investors



We want to enable equity and debt investors to have an in-depth understanding of our strategy, our operational, financial and holistic performance, so that they can more accurately assess the value of our shares and the opportunities and risks of investing in our business.

What matters to them

Strategic priorities; Financial performance; Corporate governance; Leadership credentials, experience and succession; Executive remuneration policy; Shareholder returns; Environmental, inclusion and diversity, and social commitments and progress

How the Board engages and responds

The Chief Executive and Chief Financial Officer are in regular contact with investors with the assistance of the investor relations department, and as such engage directly and most frequently with investors using a variety of different engagement methods. For example, in November 2021 the Chief Executive, Chief Financial Officer and other senior executives hosted a Capital Markets Day with investors which included sessions on brand building, supply chain, long-term sustainable growth and culture. The Board is also provided with monthly investor relations reports, which includes coverage of the company by sell-side analysts. The Board ensures that all Directors develop an understanding of the views of major institutional shareholders through a periodic independent survey of shareholder opinion, which was carried out this year. In addition, major shareholders are invited to raise any company matters of interest to them at meetings with the Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Remuneration Committee or any other Director. Shareholders are invited to write to the Company Secretary, Chairman or any other Director and express their views on any issues of concern at any time, including by way of email to a dedicated address for the Company Secretary and his team. The AGM also provides a regular opportunity for shareholders to put their questions in person and to hear other shareholders put their questions to the Board. The 2021 AGM was held as the company's first 'hybrid' meeting with shareholders attending both physically, as in traditional AGMs, or by remote or virtual means, while still being able to engage directly with the Board, viewing the meeting online, asking questions and voting on resolutions through a portal.

Governments and regulators



The regulatory environment is critical to the success of our business. We share information and perspectives with those who influence policy and regulation to enable them to understand our views on areas that can impact public health and our business.

What matters to them

Contribution to national and local economic, development and public health priorities; International trade, excise, regulation and tackling illicit trade; Tackling harmful drinking and the impact of responsible drinking initiatives; Climate change and wider sustainability agenda, including carbon reduction, human rights, environmental impacts, sustainable agriculture and support for communities; Corporate behaviour

How the Board engages and responds

The Board engages indirectly with government, regulators and policymakers through regular reports from the Chief Executive as well as periodic updates from management. In particular, the Board has received regular briefings during the year on the macro-economic environment, world events and emerging geopolitical trends. Management provided the Board with an analysis of potential developments in regulation and tax policy as countries recover from the pandemic. The Board ensures that the company works closely with governmental and non-governmental bodies in relation to policy as to positive drinking, responsible advertising of alcoholic products, and education to enable consumers to make better choices about alcohol.

Wider stakeholder engagement

Fiscal 22 has been another year of volatility and instability resulting from supply chain disruption, inflationary pressures and dislocation. Despite this instability, the Board and executive management have continued to engage with the company's stakeholders and respond to their needs in a variety of ways, including:

- The company's \$100 million global 'Raising the Bar' programme, in its second year during fiscal 22, continued to support customers, pubs and bars recover from hardship resulting from the pandemic and enabling them to serve their consumers. The programme allows us to respond with flexibility to address specific issues faced in different markets; for example, in India this year the fund was used to support the vaccination of bar staff.
- With travel restrictions lifting in a number of markets, the Board has resumed physical meetings and visits to Diageo offices and production sites, enabling face-to-face engagement sessions with our workforce again. See page 96 for more details of our workforce engagement programme this year.
- Senior management travelled to meet and engage with key North American customers in New York and distributors from Asia-Pacific in Singapore.
- Executive directors and senior management hosted more physical meetings with investors and shareholders during the year, including in London and New York, while also continuing with virtual meetings where appropriate given the circumstances, including for example the Capital Markets Day in November 2021.

Further information on our stakeholders, what is important to them and how the Board engages and responds to them can be found on pages 92-94. A case study summarising how key stakeholder considerations were taken into account by the Board in relation to one of its principal decisions during fiscal 22 is set out on page 93.

Executive direction and control

Executive Committee

The Executive Committee, appointed and chaired by the Chief Executive, supports him in discharging his responsibility for implementing the strategy agreed by the Board and for managing the company and the group. It consists of the individuals responsible for the key operational and functional components of the business: North America, Europe and Turkey, Africa, Latin America and Caribbean, Asia Pacific, Supply Chain and Procurement and Corporate. The Executive Committee focuses its time and agenda to align with the Performance Ambition and how to achieve Diageo's financial and non-financial performance objectives. Performance metrics have been developed to measure progress. There is also focus on the company's reputation. In support, monthly performance delivery calls, involving the managing directors of each market, focus on current performance. Committees appointed by the Chief Executive and intended to have an ongoing remit, including the Audit & Risk Committee, Finance Committee and Filings Assurance Committee, are shown (with their remits) at <https://www.diageo.com/en/our-business/corporate-governance>.

Performance evaluation

With the assistance of the Company Secretary, the evaluation of the Board's effectiveness, including the effectiveness of the Board's Committees and directors, was undertaken from December 2021 to January 2022. The purpose of the evaluation was to review and evaluate how the Board and its Committees operate as measured against current best practice corporate governance principles framed by reference to Principle L and Provisions 21, 22 and 23 of the Code.

December 2021 - Internal evaluation process

This year's evaluation process was performed internally, comprising of a questionnaire sub-divided into five sections focusing respectively on Board composition and processes, Board effectiveness, behaviours and performance, individual Directors' performance and Committees' performance. Responses to questions were sent to the Chairman of the Board and responses on the effectiveness of the Committees were also submitted to the respective Committee Chairmen. Following receipt of responses on the evaluation on the Chairman, the Senior Independent Director held a meeting with the Directors without the Chairman present to provide feedback in relation to the Chairman, consistent with the requirements of the Code. The results of the evaluation process were reviewed by the Board at its meeting in January 2022 at which various actions were agreed to be taken. It is the Board's intention to continue to review annually its performance and that of its Committees and individual Directors, with such evaluation being carried out by an external facilitator every three years. The evaluation to be undertaken in 2023 will be undertaken with the assistance of an external facilitator. The Chairman has confirmed that the Non-Executive Directors standing for re-election at this year's AGM continue to perform effectively, both individually and collectively as a Board, and that each demonstrates commitment to their roles.

The main conclusions and key areas for focus highlighted by the December 2021 evaluation are set out in the table below.

Board evaluation

Main conclusions	Key actions for focus
Board composition, membership and appointment processes <ul style="list-style-type: none"> Recent appointments of directors have ensured appropriate quality, experience, background and diversity on the Board Strong satisfaction that the Board is of sufficient size, balance, skills and diversity to discharge its duties 	<ul style="list-style-type: none"> Review succession planning and pipeline at executive and senior management levels Continue to review the balance of skills, experience and knowledge of the Board Continue to review and enhance induction programme for new directors
Board administration, meetings, agenda and provision of information <ul style="list-style-type: none"> Strong satisfaction for the layout and format of Board papers Ensure adequate time is allocated for presentations, deep-dives and discussion during meetings Ensure appropriate topics for consideration at meetings 	<ul style="list-style-type: none"> Continue to build Board's awareness of analysts' views of the industry by circulating key reports periodically Enhance tracking and reporting of key issues and actions taken during the year Continue to improve Board papers and minutes processes
Board, Committee and Directors' effectiveness and performance <ul style="list-style-type: none"> Discussions amongst Directors are transparent, supportive and challenging Support for private sessions attended by Non-Executive Directors Board has sufficient visibility and clarity as to wider stakeholder interests in its decision-making processes 	<ul style="list-style-type: none"> Focus on forecast volumes in investment and capital expenditure proposals Increase focus on ESG matters to enable more detailed reviews on topics, including the 'Society 2030: Spirit of Progress' ambition, throughout the year
Culture, values and purpose <ul style="list-style-type: none"> Satisfaction with how values and expected behaviours have been communicated within the company and externally to stakeholders Strategy of the company is consistent with its purpose, values and ambition Demonstration of ethical leadership and display of the behaviours expected Strong sense of understanding of the 'Society 2030: Spirit of Progress' ambition, its five pillars, targets and progress 	<ul style="list-style-type: none"> Use 'Pulse' surveys to initiate sessions on culture from employees and other stakeholders' perceptions

Workforce engagement statement

At Diageo we believe that our people are critical to our company's success. In support of this, we place significant focus on sustaining high levels of employee engagement, and creating an environment where our people feel listened to.

To help us understand employees' experience of working at Diageo, we listen to their views using both formal and informal channels.

Diageo's workforce engagement initiative is an important formal channel for our Chairman and Non-Executive Directors to gather employee insights and feedback when it comes to Diageo's culture, strategy and ways of working. It is also an opportunity for employees to have direct access to members of the Board.

On 1 July 2019, the Chairman was appointed the designated Non-Executive Director for workforce engagement on behalf of the Board, with sessions taking place throughout the year.

In line with this, in fiscal 22 the Chairman and our Non-Executive Directors met with 1,435 Diageo employees in 16 meetings, representing different levels, functions, and regions.

Most of these open and constructive sessions have been held virtually, however following the easing of Covid-19 travel restrictions in many parts of the world, during the second half of the fiscal year, the Chairman was also able to conduct four of these in person.

Sessions have been highly engaging and the Chairman, as well as our Non-Executive Directors, have valued the conversations which have highlighted many of the strong positive aspects of Diageo's culture.

The themes emerging from these workforce engagement discussions are:

- Diageo's advantaged culture was called out as a strong positive - and a source of pride - in a number of sessions, with inclusion and diversity, global brands and trust in leadership called out as key reasons.
- Diageo's leadership in response to Covid-19 and the sense of pride that this has generated amongst colleagues was highlighted in several sessions.
- As a business we are doing more to give colleagues opportunities to work cross-functionally, something that they would like to see continue. There is also appetite for further exposure to global job opportunities.
- Some colleagues highlighted that we could do more to strengthen our culture of being bold and experimenting, for example by becoming better at discussing failures as well as successes.
- Colleagues mentioned that they feel positive towards the efforts made to simplify systems, tools and processes. They also highlighted that there are further opportunities to simplify as part of Diageo's Radical Liberation initiative.
- Some colleagues highlighted positive changes in ways of working since the outbreak of the pandemic, including increased collaboration, flexibility and cross-functional working. However, it was also raised by some that workloads have felt increasingly demanding in the past two years.
- Our focus on 'Society 2030: Spirit of Progress' is seen as a positive. There is pride in how this not only enhances our reputation, but also how it provides Diageo with a platform to further engage with, and positively influence stakeholders in this space.
- It was acknowledged that Covid-19 has accelerated the focus on digital, data and e-commerce agendas within Diageo. There is a desire for the company to lead the way in this area in order to drive growth and meet our consumers' and customers' changing needs.
- Diageo's drive for innovation was highlighted as a key strength in a number of markets and functions, with a desire to continue to do more.

The insights gathered from the workforce engagement sessions are reviewed and discussed periodically at Board meetings, something that helps to inform key decisions. This year, insights were also discussed as part of a culture session during the Annual Strategy Conference in May.

Insights from the workforce engagement sessions and other forms of engagement have helped ensure we listen and respond to the perspectives of our employees and identify specific areas to further enhance our employee experience.

Purpose, values and culture

Our advantaged culture at Diageo connects people's passion for our brands and purpose, drives ownership for performance, and is a key enabler in delivering our Performance Ambition. The ongoing evolution of our culture and capabilities is fundamental to successful talent attainment, engagement and retention, and therefore critical to our performance and growth. We have built a strong reputation for inclusion and diversity which, together with our 'Society 2030: Spirit of Progress' goals, has helped establish Diageo as an employer of choice to attract the very best talent. Through the Covid-19 pandemic, we have become more agile and resilient, enabled by flexible resource allocation as well as fuelling more measured risk taking and experimentation across the organisation. This culture is reinforced by Diageo's Code of Business Conduct which applies to all employees across the world and gives them tools and guidance to enable them to make the right choices and demonstrate the highest standards of integrity.

As set out in the schedule of matters reserved for the Board for decision, the Board is responsible for establishing Diageo's purpose, values and culture. It therefore has a responsibility to monitor and assess how embedded Diageo's culture is and for ensuring that all policies and practices are aligned with its culture. There are a number of ways in which the Board monitors and assesses culture, including:

Site visits

Prior to the Covid-19 pandemic, Directors were encouraged wherever possible to visit the group's offices, production facilities and sites so that they can get a better understanding of the business and interact with employees and the wider workforce. While during the pandemic travel was highly restricted, in more recent months site visits by Directors have resumed: Directors visited the company's new headquarters in London as well as its production facilities in Scotland and Ireland where they were able to see Diageo's safety and sustainability processes, to talk with local management and workforce and to assess how effectively Diageo's culture is communicated and embedded at all levels. As part of the Board's workforce engagement programme, the Chairman and other Non-Executive Directors regularly hold in-person and virtual meetings, townhalls and question and answer sessions with Diageo employees in different locations.

Employee surveys

The Board receives reports from the Chief HR Officer on the results of the company's global annual 'Your Voice' survey, including levels of employee engagement, employee perceptions of Diageo's purpose and of their line managers (including net promoter scores), and any themes raised. The survey results also give visibility of areas on which management must continue to focus, including continued simplification and process improvement work across the business.

SpeakUp allegation reporting

The Business Integrity team provides regular reports to the Audit Committee of allegations of breaches of the Code of Business Conduct and other group policies, including those received through our confidential and independent whistle-blowing service SpeakUp. These reports also include analyses of emerging trends, investigation status reports and closure rates, and summaries of actions taken. These reports enable the Directors to gain an understanding of common issues and action planning, as well as providing insights into how embedded Diageo's purpose, values and culture are across its markets and functions.

For more details of the SpeakUp service, see pages 40 and 87.

Workforce engagement programme

Insights drawn from the Chairman's annual programme of workforce engagement are also used by the Board to monitor and assess the culture of the company. In recent years the engagement programme has been expanded to enable other Non-Executive Directors to support the Chairman by directly engaging with employees from a variety of regions, functions and levels in the business. For more on workforce engagement, see pages 92 and 96.

Additional information

Internal control and risk management

An ongoing process has been established for identifying, evaluating and managing risks faced by the group. This process, which complies with the requirements of the Code, has been in place for the full financial year and up to the date the consolidated financial statements were approved and accords with the guidance issued by the FRC in September 2014, entitled 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'. The Board confirms that, through the activities of the Audit Committee described below, a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity, has been carried out. These risks and their mitigations are set out above in the section of this Annual Report dealing with principal and emerging risks on pages 42-45.

The Board acknowledges that it is responsible for the company's systems of internal control and risk management and for reviewing their effectiveness. The Board confirms that, through the activities of the Audit Committee described below, it has reviewed the effectiveness of the company's systems of internal control and risk management. During the year, in line with the Code, the Board considered the nature and extent of the risks it was willing to take to achieve its strategic goals and reviewed the existing internal statement of risk appetite, which had been updated this year by the Executive Audit & Risk Committee and which was then considered and recommended to the Board by the Audit Committee. The Audit Committee review the company's principal risks regularly throughout the year in accordance with a schedule proposed by management with each such risk being reviewed by management in the Audit & Risk Committee prior to it being considered by the Audit Committee. The Board also regularly reviews emerging and disruptive risks as part of its Annual Strategy Conference, held this year in May, from which a number of topics are identified for more detailed review by either the Board or the Audit Committee over the following 12 months. The company has in place internal control and risk management systems in relation to the company's financial reporting process and the group's process for the preparation of consolidated accounts. Further, a review of the contents of the company's public filings and disclosures, including its consolidated financial statements and non-financial disclosures, is completed by management through the Filings Assurance Committee to ensure that the contents of the company's interim and preliminary results announcements, Annual Report and Form 20-F appropriately reflect the non-financial and financial position and results of the group. Further details of this are set out in the Audit Committee report on pages 99-103.

Viability statement

In accordance with the Code, the Board has also considered the company's longer-term viability, based on a robust assessment of its principal and emerging risks. This was done through the work of the Audit Committee which recommended the Viability statement to the Board. For further information about how the Board has reviewed the long-term prospects of the group, see page 46.

Going concern

Management has prepared cash flow forecasts which have also been sensitised to reflect severe but plausible downside scenarios taking into consideration the group's principal risks. In the base case scenario, management has included assumptions for mid-single digit net sales growth, operating margin improvement and global TBA market share growth. In light of the ongoing geopolitical volatility, the base case outlook and plausible downside scenarios have incorporated considerations for a slower post-pandemic economic recovery, supply chain disruptions, higher inflation and further geopolitical deterioration. Even under these scenarios, the group's cash position is still expected to remain strong, as the group's liquidity was protected by issuing €1,650 million of fixed rate euro and £900 million of fixed rate sterling denominated bonds in the year ended 30 June 2022. Mitigating actions, should they be required, are all within management's control and could include reductions in discretionary spending such as acquisitions and capital expenditure, as well as a temporary suspension of the share buyback programme and dividend payments in the next 12 months, or drawdowns on committed facilities. Having considered the outcome of these assessments, the Directors are comfortable that the company is a going concern for at least 12 months from the date of signing the group's consolidated financial statements.

Political donations

The group has not given any money for political purposes in the United Kingdom and made no donations to EU political organisations and incurred no EU political expenditure during the year. The group made contributions to non-EU political parties totalling £0.64 million during the year (2021 - £0.39 million). These contributions were made almost exclusively to federal and state candidate committees, state political parties and federal leadership committees in North America (consistent with applicable laws), where it is common practice to make political contributions. No particular political persuasion was supported and contributions were made with the aim of promoting a better understanding of the group and its views on commercial matters, as well as a generally improved business environment.

Directors' responsibilities in respect of the Annual Report, Form 20-F and financial statements

The Directors are responsible for preparing the Annual Report, the information filed with the SEC on Form 20-F and the group and parent company financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the group consolidated financial statements in accordance with UK-adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). In preparing the group consolidated financial statements, the Directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB). The group has also prepared its consolidated financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable UK-adopted international accounting standards, IFRSs issued by IASB and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

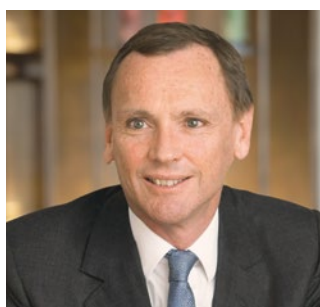
The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 84 and 85 confirm that, to the best of their knowledge:

- the group consolidated financial statements, which have been prepared in accordance with UK-adopted international accounting standards, IFRSs issued by IASB and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law, give a true and fair view of the assets, liabilities, financial position and profit of the parent company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In accordance with section 418 of the Companies Act 2006, each of the Directors who held office at the date of the approval of the Directors' report confirm that, so far as the Director is aware, there is no relevant audit information of which the group's and parent company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group's and parent company's auditors are aware of that information.

The responsibility statement was approved by the Board of Directors on 27 July 2022.

Ensuring integrity across the business



Dear Shareholder

On behalf of the Audit Committee, I am pleased to present the Committee's report for the year ended 30 June 2022.

The Audit Committee has carried out its duties during the year effectively and to a high standard, providing independent oversight with the support of management and external auditors.

During the year, the Committee discharged its role in monitoring and reviewing the integrity of the company's financial statements and reporting, its internal control and risk management processes, its audit and risk activities, business conduct and integrity, whistleblowing and breach allegation investigations, and the appointment and performance of the external auditor. The Committee also reviewed the company's principal and emerging risks and its approach to risk appetite and mitigations, focussing this year in particular on key risks including cyber security, climate change, data privacy and developments in international taxation. The Committee recommended the addition of a new principal risk relating to supply chain disruption, which the Board has approved. We also received and reviewed regular reports on internal audits, business integrity and controls assurance work, breach allegation and investigation processes, as well as updates on the steps being taken to address internal audit findings and controls issues.

The Audit Committee has also been looking ahead towards potential future regulatory changes and developing best practice. In particular, we note the UK government's proposed reforms to the audit and corporate governance regime which were published on 31 May 2022 and which include the creation of a new regulator for the audit industry, requirements in relation to assurance of non-financial information and increased disclosure requirements in respect of internal controls. In anticipation of these reforms and under the supervision of the Committee, management has reviewed and implemented a number of changes in its approach to external reporting, including preliminary steps in determining the scope and contents of the company's audit and assurance policy. The Committee has also monitored initiatives of other regulatory authorities to provide investors with consistent, comparable and reliable information on climate-related and ESG matters. We are supportive of regulation which enables informed investment decisions and support efforts to encourage harmonisation across regulatory regimes.

The performance of the Audit Committee was evaluated this year as part of the broader Board evaluation, concluding that the Audit Committee's performance over the past year had continued to be excellent. Further details of the evaluation, its recommendations and actions can be found on pages 95. We are committed to continue to focus on fulfilling our duties with diligence.

Alan Stewart
Chairman of the Audit Committee

Role and composition of the Audit Committee

The formal role of the Audit Committee is set out in its terms of reference, which are available at <https://www.diageo.com/en/our-business/corporate-governance>. The members of the Audit Committee are independent non-executive directors and it comprises Alan Stewart (Committee Chairman), Melissa Bethell, Karen Blackett, Susan Kilsby, Valérie Chapoulard-Floquet, Sir John Manzoni, Lady Mendelsohn and Ireena Vittal. The Chairman of the Board, the Chief Financial Officer, the General Counsel & Company Secretary, the Group Controller, the Head of Global Audit & Risk (GAR), the Chief Business Integrity Officer, the General Counsel Corporate, the Group Chief Accountant and the external auditor regularly attend meetings of the Committee. The Audit Committee met privately with the external auditor, the Chief Business Integrity Officer and the Head of GAR regularly during the year. During the course of the year, the Committee met five times and its duly appointed subcommittee met once. Details of attendance of all Board and Committee meetings by Directors are set out on page 90.

Reporting and financial statements

During the year, the Audit Committee reviewed the interim results announcement, including the interim financial statements, the Annual Report and associated preliminary results announcement and Form 20-F, focussing on key areas of judgement and complexity, critical accounting policies, disclosures (including those relating to contingent liabilities, climate change and principal risks), viability and going concern assessments, provisioning and any changes required in these areas or policies. The Audit Committee has also focussed in particular on the company's approach to assurance, internal approvals processes, and developments in climate change risk reporting. Building on the approach taken during the previous year in relation to reporting in compliance with the recommendations of the Task Force on Climate-related Financial Disclosures, during the year ended 30 June 2022 the company has undertaken further risk assessments and scenario analyses, and accordingly increased its climate-related disclosures as further set out on pages 47-56.

The company has in place internal control and risk management systems in relation to the company's financial and non-financial reporting process including the group's process for the preparation of consolidated financial statements. A review of the consolidated financial statements is completed by the Filings Assurance Committee (FAC) to ensure that the financial position and results of the group are appropriately reflected therein. In addition to reviewing draft financial statements for publication at the half and full year, the FAC is responsible for examining the company's financial and non-financial information and disclosures, the effectiveness of internal controls relating to financial and non-financial reporting and disclosures, legal and compliance issues and determining whether the company's disclosures are accurate and adequate. The FAC comprises senior executives such as the Chief Executive, the Chief Financial Officer, the General Counsel & Company Secretary, the General Counsel Corporate & Deputy Company Secretary, the Group Controller, the Group Chief Accountant, the Head of Investor Relations, the Head of GAR and the Chief Business Integrity Officer. The company's external auditor also attends meetings of the FAC. The Audit Committee reviewed the work of the FAC and a report on the conclusions of the FAC process was provided to the Audit Committee by the Chief Financial Officer.

As part of its review of the company's Annual Report and associated disclosures, the Audit Committee has considered whether the report is 'fair, balanced and understandable' and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy, as required by Principle N of the Code. In doing so, the Committee has noted the guidance issued by the FRC on this subject as well as best practice recommendations from external advisors. The Committee has considered factors such as whether the report includes descriptions of the business model, strategy and principal risks which are sufficiently clear and detailed to enable users to understand their importance to the company, whether the report is consistent throughout with the narrative reflecting the financial statements and understanding of directors during the year, that information is presented fairly, without omission of material information and not in a manner which might mislead users.

The Committee has also considered the presentation of GAAP and non-GAAP measures to ensure appropriate prominence is given to GAAP measures and that non-GAAP measures are presented consistently and can be clearly reconciled. The Audit Committee has also considered the governance and processes undertaken by management in drafting, developing and reviewing the contents of the Annual Report, which have been designed to ensure the robustness and adequacy of the information contained in it, including review by and input from senior executives, the company's advisors and through the work of the FAC. On this basis, the Audit Committee recommended to the Board that it could make the required statement that the Annual Report is 'fair, balanced and understandable'.

External auditor

During the year, the Audit Committee reviewed the external audit strategy and the findings of the external auditor from its review of the interim results and its audit of the consolidated financial statements.

The Audit Committee reviews annually the appointment of the auditor (taking into account the auditor's effectiveness and independence and all appropriate guidelines) and makes a recommendation to the Board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. There are no contractual obligations that restrict the company's current choice of external auditor. Following the last tender process, PwC was appointed as auditor of the company in 2015. Richard Oldfield became the lead audit partner for the year ended 30 June 2021, following the rotation of the previous partner, and will remain as audit partner for the year ending 30 June 2023 onwards. The company is required to have a mandatory audit tender after 10 years and, as the Audit Committee considers the relationship with the auditors to be working well and remains satisfied with their effectiveness and the quality of audit work, their geographical and professional capabilities, the Audit Committee does not currently anticipate that it will conduct an audit tender before it is required to do so in 2025. The Audit Committee considers this to be in the best interests of the company's shareholders for the reasons outlined above and will continue to monitor this annually to ensure the timing for the audit tender remains appropriate, taking into account the effectiveness and independence of the auditor.

The company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (CMA Order) for the year ended 30 June 2022.

External auditor effectiveness and quality

The Audit Committee assesses the ongoing effectiveness and quality of the external auditor and audit process through a number of methods, commencing with identification of appropriate risks by the external auditor as part of its detailed audit plan presented to the Audit Committee at the start of the audit cycle. These risks were reviewed by the Committee and the work performed by the auditor was used to test management's assumptions and estimates relating to such risks. The effectiveness of the audit process in addressing these matters was assessed through reports presented by the auditor to the Audit Committee which were discussed by the Committee at both the half-year, in January, and year-end, in July. Following completion of the audit process, feedback on its effectiveness was provided through review meetings with the company's finance team and management and completion of questionnaires, in advance of management and the auditor providing assessments of auditor effectiveness and quality to the Audit Committee for consideration at its meeting in December. This year the questionnaire was updated to ensure more focus on the extent to which the auditor had challenged management. The auditor assessment includes consideration of the findings of the FRC's Audit Quality Review team, periodic regulatory review carried out by the PCAOB and the Quality Assurance Department of the Institute of Chartered Accountants in England and Wales, as well as benchmarking of the auditor as against its peers. This year, overall performance of the auditor was assessed as solid, with consistent strong feedback provided as to auditor independence, quality control processes, professional expertise, business knowledge and quality communication between auditors and management. Areas where continued focus was required included timely review and feedback on audit matters, better alignment in internal communication, resource continuity and use, and pro-activity in driving efficiencies and reducing overruns. It was concluded that the relationship between auditor and management was strong and open, with good visibility of senior PwC team members.

During the external audit, the auditor challenged management during the course of drafting the Annual Report in relation to whether disclosures as to the impact of certain risks in the financial statements were sufficiently linked to the risks and disclosures set out in the Strategic Report and whether there was sufficient balance in the Strategic Report, on management's approach taken in relation to impairment testing and on other judgmental matters such as pensions valuations and actuarial assumptions. The Audit Committee assessed these challenges and sought additional evidence from management in support of their assessments. For example, the Audit Committee requested that independent legal opinions were sought as to the treatment of potential surplus assets under the rules of the relevant scheme in light of relevant accounting standards.

Auditor independence

The group has a policy on auditor independence and on the use of the external auditor for non-audit services, which is reviewed annually, most recently in July 2022. This year there were minor changes to the policy's contents, with amendments reflecting internal organisational changes. Under the auditor independence policy, any member of the PwC global network shall provide to the company, its subsidiaries or any related entity only permissible services, subject to the approval of the Audit Committee after it has properly assessed through its governance process the threats to independence and the safeguards applied in accordance with the FRC Ethical Standard and US Public Company Accounting Oversight Board rules. Any FRC permissible service to be provided by the auditor, regardless of the size of the engagement, must be specifically approved by the Audit Committee or its nominated delegate (being the Chairman of the Audit Committee) based on a defined scope of pre-approved services. The policy explicitly specifies the auditor independence review and approval mechanism process by the Committee for permissible engagements above the specified threshold of £100,000. Fees paid to the auditor for audit, audit-related and other services are analysed in note 3(b) to the consolidated financial statements. The nature and level of all services provided by the external auditor are factors taken into account by the Audit Committee when it reviews annually the independence of the external auditor. During the year, no non-audit services were provided by the external auditor to the company, its subsidiaries or any related entity other than personal tax services provided to two Non-Executive Directors and the provision of services in connection with the issuance of senior notes by a group company.

'Financial expert', recent and relevant financial experience

The Board has satisfied itself that the membership of the Audit Committee includes at least one Director with recent and relevant financial experience and has competence in accounting and/or auditing and in the sector which the company operates, and that all members are financially literate and have experience of corporate financial matters. For the purposes of the Code and the relevant rule under SOX, section 407, the Board has determined that Alan Stewart is independent and may be regarded as an Audit Committee financial expert, having recent and relevant financial experience, and that all members of the Audit Committee are independent Non-Executive Directors with relevant financial and sectoral competence. See pages 84-85 and 90 for details of relevant experience of Directors.

Internal audit and controls assurance

The company's internal GAR team undertakes an annual audit and risk plan by delivering a series of internal assurance and audit assignments across a variety of markets, processes, business units and functions. On the conclusion of each assignment, GAR issues a report on its findings which may also include an overall rating as to the status of the market, process or function being audited, detailed reasons for the rating and actions to be taken within a specific timetable. The Audit Committee receives regular reports from the Head of GAR on the latest reports issued.

This year GAR adapted its processes and audit design to undertake a number of audits of the group's end-to-end processes and procedures in addition to more customary market or functional audits. Increasingly during the year, GAR undertook audits in person as travel restrictions were lifted in a number of key markets. The Audit Committee assesses the effectiveness of GAR by reviewing its annual audit plan at the start of the financial year, monitoring its ongoing quality throughout the year, and assessing completion rates and feedback provided following completion of the annual audit plan. Having carried out this assessment, the Audit Committee is of the view that the quality, experience and expertise of GAR is appropriate for the business.

The company operates a global controls assurance programme for controls in each market and function, which monitors compliance with and effective operation of the company's controls framework. The Audit Committee receives regular reports on the status of the controls assurance plan, actions taken to enhance controls design and effectiveness, awareness training provided to employees, testing results and trends analysis derived from the company's integrated risk management system. During this year, the oversight and responsibility for operating the global controls assurance programme was integrated with the internal audit function. The Committee also reviewed and approved changes to the principal risk descriptions and risk footprint, including the elevation of Supply Chain Disruption as a separate principal risk, as further described on page 42.

Business Integrity programmes

Diageo is committed to conducting its business responsibly and in accordance with all laws and regulations to which its business activities are subject. We hold ourselves to the principles in our Code of Business Conduct, which is embedded through a comprehensive training and education programme for all employees. Our employees are expected to act in accordance with our values, the Code of Business Conduct and in compliance with applicable laws and regulations.

Our Code of Business Conduct and other global policies are available at <https://www.diageo.com/en/our-business/corporate-governance>.

The Audit Committee monitors compliance with the company's ethical standards through the Business Integrity framework, which helps enhance and protect all aspects of the company's business. Regular reports are provided to the Audit Committee by the Chief Business Integrity Officer on progress in providing guidance, training and tools for all levels in the business, completion rates for training modules, launch and rollout of new programmes or policies, monitoring use of whistle-blowing mechanisms and investigating allegations of breaches. The Business Integrity function use systems and data to allow for more efficient breach management oversight, analysis and identification of root causes, overall trends and indicators, and to monitor investigation closure rates, which are reported to the Audit Committee.

Senior financial officers' code of ethics

In accordance with the requirements of SOX and related SEC rules, Diageo has adopted a code of ethics covering its Chief Executive, Chief Financial Officer, and other senior financial officers. During the year, no waivers were granted in respect of, this code of ethics. The full text of the code of ethics is available at <https://www.diageo.com/en/our-business/corporate-governance>. Both the Audit & Risk Committee and the Audit Committee regularly review the strategy and operation of the Business Integrity programme through the year.

Management's report on internal control over financial reporting

Management, under the supervision of the Chief Executive and Chief Financial Officer, is responsible for establishing and maintaining adequate control over the group's financial reporting. The Filings Assurance Committee supports the Chief Executive and Chief Financial Officer in ensuring the accuracy of the company's financial reporting, filings and disclosures. As summarised on page 99, prior to interim reporting and preliminary reporting each year, the Filings Assurance Committee examines the company's financial information and processes, the effectiveness of its controls in respect of financial reporting, and the contents of its disclosures.

Management has assessed the effectiveness of Diageo's internal control over financial reporting (as defined in Rules 13(a)-13(f) and 15(d)-15(f) under the United States Securities Exchange Act of 1934) based on the framework in the document 'Internal Control - Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on this assessment, management concluded that, as at 30 June 2022, internal control over financial reporting was effective. During the period covered by this report, there were no changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of internal control over financial reporting. The same independent registered public accounting firm which audits the group's consolidated financial statements has audited the effectiveness of the group's internal control over financial reporting, and has issued an unqualified report thereon, which is included in the integrated audit report which is included in the company's Form 20-F to be filed with the SEC.

Committee activities

Details of the main areas of focus of the Audit Committee during the year include those summarised below:

Areas of focus		Strategic priority	Strategic outcome
Corporate reporting	<ul style="list-style-type: none"> Half and full year external reporting updates Interim and preliminary results review and approval Annual Report and consolidated financial statements, Form 20-F review and approval 		
Internal controls	<ul style="list-style-type: none"> GAR updates Business Integrity updates including breach and reporting update Controls testing update and s. 404 assessment 		
External audit and assurance	<ul style="list-style-type: none"> Report on external audit at half and full year periods Insights and observations on reporting review Auditor independence and non-audit work reviews Auditor independence policy review Review of management representation letters Appointment of auditor and review of terms of engagement and fees Auditor performance and effectiveness review and assessment 		
Risk management	<ul style="list-style-type: none"> Principal and emerging risk reviews and tracking Risk updates, including group risk footprint and risk appetite review and approvals Litigation, cyber and tax risk reviews 		

Strategic priorities

- Sustain quality growth
- Invest smartly
- Champion inclusion and diversity
- Embed everyday efficiency
- Promote positive drinking
- Pioneer grain-to-glass sustainability

Strategic outcomes

- Efficient growth
- Credibility and trust
- Consistent value creation
- Engaged people

Significant issues and judgements

Significant issues and judgements that were considered in respect of the 2022 financial statements are set out below. Our consideration of issues included discussion of the key audit matters as outlined in the appendix to the independent auditors' report.

Matter considered	How the Audit Committee addressed the matter
The nature and size of any one-off items impacting the quality of the earnings and cash flows.	The Audit Committee assessed whether the related presentation and disclosure of those items in the financial statements were appropriate based on management's analysis, and concluded that they were.
Items that were to be presented as exceptional. <i>Refer to note 4 of the Financial Statements.</i>	The Audit Committee assessed whether the reporting of those items as exceptional was in line with the group's accounting policy, and that sufficient disclosure was provided in the financial statements, and concluded that they were.
Whether the carrying value of assets, in particular intangible assets, was supportable. <i>Refer to notes 6, 9 and 10 of the Financial Statements.</i>	The Audit Committee reviewed the key assumptions and result of management's impairment assessments that were performed during the year, and the methodology applied in conducting impairment assessments. The Committee was provided with information about the carrying amounts and the key assumptions incorporated in management's estimate of discounted cash flows. The Committee reviewed the key assumptions used in the impairment testing, including management's cash flow forecasts, growth rates and the discount rate used in value in use calculations and agreed they were appropriate. The Committee agreed with management's judgements regarding the McDowell's No.1 and Bell's brands, which resulted in the recognition of impairment of £317 million in the year ended 30 June 2022. The Committee agreed that the recoverable amount of the company's other assets was in excess of their carrying value and that appropriate disclosure was provided with respect to assets impaired, and whose value is more sensitive to changes in assumptions.
The group's more significant tax exposures and the appropriateness of any related provisions and financial statement disclosures. <i>Refer to page 44 of 'Our principal risks and risk management' and note 7 of the Financial Statements.</i>	The Audit Committee agreed that disclosure of tax risk appropriately addresses the significant change in the international tax environment, and that appropriate provisions and other disclosure with respect to uncertain tax positions were reflected in the financial statements.
The appropriateness of the valuation of post employment liabilities, and the recognition of any surplus. <i>Refer to note 14 of the Financial Statements.</i>	The measurement of post employment liabilities is sensitive to changes in long-term interest rates, inflation and mortality assumptions. Having reviewed management's papers setting out key changes to actuarial assumptions, the Audit Committee agreed that the assumptions used in the valuation are appropriate. The Committee reviewed management's assessment of the economic benefit available as a refund of the surplus or as a reduction of contribution and the key judgements made in respect of the surplus restriction and concluded that those judgements were appropriate. The Committee reviewed and concluded that sufficient disclosures were provided in the financial statements.
Significant legal matters impacting the group. <i>Refer to note 19 of the Financial Statements.</i>	The Committee agreed that adequate provision and/or disclosure have been made for all material litigation and disputes, based on the current most likely outcomes, including the litigation summarised in note 19 of the Financial Statements.
Accounting for business combinations. <i>Refer to note 8 of the Financial Statements.</i>	Diageo acquired 21Seeds on 31 March 2022 and completed a number of other smaller acquisitions during the year ended 30 June 2022, for an aggregate consideration of £162 million. As at the completion date of these acquisitions, Diageo performed valuations of the identifiable assets and liabilities and the resulting goodwill. The purchase price allocation exercises are subject to management's judgement and estimates, including forecast cash flows, buyer specific synergies and the applicable discount rates used in valuations. The Committee reviewed management's purchase price allocations and the disclosures provided in the Financial Statements and concluded they were appropriate.
The application of hyperinflationary accounting in Turkey. <i>Refer to note 1 of the Financial Statements.</i>	Hyperinflationary accounting became applicable to Turkey in the year ended 30 June 2022. The Audit Committee agreed with management's analysis of Turkey becoming a hyperinflationary economy. The Audit Committee reviewed and agreed with management's assessment of the hyperinflation adjustments and the presentation and disclosures made. The Committee reviewed and agreed with the recognition of the restatement of non-monetary items at the beginning of the reporting period, including the impairment of the restated non-current assets recognised, within equity. The Committee reviewed the disclosures in respect of hyperinflationary accounting, and concluded they were appropriate.
Whether the Annual Report is fair, balanced and understandable.	The Audit Committee concluded that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy and that there is an appropriate balance between statutory (GAAP) and adjusted (non-GAAP) measures ensuring equal prominence.
The impact of climate change on the group's financial reporting and financial statements. <i>Refer to pages 47 to 56 of 'Responding to climate-related risks' and note 1 and note 9 of the Financial Statements.</i>	The Audit Committee agreed that the disclosures on pages 47 to 56 made in response to the recommendations of the Task Force on Climate-related Financial Disclosures are appropriate and that the assumptions used in the financial statements are consistent with these disclosures.

Championing our talent strategy



Dear Shareholder

I am pleased to provide the report of the Nomination Committee for the year ended 30 June 2022.

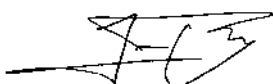
The Committee is responsible for succession planning for the Board, maintaining a pipeline of strong candidates for potential nomination as Non-Executive Directors and Executive Directors,

while also ensuring robust succession planning and talent strategy for the Executive Committee. During this year, the Committee has recommended the appointment of Karen Blackett as Non-Executive Director, who joined the Board on 1 June 2022. Karen brings to the Board her extensive experience of the media, marketing and creative industries, and is a passionate advocate for inclusion, diversity and creating opportunities for all. Karen's appointment had been made following a detailed market review assisted by Egon Zehnder, an independent executive search agency.

As travel restrictions eased over the course of the year, we resumed office and production facility visits and tours for Board members, in particular those Directors who had joined the Board since the beginning of the pandemic, who had the opportunity to visit key distilleries, packaging facilities, maturation sites and other production plants in Scotland as well as the Guinness Storehouse and brewery in Ireland.

This year the Committee also managed the evaluation of the effectiveness of the Board, its Committees, members and processes. Further details, including the review's conclusions, recommendations and actions as presented to the Board in January 2022, are set out on page 95.

The Committee has also been involved in reviewing talent planning and succession of Executive Committee membership, with a number of changes being approved during the year. Tom Shropshire assumed the role of General Counsel & Company Secretary in September 2021, Louise Prashad was appointed Chief HR Officer in January 2022 and Dayalan Nayager was appointed President, Africa following John O'Keeffe's appointment as President, Asia-Pacific in July 2022. More recently, we announced the appointment of Debra Crew as Chief Operating Officer with responsibility for driving continuing performance momentum across Diageo's markets and supply operations, and of Claudia Schubert as President, North America, effective 1 October 2022. I congratulate all those who have joined the Board or Executive Committee in the past year and those who will do so shortly.



Javier Ferrán
Chairman of the Nomination Committee

Role and composition of the Nomination Committee

The Nomination Committee is responsible for keeping under review the composition of the Board and succession to it, reviewing succession planning for key Executive Committee roles, and succession planning and overall talent strategy for senior leadership positions, including in relation to ensuring and encouraging diversity in leadership positions. It makes recommendations to the Board concerning appointments to the Board. More details on the role of the Nomination Committee are set out in its terms of reference which are available at <https://www.diageo.com/en/our-business/corporate-governance>.

The Nomination Committee comprises Javier Ferrán (Committee Chairman), Melissa Bethell, Karen Blackett, Susan Kilsby, Valérie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart and Ireena Vittal.

Recruitment and election procedures

The recruitment process for Non-Executive Directors includes the development of a candidate profile and the engagement of Egon Zehnder, a professional search agency (which has no connection with the company other than acting as an executive search agency) specialising in the recruitment of high-calibre candidates for non-executive and executive roles. In the case of Executive Director or Executive Committee appointments, an executive leadership assessment is carried out by an external professional agency. Reports on potential appointees are provided to the Committee, which, after careful consideration, makes a recommendation to the Board. In determining its recommendations, the Committee has regard to a broad range of factors including the candidate's background, skillset and experience, their ability to express independent judgement and participate across a broad range of topics, including on sustainability and societal matters, their ability to devote sufficient time to the company and whether their appointment would contribute towards the Board's diversity objectives.

Any new Directors are appointed by the Board and, in accordance with the company's articles of association, they must be elected at the next AGM to continue in office. All existing Directors retire by rotation and stand for re-election every year. While the company's policy is for all Directors to attend the AGM, either physically or by video conference as permitted by the company's Articles of Association. Details of attendance of all Board and Committee meetings by Directors are set out on page 90.

External appointments

While the Board does not have a written policy as regards the maximum number of other appointments that Directors should have, before recommending new appointments to the Board, the Nomination Committee considers other demands on candidates' time. As a general principle, the Committee takes the view that Non-Executive Directors should have no more than four, and Executive Directors no more than one, listed mandates in addition to their role as a director of the company. For example, the Committee concluded that Karen Blackett had sufficient time to devote to the company due to the majority of her external appointments being with industry bodies, charitable or public institutions. Once appointed, any proposed additional external appointments are also reviewed by the Nomination Committee to ensure that the additional demands on a director's time will not impact on the director's ability to perform his or her role as a director of the company before the additional appointment is recommended for approval by the Board. Directors' interests are reviewed and updated at each Board meeting. The Board has concluded that each Non-Executive Director has sufficient time to discharge their duties as a director of the company, taking into consideration their external appointments and commitments.

Induction and training

With the easing of travel restrictions during the year, we have reverted to more customary induction processes for newly appointed directors. In addition to individual meetings with Executive Committee members and other senior executives, Directors who have joined the Board since the beginning of the pandemic have had the opportunity to visit a number of the company's production facilities and offices in London, Scotland and Ireland. These include the company's new head office in London, the Guinness Storehouse and St James's Gate Brewery in Dublin, the group's spirits production facilities and archives in Scotland.

Induction programmes for new Directors are tailored to suit the particular background and experience of the individual Director, with the Committee advising on priorities for that individual and tracking induction activity. These induction processes supplement existing practices whereby a continuing understanding of the business is developed through appropriate business engagements for Non-Executive Directors such as visits to customers, engagements with employees, and brand events worked into the annual cycle of Board meetings.

Training on specific areas of risk and detailed reviews of strategic matters are provided by Executive Committee members, other internal senior leaders and external guest speakers and specialists through presentations, roundtable discussions and other sessions as part of the Board's Annual Strategy Conference and during the year as part of Board and Audit Committee meetings.

In addition, Executive Committee members and other senior executives are invited, as appropriate, to Board and strategy meetings to make presentations on their areas of responsibility. All Directors are also provided regular briefings to ensure they are kept up to date on relevant legal and governance developments or changes, best practice developments and changing commercial and other risks.

Activities of the Nomination Committee

The principal activities of the Nomination Committee during the year were:

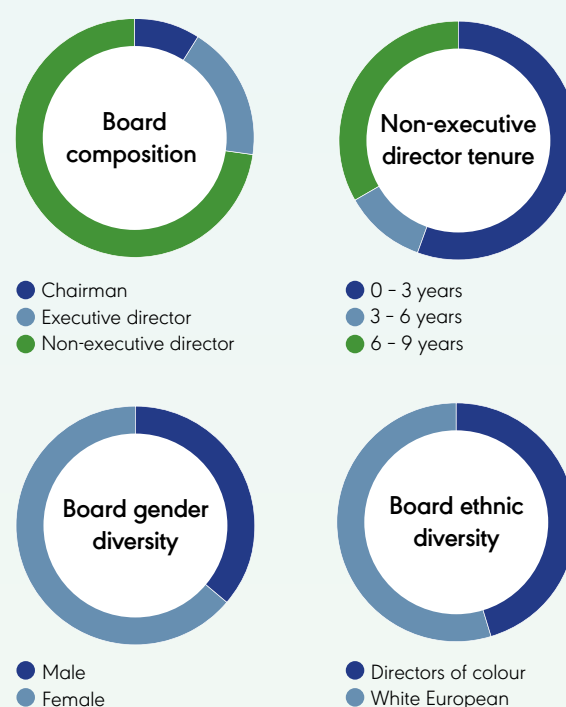
- the consideration of the talent pipeline for potential new appointments to the Board including the selection and recommendation as to the appointment of a new Board member;
- the design and conduct of the annual review of Board, committee and individual Director effectiveness and performance and a review of the findings of the review and recommended actions;
- consideration and approval of the report of the Committee in the company's Annual Report and consolidated financial statements for the year ended 30 June 2022;
- consideration and recommendation to the Board of proposed changes in Directors' outside interests and any potential conflicts of interest; and
- a review of the succession plans for Executive Committee roles, including potential candidates for such roles, their backgrounds and experience, and how such candidates would contribute towards the company's diversity objectives.

Evaluation

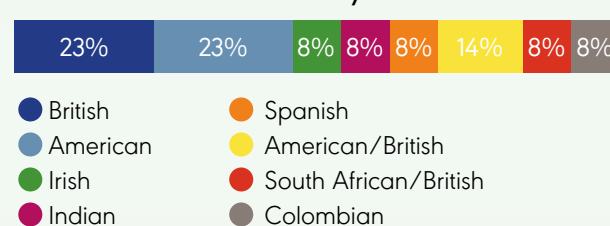
As part of the annual Board evaluation, all members of the Nomination Committee participated in an evaluation of the Committee. This concluded that the Committee was effective and that the Board was satisfied with its performance, that its remit and scope was sufficient, and that the Committee was effective in maintaining a suitable pipeline of talent for non-executive roles and in monitoring succession planning for executive director and senior management roles. Further details of the evaluation can be found on page 95.

Diversity

The Board has a longstanding commitment to prioritise diversity and supports the recommendations of the FTSE Women Leaders Review (previously the Hampton-Alexander Review) on gender diversity and the Parker Review on ethnic diversity. The Board Diversity Policy sets out specific objectives with parity between male and female members of the Board being the ultimate goal in terms of gender diversity, with a commitment to have no less than 40% female representation on the Board, and having at least one Director reflecting ethnic diversity as defined in accordance with the Parker Review. The Committee is pleased to confirm that both these objectives have currently been met. The Board Diversity Policy also sets out the Board's support for management's actions to increase the proportion of senior leadership roles held by women and by people from minority backgrounds and other under-represented groups. As at 30 June 2022, the percentage of women on the Executive Committee and their direct reports is 40%.



Executive Committee nationality



ETHNIC DIVERSITY DEFINITIONS

- Directors are defined as all non-executive and executive directors appointed to the Board.
- Directors of colour are defined in accordance with the Parker Review definitions as those "who identify as or have evident heritage from African, Asian, Middle Eastern, Central and South American regions".

All data above is given as at the last practicable date prior to publication of this report, being 27 July 2022.