

Championing our talent strategy



Dear Shareholder

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

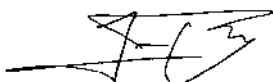
The Committee is responsible for succession planning for the Board, maintaining a pipeline of strong candidates for potential nomination as Non-Executive Directors and Executive Directors,

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 Chapoulard-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:

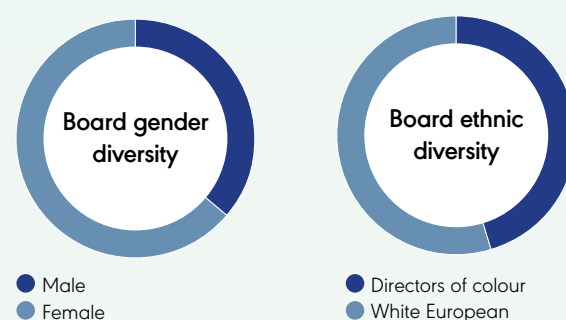
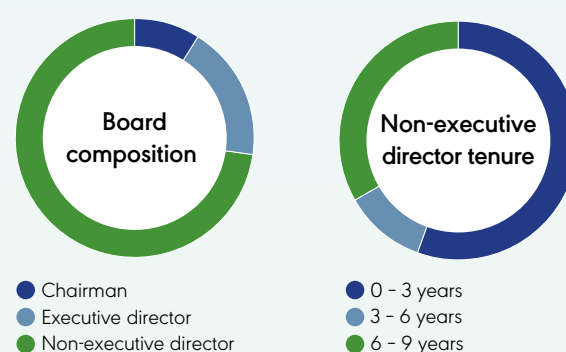
- the consideration of the talent pipeline for potential new appointments to the Board including the selection and recommendation as to the appointment of a new Board member;
- the design and conduct of the annual review of Board, committee and individual Director effectiveness and performance and a 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

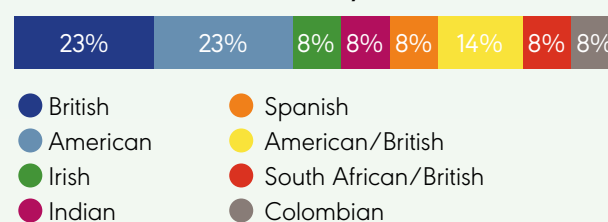
As part of the annual Board evaluation, all members of the Nomination Committee participated in an evaluation of the Committee. This concluded that the Committee was effective and that the Board was satisfied with its performance, that its remit and scope was sufficient, and that the Committee was effective 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.