

# DIAGEO

Annual Report 2025



Our Growth Ambition is to create one of the best performing, most trusted and respected consumer products companies in the world.

➔ Read more about our Growth Ambition on page 10.

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## A broad portfolio of iconic brands

OUR PURPOSE	OUR STRATEGY
<i>Celebrating life, every day, everywhere</i>	Unleash the power of our <i>brands</i> and <i>portfolio</i> to lead and shape <i>consumer trends</i> executed with <i>operational excellence</i>

OUR PERFORMANCE			
<b>\$20.2bn</b> fiscal 25 reported net sales	<b>13</b> billion dollar brands <sup>(1)</sup>	<b>#1</b> in international spirits by retail sales value <sup>(1)</sup>	<b>1.4x</b> larger than nearest international spirits competitor <sup>(1)</sup>



OUR GLOBAL FOOTPRINT			
<b>~180</b> countries and territories	<b>200+</b> brands	<b>29,000+</b> employees	<b>110+</b> manufacturing sites

OUR CATEGORIES AND PRICE POINTS	
<b>#1</b> in ✓ whisk(e)y ✓ tequila ✓ vodka ✓ gin ✓ liqueurs ✓ non-alc spirits by retail sales value <sup>(1)</sup> (1) IWSR, 2024 (USD value)	<b>Fiscal 25 reported net sales by price tier</b> 

CHAIR'S STATEMENT



Sir John Manzoni  
Chair

Reflections on my first six months

In February 2025, I was appointed as Chair of the Diageo Board after three and a half years as a Non-Executive Director, succeeding Javier Ferrán. I would first like to extend my sincere thanks to Javier, who led the Board with great dedication and stewardship.

Having been a member of the Board since 2020, I have a deep appreciation for the legacy of the company and its iconic brands, and I am committed to ensuring we do more to unlock the full potential of Diageo.

Over these last six months, I have spent extensive time with our leadership, colleagues, customers and stakeholders in almost every corner of the organisation around the globe. I have listened to their views and insights into Diageo, our industry and the broader consumer environment.

From our breweries in Ireland and our tequila operations in Mexico, to sales teams across Europe and the United States, and of course our historic scotch distilleries – what has stood out consistently is our unrivalled portfolio of brands, our truly global footprint, our fantastic brand-building capabilities and our dedicated workforce.

These distinctive qualities give me confidence in our abilities over the long-term. There is no question that current industry conditions are challenging, but we are taking steps with urgency to ensure Diageo is positioned to win in the short-term, and emerge stronger and more agile when conditions improve.

STATEMENT ON SECTION 172 OF THE COMPANIES ACT 2006

Section 172 of the Companies Act 2006 requires the Directors to promote the success of the company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision-making. In making decisions, the Directors consider what is most likely to promote the success of the company for its shareholders in the long term, as well as the interests of the group's stakeholders. The Directors understand the importance of taking into account the views of stakeholders and the impact of the company's activities on local communities, the environment, including climate change, and the group's reputation.

Read more about how stakeholders were taken into account in decision-making on pages 86-90.

Fiscal 25 performance

The macroeconomic and geopolitical environment continues to be challenging for the Total Beverage Alcohol (TBA) industry, as well as broader consumer goods, particularly in the United States and China. Over the past two years, consumer wallets and confidence have been under sustained pressure.

Despite this, Diageo delivered organic net sales growth in fiscal 25 of 1.7%, driven by organic volume growth of 0.9% and positive price/mix of 0.8%. Don Julio, Guinness and Crown Royal were the standout performers, seeing good growth in the year. Whilst there is clearly more to do, I am pleased that we are showing organic growth ahead of competition.

In a challenging year we kept the dividend flat, which we feel is prudent. This brings our full year dividend to 103.48 cents per share. This decision has been made with reference to performance trends and short-term macroeconomic and geopolitical pressures, and does not reflect reduced confidence in the long-term strength and growth potential of the business. Going forward, we remain committed to a progressive dividend policy.

This year, we launched and have made good progress on the initial phase of Accelerate, our company-wide programme to strengthen the business.

Accelerate is helping to drive a disciplined focus on cost management and consistent cash delivery, as well as strengthening our operating model, and improving commercial and digital capabilities. It is clear that we must do more to rebuild confidence and grow quality market share.

Whilst this is only the first phase of the programme, these changes are a vital opportunity to make Diageo a more efficient and agile company, delivering both more consistent growth and cash flow, as well as stronger shareholder returns.

Consumer trends and industry fundamentals

Looking more broadly at the industry, there has been considerable discussion on emerging new consumer trends, which our Board and management team continue to monitor. Moderation is a theme we are monitoring particularly closely, as well as many sub-factors, including the impact of GLP-1s (weight-loss drugs), cannabis and Gen Z consumption patterns.

We see moderation as a significant opportunity for Diageo, with the inherent versatility of spirits making moderation more accessible and appealing. Diageo's long-term conviction that consumers want to 'drink better, not more' remains one of the key building blocks of our strategy.

Our position in the non-alcoholic space is already strong. We are now the world's largest non-alcoholic spirits player, more than four times bigger than any of our competitors in this space.<sup>(1)</sup> This fiscal, we expanded our portfolio with the acquisition of Ritual Beverage Company LLC and rolled out Captain Morgan 0.0 to more markets, complementing our existing non-alcoholic options: Guinness 0.0, Tanqueray 0.0, Gordon's 0.0 and Seedlip.

As well as moderation, other long-standing consumer dynamics remain significant for Diageo, including premiumisation, where we are positioned to win across different categories and occasions. Over the last 10 years, premium and above international spirits grew from 26% of category value to almost 35%. The super-premium plus price-tier has grown in value more than 50% faster than other price tiers in the category.<sup>(1)</sup>

(1) IWSR, 2024 (by retail sales value)

Whilst macroeconomic uncertainty is impacting both the timing and pace of recovery, we continue to believe in the attractive long-term fundamentals of our industry and in our ability to outperform the market, underpinned by our portfolio of 13 billion-dollar brands.

Changing consumer tastes are not new for a business like Diageo and they present us with opportunities to leverage our scale in our leading positions, across more categories than anyone else.

Board changes for a new chapter

In July, we announced that Debra Crew had stepped down as Diageo Chief Executive and as a Board Director. On behalf of Diageo and the Board, I would like to thank Debra for her many contributions to Diageo, including steering the company through the challenging aftermath of the global pandemic and the ensuing volatility.

The Board is engaged in a comprehensive search process for Debra's successor, which includes consideration of internal and external candidates, to secure the best individual to lead Diageo and to take the company forward. Nik Jhangiani, Chief Financial Officer, has been appointed Interim Chief Executive until a permanent appointment is made. We are pleased that our former Chief Financial Officer, Deirdre Mahlan, has agreed to rejoin Diageo as Interim Chief Financial Officer.

Nik joined us as Chief Financial Officer in September 2024, bringing with him more than 30 years of finance experience gained in roles in the United Kingdom, Europe, India, Africa and the United States. This includes 20 years as a Chief Financial Officer, spending most of his career in consumer and beverage industries, including within the Coca-Cola system.

In addition, we were delighted to welcome Julie Brown in August 2024 as a Non-Executive Director and Chair of the Audit Committee, succeeding Alan Stewart. Julie currently serves as Chief Financial Officer of GSK plc and was previously Chief Operating and Financial Officer and Executive Director at Burberry Group plc. She has decades of experience in financial, commercial and strategic roles in complex multi-national organisations within highly regulated and consumer industries.

These additions to our Board and leadership team bring invaluable breadth and depth of experience. Looking ahead, we will continue to keep the composition of the Board under regular review and will add skills and expertise as necessary and where it enhances our overall capabilities.

Spirit of Progress

Hand-in-hand with our ambition for Diageo to be one of the best-performing consumer products companies is our ambition to remain highly trusted and respected across everything we do.

This is why we remain strongly committed to our 'Spirit of Progress' ESG action plan. Over the past 12 months, the Board has been particularly focused on the aspects where we believe we can have the most substantial impact – positive drinking and water stewardship.

I am proud that Diageo has promoted responsible drinking since its formation in 1997. We continue that commitment today by investing in education programmes to discourage the harmful use of alcohol and encouraging moderate drinking.

This includes DRINKiQ, established in 2008, to provide people with world class information so they can make informed choices around alcohol consumption, which is now communicated on our brand packaging.

We also ensure our marketers put their creative talents towards moderation advertising. For example, during this fiscal we launched our bold new 'Take a Minute. Make a Plan. Never Drive Impaired' campaign in the United States, in partnership with Mothers Against Drunk Driving, the National Football League and Uber, to tackle impaired driving. This campaign reached millions of consumers.

Our focus on water-stressed areas has continued to deliver strong water-use efficiency performance with a 2.6% improvement in the water efficiency index versus last year and a 20.6% improvement since our 2020 baseline. We continued to replenish water in our priority water basins, this year delivering over 3 million cubic metres of additional capacity, collaborating with key partners to support the communities in which we operate.

After careful review of our carbon reduction goals, we proposed new science-based targets, reflecting both the opportunities and challenges associated with reducing emissions, which were approved by the Science Based Targets initiative (SBTi). These include new interim targets for direct and value chain emissions and longer-term net zero targets. We remain committed to a science-based approach and delivering against stretching ambitions.

Looking ahead to fiscal 26 and beyond

In the immediate term, my focus, and that of the Board, is to appoint the right Chief Executive, and support our leadership team to get Diageo back to delivering consistent growth, maximising the opportunities to strengthen the business and deliver stronger shareholder returns.

We will continue to prioritise a culture with our customers and consumers at the core, encouraging accountability, agility and adaptability.

Finally, I want to thank our employees around the world. Their energy, ideas, work ethic, passion for our brands, and commitment to our business in what has been a particularly difficult operating environment is deeply appreciated. I was delighted to hear that our employee engagement levels have remained high this year, with 90% of our employees stating they are proud to work for Diageo.

The Board and I are committed to working closely with the Executive Committee to ensure the decisions we make today position Diageo to thrive and deliver for shareholders. More resilient, more responsive, and more relevant to consumers than ever before.

Sir John Manzoni  
Chair

CHIEF EXECUTIVE'S STATEMENT



**Nik Jhangiani**  
Interim Chief Executive

**Introduction**

Having been appointed Interim Chief Executive in July 2025, I am pleased to be sharing Diageo's Annual Report for the 2025 fiscal year with our shareholders and wider stakeholders. I would like to thank Debra Crew for her significant contribution to Diageo. I know I speak for everyone at the company in thanking her for her work over the last six years and wishing her the very best for the future.

I joined Diageo as Chief Financial Officer in September 2024. Since then, I have fully immersed myself into the company and have seen first-hand that this is a business full of passionate people who want to win.

The purpose Diageo was founded with in 1997 remains the same today: to help consumers around the world to celebrate life, every day, everywhere. With a broad portfolio of iconic brands in many of the largest categories in Total Beverage Alcohol (TBA), 13 billion-dollar brands, several of which are leading in their respective categories, and sales in nearly 180 countries, we are fortunate to have a number of competitive advantages. However, we must do more to continue to lead the way in premium drinks and drive growth in an evolving TBA landscape, and deliver stronger shareholder returns.

I look forward to working in my new capacity alongside the Board of Directors, the Executive Committee and our broader workforce in doing this.

**Delivering on guidance despite a challenging market**

Our industry backdrop has remained highly challenging in fiscal 25 - arguably tougher than in many previous cycles.

We have continued to undertake considerable contingency planning in recent months in relation to tariffs, and have taken action to help mitigate their potential impact including inventory management, supply chain optimisation and re-allocation of investments. Looking ahead, we will continue to work on mitigating measures, and our long track record of managing international tariffs gives us confidence in our ability to navigate this successfully.

We continue to believe in the attractive long-term fundamentals of our industry and in our ability to continue to outperform the market as the TBA landscape evolves. This is consistent with the consumer data that we have collated and continue to track across our markets, including early findings from our recent proprietary survey of 21 markets. We will continue to track the evolving landscape closely to understand nuances and changes.

In fiscal 25, organic net sales grew 1.7%, including the impact of the Ciroc transaction. Excluding this impact, Diageo's organic net sales growth was 1.5% and organic operating profit declined by 1.0%, consistent with our guidance.

Organic operating profit declined by 0.7% including the impact of the Ciroc transaction, mainly due to continued investment in overheads and partly offset by slight gross margin expansion. Net cash flow from operating activities increased by \$0.2 billion to \$4.3 billion. Free cash flow increased by \$0.1 billion to \$2.7 billion.

Despite the tough consumer landscape, many of our markets and brands have delivered positive performance this year.

Tequila organic net sales were up 18% in the fiscal, with share gains across our business. Diageo is the #1 tequila player globally and our portfolio gained share in 94% of reported net sales in measured markets, with strong performance particularly from Don Julio Reposado. Building on this, Don Julio was activated at scale with Día de los Muertos across 24 countries. Don Julio 1942 also saw its first ever global product collaboration with DJ Peggy Gou.

Diageo remains the global leader in international whisk(e)y,<sup>(1)</sup> with nearly 25% value share.<sup>(2)</sup> In fiscal 25, our Canadian whisky Crown Royal grew by 3%. Johnnie Walker, while gaining share of international whisk(e)y and scotch and recruiting consumers including through the launch of Johnnie Walker Black Ruby, saw an organic net sales decline, largely driven by the United States, Asia Pacific Travel Retail and Greater China. When the consumer wallet is under pressure, scotch is typically one of the most adversely impacted categories. In fiscal 26, we are focused on accelerating Johnnie Walker recruitment through both premiumisation and scaling innovation.

Guinness has continued its remarkable growth journey, with over 3.8 million new LPA+ drinkers since 2019. It became the number one beer in football occasions in Great Britain<sup>(3)</sup> thanks to our English Premier League partnership. It has expanded to 88 markets, and continues to make strides in the United States, which we believe is a major long-term opportunity. Guinness has also recruited a significant number of new consumers in new occasions. For instance, in Ireland, Guinness is now more popular in the summer than at Christmas; and Guinness 0.0 is playing a key role in addressing moderation, becoming Great Britain's number one non-alcoholic beer.<sup>(4)</sup>

We have made a number of selective disposals consistent with our long-term strategy of deleveraging and improving balance sheet flexibility. This includes the sale of non-core brands Pampero, Safari and Cacique, as well as a shift to an asset-light model in many parts of Africa, with the disposal of shareholdings in Guinness Nigeria, Guinness Ghana and Seychelles Breweries. We also made the strategic decision to move forward with a reduced number of investments within Distill Ventures and to no longer bring in any new brands through the programme. Going forward, we remain committed to actively pursuing disposals of appropriate, non-core assets.

We have made progress this fiscal, but there is clearly more work to do. I am focused on driving accelerated growth, sharpening our strategy and improving the performance of our broader portfolio and brands.

**Addressing the moderation opportunity**

Our strategy has long been centred on consumers drinking better, not more, and moderation is one of the most significant long-term trends we track. I am proud that Diageo has advocated for responsible drinking since our formation, funding and championing consumer education through our brands as well as specific programmes that target underage drinking and drink-driving.

(1) Includes Scotch, Irish, US, Canadian and Japanese whiskeys  
(2) IWSR, 2024 (by retail sales value)  
(3) Alcovision data to March 2025  
(4) IWSR, 2024 (by retail sales value)

In fiscal 25, we have seen increased attention on the moderation agenda. We view moderation as one of our greatest opportunities. The inherent versatility of spirits makes moderation more accessible and appealing, and we are leaders in the fast-growing non-alcoholic spirits category.

In addition, this segment not only clearly supports moderation but enables us to recruit consumers from beyond spirits. To extend our leadership, in fiscal 25, we acquired Ritual Beverage Company LLC, the #1 non-alcoholic spirits brand in the United States.

Our broader non-alcoholic portfolio also delivered strong performance in fiscal 25, growing c.40%, with particularly strong momentum in Guinness 0.0 which delivered double-digit net sales growth, with standout performance in Great Britain, Ireland and the United States.

**Accelerate: Strengthening Diageo for the future**

This year marked the launch of Accelerate, our company-wide initiative to build a stronger, more efficient and agile business, setting out clear cash delivery targets and a disciplined approach to operational excellence and cost efficiency.

The first phase of the Accelerate programme is progressing well. Underpinning delivery of our guidance are the following targets:

- Consistent cash delivery:** Guidance remains to sustainably deliver c.\$3 billion free cash flow per annum from fiscal 26, increasing as business performance improves. A renewed focus on cash has been implemented across the organisation, including delivering a positive operating leverage and reduced capex from fiscal 26.
- Cost savings:** We now expect to deliver c.\$625 million cost savings over the next three years. This includes savings from A&P efficiencies, overheads, supply chain efficiencies and trade investment.
- Commitment to deleveraging:** We continue to expect to be well within the leverage target range of 2.5-3.0x net debt to adjusted EBITDA no later than fiscal 28. This will be delivered through a combination of organic growth and positive operating leverage, combined with tighter capital discipline, and appropriate and selective disposals over the coming years.

As part of Accelerate, we are also evolving our operating model to give us a competitive advantage. For example, in Europe, we have undertaken work to unlock the region's full potential. This includes targeted investments and the creation of more standalone markets, such as Iberia and Italy, to bring us closer to customers and consumers, while driving better performance.

**Leadership: Executive Committee changes this fiscal**

In March 2025, Praveen Someshwar joined Diageo as Managing Director of Diageo India and CEO of USL, taking over from Hina Nagarajan. Prior to this, Praveen was MD and CEO of HT Media, one of India's largest and best-known media groups.

After four years as Diageo India Managing Director and CEO of USL, in March 2025, Hina Nagarajan took on the role of President of our Africa business. Prior to her successful period leading Diageo India, Hina's first role in Diageo from 2018 onwards was Managing Director of Africa Emerging Markets.

Dayalan Nayager, previously President of Diageo Africa since July 2022, became President of Diageo Europe, taking over from John Kennedy, retaining his role of Chief Commercial Officer. Over the last 12 years, Dayalan has led several Diageo businesses in Europe, including Great Britain, Ireland and France. I want to thank John for leading the Europe business on an interim basis since January 2024 and completing his 30-year tenure at Diageo in 2023.

Randall Ingber re-joined Diageo in June 2025, succeeding Tom Shropshire as General Counsel, and taking over as Company Secretary from the start of fiscal 26. Randall had a successful 19-year career within our Legal function before serving as General Counsel and Company Secretary at Lion Group, a leading Australasian beverage alcohol business and one of the largest craft brewers in the United States.

I would like to thank Tom for his significant impact during his time with Diageo. Since 2021, he has been instrumental to shaping our agenda, advising our Board and Executive Committee on a range of topics.

Lastly, we are looking forward to Deirdre Mahlan rejoining Diageo as our interim Chief Financial Officer later in August. Deirdre's deep spirits industry experience and financial expertise includes a 27-year career with Diageo and predecessor companies, culminating in five years as CFO and five more leading our North American business.

I am looking forward to working with the Executive Committee and the Board as we work to deliver our commitments to shareholders for fiscal 26.

**Looking ahead**

We look ahead to fiscal 26 with a strong sense of purpose and resolve. Alongside the Board and the Executive Committee, I am committed to driving sustainable net sales growth, leveraging the strength of our portfolio and brand-building capabilities whilst strengthening Diageo's commercial execution.

Our Accelerate programme is progressing at pace and is central to creating a more agile and performance-focused organisation. All of the actions currently underway will position us well to drive increased growth as the market recovers and the TBA landscape evolves.

We look forward to continuing to bring our brands to life in fiscal 26, both through superior commercial execution and via high profile partnerships and events, such as the FIFA 2026 World Cup, for which we are the official spirits partner in the Americas.

Lastly and most importantly, I want to thank my Diageo colleagues around the world, whose commitment, agility, and passion for our brands is our greatest asset and a deep source of pride.

Diageo's ambition remains clear: to be one of the best performing, most trusted and respected consumer products companies in the world. With world-class brands and talent, highly effective global consumer insights and an ongoing focus on efficiency and effectiveness, we are confident in our ability to outperform the market, restore Diageo to a top quartile TSR consumer company, and provide stronger returns to shareholders.

**Nik Jhangiani**  
Interim Chief Executive



INVESTMENT CASE

# A strong investment case

**1**  
Attractive, long-term industry fundamentals

**VERSATILITY OF SPIRITS**

The versatility of spirits positions the category well for the future across occasions, premiumisation and the evolution of consumer trends, including moderation and sourcing growth from beer and wine. Continued category momentum comes from spirits' cultural relevance, innovation and consumers' desire to explore new categories and experiences.

**PEOPLE ARE DRINKING BETTER, NOT MORE**

Spirits' long-term value growth is also driven by premiumisation as consumers want to drink better, not more. In the last 10 years, premium and above spirits grew from 26% of category value to almost 35%. The super-premium-plus price tier has grown in value more than 50% faster than other price tiers in the category. This price tier gained c.600 basis points of share of international spirits retail sales value (RSV) since 2014.<sup>(1)</sup>

**LONG RUNWAY FOR GROWTH**

Diageo sees a substantial runway for sustainable growth. With a global TBA share of 4.5%,<sup>(1)</sup> we have significant headroom for future growth. In the United States, our largest market, we remain underpenetrated in key categories with our leading brands, presenting a strong opportunity to recruit consumers and drive growth.

**2**  
...aligned to our competitive advantages

**A BROAD PORTFOLIO OF ICONIC BRANDS**

We are #1 in international spirits, the #3 player in TBA and have 13 billion-dollar brands.<sup>(1)</sup> We have a diverse portfolio of brands, providing a broad range of choices for consumers across occasions.

**A DIVERSIFIED GEOGRAPHICAL FOOTPRINT**

Our geographic footprint gives us access to consumers in the world's largest markets, such as the United States, as well as the vibrant markets of India and China. Our regional breadth allows us to flex prioritisation, investment and activation, increasing our ability to capture growth and reduces dependency on any single region or market.

**A LEADING PORTFOLIO ACROSS PRICE POINTS**

Our portfolio is spread broadly across the pricing ladder - across and within categories, providing choice in most economic environments.

**DIVERSE AND ENGAGED TALENT**

Diageo has an entrepreneurial, talented and diverse workforce of more than 29,000 people globally and are led by a highly experienced Executive Committee. Our Executive Committee combines home-grown talent with externally recruited leaders who bring invaluable market experience and fresh perspectives.

**3**  
...as we execute with focus

**RESHAPED PRIORITIES SUPPORTED BY ACCELERATE**

In fiscal 25, we introduced our reshaped priorities to drive improved performance: delivering sustainable top-line growth, increasing operating leverage, maximising cash flow and optimising returns. These strategic outcomes are being embedded across the business, with further opportunity. We are moving at pace and this is underpinned by the work underway on our Accelerate programme.

We launched the first phase of Accelerate in May 2025 to build a more agile operating model, with clear cash delivery targets and a disciplined focus on operational excellence and cost efficiency. These changes are creating a stronger platform for optimising investment and enabling more effective resource allocation towards long-term growth. While the programme has defined financial targets, it is equally focused on enabling better, faster growth. It is supported by operating model changes designed to enhance Diageo's global agility - leveraging scale more effectively, sharpening investment priorities, and accelerating decision-making.

**4**  
...to position Diageo for long-term growth.

**ATTRACTIVE FINANCIAL FOUNDATIONS**

Driving long-term sustainable growth is a strategic priority for Diageo. We are committed to gaining quality market share in a disciplined and sustainable manner. Diageo maintains an attractive margin profile, with further room for expansion. Our business is highly cash generative, enabling us to reinvest behind our brands to fuel future growth. As Accelerate progresses this will be further enhanced through consistency of cash delivery and the ability to reinvest and allocate resources behind growth opportunities. This disciplined approach strengthens our resilience and agility in a dynamic global environment.

**FOCUSED STRATEGY**

Diageo's focused strategy is centred on delivering growth by maximising the potential of our advantaged portfolio. We are making meaningful progress in an evolving consumer landscape and challenging macroeconomic environment, by concentrating on what we can manage and control. While our strategic outcomes remain consistent, we are sharpening their application and pace of execution. This is enabling us to prioritise resources toward the most attractive growth opportunities, refine our portfolio choices and position the business to emerge stronger.

(1) IWSR, 2024 (by retail sales value)

MARKET DYNAMICS

# Market dynamics

**Established tailwinds**

- GROWING LPA+ POPULATION
- RISING MIDDLE CLASS
- PREMIUMISATION
- SPIRITS GAINING SHARE OF TBA
- SPIRITS HOUSEHOLD PENETRATION

**Potential headwinds**

- PRESSURED CONSUMER WALLET
- CANNABIS
- WEIGHT-LOSS DRUGS (GLP-1S)

- GEN Z BEHAVIOURS
- MODERATION

We believe that near-term industry pressures are largely cyclical and macroeconomic driven. We continue to believe in the attractive long-term fundamentals of our industry in an evolving TBA landscape.

Long-term fundamentals remain compelling. By 2035, 600 million new legal-purchase-age consumers will enter the market,<sup>(2)</sup> with Gen Z becoming the first 2-billion-strong generation.<sup>(3)</sup>

Gen Z penetration in spirits is increasing in the United States, primarily driven by spirits-based ready-to-drink products and tequila.<sup>(4)</sup> Across our key markets, their engagement with spirits is higher than the average for the total drinking population, indicating they are entering the category earlier.<sup>(4)</sup>

They also allocate a similar proportion of their annual expenditure on alcohol as other generations.<sup>(5)</sup> Recent data shows an increase in LPA+ Gen Z consumption compared to the levels in 2023.<sup>(6)</sup>

Our recent US research indicates that cannabis and GLP-1s have not yet shown significant disruption to spirits consumption, and we continue to monitor them closely.

Moderation is a long-term consumer trend, where we see consumers choosing to drink better not more. Between 2009-2024, international spirits (excluding baijiu and RTDs) per capita consumption has remained broadly stable (2009-2024 CAGR -0.4%), even as total beverage alcohol declined by 1.2%.<sup>(7)</sup> This highlights the strength of the spirits category and the category's resilience in a moderating environment; gaining share from beer and wine.

Moderation presents a significant opportunity for Diageo, the inherent versatility of spirits makes moderation more accessible and appealing. We have a broad portfolio and leadership in non-alcoholic innovation, including Seedlip, Ritual Zero Proof, Tanqueray 0.0, Gordon's 0.0 and Guinness 0.0. These offerings complement our core portfolio, support responsible choices and position Diageo to help shape the future of moderation.

**Gen Z<sup>(1)</sup>**

US household penetration

	F20	F24
TBA	83%	88%
Spirits	49%	55%

(1) Numerator  
(2) Oxford Economics  
(3) NielsenIQ  
(4) Numerator  
(5) US Bureau of Labor Statistics  
(6) IWSR, Bevtrac 2025  
(7) IWSR, Oxford Economics



# Progressing our Growth Ambition

PURPOSE	Celebrating life, every day, everywhere																			
AMBITION	To create one of the best performing, most trusted and respected, consumer products companies in the world																			
STRATEGY	<p>Unleash the power of our <i>brands and portfolio</i> to lead and shape <i>consumer trends</i> executed with <i>operational excellence</i></p> <table border="1"> <thead> <tr> <th>BRANDS AND PORTFOLIO</th> <th colspan="2">CONSUMER TRENDS</th> <th>OPERATIONAL EXCELLENCE</th> </tr> </thead> <tbody> <tr> <td>Whisk(e)y and tequila</td> <td>Cocktail culture</td> <td>Convenience</td> <td>Evolve brand building muscle</td> </tr> <tr> <td>Winning local portfolio</td> <td>Moderation</td> <td>With food</td> <td>Commercial excellence</td> </tr> <tr> <td>Guinness growth</td> <td>Exploration</td> <td>Luxury</td> <td>Accelerated productivity</td> </tr> </tbody> </table>				BRANDS AND PORTFOLIO	CONSUMER TRENDS		OPERATIONAL EXCELLENCE	Whisk(e)y and tequila	Cocktail culture	Convenience	Evolve brand building muscle	Winning local portfolio	Moderation	With food	Commercial excellence	Guinness growth	Exploration	Luxury	Accelerated productivity
BRANDS AND PORTFOLIO	CONSUMER TRENDS		OPERATIONAL EXCELLENCE																	
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Winning local portfolio	Moderation	With food	Commercial excellence																	
Guinness growth	Exploration	Luxury	Accelerated productivity																	
ENABLERS	Building a more 'Digital Diageo' with end-to-end transformation impact	Diverse and engaged talent with an inclusive culture, behaviours and new organisational capabilities	'Spirit of Progress' focus; doing business the right way from grain to glass																	
VALUES & DIAL UP BEHAVIOURS	<p>VALUES</p> <p>Passionate about consumers and customers</p> <p>Be better</p>	<p>VALUES</p> <p>Value each other</p> <p>Proud of what we do</p>	<p>DIAL UP BEHAVIOURS</p> <p>Be externally curious</p> <p>Experiment and learn</p> <p>Collaborate efficiently</p> <p>Act decisively</p>																	
OUTCOMES	Deliver sustainable top-line growth	Increase operating leverage	Optimise returns	Maximise free cash flow																

## OUR STRATEGY



Unleash the power of our *brands and portfolio*...

### Whisk(e)y and tequila

Our focus is to maintain our undisputed number one value position in both the whisk(e)y and tequila categories. To achieve this, we are sharpening our focus on a clear and distinctive portfolio participation strategy across price tiers and consumption occasions. For example, we are accelerating recruitment into Johnnie Walker by scaling innovation and extending the brand into new occasions through Johnnie Walker Blonde and Johnnie Walker Black Ruby.

### Winning local portfolio

Developing a winning local portfolio enables us to serve culturally relevant tastes and consumption moments with authenticity. Scaling Buchanan's Pineapple in Mexico exemplifies this approach, infusing Buchanan's with local flavour preferences inspired by the popular 'Buchanita' serve. This has successfully expanded the brand's appeal, attracting new customers and deepening engagement with existing ones.

### Guinness growth

Guinness remains a key strategic growth priority for us, underpinned by consistent double-digit net sales growth and strong brand equity in core markets such as Great Britain and Ireland. The brand continues to broaden its consumer base, with innovations such as Guinness 0.0 enhancing relevance among more audiences. Strategic partnerships with major global sporting platforms and an efficient asset-light production model enable scalable and sustainable growth.



...to lead and shape *consumer trends*...

### Cocktail culture

We are shaping global cocktail culture, leveraging our premium portfolio and platforms like World Class, our bartending competition.

### Moderation

We are well placed to serve many moderation strategies including no- and lower-alcohol offerings. Many consumers prefer to drink better, not more, which we actively champion.

### Exploration

We are enabling greater discovery and personalisation through digital tools like 'What's Your Whisky', using AI to recommend serves.

### Convenience

To meet demand for accessible, high-quality offerings, we have expanded our ready-to-drink portfolio with exciting innovations including Casamigos Margarita.

### With food

We continue to unlock opportunities in food-led occasions by suggesting ideal pairings through digital tools like 'What's Your Cocktail'.

### Luxury

Diageo Luxury Group (read more on page 15) focuses on accelerating growth in the super-premium segment through exceptional brands such as Johnnie Walker Blue Label and Don Julio 1942.



...executed with *operational excellence*

Our strategic priorities are underpinned by:

- Evolving brand building muscle:** to optimise effectiveness of our A&P by prioritising resource allocation into the right brands, in the right markets, through the most impactful channels.
- Enhancing commercial excellence:** by strengthening execution partnerships, enhancing end-to-end brand experiences and embedding digital innovation across our merchandising and sales processes.
- Accelerated productivity:** by enhancing Revenue Growth Management capabilities and supply chain excellence.

To improve our operational efficiency, we have introduced the first phase of our Accelerate programme. This includes the following goals:

- Consistent cash delivery:** we expect to sustainably deliver c.\$3bn free cash flow per annum from fiscal 26, increasing as business performance improves.
- Cost savings:** c.\$625m cost savings programme over three years which will enable both reinvestment in future growth and improved operating leverage.
- Commitment to deleveraging:** we expect to be well within the leverage target range of 2.5-3.0x net debt to adjusted EBITDA no later than fiscal 28, providing us with a lot more flexibility. This will be delivered through a combination of organic growth and positive operating leverage, combined with tighter capital discipline, and appropriate and selective disposals over the coming years.

OUR STRATEGY *continued*

# Our strategy *in action*

## WHISK(E)Y AND TEQUILA

### Don Julio Presents 194GOU



This year, Don Julio 1942 teamed up with renowned DJ, producer and cultural powerhouse Peggy Gou to release its first ever collaborative limited-time product - a special edition bottle called 1947 ('194Gou'). The new bottle is a striking take on the luxury Don Julio 1942 bottle, fusing heritage with nightlife and music culture.

The launch was an example of executing on our commitment to take tequila around the world. We hosted exclusive pop ups, after parties, and retail takeovers in cities including New York City, London, Milan and Seoul.

Events featured bespoke Don Julio 1942 cocktails, surprise DJ sets, Don Julio 1947 merchandise and bottle signings. This went hand-in-hand with a culture-first social campaign, which has received more than 52 million views,<sup>(1)</sup> and allowed fans to follow the launch in real time.

This first of its kind collaboration has been successful with global consumers. Don Julio 1947 sold out at events in the United States, Asia Pacific and Europe, whilst dedicated retail builds inside airports in Europe and the United Arab Emirates are experiencing a significant sales increase versus Don Julio 1942 sales for the same period last year.

The success of this partnership has ensured the brand is culturally relevant with consumers, whilst also driving halo demand for Don Julio across the globe.

(1) GALE (the campaign PR agency)



## WINNING LOCAL PORTFOLIO

### The Sweeter Side of Johnnie Walker Black Label



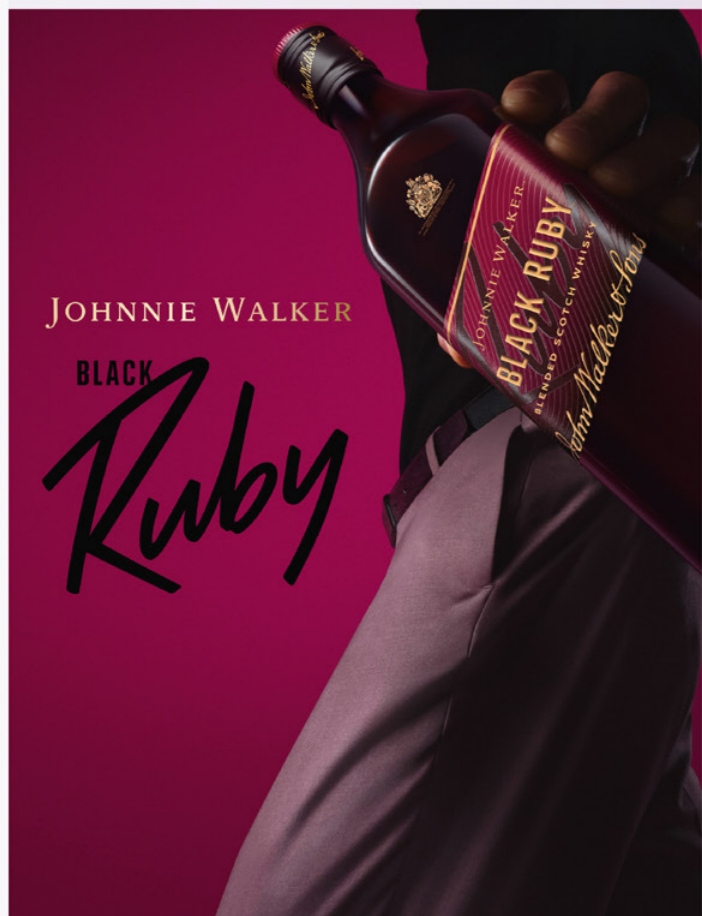
Johnnie Walker has reimagined the whisky scene in Latin America and Caribbean (LAC) with the launch of Johnnie Walker Black Ruby - a sweeter take on Johnnie Walker Black Label, created to elevate classic cocktails.

Countering preconceptions about the 'typical scotch drinker', the team saw this as opportunity to evolve the flavour of the product, opening it up to a new generation.

Given the target market, the launch strategy was focused on local events popular with younger LPA+ consumers including Mexico Fashion Week and Puerto Rico Cocktail Week. Bartenders were briefed to use Johnnie Walker Black Ruby to put a twist on classic cocktails.

Across the board, Johnnie Walker Black Ruby has successfully recruited consumers in LAC back into scotch through exploration, sourcing 72% of volume from outside of scotch.<sup>(2)</sup> 73% of Mexican consumers who have tried Black Ruby have repeated purchase.<sup>(2)</sup> This expansion of the Johnnie Walker family has overturned whisky stereotypes in LAC, demonstrating the part the brand can play in contemporary nightlife. And, given the success of the launch, we are starting the global roll out of Johnnie Walker Black Ruby, bringing this new take on our classic scotch worldwide.

(2) Kantar IDD Mexico 2024 (claimed data)



## GUINNESS GROWTH

### Guinness' Lovely Day in the United States



It is an exciting time for Guinness in the United States. In the second half of fiscal 25, it was the fastest growing major beer brand in the on-trade by volume,<sup>(1)</sup> and the number one draft beer in major metropolitan areas like Boston and New York.<sup>(1)</sup>

We have worked strategically to reach this level of success, but there is still a significant runway for growth - a cornerstone of building on the momentum this fiscal is the 'A Lovely Day' US Campaign, launched in April 2025.

The campaign, which has received 474 million<sup>(2)</sup> impressions and counting, merges the success of the iconic 'Lovely Day for a Guinness' tag line, with a uniquely American perspective, sharing 50 real stories illustrating the role of Guinness and Guinness 0.0 in celebrations.

From Michigan ice fishermen to a Louisiana brass band, to the roller-skating dads of Pennsylvania, these stories capture both the American spirit and the communion of Guinness.

Hand-in-hand with the campaign, we created a limited-edition Guinness Draught Stout can, tapping into the consumer trend of convenience. The design reimagines the classic Lovely Day toucan art with a modern, American twist.

Market testing has found that this campaign has resonated strongest with younger LPA+ beer drinkers, our target audience for expansion, with one-third expressing intent to purchase Guinness after viewing the campaign.

Whilst this is just the foundation of our plans to capture further growth, the campaign is meaningfully building brand equity and driving household penetration with key consumers.

(1) Nielsen CGA L12Wks ending 17 May 2025  
(2) Taylor (the campaign PR agency)

Find out more at [www.diageo.com](http://www.diageo.com)

#### Consumer trends key

- Cocktail culture
- Exploration
- With food
- Moderation
- Convenience
- Luxury

OUR BUSINESS MODEL

# Operational excellence runs through our business model

## What we do

### 1. WE SOURCE

From smallholder farmers in Africa and Mexico, to multinational companies, we work with our suppliers to procure high-quality raw materials and services, with sustainability in mind. Where it is right for our business, we grow and source locally.

### 2. WE INNOVATE

Using our deep understanding of consumer trends and socialising occasions, we focus on driving sustainable innovation that provides new products and experiences for consumers; be that a non-alcoholic option, an offering that suits convenience or improving the on-trade experience.

### 3. WE MAKE

We distil, brew and bottle our spirits and beer brands through a globally co-ordinated supply operation, working to the highest quality and manufacturing standards. We prioritise using local production where it is right for our business.

### 4. WE TRANSPORT

We move our products to where they need to be in the world; be that from a local distillery in market or shipping scotch.

### 5. WE SELL TO CUSTOMERS

We grow by working closely with our customers. Our global and local sales teams use our data, digital tools and insights to extend our sales reach, improve our execution and help generate value for us and for our customers. When our customers grow, we grow too.

### 6. WE MARKET TO CONSUMERS

We invest in world-class marketing to build vibrant brands that resonate with our consumers. To do this responsibly, we have our rigorous Diageo Marketing Code which guides everything we do.

### 7. WE HELP CONSUMERS CELEBRATE

We continually evolve our data tools to understand consumers' attitudes and motivations. We convert this information into insights which enable us to respond with agility to our consumers' interests and preferences.

## Creating value

Our business model allows us to create value across three main areas:

- Financial - for our investors
- Human - for our people, suppliers, customers and consumers
- Social - for our communities

## Our stakeholders



[Read more on pages 86-89.](#)

## Fiscal 25 progress

This fiscal, we have developed, established and executed substantial projects as we strive to continually improve on our track record of operational excellence.

### Commercial excellence: Stepping up our route-to-market and commercial execution in the United States

This fiscal, our spirits organisation in the United States has undergone its biggest transformation in over a decade, evolving how we work with our distributors to achieve sustainable growth.

Over the past year, we have collaborated with our partners to add new brand building and sales roles in key geographies. These roles are dedicated to our key categories, whisk(e)y and tequila, and the outlets with the greatest potential for growth. Our teams are equipped with training, tools and insights to grow these categories for the retailer, while increasing Diageo's share.

We also launched the Academy for Beverage Leadership (ABL) to provide foundational training for business development managers at Diageo and our distributors. Upon completion, sales leaders have practical skills to help customers grow their whisk(e)y and tequila businesses.



### Accelerated productivity: Digitising our supply chain through SIP

This fiscal, we have made significant progress digitising our supply chain from grain to glass with the deployment of our Scotch Intelligence Platform (SIP). This includes:

- Optimising pre-bottling allocations - maximising the value of our premium whiskies through a digital marketplace.
- Maturation performance - using data and AI to target the 'angels' share' and improve maturation yield.
- Liquid logistics - synchronising our cask-to-bottle flows of wood and whisky.

This platform has measurable benefits for Diageo, augmenting the craft of our scotch category and improving our productivity and performance.



### Evolve brand building muscle: Creating the Diageo Luxury Group

In November, we established the Diageo Luxury Group, bringing together our most premium offerings within spirits, brand homes and private client experiences.

The Diageo Luxury Group unites a premium brand portfolio, as we aim to become the number one luxury spirits company in the world. It is responsible for Diageo's luxury strategy and accelerating the growth of brands that retail at \$100 and above, as well as leading luxury experiences and an extensive network of expert craftspeople.

Since its creation, product launches have included Johnnie Walker Ice Chalet, The Twelve by Casks of Distinction, Talisker 45-Year-Old and Johnnie Walker Vault x Olivier Rousteing.





OUR PERFORMANCE *continued*

**Non-financial performance**

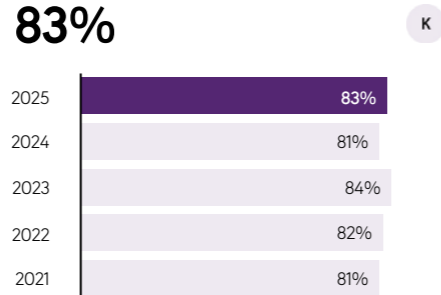
**Positive drinking**

Number of people educated on the dangers of underage drinking through a Diageo supported education programme

**2.0m**  
(2024: 2.2m)

Total to date: 8.2m

**Employee engagement index**



**Inclusion and diversity**

Percentage of female leaders globally **43%**  
(2024: 44%)

Percentage of ethnically diverse leaders globally **46%**  
(2024: 46%)

**Ambition**  
50% female and 45% ethnically diverse global leader representation by 2030

**Target**  
10 million people educated on the dangers of underage drinking by 2030, starting from fiscal 18

**Definition**  
Number of people educated on the dangers of underage drinking through a Diageo supported education programme.

**Definition**  
Measured through our Your Voice survey; includes metrics for employee satisfaction, advocacy and pride.

**Definition**  
The percentage of women and the percentage of ethnically diverse individuals who are in Diageo leadership roles globally.

**Why we measure**  
We want to change the way the world drinks for the better by promoting moderation and addressing the harmful use of alcohol. We build credibility and trust by transparently reporting the total number of people educated on the dangers of underage drinking. This figure also demonstrates our commitment to engaging people on the dangers of harmful alcohol use.

**Why we measure**  
Employee engagement releases the full potential of our people and our business, and it's a key enabler to our performance. The survey allows us to measure the extent to which employees believe we are living our values and is one of the measures of our culture. Reflecting on the results of our employee engagement level and taking action on important areas where needed each year helps us build credibility and trust with our people.

**Why we measure**  
Building an inclusive and diverse culture helps drive commercial performance and ensures we access the best talent. Transparently reporting the gender and ethnic diversity of our leadership cohort reflects our commitment to consistent value creation through our diverse workforce.

**Performance**  
Globally, we educated 2.0m young people about the dangers of underage drinking, with strong performance again in Latin America and Caribbean (LAC).

**Performance**  
This year 86% of our people completed our Your Voice survey. 83% were identified as highly engaged. 90% declared themselves proud to work for Diageo, 83% would recommend Diageo as a great place to work and 76% were extremely satisfied with Diageo as a place to work.

**Performance**  
This year, 43% of our leadership roles were held by women and 46% of our leaders were ethnically diverse.

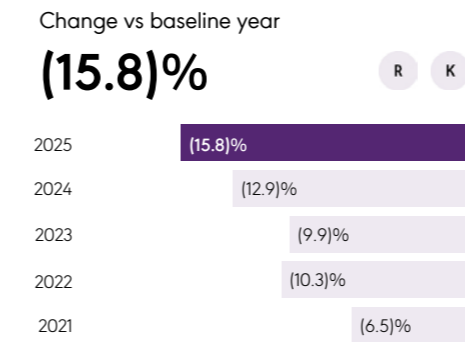
[Read more on pages 44-45.](#)

[Read more on pages 40-41.](#)

[Read more on pages 58-59.](#)

**Non-financial performance**

**Water efficiency<sup>(1)</sup>**



**Target**  
30% reduction versus 2020 baseline year by 2030

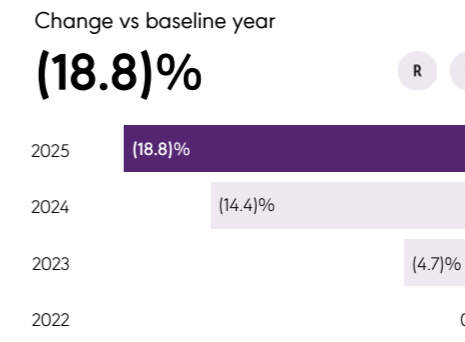
**Definition**  
Percentage change in the water efficiency index across the company compared to fiscal 20 baseline.

**Why we measure**  
Our water efficiency programme is critical to addressing water security, particularly in water-stressed areas. In addition to preserving our licence to operate, minimising water use within our own operations underpins our commitment to delivering long-term value by future-proofing our business against the impacts of a changing climate. It also helps to ensure this precious resource can continue to be shared with the communities we live and work amongst.

**Performance**  
This year, our water efficiency across the company improved in total by 15.8% since our fiscal 20 baseline. The most significant drivers of the strong performance in fiscal 25 were the continuous improvement initiatives delivered in our East Africa beer sites, Scotland distilleries and our Runcorn and St. James's Gate beer sites.

[Read more on pages 52-53.](#)

**Scope 1 and 2 greenhouse gas emissions<sup>(1)</sup>**



**Target**  
50% reduction versus 2022 baseline year by 2030

**Definition**  
Percentage change in total direct and indirect greenhouse gas emissions (market/net based) compared to fiscal 22 baseline.

**Why we measure**  
Mitigating our impact on climate change is a business imperative. Reporting on our efforts to reduce Scope 1 and 2 greenhouse gas emissions demonstrates our commitment to reducing our contribution to global warming and helps build credibility and trust. This is an important area for our business and external stakeholders, supporting our commitment to consistent value creation by future-proofing our business.

**Performance**  
Our Scope 1 and 2 greenhouse gas emissions reduced in total by 18.8% from our fiscal 22 baseline. The main drivers contributing to the lower emissions this year are the increased use of liquid biofuel at our Scotland distilleries and energy efficiency improvements at our distilleries, breweries and packaging sites in our biggest energy consuming markets.

[Read more on pages 53-55.](#)

(1) In accordance with Diageo's environmental reporting methodologies and, where relevant, WRI/WBCSD GHG Protocol; data for the baseline year and for the intervening period up to the end of last financial year has been restated where relevant.

## SUMMARY FINANCIAL REVIEW

# Summary Financial Review

Reported net sales growth	Organic net sales growth <sup>(1)</sup>
<b>(0.1)%</b>	<b>1.7%</b>
Reported operating profit growth	Organic operating profit growth <sup>(1)</sup>
<b>(27.8)%</b>	<b>(0.7)%</b>
Reported operating profit margin	Organic operating profit margin <sup>(1)</sup>
<b>21.4%</b>	<b>28.0%</b>
Net cash from operating activities	Free cash flow <sup>(1)</sup>
<b>\$4,297m</b>	<b>\$2,748m</b>
Return on closing net assets	Return on average invested capital <sup>(1)</sup>
<b>19.3%</b>	<b>13.7%</b>
Basic earnings per share	Earnings per share before exceptional items <sup>(1)</sup>
<b>105.9c</b>	<b>164.2c</b>
Total shareholder return	
<b>(24)%</b>	

(1) Organic net sales growth, organic operating profit growth, organic operating profit margin, earnings per share before exceptional items, free cash flow and return on average invested capital are non-GAAP measures. See definitions and reconciliation of non-GAAP measures to GAAP measures on pages 213-220.



## Net sales

Reported net sales for the full year were down 0.1% to \$20,245 million (fiscal 24: \$20,269 million) and were impacted by unfavourable foreign exchange of \$119 million (-0.6%) and acquisition and disposal adjustments reduced this by \$229 million (-1.1%), partially offset by hyperinflation adjustments of \$53 million.

Organic net sales grew \$338 million or 1.7% with organic growth in four of the five regions, including in North America, where Don Julio, Guinness and Crown Royal were the standout performers. Growth was supported by positive price/mix of 0.8% and 0.9% volume growth. Volume increased in three of the five regions, with continued pressure in North America and Europe. There was positive price/mix in four of the five regions, but negative price/mix in Asia Pacific driven by consumer downtrading in South East Asia and China and unfavourable market mix with strong volume performance in India. The four percentage points of phasing which favourably benefitted Q3 organic net sales growth rate mostly reversed in Q4 fiscal 25.

Excluding the impact of the Ciroc transaction organic net sales growth was 1.5%, with 0.8% volume and 0.7% price/mix.<sup>(1)</sup>

## Cost of sales

Cost of sales broadly flat on a reported basis at \$7,997 million (fiscal 24: \$8,014 million), the positive impact of productivity savings offset moderating inflationary pressure.

## Marketing

Marketing investment declined by 0.8% on a reported basis to \$3,662 million (fiscal 2024: \$3,691 million), reflecting a reinvestment rate of 18.1% (fiscal 2024: 18.2%). On an organic basis, investment was flat as we strategically reshaped our A&P spend across regions, prioritising high-growth opportunities and demonstrating agility in resource allocation with a focus on reducing development spend. Development costs were reduced to 14% in fiscal 25 (fiscal 24: 21%), this reduction was driven by the accelerated adoption of AI-enabled content creation (Virtual Content Studios) and operational model changes, including the launch of Agile Brand Communities and Conscious Create teams, which encourage improved co-creation and collaboration.

## Other operating items

Other operating items before exceptional items increased by 10% to \$2,882 million (fiscal 24: \$2,619 million), largely driven by higher staff costs, including incentives and wage cost inflation, as well as strategic investments in RTM changes in the United States.

Exceptional operating items increased to \$1,369 million (fiscal 24: \$56 million (exceptional operating income)) largely driven by impairment, including \$458 million in respect of Diageo's investment in various Distill Ventures business, as a result of the strategic decision to exit Distill Ventures, and \$231 million in respect of Aviation American Gin. Exceptional operating items also included restructuring costs of \$225 million relating to charges for the Accelerate programme and supply chain agility programme. The distribution model change in France resulted in an exceptional operating charge of \$145 million.

## Operating profit

Organic operating profit declined by 0.7%, with operating margin down 68bps organically, mainly due to higher overheads partly offset by a slight improvement in gross margin. Reported operating profit declined 27.8% and reported operating profit margin declined 819bps, primarily due to exceptional costs including impairment and restructuring costs, unfavourable foreign exchange and a lower operating margin.

Excluding the impact of the Ciroc transaction, organic operating profit and operating margin declined 1.0% and 70bps respectively.<sup>(1)</sup>

## Non-operating exceptional items

In the year ended 30 June 2025, exceptional non-operating items were a loss of \$220 million, mainly driven by the loss on the sale of Guinness Nigeria PLC (\$125 million) and loss on the prospective sale of Guinness Ghana Breweries PLC (\$114 million).

## Net finance charges

Net finance costs were \$771 million (fiscal 24: \$885 million), with the decrease driven by the capitalisation of borrowing costs on capital expenditure and the reduced costs of cash management swaps.

## Taxation

The income tax charge of \$999 million (fiscal 24: \$1,294 million) represented an effective tax rate of 29.9% (fiscal 24: 25.6%). The effective tax rate before exceptional items was 24.9% (fiscal 24: 25.1%).

## Share of after tax results of associates and joint ventures

Share of after tax results of associates and joint ventures declined by 53.4% to \$193 million (fiscal 24: \$414 million), largely due to a significantly lower Moët Hennessy contribution.

## Profit attributable to non-controlling interest

Profit attributable to non-controlling interests was \$184 million (fiscal 24: \$296 million), driven mainly by the lapping of exceptional items in Shui Jing Fang in the prior year.

## Basic earnings per share (EPS)

Basic EPS before exceptional items declined 8.6% from 179.6 cents to 164.2 cents, primarily driven by a significantly lower associate income from Moët Hennessy and unfavourable foreign exchange. This was calculated using a weighted average number of shares in issue excluding own shares of 2,222 million (fiscal 24: 2,234 million).

(1) On 7 April 2025, Diageo entered into a strategic partnership with Main Street Advisors. As part of the transaction, Diageo transferred its majority ownership interest in Ciroc in North America in exchange for interest in Lobos 1707 Tequila globally. The transaction was completed in June 2025. As a result, Ciroc in North America is no longer consolidated in the group's financial statements and is now accounted for as an investment in associate.

SUMMARY FINANCIAL REVIEW *continued*

**Net cash flow from operating activities and free cash flow**

Net cash from operating activities was \$4,297 million, an increase of \$192 million compared to fiscal 24. Free cash flow increased by \$139 million to \$2,748 million.

Free cash flow growth was driven by solid working capital management including higher creditors and lower maturing stock movement year on year.

Net capital expenditure in fiscal 25 was \$1,549 million (fiscal 24: \$1,496 million) to support supply capacity expansion projects, North America supply chain transformation and furthering digital capability.

**Return on average invested capital (ROIC)**

ROIC was 13.7% (fiscal 24: 15.8%) with the decrease driven mainly by lower associate income from Moët Hennessy and unfavourable exchange.

**Net debt**

As at 30 June 2025, the group's net debt was \$21,854 million (fiscal 24: \$21,017 million), the increase was mainly due to foreign exchange movement on non-US dollar debt.



**Tariff update**

**Update on implications of tariff implementation and developments**

We have continued to undertake considerable contingency planning in recent months and are focused on what we can control in relation to tariffs. Assuming the current 10% tariff remains on UK and 15% European imports into the US, that Mexican and Canadian spirits imports into the US remain exempt under the United States - Mexico - Canada Agreement (USMCA), and that there are no other changes to tariffs, the unmitigated impact of these tariffs is estimated to be c.\$200 million on an annualised basis.

As a result of our extensive supply chain and broad and advantaged portfolio, we have undertaken a number of actions to help mitigate the potential impact including inventory management, supply chain optimisation and re-allocation of investments. Given the actions to date and before any pricing, we expect to be able to mitigate around half of this impact on operating profit on an ongoing basis. Looking ahead, we will continue to work on measures to mitigate this impact further. Our long track record of managing international tariffs gives us confidence in our ability to navigate this successfully. The expected impact of tariffs on the above basis for fiscal 26 is included in our guidance.

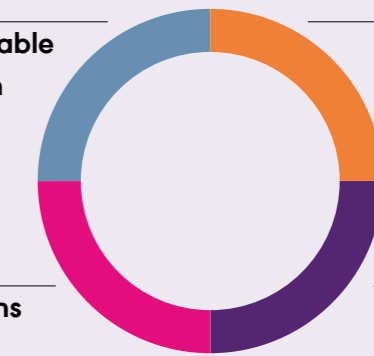
RESHAPED PRIORITIES FOR SUSTAINABLE GROWTH

**Reshaped priorities to deliver *sustainable long-term performance***

[Read more from page 10.](#)

Deliver sustainable top-line growth

Increase operating leverage



Optimise returns

Maximise cash flow

ACCELERATE PROGRAMME

**Accelerate: to deliver sustainable consistent performance, *first phase underway***

**\$3bn**

Consistent cash delivery c.\$3bn free cash flow per annum from fiscal 26, increasing as performance improves



**Operating model**

More agile global operating model to optimise investment and allocate resources effectively towards long-term sustainable growth

We aim to strengthen Diageo for the future by increasing agility, driving sustainable outperformance and increasing operating leverage



**Cost savings target c.\$625m**

in cost savings programme, evenly over 3 years, to enable reinvestment in future growth and improved operating leverage

- A&P
- Trade spend optimisation
- Overheads
- Supply



**Deleveraging**

To be well within leverage target range of 2.5-3.0x net debt to adjusted EBITDA no later than fiscal 28 providing a lot more financial flexibility, and supported by selective disposals

- c.50% dropping through to bottom line
- c.50% re-invested for future growth

**Accelerate - strengthening Diageo for the future**

In May 2025, we launched the first phase of our Accelerate programme to create a more agile operating model, with clear cash delivery targets and a disciplined focus on operational excellence and cost efficiency. This change in how we do business is creating a stronger platform to optimise investment and is helping us allocate resources effectively towards long-term sustainable growth. The programme has been rolled out globally and is progressing well.

From fiscal 26, we aim to sustainably deliver c.\$3 billion in free cash flow per annum, with further increases expected as business performance improves. We expect this to be supported by positive operating leverage from fiscal 26, reduced capital expenditure (down from around 7.7% of net sales in fiscal 25 to a mid-single-digit percentage over three years), and improvements in working capital, particularly in receivables and stock, including opportunities on maturing stock without compromising long-term growth.

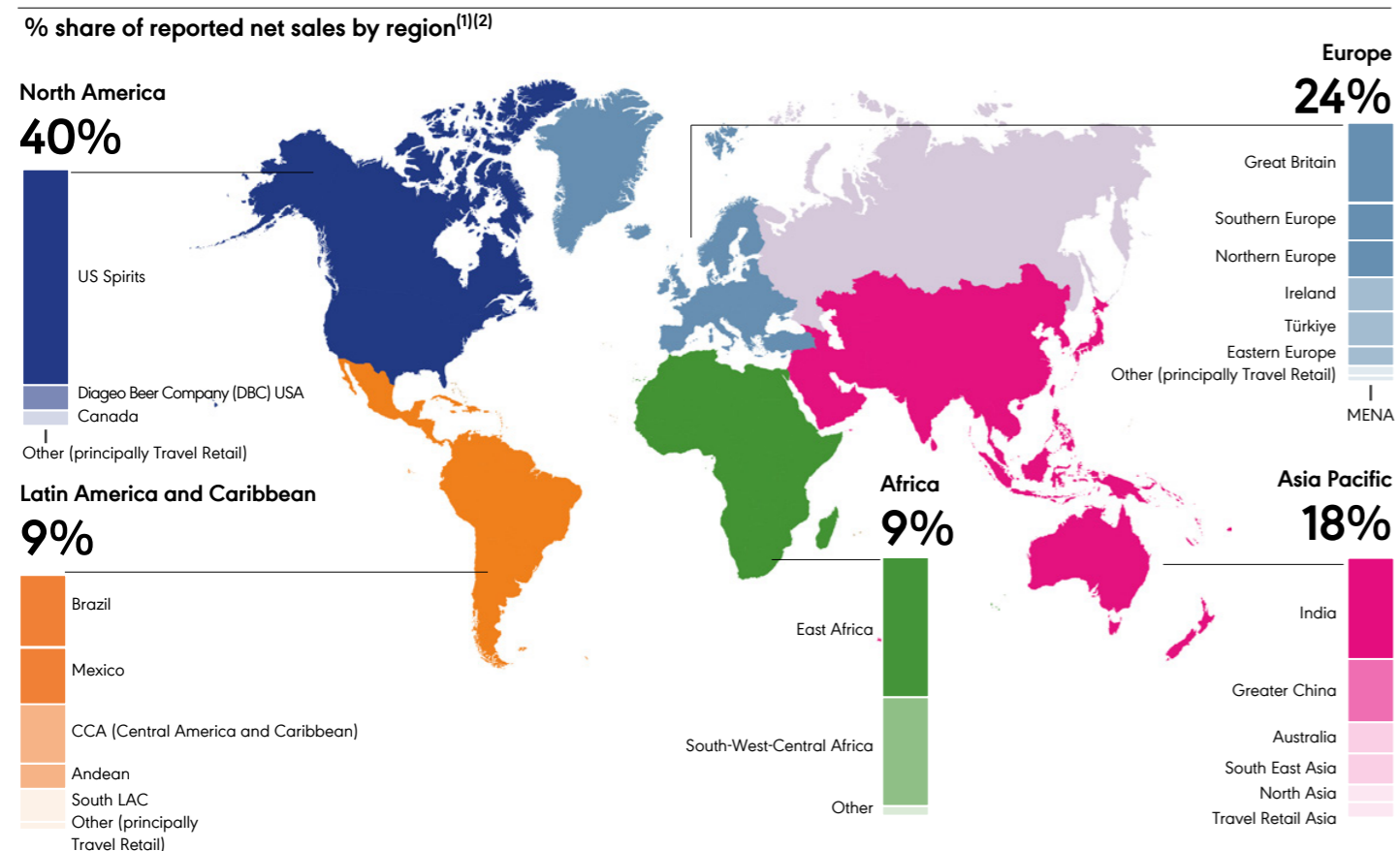
This transformation is not just about cost efficiency, it is about enabling better, faster growth. Our operating model changes are designed to enhance Diageo's global agility by leveraging our scale more effectively, sharpening investment priorities, and accelerating decision-making. These efforts are closely linked to our internal drive to embed a mindset of everyday productivity across the organisation.

We expect to deliver approximately c.\$625 million in cost savings over the next three years through efficiencies in A&P, overheads, supply chain, and trade investment. Around c.50% of these savings are expected to contribute to operating profit, with the remaining c.50% reinvested in growth areas such as digital and commercial capabilities.

We expect to be well within the leverage target range of 2.5-3.0x net debt to adjusted EBITDA no later than fiscal 28, which will provide much more financial flexibility. We intend to deliver this through a combination of organic growth and positive operating leverage, combined with tighter capital discipline, and appropriate and selective disposals over the coming years.

# Our global reach

Our regional profile maximises the opportunity for growth in our sector. Where our products are sold each market is accountable for its own performance and driving growth.



(1) The above map is intended to illustrate general geographic regions where Diageo has a presence and/or in which its products are sold. It is not intended to imply that Diageo has a presence in and/or that its products are sold in every country or territory within a geographic region.  
 (2) Based on reported net sales for the year ended 30 June 2025. Does not include corporate net sales of \$135 million (2024 - \$123 million).

Fiscal 25	North America	Europe	Asia Pacific	Latin America and Caribbean	Africa
Volume (EU million)	49.5	48.9	77.7	22.9	31.1
Reported net sales <sup>(1)</sup> (\$ million)	7,973	4,821	3,635	1,847	1,834
Reported operating profit <sup>(2)</sup> (\$ million)	2,222	823	890	509	283
Operating profit before exceptional items <sup>(3)</sup> (\$ million)	3,053	1,302	930	528	283
Water efficiency index, percentage change compared to fiscal 20 baseline	5%	(17)%	(45)%	(18)%	(20)%
Percentage change in total direct and indirect greenhouse gas emissions (market/net based) compared to fiscal 22 baseline	(23)%	13%	(38)%	(62)%	(45)%
Average number of employees <sup>(4)</sup>	3,243	10,608	8,634	4,408	2,967

(1) Excluding corporate net sales of \$135 million (2024 - \$123 million).  
 (2) Excluding net corporate operating costs of \$392 million (2024 - \$366 million).  
 (3) Excluding exceptional operating charges of \$1,369 million (2024 - \$56 million) and net corporate operating costs of \$392 million (2024 - \$366 million).  
 (4) Employees have been allocated to the region where they live.

## Production facilities

The company owns manufacturing production facilities across the globe, including distilleries, breweries, packaging plants, maturation warehouses, cooperages, and distribution warehouses. Diageo's brands are also produced at plants owned and operated by third parties and joint ventures at several locations around the world. We believe that our facilities are in good condition and working order. We have adequate capacity to meet our current needs, and, in the beer and spirit categories, we have undertaken activities to increase our production capacity to address our anticipated future demand.

The major facilities owned by Diageo with locations, principal activities, and products are presented in the table below as of 30 June 2025.

Location	Principal activities	Products
United Kingdom	distilling, bottling, warehousing, coopering	beer, scotch, gin, vodka, rum, ready-to-drink, non-alcoholic
Ireland	distilling, brewing, bottling, warehousing	beer, liqueur, Irish whiskey, non-alcoholic
Southern Europe	distilling, bottling, warehousing	vodka, rum, ready-to-drink, non-alcoholic
Türkiye	distilling, bottling, warehousing	raki, vodka, gin, liqueur, wine
North America	distilling, bottling, warehousing	vodka, gin, rum, Canadian whiskey, US whiskey, ready-to-drink
Brazil	distilling, bottling, warehousing	cachaça, vodka, ready-to-drink
Mexico	distilling, bottling, warehousing	tequila
East Africa	distilling, brewing, bottling, warehousing	beer, rum, vodka, gin, whisky, brandy, liqueur, ready-to-drink, bottled in East Africa (scotch)
South-West-Central Africa	distilling, brewing, bottling, warehousing	beer, rum, vodka, gin, ready-to-drink
India	distilling, bottling, warehousing	rum, vodka, Indian whiskey, gin, brandy, bottled in India (scotch)
Australia	distilling, bottling, warehousing	rum, vodka, gin, ready-to-drink
Greater China	distilling, warehousing	Chinese whiskey, Chinese white spirits

For more details about our capital investments please see page 226.

## Our route to consumer

We have five different routes to consumer models across our business. Most of the regions employ four of the five high-level models defined below; however, how each model operates in certain countries will vary, as will the percentage of net sales delivered through the respective models in each market.

### Wholesalers and Distributors

Diageo sells to a wholesaler or distributor who also sells a range of other brands and categories directly to end outlets where consumers can purchase our brands. Where required, this model may include a government control board (or similar), such as in certain states in the US and provinces and territories in Canada.

### Modern Trade

Diageo sells directly to a customer who owns and manages retail outlets, who then in turn sells to consumers via their outlets.

## eMarketplace

Diageo sells to a third-party digital marketplace customer where that customer sells to B2B customers and consumers.

### Direct to Consumer

Diageo sells directly to consumers, predominantly through portals such as Thebar.com, which is a growing route to consumer model for our business. It allows for direct interface with our consumers rather than through third-party sites as in the eMarketplace model above.

### Direct to Store

Diageo sells and delivers directly to end outlets rather than via a central purchasing customer as in the Modern Trade model. This model is less common than the other models. For example, it is used in Ireland for beer distribution.

# North America

North America is the largest market for Diageo and represents over one-third of our net sales. We have a well-positioned portfolio of brands that leans into premiumisation and high-growth categories such as tequila. Our strategy is focused on accelerating sustainable growth through data-led insights, targeted investment and excellence in innovation and our route to market.

Key financials	2024	Exchange	Acquisitions and disposals	Organic movement	Other <sup>(1)</sup>	2025	Reported movement
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	
Net sales	7,908	(10)	(41)	116	—	7,973	1
Marketing	1,627	—	(1)	(10)	—	1,616	(1)
Operating profit before exceptional items	3,236	(149)	(40)	9	(3)	3,053	(6)
Exceptional operating items <sup>(2)</sup>	(197)					(831)	
Operating profit	3,039					2,222	(27)

Markets	Organic volume movement	Organic net sales movement	Reported volume movement	Reported net sales movement
	%	%	%	%
North America <sup>(3)</sup>	(0.8)	1.5	(1.2)	0.8
US Spirits <sup>(3)</sup>	(1.3)	1.6	(1.8)	1.0
DBC USA <sup>(4)</sup>	2.6	4.8	2.7	4.9
Canada <sup>(3)</sup>	(3.2)	(0.9)	(3.3)	(3.7)

(1) Fair value remeasurements. For further details see page 33.  
 (2) For further details on exceptional operating items see pages 33 and 158-160.  
 (3) Reported volume movement includes impacts from acquisitions and/or disposals. For further details see pages 213-220.  
 (4) Certain spirits-based ready to drink products in certain states are distributed through DBC USA and those net sales are captured within DBC USA.

## Key financials:

Reported net sales grew 0.8%, mainly driven by organic growth which was partly offset by the impact of the Ciroc transaction.<sup>(5)</sup> Organic net sales grew 1.5%, with growth in US Spirits and Diageo Beer Company (DBC USA) offset by a slight decline in Canada. Volume declined 0.8%, with a slight decline in US Spirits and Canada offsetting positive growth in DBC USA, which was offset by positive price/mix of 2.3%.

Organic operating profit grew 0.3%, with marketing and supply efficiencies and productivity savings partially offset by increased overheads cost. Marketing spend which was targeted behind growth drivers, Don Julio and Crown Royal Blackberry, reduced by 0.7% through efficiencies. Operating margin of 38.3%, decreased 42bps organically.

Excluding the impact of the Ciroc transaction,<sup>(5)</sup> organic net sales grew 0.8% and organic operating profit declined 0.4%.

## US Spirits highlights:<sup>(6)</sup>

Overall US Spirits net sales grew 1.6%, with positive price/mix of 2.9% offset by slight volume decline. Overall shipment growth was 1.6 percentage points ahead of depletions growth, with some variations across brands. US Spirits shipments grew ahead of depletions growth as distributors replenished inventory in particular of Don Julio and Crown Royal. We believe overall distributor inventory levels at the end of fiscal 25 remain appropriate for the current consumer environment and in line with historical levels.

- Tequila net sales grew 16.9%, driven by Don Julio, in particular strong growth in Don Julio Reposado, partially offset by a decline in Casamigos. Don Julio net sales grew 41.9%, growing both spirits industry and tequila category share, driven by the brand's cultural

relevance and successful activation. Don Julio shipments grew ahead of depletions growth of 36% as distributors replenished inventory to levels we believe appropriate to accommodate strong consumer demand. Casamigos net sales declined 18% as a result of increased category competition driving lower demand.

- Crown Royal whisky net sales grew 3.8%, primarily driven by continued strong consumer demand for Crown Royal Blackberry, launched in the second half of fiscal 24. The innovation supported recruitment of consumers into spirits, the category and the Crown Royal trademark.
- Buchanan's net sales declined 26.0%, as the trademark lapped innovation inventory build on Buchanan's Pineapple in the prior year. Depletions declined 13%. Buchanan's scotch variants held share of the overall scotch category.
- Johnnie Walker net sales declined 10.6%, due to overall scotch category weakness. The Johnnie Walker trademark gained share of the scotch category and held share of total spirits, led by Johnnie Walker Black Label and Johnnie Walker Red Label.
- Vodka net sales declined 4.5%, due to increased competition in the category from RTD formats and overall category weakness. While Smirnoff lost category share, Ketel One gained share.
- Captain Morgan net sales declined 9.3%, due to rum category weakness. The primary Captain Morgan variant, Captain Morgan Original Spiced, gained share of the category.
- Bulleit whiskey net sales declined 7.3%. Bulleit held its share of US spirits but lost category share due to increased competition in the US whiskey category.

(5) On 7 April 2025, Diageo entered into a strategic partnership with Main Street Advisors. As part of the transaction, Diageo transferred its majority ownership interest in Ciroc in North America in exchange for interest in Lobos 1707 Tequila globally. The transaction was completed in June 2025. As a result, Ciroc in North America is no longer consolidated in the group's financial statements and is now accounted for as an investment in associate.

(6) Spirits brands and categories excluding cocktails, which includes ready to drink, ready-to-serve and non-alcoholic variants, except where noted.

## Rest of North America

- DBC USA net sales grew 4.8%, driven by strong growth in Guinness variants including Guinness Draught, Guinness Extra Stout, and Guinness 0.0. Growth in innovations including Captain Morgan Sliced, Smirnoff Sunny Days, and Smirnoff Shorties was partially offset by softer Smirnoff Ice performance.

- Canada net sales declined 0.9%, reflecting a weaker spirits category amid a challenging regulatory and operational backdrop which was partially offset by strong growth in Guinness.



# Europe

Europe is a diverse region with a trend-leading on-trade channel and tourism hotspots, all of which offer a strong platform for the development of our premium brands. It is also home to Diageo's biggest beer business and a stronghold for Guinness. We hold a leadership position across major categories and markets.

Key financials	2024 \$ million	Exchange \$ million	Acquisitions and disposals \$ million	Organic movement \$ million	Other <sup>(1)</sup> \$ million	Hyperinflation <sup>(2)</sup> \$ million	2025 \$ million	Reported movement %
Net sales	4,804	(12)	(24)	15	—	38	4,821	—
Marketing	873	11	(5)	16	—	3	898	3
Operating profit before exceptional items	1,379	(34)	(10)	(32)	(14)	13	1,302	(6)
Exceptional operating items <sup>(3)</sup>	(122)						(479)	
Operating profit	1,257						823	(35)

Markets	Organic volume movement %	Organic net sales movement %	Reported volume movement %	Reported net sales movement %
Europe <sup>(4)</sup>	(4.3)	0.3	(4.7)	0.4
Great Britain <sup>(4)</sup>	(0.9)	3.5	(0.8)	6.7
Southern Europe <sup>(4)</sup>	(6.3)	(6.0)	(8.2)	(7.0)
Ireland <sup>(4)</sup>	0.1	5.5	0.3	7.0
Northern Europe <sup>(4)</sup>	(14.0)	(13.9)	(14.4)	(13.2)
Türkiye <sup>(4)</sup>	(3.7)	20.9	(3.8)	4.6
Eastern Europe <sup>(4)</sup>	1.5	1.1	1.7	2.9
MENA	1.8	2.3	1.9	2.5

(1) Fair value remeasurements. For further details see page 33.  
 (2) See pages 154 and 214-215 for details on hyperinflation adjustments.  
 (3) For further details on exceptional items see pages 33 and 158-160.  
 (4) Reported volume movement includes impacts from acquisitions and/or disposals. For further details see page 213-220.

## Key financials:

Reported net sales grew 0.4% broadly in line with organic net sales, which increased 0.3%. Volume decline of 4.3% was offset by price/mix up 4.5%. Growth in Türkiye, Great Britain and Ireland was mostly offset by Northern Europe and Southern Europe. Favourable price/mix in Guinness in Great Britain and Ireland, coupled with Türkiye pricing adjustments in response to inflation helped overall price/mix.

Organic operating profit declined 2.5%, driven by the global Premier League partnership and increased investment in technology, this was partially offset by positive price, largely driven by Türkiye. Marketing investment grew 1.9%, ahead of organic sales growth, supporting strong Guinness growth in Great Britain, Ireland and Eastern Europe. Operating margin of 27.0%, decreased 80bps organically.

## Market highlights:

- Great Britain net sales grew 3.5%, driven by double-digit organic net sales growth in Guinness despite temporary supply constraints. This was partially offset by a mid-single-digit decline in spirits net sales due to overall category weakness. In spirits, a continued focus on tequila delivered strong growth, particularly in Casamigos. Guinness gained category share in both the on-trade and off-trade channels, supported by effective brand building, the Premier League partnership and very strong momentum in Guinness 0.0. Notably, Guinness 0.0 is now the #1 non-alc beer in Great Britain and is the fastest growing non-alc beer.<sup>(5)</sup> Following a period of decline, RTD net sales were broadly flat, resulting from a number of initiatives implemented to stabilise demand.
- Southern Europe net sales declined 6.0%, due to performance in France which was adversely impacted by the transition to a new distribution model, and a broader decline in the spirits category. Diageo transitioned

- distribution of its malts and luxury brands in March 2024 from its joint venture with Moët Hennessy to direct distribution by Diageo France with the remaining brands moved in January 2025. Despite category challenges in the wider market, our market share of spirits grew, led by Johnnie Walker and Don Julio and supported by strong activation.
- Ireland net sales grew 5.5%, driven by the continued growth of Guinness. Strong share gain in the on-trade in Guinness was supported by effective brand building and the continued roll-out of Guinness 0.0 Draught which is now in more than 2,300 on-trade outlets. The market also delivered market share gain in spirits and TBA in a declining environment, supported by strong in-market execution.
- Northern Europe net sales declined 13.9%, primarily driven by strategic scotch pricing in Germany which negatively impacted performance. While the overall spirits category remained challenging, share gains were delivered across key categories including gin, rum, tequila and liqueurs.
- Türkiye net sales grew 20.9%, primarily driven by pricing adjustments in response to inflation. This resulted in a 3.7% volume decline, mainly in raki, as tight monetary policy and stagnant minimum wages slowed consumption. Despite the challenging environment, Johnnie Walker, Gordon's and Baileys delivered strong double-digit volume and organic net sales growth, supported by focused investment and targeted pricing actions.
- Rest of Europe net sales declined 0.4%, growth was impacted by the volatile environment influenced by political conflicts in the region which has impacted consumers; this was largely offset by strong Guinness performance in Eastern Europe and tequila in MENA. A dedicated MENA market was established at the end of fiscal 24 to capture long-term growth opportunities across the region.

(5) RSV R12M Nielsen [14/06/2025]/CGA [17/05/2025].

# Asia Pacific

In Asia Pacific, our focus is to grow in both developed and emerging markets across our entire portfolio. We manage our portfolio to meet the demands of the growing middle class, and aim to inspire our consumers to drink better, not more.

Key financials	2024 \$ million	Exchange \$ million	Acquisitions and disposals \$ million	Organic movement \$ million	2025 \$ million	Reported movement %
Net sales	3,817	(41)	(21)	(120)	3,635	(5)
Marketing	651	—	(5)	(16)	630	(3)
Operating profit before exceptional items	1,063	(11)	(7)	(115)	930	(13)
Exceptional operating items <sup>(1)</sup>	375				(40)	
Operating profit	1,438				890	(38)

Markets	Organic volume movement %	Organic net sales movement %	Reported volume movement %	Reported net sales movement %
Asia Pacific <sup>(2)</sup>	3.9	(3.2)	3.7	(4.8)
India	5.1	7.1	5.1	4.6
Greater China <sup>(2)</sup>	8.4	(9.0)	8.5	(8.9)
Australia <sup>(2)</sup>	(2.4)	(6.9)	(2.4)	(7.8)
South East Asia <sup>(2)</sup>	(3.7)	(7.0)	(3.6)	(6.0)
Travel Retail Asia <sup>(2)</sup>	(8.7)	(24.3)	(8.5)	(23.3)
North Asia <sup>(2)</sup>	(7.3)	0.9	(13.2)	(10.4)

(1) For further details on exceptional items see pages 33 and 158-160.  
 (2) Reported volume movement includes impacts from acquisitions and/or disposals. For further details see pages 213-220.

## Key financials:

Reported net sales declined 4.8%, due to organic net sales decline, the disposal of Windsor and unfavourable foreign exchange. Organic net sales declined by 3.2%, due to continued macroeconomic challenges, notably in China and South East Asia, category pressure in Travel Retail Asia and the transition to a licence brewing model for Guinness in Australia and New Zealand. This was partially offset by India where performance was strong, supported by good volume growth.

Organic operating profit declined 11.0%, driven by adverse market and category mix, particularly the decline in Travel Retail Asia. Marketing investment declined 2.5%, largely driven by reduced investment in China, which was partially offset by increased spend in India. Operating margin of 25.6%, decreased 223bps organically.

## Market highlights:

- India net sales grew 7.1%, driven by strong volume growth in the Prestige & Above segment supported by positive price/mix, and business re-commencing in the state of Andhra Pradesh after a five-year hiatus. Double-digit growth in Black & White, Signature and Royal Challenge stood out along with positive growth in McDowell's.
- Greater China net sales declined 9.0%, resulting from challenging macroeconomic conditions. In response to the consumer environment there was a deliberate strategic portfolio shift towards white spirits and lower aged malts, which supported strong volume growth and market share gain in international spirits, but resulted in negative price/mix. Chinese white spirits was adversely impacted by lapping strong double-digit growth due to last year's inventory restocking and reduced consumption occasions across the baijiu category.

- Australia net sales declined 6.9%, reflecting softness in Johnnie Walker and in RTDs. This was partially offset by strong Guinness performance in the first half. In the second half, Diageo transitioned its beer route-to-market to a licence brewing model, a strategic shift to support the long-term growth of Guinness in the market.
- South East Asia net sales declined 7.0%, mainly due to a double-digit decline in Vietnam where performance was adversely impacted by a route-to-market transformation implemented in response to evolving local market dynamics.
- North Asia net sales grew 0.9%, driven by strong performance in Japan offset by a decline in Korea given overall market weakness. Growth in Japan was underpinned by the launch of Johnnie Walker Black Ruby and the stabilisation of Johnnie Walker Black Label in the on and off-trade.
- Travel Retail Asia net sales declined 24.3%, due to softer consumption and continued retail inventory destocking. Despite this, the business gained share, driven by the Johnnie Walker portfolio and Don Julio.

# Latin America and Caribbean

In Latin America and Caribbean (LAC), we are aiming to increase our market share through focused consumer-centric delivery across core categories including whiskey, gin, tequila and vodka. We do this through targeted marketing investment in consumer-focused occasions where traditionally non-spirit TBA products have had a strong presence.

Key financials	2024 \$ million	Exchange \$ million	Acquisitions and disposals \$ million	Organic movement \$ million	Hyperinflation <sup>(1)</sup> \$ million	Other <sup>(2)</sup> \$ million	2025 \$ million	Reported movement %
Net sales	1,839	(179)	3	167	17	—	1,847	—
Marketing	306	(35)	—	26	7	—	304	(1)
Operating profit before exceptional items	502	(61)	(7)	63	1	30	528	5
Exceptional operating items <sup>(3)</sup>	—	—	—	—	—	—	(19)	—
Operating profit	502	—	—	—	—	—	509	1

Markets	Organic volume movement %	Organic net sales movement %	Reported volume movement %	Reported net sales movement %
Latin America and Caribbean	3.2	9.2	3.6	0.4
Brazil	3.8	18.0	3.8	4.1
Mexico	(4.3)	5.4	(4.3)	(7.3)
CCA	7.3	6.4	7.5	6.9
Andean <sup>(4)</sup>	23.2	21.5	32.9	12.9
South LAC <sup>(4)</sup>	(2.9)	(6.3)	(2.9)	(14.1)

(1) See pages 154 and 214-215 for details on hyperinflation adjustments.  
 (2) Fair value remeasurements. For further details see page 33.  
 (3) For further details on exceptional items see pages 33 and 158-160.  
 (4) Reported volume movement includes impacts from acquisitions and/or disposals. For further details see pages 213-220.

## Key financials:

Reported net sales grew 0.4%, with unfavourable foreign exchange almost fully offsetting strong organic growth. Organic net sales grew 9.2%, with volume up 3.2% and price/mix growth of 6.0%. Price/mix benefitted from favourable comparatives given lapping prior year promotion activity and effective pricing in Brazil due to premiumisation. We believe that inventory levels at the end of fiscal 25 remain at an appropriate level for the current consumer environment.

Organic operating profit increased 11.7%, driven by productivity savings, pricing in Brazil, positive mix and reduced levels of promotional spend. Marketing investment increased 8.7% and was focused on core brands. Operating margin of 28.6%, increased 68bps organically.

## Market highlights:

- Brazil net sales grew 18.0%, driven by volume growth and positive price/mix. This strong performance reflects premiumisation and strategic pricing actions, supported by a more stable consumer environment and targeted investment. Growth was led by scotch, particularly Johnnie Walker and Old Parr, supported by both positive volume and price/mix. Brazil is a key strategic market for RTDs, with Smirnoff driving strong growth through targeted investment and strong in-market execution.

- Mexico net sales grew 5.4%, as the consumer environment began to stabilise over the year, though momentum remained subdued. Growth was largely driven by Don Julio, primarily reflecting the lapping of significant promotional activity in the prior year and suppressed volume. This was partially offset by a decline in whisky, mainly Buchanan's.
- CCA net sales grew 6.4%, given favourable scotch and tequila performance.
- Andean (Colombia and Venezuela) net sales increased 21.5%, mainly due to Buchanan's and Old Parr, as a result of market stabilisation.
- South LAC (Argentina, Bolivia, Chile, Ecuador, Paraguay, Peru and Uruguay) net sales declined 6.3%, driven by the volatile macroeconomic and the weakening consumer environment adversely impacting consumption. Despite the challenging environment, the market delivered market share gain.

# Africa

In Africa, we manage an exciting TBA portfolio. With a growing emphasis on premiumisation, we're focusing on Scotch, vodka, gin, and tequila alongside a vibrant local spirits portfolio. We hold a leading position in premium beer in many countries with Guinness and are expanding our footprint in the ready-to-drink category.

Key financials	2024 \$ million	Exchange \$ million	Reclassification <sup>(1)</sup> \$ million	Acquisitions and disposals \$ million	Organic movement \$ million	Hyperinflation <sup>(2)</sup> \$ million	2025 \$ million	Reported movement %
Net sales	1,778	121	(67)	(146)	150	(2)	1,834	3
Marketing	205	8	—	(13)	(8)	—	192	(6)
Operating profit before exceptional items	131	59	—	37	59	(3)	283	116
Exceptional operating items <sup>(3)</sup>	—	—	—	—	—	—	—	—
Operating profit	131	—	—	—	—	—	283	116

Markets	Organic volume movement %	Organic net sales movement %	Reported volume movement %	Reported net sales movement %
Africa <sup>(4)</sup>	3.7	10.5	(3.1)	3.1
East Africa	2.0	0.1	0.0	0.1
SWC Africa <sup>(4)(5)</sup>	6.1	15.8	25.8	26.6

(1) Reclassification between net sales and cost of goods sold to accurately reflect the impact of a route-to-market change in Africa.  
 (2) See pages 154 and 214-215 for details on hyperinflation adjustments.  
 (3) For further details on exceptional items see pages 33 and 158-160.  
 (4) Reported volume movement includes impacts from acquisitions and/or disposals. For further details see pages 213-220.  
 (5) Reported volume and reported net sales movements do not include the Guinness Nigeria PLC disposal.

## Key financials:

Reported net sales grew 3.1%, with strong organic net sales growth partly offset by a reclassification as a result of route-to-market change. Organic net sales grew 10.5%, with growth across all markets, most notably, double-digit growth in Ghana, South Africa and Tanzania. Volume grew 3.7% and price/mix grew 6.9%, with the latter mainly due to pricing and premiumisation through East Africa.

Organic operating profit grew 27.7% driven by the positive impact of pricing. Marketing investment declined by 4.4% due to efficiencies and change in portfolio and marketing mix. Operating margin of 15.4%, increased 232bps organically.

## Market highlights:

- East Africa net sales grew 7.0%, with growth delivered across Kenya, Uganda and Tanzania. Performance was driven by strong growth in beer, rum, and scotch, partially offset by declines in gin and vodka. Beer delivered strong single-digit growth, led by local brands, Serengeti and White Cap, as well as Guinness. Performance in rum was driven by local flavour innovation on Kenya Cane. The transition to an independent route-to-market for premium-plus-spirits supported double-digit growth in Johnnie Walker.
- SWC Africa (South, West and Central Africa) net sales grew 15.8%, driven by double-digit organic volume and net sales growth in Ghana supported by an improving macroeconomic environment. Double-digit growth in Malta Guinness and Guinness was the result of increased distribution and favourable pricing. Strong growth in Gordon's led to share gains in the gin category in South Africa, following the change in the route-to-market. This was partially offset by softness in Johnnie Walker, attributed to increased competition. In the second half of the fiscal year, a route-to-market change was implemented on Smirnoff RTDs in South Africa, to unlock growth in one of the fastest growing TBA categories.

# Category and *brand review*

For the year ended 30 June 2025

## Key categories

	Organic volume movement <sup>(1)</sup> %	Organic net sales movement %	Reported net sales movement %	Reported net sales by category %
<b>Spirits<sup>(2)</sup></b>	–	–	(2)	<b>76</b>
Scotch	(2)	(4)	(7)	22
Tequila	15	18	17	13
Vodka <sup>(3)(4)</sup>	(4)	(5)	(9)	8
Canadian whisky	5	3	3	7
Rum <sup>(4)</sup>	(3)	(5)	(7)	5
Liqueurs	(7)	(4)	(4)	5
Gin <sup>(4)</sup>	(1)	(4)	(11)	4
IMFL whisky	7	10	8	4
Chinese white spirits	5	(8)	(8)	3
US whiskey	(8)	(9)	(9)	2
<b>Beer</b>	<b>6</b>	<b>10</b>	<b>10</b>	<b>18</b>
<b>Ready to drink</b>	<b>4</b>	<b>2</b>	<b>–</b>	<b>4</b>

## Key brands<sup>(5)</sup>

	Organic volume movement <sup>(6)</sup> %	Organic net sales movement %	Reported net sales movement %
Johnnie Walker	(3)	(5)	(7)
Don Julio	41	38	37
Guinness	14	13	12
Crown Royal	4	3	3
Smirnoff	(3)	(5)	(6)
Baileys	(1)	(4)	(3)
Captain Morgan	(3)	(6)	(6)
Casamigos <sup>(7)</sup>	(16)	(16)	(16)
Shui Jing Fang <sup>(8)</sup>	5	(8)	(8)
McDowell's	2	7	4

- (1) Organic equals reported volume movement except for spirits (1)%, vodka (5)%, liqueurs (8)%, gin (2)%, beer 3%, and ready to drink (2)%.  
(2) Spirits brands excluding ready to drink and non-alcoholic variants.  
(3) Vodka includes Ketel One Botanical.  
(4) Vodka, rum and gin include IMFL variants.  
(5) Brands excluding ready to drink, non-alcoholic variants and beer except Guinness.  
(6) Organic equals reported volume movement, except for Guinness 11%, Baileys (2)% and Captain Morgan (4)%.  
(7) Casamigos trademark includes both tequila and mezcal.  
(8) Growth figures represent total Chinese white spirits of which Shui Jing Fang is the principal brand.

# Group financial *review*

## Key financials - certain line items

	30 June 2024 Reported \$ million	Exceptional operating items (c) \$ million	Exchange (a) \$ million	Acquisitions and disposals (b) \$ million	Organic movement <sup>(1)</sup> \$ million	Fair value remeasurement (d) \$ million	Reclassification <sup>(2)</sup> \$ million	Hyperinflation <sup>(1)</sup> \$ million	30 June 2025 Reported \$ million
<b>Year ended 30 June 2025</b>									
Sales	27,891	–	(283)	(264)	570	–	–	50	<b>27,964</b>
Excise duties	(7,622)	–	164	35	(232)	–	(67)	3	<b>(7,719)</b>
<b>Net sales</b>	<b>20,269</b>	<b>–</b>	<b>(119)</b>	<b>(229)</b>	<b>338</b>	<b>–</b>	<b>(67)</b>	<b>53</b>	<b>20,245</b>
Cost of sales	(8,071)	(18)	(88)	180	(114)	30	67	(58)	<b>(8,072)</b>
<b>Gross profit</b>	<b>12,198</b>	<b>(18)</b>	<b>(207)</b>	<b>(49)</b>	<b>224</b>	<b>30</b>	<b>–</b>	<b>(5)</b>	<b>12,173</b>
Marketing	(3,691)	–	17	24	(2)	–	–	(10)	<b>(3,662)</b>
Other operating items	(2,506)	(1,407)	(10)	(2)	(260)	(17)	–	26	<b>(4,176)</b>
<b>Operating profit</b>	<b>6,001</b>	<b>(1,425)</b>	<b>(200)</b>	<b>(27)</b>	<b>(38)</b>	<b>13</b>	<b>–</b>	<b>11</b>	<b>4,335</b>
<b>Other line items:</b>									
Non-operating items	(70)								<b>(220)</b>
Taxation (e)	(1,294)								<b>(999)</b>

- (1) For the definition of organic movement and hyperinflation, see pages 213-220.  
(2) Reclassification between net sales and cost of goods sold to accurately reflect the impact of a route-to-market change in Africa.  
(i) Reported figures in the table above have been extracted from the condensed consolidated income statement for the years ended 30 June 2024 and 30 June 2025.  
(ii) Acquisitions and disposals, organic movement, fair value remeasurement, reclassification and hyperinflation figures have been calculated at the prior period weighted average exchange rates.

## (a) Exchange

The impact of movements in exchange rates on reported figures for operating profit was principally due to the weakening of the Mexican peso, the Turkish lira and the Brazilian real, partially offset by the strengthening of the sterling against the US dollar. The effect of movements in exchange rates and other movements on profit before exceptional items and taxation for the year ended 30 June 2025 is set out in the table below.

	Gains/(losses) \$ million
Translation impact	4
Transaction impact	(204)
<b>Operating profit before exceptional items</b>	<b>(200)</b>
Net finance charges – translation impact	(69)
Net finance charges – transaction impact	70
Net finance charges <sup>(1)</sup>	1
Associates – translation impact	2
<b>Profit before exceptional items and taxation</b>	<b>(197)</b>

- (1) For more information about Finance income and charges please see page 161.

	Year ended 30 June 2025	Year ended 30 June 2024
<b>Exchange rates</b>		
Translation \$1 =	£0.77	£0.80
Transaction \$1 =	£0.80	£0.82
Translation \$1 =	€0.92	€0.93

## (b) Acquisitions and disposals

The acquisitions and disposals movement in the year ended 30 June 2025 was primarily attributable to the acquisition of Ritual Beverage Company LLC, the disposals of the Pampero brand and the Cacique brand, the new Ciroc contractual arrangement in North America and the disposal of Guinness Nigeria PLC.

See pages 166-169 for further details.

## (c) Exceptional items

In the year ended 30 June 2025, exceptional operating items were a charge of \$1,369 million due to impairment of investments in associates and other investments, brands, tangible fixed assets, other assets and other related charges (\$910 million), charges for the Accelerate programme, that includes supply chain agility programme (\$225 million), the distribution model change in France (\$145 million), various dispute and litigation matters (\$51 million) and the reversal of rum cover-over income (\$38 million). In the year ended 30 June 2024, exceptional operating items were a gain of \$56 million, mainly driven by a net gain of \$224 million due to impairment reversal, various dispute and litigation matters (a charge of \$107 million) and the supply chain agility programme (a charge of \$61 million).

In the year ended 30 June 2025, exceptional non-operating items were a loss of \$220 million, mainly driven by the loss on the sale of Guinness Nigeria PLC (\$125 million) and loss on the prospective sale of Guinness Ghana Breweries PLC (\$114 million). In the year ended 30 June 2024, exceptional non-operating items were a loss of \$70 million, mainly driven by the loss on the sale of the Windsor business in Korea (\$58 million).

In the year ended 30 June 2025, exceptional finance income was in relation to borrowing costs capitalised of \$58 million in respect of purchases of property, plant, equipment and computer software in the prior years.

See pages 158-160 for further details.

## (d) Fair value remeasurement

In the year ended 30 June 2025, the adjustment to cost of sales of a gain of \$13 million reflects the elimination of fair value changes for biological assets in respect of growing agave plants for the production of tequila (2024 – \$17 million loss). The adjustments to marketing and other operating expenses of a gain of \$139 million were the elimination of fair value changes to contingent consideration liabilities and earn-out arrangements in respect of prior year acquisitions (2024 – \$156 million gain).

GROUP FINANCIAL REVIEW *continued*

**(e) Taxation**

In the year ended 30 June 2025, Diageo changed the definition of the reported tax rate and the tax rate before exceptional items to exclude the share of after-tax results of associates and joint ventures from profit before tax, as this represents post-tax profit, hence is considered as a non-essential factor of the calculation. The presentation of the tax rate after exceptional items and the tax rate before exceptional items for the year ended 30 June 2024 has been aligned to this new definition.

On this new basis, the reported tax rate for the year ended 30 June 2025 was 29.9% compared with 25.6% for the year ended 30 June 2024.

Included in the tax charge of \$999 million in the year ended 30 June 2025 is a net exceptional tax credit of \$214 million, including an exceptional tax credit of \$138 million in relation to brand impairments and tangible fixed assets, a tax credit of \$46 million in respect of restructuring programmes, a tax credit of \$36 million in respect of Diageo's agreement with LVMH on the termination of their joint operation in France, and a tax credit of \$12 million in respect of various dispute and litigation matters in North America, partially offset by \$15 million tax charge in respect of capitalised borrowing costs and \$3 million tax charge in respect of sale of businesses and brands.

Included in the tax charge of \$1,294 million in the year ended 30 June 2024 is a net exceptional tax charge of \$24 million, including an exceptional tax charge of \$95 million in relation to the reversal of the Shui Jing Fang brand impairment charge, partly offset by a tax credit of \$19 million in respect of the Chase brand impairment and the related tangible fixed assets, a tax credit of \$13 million comprised of brand impairments in the US ready-to-drink portfolio, a tax credit of \$23 million in relation to various dispute and litigation matters in North America and a tax credit of \$15 million in respect of the supply chain agility programme.

The tax rate before exceptional items for the year ended 30 June 2025 was 24.9% compared with 25.1% for the year ended 30 June 2024.

We expect the tax rate before exceptional items for the year ending 30 June 2026 to be in the region of 25%.

**(f) Dividend**

The group aims to maximise its return of capital to shareholders each year. The decision in respect of the dividend is made with reference to the dividend policy for the respective period that includes current performance trends, including sales, profit after tax and cash generation. Diageo aims for dividend cover (the ratio of basic earnings per share before exceptional items to dividend per share) within the range of 1.8-2.2 times. For the year ended 30 June 2025, dividend cover was 1.6 times (2024 - 1.7 times). The group will keep future returns of capital, including dividends, under review to ensure Diageo's capital is allocated in the best way to maximise value for the business and its stakeholders.

Subject to approval by shareholders, the final dividend of 62.98 cents per share (2024 - 62.98 cents per share) will be paid to holders of ordinary shares and US ADRs on register as of 17 October 2025. The ex-dividend date is 16 October 2025 for holders of ordinary shares and 17 October 2025 for holders of US ADRs. Holders of ordinary shares will receive their dividends in sterling unless they elect to receive their dividends in US dollars by 7 November 2025. The dividend per share in pence to be paid to ordinary shareholders will be announced on 20 November 2025 and will be determined by the actual foreign exchange rates achieved by Diageo buying forward contracts for sterling currency, entered into during the three trading days preceding the sterling equivalent announcement of the final dividend. The final dividend, once approved by shareholders, will be paid to both holders of ordinary shares and US ADRs on 4 December 2025. A dividend reinvestment plan is available to holders of ordinary shares in respect of the final dividend and the plan notice date is 7 November 2025.

**Movements in net borrowings and equity**

**Movements in net borrowings**

	2025 \$ million	2024 \$ million
<b>Net borrowings at the beginning of the year</b>	<b>(21,017)</b>	<b>(19,582)</b>
Free cash flow (1)	2,748	2,609
Movements in loans, other investments and other financial assets	(195)	(47)
Acquisitions (2)	(35)	(6)
Investment in associates (2)	(84)	(133)
Sale of businesses and brands (3)	143	87
Share buyback programme	-	(987)
Net sale of own shares for share schemes	15	21
Net sale/(purchase) of treasury shares in respect of subsidiaries	8	(10)
Dividend paid to non-controlling interests	(138)	(117)
Net movements in bonds (4)	1,527	558
Purchase of shares of non-controlling interests (5)	(9)	(223)
Net movements in other borrowings (6)	(629)	(106)
Equity dividend paid	(2,298)	(2,242)
Unclaimed dividends and share forfeiture	30	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,083</b>	<b>(596)</b>
Net increase in bonds and other borrowings	(898)	(453)
Exchange differences (7)	(921)	(199)
Other non-cash items	(101)	(187)
<b>Net borrowings at the end of the year</b>	<b>(21,854)</b>	<b>(21,017)</b>

(1) See page 217 for the analysis of free cash flow.

(2) On 24 September 2024, Diageo completed the acquisition of, and paid \$23 million, net of cash acquired, for the remaining issued share capital of Ritual Beverage Company LLC (owner of Ritual Zero Proof non-alcoholic spirits brand), that it did not already own. On 19 June 2025, Diageo announced that it acquired a controlling stake in Nao Spirits & Beverages Private Limited. In the year ended 30 June 2024, Diageo paid \$6 million in respect of prior year acquisitions. In the years ended 30 June 2025 and 30 June 2024, investment in associates included additional investments in a number of Distill Ventures associates.

(3) In the year ended 30 June 2025, sale of businesses and brands included the disposal of the Cacique brand for a net cash consideration, net of disposal costs, of \$67 million, the disposal of Guinness Nigeria PLC for a net cash consideration, net of disposal costs, of \$53 million and the disposal of the Pampero brand for a net cash consideration, net of disposal costs, of \$55 million. In the year ended 30 June 2024, sale of businesses and brands included a net cash consideration, net of disposal costs, of \$88 million for the disposal of Windsor Global Co., Ltd.

(4) In the year ended 30 June 2025, the group issued bonds of €2,200 million (\$2,452 million - net of discount and fee) consisting of €700 million (\$780 million - net of discount and fee) 3.125% fixed rate notes due 2031, €300 million (\$346 million - including issuance premium) 3.125% fixed rate notes due 2031, €700 million (\$776 million - net of discount and fee) 3.375% fixed rate notes due 2035, €500 million (\$550 million - net of discount and fee) 3.75% fixed rate notes due 2044, \$750 million (\$748 million - net of discount and fee) 5.125% fixed rate notes due 2030, \$750 million (\$743 million - net of discount and fee) 5.625% fixed rate notes due 2035 and repaid bonds of \$600 million and €1,600 million (\$1,816 million). In the year ended 30 June 2024, the group issued bonds of \$1,700 million (\$1,690 million - net of discount and fee) consisting of \$800 million 5.375% fixed rate notes due 2026, \$900 million 5.625% fixed rate notes due 2033, €500 million (\$535 million - net of discount and fee) floating rate notes due 2026) and repaid bonds of \$500 million and €1,100 million (\$1,167 million).

(5) In the year ended 30 June 2024, Diageo agreed with Combs Wine and Spirits LLC to purchase the remaining 50% of the share capital of DeLeon Holdco LLC that Diageo did not already own for a total consideration of \$223 million, including transaction costs.

(6) In the year ended 30 June 2025, the net movements in other borrowings principally arose from the \$479 million repayment of commercial paper and \$114 million repayment of lease liabilities. In the year ended 30 June 2024, the net movements in other borrowings principally arose from the increase in commercial paper, collateral and bank loan balances, cash outflows of foreign currency swaps and forwards, and repayment of lease liabilities.

(7) In the year ended 30 June 2025, exchange losses arising on net borrowings of \$921 million were primarily driven by unfavourable exchange movements on sterling and euro denominated borrowings and on foreign currency swaps and forwards. In the year ended 30 June 2024, exchange losses arising on net borrowings of \$199 million were primarily driven by adverse exchange movements on sterling and euro denominated borrowings and unfavourable movements on cash and cash equivalents, partially offset by favourable movements on foreign currency swaps and forwards.

**Movements in equity**

	2025 \$ million	2024 \$ million
<b>Equity at the beginning of the year</b>	<b>12,070</b>	<b>11,709</b>
Adjustment to 2023 closing equity in respect of hyperinflation in Ghana (1)	-	51
<b>Adjusted equity at the beginning of the year</b>	<b>12,070</b>	<b>11,760</b>
Profit for the year	2,538	4,166
Exchange adjustments (2)	452	(645)
Remeasurement of post-employment benefit plans net of taxation	(2)	(61)
Purchase of shares of non-controlling interests (3)	(7)	(223)
Change in non-controlling interests from sale of business	9	-
Hyperinflation adjustments net of taxation (1)	264	365
Dividend declared to non-controlling interests	(140)	(121)
Equity dividend declared	(2,298)	(2,243)
Share buyback programme	-	(997)
Other reserve movements	292	69
<b>Equity at the end of the year</b>	<b>13,178</b>	<b>12,070</b>

(1) See pages 154 and 214-215 for details on hyperinflation adjustments.

(2) Exchange movements in the year ended 30 June 2025 primarily arose from exchange gains driven by sterling. Exchange movements in the year ended 30 June 2024 primarily arose from exchange losses driven by the Turkish lira, the Mexican peso, sterling and the euro.

(3) In the year ended 30 June 2024, the purchase of shares of non-controlling interests of \$223 million represented the acquisition of 50% of DeLeon Holdco LLC's share capital.

**Post-employment benefit plans**

The net surplus of the group's post-employment benefit plans increased by \$35 million from \$717 million at 30 June 2024 to \$752 million at 30 June 2025. The increase in net surplus was predominantly attributable to the favourable changes in the discount and inflation rates in the UK and Ireland that was partially offset by the adverse change in the market value of assets held by the post-employment benefit plans in the UK and the experience loss arising from the triennial valuation of the UK post-employment schemes.

Total cash contributions by the group to all post-employment benefit plans in the year ending 30 June 2026 are estimated to be approximately \$45 million.



# Doing business the right way, from grain to glass

We manage our business for the long-term, and have always believed that doing business the right way, from grain to glass, builds trust and credibility with our stakeholders. 'Spirit of Progress' is our action plan to deliver on this commitment. We identify and monitor the most material risks and opportunities for our business, using these insights to shape our strategy and drive change where we can have impact at scale. The plan evolves over time to ensure we focus our resources on the most critical issues aligned with our footprint and areas of influence.



- Embed integrity in everything we do
- Stand up for human rights

Read more on pages 38-39.

- Build and monitor our distinct culture
- Protect our people through a robust health and safety strategy

Read more on pages 40-43.

## DOING BUSINESS THE RIGHT WAY IS CORE TO OUR THREE 'SPIRIT OF PROGRESS' PRIORITIES



- Change the way the world drinks for the better
- Address the harmful use of alcohol and promote moderation
- Responsibly market our products

Read more on pages 44-45.



- Preserve the natural resources we all depend on, building the resilience of our business and protecting our licence to operate

Read more on pages 46-57.



- Create an environment where everyone contributes to a better business

Read more on pages 58-59.

As our stakeholders' expectations and business evolve, so does our assessment of material impacts, risks and opportunities and our strategy to address them. To update our strategy, we regularly assess stakeholder feedback, performance against targets and business needs. While we focus on factors we can influence, external uncertainties remain, making our roadmaps subject to change.

Each year, we conduct a review of our targets. This year, we further considered the results of an updated ESG issues assessment<sup>(1)</sup> ahead of compliance with the European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) in 2028, as well as updated Science Based Targets initiative (SBTi) emission reduction targets.

Our updated emissions reductions, regenerative agriculture and packaging ambitions were adjusted in fiscal 25 to reflect the updated ESG issues assessment and our new SBTi targets. The target review was led by the Executive Committee members and approved by the Board.

### How we take action and measure our performance

This section of the Annual Report sets out our progress against our priority 'Spirit of Progress' ambitions. In our ESG Reporting Index, we include reporting on other goals and other actions which support our strategy.

Doing business the right way		
Key policies		
<ul style="list-style-type: none"> <li>• Code of Business Conduct</li> <li>• Global Human Rights Policy</li> <li>• Dignity at Work Policy</li> <li>• Global Health, Safety and Wellbeing Policy</li> </ul>		
Promote positive drinking	Pioneer grain to glass sustainability	Champion inclusion and diversity
<b>Key policies</b> <ul style="list-style-type: none"> <li>• Global Employee Alcohol Policy</li> <li>• Diageo Marketing Code</li> </ul>	<b>Key policy</b> <ul style="list-style-type: none"> <li>• Global Environment Policy</li> </ul>	<b>Key policy</b> <ul style="list-style-type: none"> <li>• Code of Business Conduct</li> </ul>
<b>Targets</b>	<b>Targets</b>	<b>Ambitions</b>
<b>Education on the dangers of alcohol misuse</b> <ul style="list-style-type: none"> <li>• Underage drinking<sup>^</sup></li> <li>• Drink driving<sup>^</sup></li> </ul>	<b>Water stewardship</b> <ul style="list-style-type: none"> <li>• Using water efficiently<sup>*</sup></li> <li>• Replenishing water for communities<sup>^</sup></li> <li>• Advocating for water stewardship</li> </ul>	<b>Increasing the diversity of our leadership team</b> <ul style="list-style-type: none"> <li>• Gender diversity<sup>*</sup></li> <li>• Ethnic diversity<sup>*</sup></li> </ul>
	<b>Responsible sourcing</b> <ul style="list-style-type: none"> <li>• Launching regenerative agriculture programmes</li> </ul>	<b>Promoting inclusivity through hospitality and skills education</b> <ul style="list-style-type: none"> <li>• Learning for Life and other hospitality and skills programmes</li> </ul>
	<b>Emission reductions</b> <ul style="list-style-type: none"> <li>• Reducing emissions from our operations<sup>*,^</sup></li> <li>• Reducing emissions from our value chain</li> <li>• Increasing the recycled content of our packaging</li> </ul>	

\* Targets and ambitions which are included in our long-term incentive plans (through fiscal 27).

<sup>^</sup> Targets and ambitions which are included in our long-term incentive plans (from fiscal 26). For more details refer to page 133.

### Governance

Both the Board and the Executive Committee oversee 'Spirit of Progress'. The Board reviews our most material topics through our ESG issues assessment, our ESG strategy and our targets used to measure our strategy in action. The Chief Executive is ultimately accountable for the performance against 'Spirit of Progress' ambitions. Each target has an Executive Committee member accountable for the delivery with regular performance reviews conducted by the Executive Working Group (EWG).

### New regulatory frameworks

We continue to voluntarily report against the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) frameworks in our ESG Reporting Index.

We are monitoring regulation developments in both the United Kingdom and the EU. In February 2025, the EU proposed changes to CSRD through an Omnibus package, including a two-year delay for companies with significant operations in the EU. We are also monitoring the 'UK Sustainability Reporting Standards', which are aligned to International Sustainability Standards Board (ISSB) requirements. We intend to apply both CSRD and the UK standards as soon as required under EU and UK law.

Given the interconnectivity of climate and nature, we have incorporated some of the Task Force for Nature-related Financial Disclosures (TNFD) into our Task Force on Climate-related Financial Disclosures (TCFD) reporting.

In the United States, California has enacted the Voluntary Carbon Market Disclosures Act, California Assembly Bill No. 1305 (AB-1305) requiring companies operating in California to make certain disclosures regarding carbon emissions reduction claims, and voluntary carbon offsets. We provide disclosures pursuant to AB-1305 in this section of the Annual Report, our ESG Reporting Index and our responses to CDP (formerly known as the Carbon Disclosure Project) climate change questionnaire, available through CDP's website.

### Reporting transparently

We define our performance measures carefully, along with clear reporting boundaries and methodologies. For more details, see the [website](#).

(1) Refer to our ESG Reporting Index, page 3, for information on our updated ESG issues assessment, conducted with reference to the EU's Corporate Sustainability Reporting Directive, in advance of compliance with the directive in fiscal 28.



## Business integrity and Human rights

We want to do business the right way every day, everywhere. We expect all stakeholders, including our people and suppliers, to demonstrate integrity, live our values and behave in an ethical way as set out in our Code of Business Conduct.

For more details, see the website [www.diageo.com](http://www.diageo.com).

### Business integrity

A culture of business integrity is foundational to our identity and delivery of our Growth Ambition. Each of us has a responsibility for doing business the right way. By valuing not only what we do, but how we conduct business, we generate success worth celebrating.

### Code of Business Conduct (Our Code)

Our Code sets out the basis for how we work and conduct business. It lists key principles which guide our day-to-day operations, decisions and interactions with colleagues and other stakeholders. Our Code forms what we stand for as a business and how we demonstrate our high standards of integrity and ethical behaviour.

All Diageo employees are required to complete our Code of Business Conduct training annually, via either routine annual training or as part of new-joiner onboarding.

Additionally, all eligible<sup>(1)</sup> employees are required to certify that they have read, understood and complied with our Code of Business Conduct and supporting global policies during the previous financial year through an annual compliance certification declaration. The training is delivered through an interactive e-learning module, with classroom sessions provided for those without regular computer access.

In fiscal 25, employees engaged with our Code through local Business Integrity Day activations. Markets shaped integrity conversations around their local priorities, supported by global resources and guidance. This flexibility led to more relevant, resonant sessions that strengthened understanding, sparked meaningful dialogue, and reinforced the everyday role of integrity in how we work.

### Encouraging people to speak up

We encourage our employees to report potential breaches of our Code or policies through our global confidential grievance and whistleblowing service, SpeakUp. The service, which is available through various channels (email, telephone and internet) in 20 languages, is monitored by the business integrity team to ensure that all allegations are handled appropriately, confidentially and fairly.

### Managing third-party risks

Maintaining business integrity is crucial in our interactions with third parties. Our Know Your Business Partner (KYBP) programme is designed to identify potential risks before entering into contractual agreements. In fiscal 25, we enhanced our KYBP governance process and tools by leveraging our KYBP centres of practice, which has led to greater standardisation of our procedures.

### Standing up for human rights

At Diageo, we strive to create an environment where all our people feel they are treated fairly and with respect. We remain committed to acting with integrity in our roles, to ensure we are doing business in the right way. We act in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and are committed to embedding respect for human rights into everyone's working day, in every country throughout our business and supply chain. Our policies cover our responsibilities to protect the human rights of everyone working in our direct operations, value chain and communities.

### Our human rights governance

Our Code and Global Human Rights Policy play an integral part of ensuring that Diageo's culture is aligned with our purpose and values. Our Code has been approved by our Board of Directors and our Global Human Rights Policy has been approved by our Chief Executive. Our human rights strategy is reviewed on a periodic basis by the Audit Committee of the Board and by the Executive's Audit and Risk Committee (ARC) as part of our mitigation of our principal risk on business ethics and integrity. Responsibility for delivery is shared between the members of Diageo's Executive Committee that are responsible for the human rights of our employees, suppliers and communities. Our Executives, senior business leaders and functional specialists lead the agenda via our Human Rights Steering Group (group and market level), and assess risks, emerging issues, compliance and remediation within our enterprise risk management processes.

### Providing access to grievance mechanisms

We encourage everyone, including any affected stakeholders, to report potential breaches of our Code or policies, including human rights, through our global confidential grievance and whistleblowing service, SpeakUp.

### Focusing on salient human rights risks

In fiscal 24, we refreshed our assessment of salient risks that are most relevant to our business as specified in the Declaration on Fundamental Principles and Rights at Work and the UNGPs. We looked at human rights benchmarks for our industry, priority commodities in our supply chain and the increasing interdependence between human rights and climate impacts.

The assessment identified the following salient risks: health and safety, wages and benefits, working time, harassment and bullying, discrimination, freedom of association and collective bargaining, child labour, forced labour, water sanitation and hygiene and land rights. Whilst we conduct ongoing due diligence in all areas, we have prioritised health and safety, wages and benefits, working time, harassment and bullying, and discrimination based on severity, likelihood, attribution, leverage and breach data.

### Vulnerable groups

We recognise that some groups of people are more vulnerable to human rights breaches and pay particular attention to these groups within our risk assessments. Determined by human rights frameworks, our value chain and human rights impact assessments, our vulnerable groups are women, ethnic minorities, persons with disabilities, the LGBTQIA+ community, indigenous peoples, migrant workers, contract and temporary workers, and children.

(1) For more details, see the Non-Financial Reporting Boundaries and Methodologies, available on our [website](http://www.diageo.com).

### Assessing risk in our direct operations

We use a variety of risk assessment tools in our direct operations to identify risk.

This includes self-assessment questionnaires for all direct operations, third-party human rights assessments for high-risk direct operations and deep dive assessments for groups that we consider more vulnerable to our salient risks. In fiscal 25, all direct operations completed an annual self-assessment questionnaire and four high-risk direct operations undertook a third-party assessment, keeping us on track to assess all high-risk direct operations by the end of fiscal 27. We use the insights from the assessments to develop action plans to resolve material human rights concerns and strengthen our approach. Where needed, we involve external experts to ensure our plans are robust.

### Assessing risk and compliance in our supply chain

Our Responsible Sourcing programme, led by our Supplier Excellence team, follows a risk-based approach to assessing adherence to our Partnering with Suppliers standard. Suppliers are risk-assessed against the following three criteria: location of supplier site, category of product or service and amount of spend. Suppliers who are assessed as high risk are required to undertake an independent third-party Sedex Members Ethical Trade Audit (SMETA) or an equivalent four-pillar ethical audit. This year we strengthened our approach by increasing our supplier compliance target from 65% to 85%. We began screening for human rights with higher-risk potential suppliers before onboarding. This helps us make more informed decisions on human rights risks and gives us the chance to assess and mitigate the salient issues before we contract with a supplier.

We have also mapped our salient risks within our priority supply chains allowing us to prioritise our actions and drive positive social impact where it is needed most. Part of this assessment includes identifying the scale, scope, remediability and likelihood of our salient risks through different parts of our supply chain. These findings are helping us to focus our interventions on specific human rights issues in the supply chain for greater impact. For more information, please refer to the ESG Reporting Index and Modern Slavery Statement.

### Taking action to mitigate human rights risks

Where we identify human rights risks, we take actions to mitigate them. Some examples of these mitigations are:

- Building the capability of our Risk Management Committees and conducting a mandatory risk deep dive to ensure we are effectively managing the risk.
- Our Global Brand Promoter standard and training establishes principles and guidelines to protect brand promoters from the risk of sexual harassment. This training is now available in 17 languages globally. To date we have trained over 200 agencies and over 18,000 brand promoters.



**Randall Ingber**  
General Counsel and  
Company Secretary



'Business integrity is at the heart of who we are as a company – it is a competitive advantage and integral to maintain the trust we need to achieve our Growth Ambition.'

- Our Child Labour Prevention programme provides training for smallholder farmers in Africa. This year we trained 282 farmers in Uganda, who will go on to train up to 10,000 people in their communities.
- Our collaboration with AIM-Progress has resulted in targeted training on child and forced labour in the United States. This free, open-access training is available to all our suppliers, labour and service providers.
- Our partnership with external parties assesses and addresses the health impacts of heat stress in sugarcane farming for our rum supply chain through improved access to sunshades, drinking water, personal protective equipment and adequate rest schedules.
- Our collaboration with AIM-Progress and Oxfam aims to strengthen supplier grievance mechanisms, improve access to remediation for workers and build supplier capability to support long-term improvement.

### Assessing the effectiveness of our approach

We measure the effectiveness of our human rights governance through our internal assurance framework and third-party human rights assessments. We continue to enhance our risk mitigation plans based on lessons learned.

We also externally benchmark our progress against best practice through rankings such as the World Benchmarking Alliance (WBA) Social Transformation Benchmark. In July 2024, Diageo was ranked joint fifth out of 2,000 companies assessed.

### Engaging our stakeholders

We recognise the importance of listening to and consulting stakeholders, especially the most vulnerable ones, on issues that affect them. We do this on an ongoing basis through different mechanisms including worker interviews, reviewing grievance data and holding community dialogues within our community investment programmes. This year we took steps to improve our processes for responding to investor and customer requests and piloted new ways to collect worker data to better understand suppliers' practices and identify potential issues.

This focus on due diligence and disclosure is crucial to us doing business the right way. It enables us to have transparency in our engagements with all stakeholders and drive continuous improvements in our approach. We will continue to focus on this important area, embedding respect for human rights into everyone's working day, in every country and throughout our supply chain.



## Our people and culture

Our talented and diverse workforce, together with our people's passion for our brands and inclusive culture continues to be a competitive advantage for our business, enabling our people to perform at their best.

For more details, see the website [www.diageo.com](http://www.diageo.com).

### Highly engaged talent

At Diageo, we are proud to have strong employee engagement levels across our organisation. Despite macroeconomic uncertainty, our people continue to express pride and passion for our consumers, business and brands. In our most recent Your Voice survey, a high proportion of our people (90%) are proud to work for Diageo, exceeding the external benchmark<sup>(1)</sup> by 12 percentage points which is consistent with our previous survey. Our overall engagement score also remains high at 83%, which is 7 percentage points higher than the external benchmark and 2 percentage points higher than fiscal 24. Benchmarking in the top quartile positions us advantageously as an employer of choice and supports efforts to attract and retain quality, diverse talent. There were increasing levels of engagement from external talent with 23% more career site visits since fiscal 24. To sustain this position, we recently refreshed our employee value proposition to strengthen the connection to our purpose, values, behaviours and culture. Understanding where we can be better is also important to maintain employee engagement, so this year we have introduced several new questions to our Your Voice survey in relation to reward packages and opportunities for growth.

### Growing our talent

Growth is a core part of who we are at Diageo; we encourage all employees to continue to develop through stretching career opportunities and experiences. Career growth is also critical to sustaining high employee engagement levels and future-proofing business performance. In fiscal 25, 79% of our leadership appointments were internal talent and of this, 21% were international moves and 16% were cross-functional moves. In the broader workforce, over 5,000 people made career moves. In addition, in our most recent Your Voice survey, 77% said they feel empowered to seek opportunities to learn and develop new skills.

We believe that coaching and feedback are critical to unlock career growth, development and performance. 78% of employees say their line manager provides feedback and coaching to support their growth. Our performance enablement programme ('My Performance for Growth') encourages continuous feedback with managers having regular conversations with their teams, coaching them to define bold goals, unlock opportunities for growth and build the right skills and capabilities to drive competitive advantage. In fiscal 25, we also invested in a new people manager development programme, 'Impact', which equips people managers across the globe with the skills and knowledge needed to inspire, develop and grow high-performing teams.

To fuel business and individual growth, we prioritise building skills and capabilities required to win now and in the future. Our groundbreaking development programme for emerging general managers (GMs), 'Horizons', helps leaders elevate their entrepreneurship, strategic framing and enterprise-wide thinking. The programme runs for 12 months, combining in-person training, live simulations, project assignments, coaching and mentoring and is complemented by a tailored onboarding experience for first-time GMs. Since its launch in October 2023, six participants have been appointed into GM roles and a further three have been promoted into more senior roles.

Our externally recognised marketing programme Diageo Way of Brand Building (DWBB) has been updated in fiscal 25 to integrate the very latest in consumer trends, marketing science and technology including AI. We piloted a five-day training programme in North America and South, West and Central Africa, and launched an online DWBB training hub for all employees with 14 brand-building skills modules. 'How we Build Brands' has also been integrated into all employee onboarding with over 900 completions since December 2024. Within commercial, we launched the 'Igniting Commercial Excellence' programme which provides specialised training to our market teams. Finally, we offer a series of trainings to build capability in digital skills including data and digital transformation and omnichannel best practices for marketing.

### Continuing to evolve our culture

In our recent Your Voice survey, Diageo employees characterised our culture as engaging, ambitious and collaborative. Our purpose, along with the pride and passion for our brands, forms a fundamental part of this vibrant culture. Embedding a culture of speed and agility remains pivotal to our ability to achieve our Growth Ambition and ensure long-term success. In fiscal 25, we have kept up the momentum, by reinforcing our dial-up behaviours 'Be Externally Curious', 'Collaborate Efficiently', 'Experiment and Learn' and 'Act Decisively'. Our over 550 culture change champions represent all levels and parts of the business and play a pivotal role in reinforcing behaviours, sharing and embracing best practice across Diageo.

In fiscal 25, we concluded the expansion of 'Celebrate', our global recognition platform. Across the business, employees have delighted in the opportunity to spot behaviours in real time and recognise colleagues. This fiscal the 'Celebrate' platform has received more than 140,000 nominations of colleagues demonstrating our values and 'dial-up behaviours'; this amounts to one recognition being received every four minutes. We also launched the inaugural CEO Celebrate Awards to recognise the remarkable impact teams had on driving growth and performance through our cultural shifts. In July 2025, Diageo Ireland won 'Market of the Year' award for exceptional performance in fiscal 24, demonstrating strong growth, whilst also driving high levels of employee engagement and fostering a culture of speed and agility.

In the first half of the fiscal, we ran a Pulse Check to measure progress against the dial-up behaviours. Results showed that 84% of employees felt encouraged to practise the dial-up behaviours and 75% felt supported in applying them.

We are already seeing the impact of our cultural transformation on business performance with our dial-up behaviours enabling us to disrupt our innovation-to-launch process times, enter white spaces in Brazil by adapting our route-to-consumer approach and establish and grow a new standalone market in the Middle East and North Africa (MENA) with the strategic vision and operating model established in under three months.

(1) Based on a blend of Ipsos Karian and Box, Qualtrics benchmark data. The Global Manufacturing benchmark includes organisations with global coverage that operate within FMCG and other industry sectors.



Barry O'Sullivan (MD Diageo Ireland in July 2024) winning 'Market of the Year' award as part of our CEO Celebrate Awards

Culture change is a multi-year journey and there is more to do. Leaders' role-modelling the dial-up behaviours consistently is key to success and driving sustainable change. This is a key focus of our culture change plan, and we are working closely with our leaders to reinforce this. Alongside our dial-up behaviours, we continue to cultivate a culture of integrity, accountability and operational excellence, ensuring we continue to strengthen our focus on execution.

### Enabling our people to thrive

Employee wellbeing is a key driver of sustainable performance. We believe that people are at their best, both at work and at home, when they are physically and mentally thriving, emotionally balanced, financially secure and socially connected. Our Global Health, Safety and Wellbeing Policy integrates these four dimensions into our daily culture, by providing tools and resources on topics like healthy habits, menopause and sleep. We also help employees connect to our purpose as a source of energy, with leaders sharing examples of how our consumers, brands, people, sustainability and society fuel their motivation and drive.

We recognise the role line managers play in creating an environment where people can prioritise their wellbeing. Through our new 'Impact' people manager development programme, our line managers are now trained on how to build inclusive teams and create an environment to perform by enhancing their own and their team's energy and resilience.

Our wellbeing champions are key to embedding wellbeing into our culture. Our headquarters 'Wellbeing Day' is an example of how employees take ownership of our four wellbeing dimensions in their local communities. Many markets have also led employee physical wellness challenges, such as Türkiye's partnership with Heltia and Ireland's Wellbeing Warriors, an employee-led resource group, establishing bespoke physical and social wellbeing initiatives whilst also creating awareness of global events.



In fiscal 25, we were pleased to launch the One World all-employee global share plan across over 50 countries and during the year all 17,000 eligible employees were awarded £500 of Free Shares, creating 15,000 new Diageo employee shareholders.

In February 2025, we launched 'nudge' in the United Kingdom, South Africa and India to support financial wellbeing through improved literacy, security and confidence. The interactive platform offers clear, personal financial guidance for all life stages. So far, 72% of eligible employees have used it and shared positive feedback. In terms of mental wellbeing, our Mental Health Awareness eLearning helps to normalise mental health discussions, complemented by our celebration of World Mental Health Day across the organisation. Our Employee Assistance Programme offers employees free, confidential advice and counselling around the clock on personal, emotional and work-life issues. Lastly, Diageo's Flex philosophy continues to offer employees opportunities to balance their work and life activities.

### Average number of employees by region and gender<sup>(1)</sup>

Region <sup>(2)</sup>	Men	%	Women	%	Not declared <sup>(3)</sup>	%	Total
North America	1,924	60%	1,307	40%	12	—	3,243
Europe	5,979	56%	4,613	44%	16	—	10,608
Asia Pacific	5,638	65%	2,995	35%	1	—	8,634
Latin America and Caribbean	2,689	61%	1,719	39%	—	—	4,408
Africa	1,823	61%	1,143	39%	1	—	2,967
<b>Diageo (total)</b>	<b>18,053</b>	<b>61%</b>	<b>11,777</b>	<b>39%</b>	<b>30</b>	<b>—</b>	<b>29,860</b>

### Average number of employees by role and gender<sup>(1)</sup>

Role	Men	%	Women	%	Not declared <sup>(3)</sup>	%	Total
Executive <sup>(4)</sup>	8	62%	5	38%	—	—	13
Senior manager <sup>(5)</sup>	335	57%	253	43%	—	—	588
Line manager <sup>(6)</sup>	2,797	64%	1,602	36%	6	—	4,405
Supervised employee <sup>(7)</sup>	14,913	60%	9,917	40%	24	—	24,854
<b>Diageo (total)</b>	<b>18,053</b>	<b>61%</b>	<b>11,777</b>	<b>39%</b>	<b>30</b>	<b>—</b>	<b>29,860</b>

(1) This data has been compiled as a monthly average based on the proportion of employees who have identified their gender as male, female or undisclosed. In some cases assumptions have been applied where data is not available.  
 (2) Employees have been allocated to the region where they live.  
 (3) This data represents the proportion of employees who have chosen not to disclose their gender as male or female.  
 (4) The number of executive positions has been calculated based on data at 30 June 2025.  
 (5) Top leadership positions in Diageo, excluding Executive Committee.  
 (6) All Diageo employees (excluding senior managers and Executive Committee) with one or more direct reports.  
 (7) All Diageo employees (excluding senior managers and Executive Committee) who have no direct reports.

Louise Prashad  
Chief HR Officer

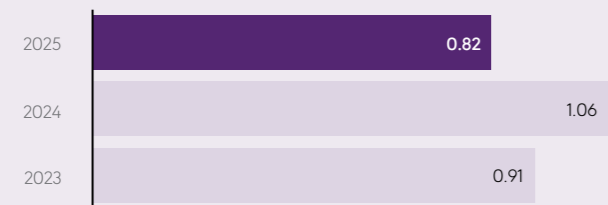
'I am thankful to our 29,000+ employees who collectively foster a culture of pride in our brands and our purpose of celebrating life every day, everywhere. Their ownership for business performance working together with customers, partners and colleagues helps us to attract and retain the very best talent for Diageo.'



## Health and safety

We prioritise the health and safety of our people throughout our value chain to ensure everyone is safe when working, every day, everywhere.

### 3-year trend: Lost Time Accident Frequency Rate (LTAFR)



For more details, see the Non-Financial Reporting Boundaries and Methodologies found on our website [www.diageo.com](http://www.diageo.com).

### Embedding a culture of health and safety

Safety is a collective responsibility and an essential aspect of every role. By empowering and engaging our employees in safety practices, we reinforce our commitment to the principle that no level of accidents is acceptable.

Our approach to health and safety is built upon our Global Health, Safety and Wellbeing Policy and our Global Risk Management Standards. We perform risk assessments, leveraging compliance systems, technology, and training to develop and implement innovative working methods that strive for continuous safety improvement.

We actively promote employee engagement in accident investigations and improvement initiatives, ensuring they receive the latest health and safety training to perform their daily tasks safely. Additionally, we run company-wide communication campaigns and in fiscal 25 we used data to inform our monthly safety campaigns highlighting specific hazards, such as fire safety, working at heights and safe driving.

The 'Safer Together' strategy incorporates both a strong safety culture and a comprehensive technology roadmap. Designed to prevent severe, fatal and process safety incidents, the overall approach also aims to enhance health and safety standards across the organisation. Roadmaps support the integration of an improved safety culture at all locations. The technology roadmap features digital solutions, automation, forklift truck advancements including camera technology, manual handling wearable kits and artificial intelligence, each contributing to better health and safety performance. During fiscal 25, over \$40 million was invested in shuttle warehousing, where casks are put away on pallets by an automatic shuttle rather than manual handling. An additional investment is expected next year to complete the shuttle warehouse complex, helping improve safety and boost productivity. These strategies and roadmaps are also extended to contractors and third-party providers.

We recognise that process safety events<sup>(1)</sup> pose significant risks to the health and safety of employees, communities and the environment, as well as potential damage to property, reputation and business continuity. To manage these risks, our comprehensive process safety strategy has been reviewed with the objective to ensure regulatory compliance. We drive continuous improvement through incident analysis and performance monitoring to foster a strong safety culture across the organisation. Integral to this strategy is Diageo's risk-based process safety framework, consisting of 20 elements designed to proactively identify, assess and mitigate hazards that could cause major incidents such as fires, explosions or toxic releases. In fiscal 26, the focus will be monitoring early warning signs such as equipment anomalies, procedural deviations and near misses to enable proactive risk management. Efforts will also continue to build process safety capabilities. Targeted audits will be performed at key sites to verify compliance, address gaps and enhance overall safety performance.

### Empowering responsibility:

#### Fostering a safe work environment

Leaders across the organisation are responsible for cascading and implementing health and safety policies and procedures among their direct reports and third parties. We expect all employees to take responsibility for their health and safety and those around them, by acting in accordance with our Code of Business Conduct. We utilise a variety of tools to identify health and safety risks as per our Global Health, Safety and Wellbeing Policy. Each location performs hazard identification and risk assessments which identify and address unsafe conditions. We also have a safe observation programme across all locations to identify unsafe behaviours, recognise best practices and to report work-related hazards. All employees and third parties are encouraged to remove themselves from work situations they believe could cause injury or ill health. Hazards are logged on local action planning systems and tracked for closure.

To track the effectiveness of our approach, all our locations regularly monitor and review health and safety performance. We report the results monthly to the Global Supply Chain and Procurement leadership team, to the Executive Committee at quarterly meetings and to the Board twice yearly.

### Our performance

We report on lost time accident frequency rate (LTAFR). This year, our rate was 0.82<sup>Δ</sup> (fiscal 24: 1.06) lost time accidents (LTAs) per 1,000 full-time employees (including directly supervised contractors). Over the last three fiscal years LTAFR has shown year-to-year variability with a decrease in fiscal 25 following an increase in fiscal 24 reflecting the dynamic nature of our risk environment and ongoing efforts to enhance workplace safety. Our LTAFR decreased against last fiscal, driven by reductions in accidents across a number of markets but most significantly in the scotch category and North America.

Our total recordable accident frequency rate (TRAFR) which records work-related injuries that need more than first aid treatment increased during this fiscal. In absolute numbers, our total accidents reduced (fiscal 25: 89 accidents, fiscal 24: 90 accidents) however the average total headcount used as the denominator in the calculation reduced therefore impacting the rate. We investigate each recordable accident to establish the root cause, contributing factors and insights. We share the key learnings across the organisation aiming to prevent recurrences. For more information, please refer to our ESG Reporting Index.

(1) Industrial incidents involving an unintended release or loss of control of hazardous materials or energy from a process system.  
<sup>Δ</sup> Selected metrics have been subject to independent limited assurance by PricewaterhouseCoopers LLP (PwC) for the year ended 30 June 2025. See pages 223-225 of the Annual Report and pages 65-68 of the ESG Reporting Index. The Non-Financial Reporting Boundaries and Methodologies can be found on our website.

### Continuous improvement initiatives

Our workplaces are constantly evolving with new technologies, processes and equipment. Continuous improvement ensures that health and safety measures keep pace with these changes, addressing emerging hazards effectively. In fiscal 25, we introduced and continued several important programmes, as included below. We will continue to advance these programmes as part of our culture and technology roadmaps in fiscal 26.

#### Culture assessment

During fiscal 25, we launched our first ever global governance baseline culture survey to our supply organisation. We used an independent provider to complete a culture assessment across our most material areas, including health and safety, food safety and quality. With more than 5,000 responses, the overall health and safety maturity values were 86% for supply sites and 84% for technical centres. The culture assessment focused on four key themes: people, process, purpose and proactivity. The assessment demonstrated a strong level of maturity across all key themes as well as a favourable comparison against industry benchmarking.

#### Behavioural Standard

Since fiscal 24, the Behaviour Standard workshops, aimed at enhancing safety culture, have been implemented across 19 individual sites. In the current fiscal year, the programme has been further expanded to include manufacturing facilities in Mexico, Türkiye and Australia. Each workshop produced a comprehensive action plan. All participating sites have demonstrated substantial progress in executing and closing out the action plans, thereby contributing to the development of a more robust and sustainable safety culture.

### Monthly health and safety campaigns

Based on insights from fiscal 24 as well as performance through fiscal 25, our communication campaigns focused on the themes of 'Strive for Zero', 'Life Saving Rules', 'Fire Safety' and 'Process Safety'. These campaigns were introduced to raise awareness of increasing incident trends and areas where there may be the potential for a life-threatening or life-altering injury.

Over and above the monthly campaigns, we launched a refocused safety campaign to highlight the need for locations to remind their employees on the basic principles of 'eyes and mind on task'.

#### Safer Driver Programme

Diageo's commitment to improving workplace safety standards includes a driver training programme implemented to promote safe driving behaviours across five key pillars (risk, speed, distraction, fatigue, eco) among commercial employees who drive for business purposes. It also features short, customised e-learning modules that are tailored to individual driving behaviours, helping to educate drivers on safe driving practices. During fiscal 25, the programme has been rolled out to 1,700 drivers across multiple markets. This brings the total rollout across fiscal 24 and 25 to approximately 3,500 drivers. The aim of the programme is to reduce accidents and enhance the overall safety of company drivers. The programme is expected to lower insurance and maintenance costs, but also boost driver morale and improve operational efficiency.

#### World Health and Safety Day

We celebrated World Health and Safety Day as part of a wider global health and safety awareness week. The topics included in the campaign focused on revolutionising health and safety through AI and digital technologies, launch of a process safety senior leadership observation tour and a high-level overview of the recent culture assessment.

Beyond our own operations we also extend our health and safety standards to strategic suppliers, working closely with them to improve safety practices that promote safer working within their workforces.

## Technology - The role of AI and digitalisation at work



**Ewan Andrew**  
President, Global Supply and Procurement & Chief Sustainability Officer



'Our health and safety results for this year demonstrate a well-embedded strategy to prevent injury, but we are never complacent. Our continuous improvement programmes and introduction of technology solutions continue to be top priorities to ensure the health and safety of all.'





# Pioneering grain to glass sustainability

Our business depends on natural resources. We are directly affected by changes in climate and the related challenges of nature loss, particularly freshwater. We continue to address the risks and opportunities climate change and nature loss pose to our business through focused actions to mitigate our most material risks.

For more details, see the website [www.diageo.com](http://www.diageo.com).

## Introduction

Our exposure to climate risk is intensifying, due to extreme weather events and rising temperatures. Although our analysis indicates that our business is resilient in the short- and medium-term, we continue to monitor what is needed to sustain this resilience, both for our operations and our communities in which we operate. We are committed to acting responsibly to mitigate our contribution to global warming and adapt to changing conditions, to support our licence to operate. We respond to climate change and biodiversity, mitigating the risks associated with changing environmental and biodiversity factors through our grain-to-glass sustainability strategy.

Our 'Spirit of Progress' targets reflect our most material ESG issues and align to the UN Sustainable Development Goals. We are signatories to the UN's 'Race to Zero' and 'Race to Resilience' campaigns reflecting our commitment to tackle climate change. We are focusing our work in the areas most at risk in our business across water, agriculture and communities.

We are proud of our accomplishments to date, including reaching several of our goals earlier than planned. However, we have identified several critical external factors beyond our control that influence the timing and pace of our efforts. Some of these challenges include wider energy infrastructure availability, appropriate policy frameworks, consumer acceptance, financing solutions and cost burdens which need to be shared. We have also faced challenges reaching our packaging goals. For example, increasing recycled content in our packaging is hindered by external factors such as cullet availability.

To tackle these challenges, we are increasing the number and depth of our partnerships to leverage shared resources and aligned interests, while advocating for transformative change. As we meet goals and experience challenges, we learn and adapt. We have revised our aspirations across several targets this year, accelerating our ambition across water and regenerative agriculture while reconsidering the scale and pace of decarbonisation and packaging optimisation.

Our updated decarbonisation targets reinforce our commitment to tackling climate change. These science-based targets, validated against the Paris-aligned 1.5°C reduction pathway, encompass both near- and long-term objectives across our value chain. Our revised targets are shown on page 51 and 53-55. Performance against supporting targets, including some of our packaging and electricity targets, have been separately reported in the ESG Reporting Index.

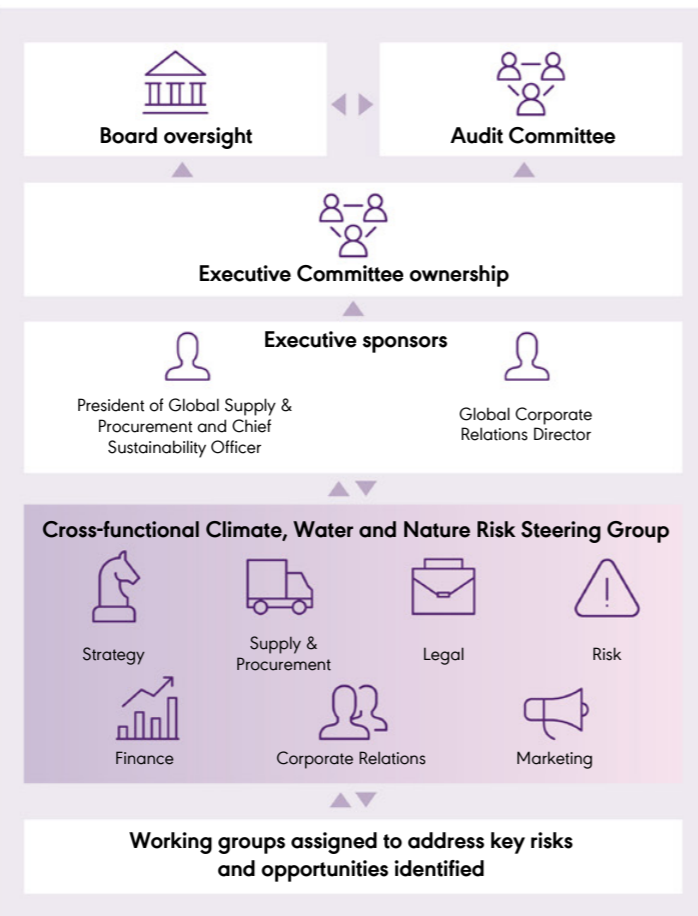
## Reporting

We have used the guidance of the Task Force on Climate-related Financial Disclosures (TCFD) framework for reporting. Increasingly we are incorporating nature risks and dependencies into our strategic planning. We continue to identify and quantify our material impacts and dependencies, following the guidance of the Taskforce on Nature-related Financial Disclosures (TNFD)'s LEAP (Locate, Evaluate, Assess, Prepare) framework.

## Governance

Given the importance of climate and nature risks, we have governance processes in place to ensure that we factor the risks into our business operations and planning processes. To supplement our 'Spirit of Progress' governance (summarised on page 37), our sustainability performance is integrated into our operational and strategic review processes. We track water efficiency and greenhouse gas reduction projects and hold quarterly strategic business reviews focusing on multi-year plans. Significant risks identified are escalated to enterprise risk management forums at group level. We oversee climate and nature risk through these governance structures and processes:

- Executive sponsorship is shared jointly between the President, Global Supply & Procurement and Chief Sustainability Officer and the Global Corporate Relations Director.
- They are supported by our cross-functional Climate, Water and Nature Risk Steering Group.
- The Climate, Water and Nature Risk Steering Group provides regular updates to the executive sponsors and the Board.
- The Board retains ultimate responsibility for the oversight of climate related risks and opportunities, including monitoring progress against climate-related targets.
- Any impacts, including actual and potential, on our consolidated financial statements from climate and nature risks and performance against non-financial metrics are shared with the Audit Committee annually.



## Risk Management

### Identifying climate risks and opportunities

We divide climate risk into physical and transition risks. Physical risks include chronic changes, like sea level rises, temperature changes and acute events like floods, droughts and heatwaves. Transition risks arise from actions to mitigate climate change, such as policy and regulatory shifts; technology evolution or consumer behaviour fluctuations. Both categories of risk are already occurring and are likely to increase. As temperatures continue to rise globally, we continue to assess and prepare for emerging physical and transition risks.

We partner with climate resilience and nature experts to identify and assess how generally recognised climate and nature risks apply to our business.

### Climate change resilience

Our experience in managing the impact of normal variations in climatic conditions, water availability and agricultural yields has made us more resilient and adaptable. We have embedded careful planning in our supply chain and procurement organisation over many years. We manage water in a way that makes our operations more resilient and helps our local communities and agricultural sourcing areas to adapt, with a specific focus on water-stressed areas. We work with peers to drive enhanced technological practices at scale, which optimise crop management and seed quality. We also collaborate on the development of novel high-yielding, drought and temperature-resilient crop varieties. We recognise that thriving natural ecosystems are essential for long-term agricultural productivity and climate resilience, and we aim to protect and restore nature across our sourcing regions.

Since first referencing it in 2010, we have integrated climate risk into our enterprise risk management processes, within our principal risk factors. This is now an integral part of our strategic and business continuity planning. As we continue to build and strengthen our adaptation plans, we see our work on water, agriculture and communities as particularly important in increasing our climate resilience.

### Identifying and assessing our physical risks

For the last four years, we have worked with climate resilience experts to analyse all of our direct operations sites and key third-party suppliers' sites to assess the physical risks that we are exposed to and how they may develop under various scenarios. The analysis included some sites that are planned or under construction, to ensure we understand their exposure and prepare their resilience before commissioning the site. The scenario analysis and phasing of the risk assessments are outlined in the Non-Financial Reporting Boundaries and Methodologies, available on our website.

Following each successive year's analysis, the total global physical risk footprint was refreshed.

The physical risk assessments measured the exposure and vulnerability of the activities at the sites in scope to 19 climate-related hazards. In addition, we reviewed the vulnerability of the main agricultural materials and our key distribution routes to climate change. We then considered how the climate-related hazards and our site vulnerabilities would materialise under two different future warming scenarios and over two timeframes:

- Intergovernmental Panel on Climate Change (IPCC) scenario RCP (Representative Concentration Pathway) 4.5 - medium warming of 2-3°C;
- IPCC scenario RCP8.5 - severe warming of 4-5°C; and
- with both scenarios evaluated for the periods up to 2030 and up to 2050.

These scenarios were chosen to represent a 'worst case' (RCP8.5) and a 'medium case' (RCP4.5) under which we assess our resilience.

For our own sites and many of our third-party operators producing beverages on our behalf, we analysed climate-related risks which are more likely to materialise. For those that are most strategically important or at greatest risk, we carried out more detailed assessments. At each location, we considered a combination of the different production activities (e.g. distilling and packaging) as well as parts of the supportive processes that might be affected (e.g. infrastructure, water supply and energy sources) and the 19 physical climate-related risks that might occur.

We also analysed our key suppliers' factories and warehouses; for example those handling our most critical or specialised ingredients and components, key agricultural commodities and our most critical distribution routes, to identify which might be exposed to physical risks in the future.

Water is vital to our operations and the raw materials we use when creating our products. We give great focus to understanding water-related risks to inform our mitigation strategy. In addition to our physical climate risk assessments to analyse the risks from water availability, water temperature, water quality and flooding, we also conduct water stress analyses at our sites every two years.

We undertake this work using site surveys and World Resources Institute (WRI) Aqueduct data. We also complete water source vulnerability assessments (SVAs) at our sites located in water-stressed areas to further our understanding of the risks and how to address them. This work provides comprehensive insights into how our risk profile may vary with climate change, such as the degree of vulnerability to water stress within our operations and supply chain. We can then use these insights to help us act where we believe it is most needed, whether that is improving our water efficiency, increasing our replenishment commitments or prioritising climate adaptation planning. In fiscal 25, we updated our water risk assessments for the purposes of informing our future water strategy, and carried out SVAs with our external partner on an additional six sites. For more information, please see page 31 of our ESG Reporting Index.

### Risk assessment results – our most important physical risks

Our assessment confirmed three key points:

- (1) **Water stress**, including drought, is our most significant climate-related physical risk in terms of prevalence, trajectory and potential financial impact. It affects our ability to produce our products, access to agricultural ingredients that we need and, ultimately, our licence to operate.
- (2) **Agricultural raw materials** are at risk from climate change, and we see that risk increasing under the scenarios and timeframes we analysed. Our models suggest that the costs of most commodities are likely to increase because of climate change, although estimates of the precise impact vary significantly depending on the model used, underscoring the difficulty of such projections. These factors potentially affect our own operations and those of some of our suppliers.
- (3) **Acute weather events**, including floods, winds, hurricanes, storms, heatwaves and wildfires are projected to increase and to cause interruption to operations, although their impact is unlikely to be as significant as that of the risks related to water and agricultural materials.

For more details on our scenario analysis approach, see the Non-Financial Reporting Boundaries and Methodologies on our website [www.diageo.com](http://www.diageo.com).

PIONEERING GRAIN TO GLASS SUSTAINABILITY *continued*

**Quantitative impact of physical risk determined by scenario analysis**

In fiscal 24, we collaborated with climate resilience experts to develop and implement an automated scenario analysis tool to inform our climate adaptation strategy. The tool allows us to perform further scenario analyses and test numerous sensitivities to defined variables. For example, we can analyse the sensitivity to climate risks of certain categories or markets and estimate the impact of the adaptation measures that we have implemented. This marked a pivotal advancement in integrating climate risk into our strategic planning processes. This year, we updated our modelling data to reflect our latest volumes and growth estimates, and remodelled the chronic risk of water availability, the acute risk of drought, commodity price increases due to climate change and one-off climate-related events.

The precise risks and opportunities that were modelled in our scenario analysis are outlined in the Non-Financial Reporting Boundaries and Methodologies, pages 4-7.

**Water stress, including drought**

Under the warming scenarios we modelled, nearly a quarter of our sales will be exposed to increased water stress in both scenarios and timeframes. Under these warming scenarios, the absolute number of sites may not increase significantly, but under both timeframes, those sites affected may suffer even greater shortages of water, which may impact our operations and the health and wellbeing of employees at those sites, as well as local communities.

Analysing the financial impact of drought presents particular challenges due to numerous factors, such as the probability of occurrence, duration of operational suspension and effectiveness of adaptation or contingency measures. We have modelled what we are currently able to through scenario analysis, considered our own assessment of vulnerability and applied highly conservative assumptions (e.g. downtime in all sites due to drought). We have concluded that, by 2030, we do not anticipate drought to have a significant impact on our operations (including key third-party operations) or on our financial position. Beyond 2030, it is more difficult to analyse, given the increased uncertainties inherent in modelling over an extended timeframe. Our models show that adaptation actions are needed, particularly in the period between 2030 and 2050, in order to prevent significant interruption to our operations and supply chain. If no action is taken, it may potentially result in lost sales. In our strategy section below, we outline the interventions we are currently implementing to future-proof our business against drought.

**Agricultural raw materials**

Agricultural commodity price increases due to climate change are more difficult to estimate, with our models producing highly varied estimates. Climate risk is likely to result in a projected price increase for the majority of our commodities. Our scenario analysis helps us build commodity price risk into our raw material procurement strategies, particularly for crops with unique provenance (e.g. agave and vanilla) or high sensitivity to growing conditions (e.g. hops). Our modelling suggests the biggest risks of price variability in 2030 and again in 2050 are likely to impact agave, sorghum, rice, wheat, dairy and hops. There are considerable differences between models, but the impacts in both 2030 and 2050 may be significant.

**Acute weather events**

Acute weather events, such as flooding and storms, are the next most likely physical risks to affect our financial performance, given the risk of damage to our sites and disruption to our supply of agricultural ingredients. Although the direct risk to our sites from acute physical events will increase, our scale, global supply footprint and capabilities in resilience management mean we are well-positioned to ensure flooding and storms do not interrupt our overall ability to serve our customers or have a significant financial impact on a global scale.

Heatwaves, wildfires and landslides are also identified as acute physical risks. Their potential financial impact is not modelled in our scenario analysis but adaptations to these risks are planned where they are projected to increase.

 **Identifying and assessing our transition risks and opportunities**

We have performed additional scenario analysis to estimate the financial impact of transition risks and opportunities under a Paris-aligned emissions scenario (RCP2.6). The analysis provided us with a better understanding of our risks and opportunities associated with transitioning to a low-carbon economy. Through this analysis, we have refined our financial estimate and gained further clarity on how to respond.

We identified the risks with the most potential impact by looking at our agricultural inputs, production and packaging, distribution and sales channels. We were able to determine the most important transition risks and opportunities to monitor, including:

- Decarbonisation costs: Changes to our supply chain and production costs, including carbon taxes and related changes to input costs (risk and opportunity).
- Consumer behaviour: Changes in consumer behaviour to favour more sustainable options, e.g. choosing circular products or locally produced brands (risk and opportunity).
- Regulatory changes: Shifts in public policies, e.g. restrictions on packaging, water use, agricultural materials or land that affect our ability to make our products (risk).
- Technology changes: Adopting low-carbon production of our products and packaging, and the associated risk of not doing this fast enough (risk and opportunity).

Of the risks and opportunities outlined above, the greatest impacts are likely to arise from consumer behaviour and decarbonisation costs. The table on page 49 summarises the physical and transition risks and opportunities we consider the most important.

**Quantitative impact of transition risks and opportunities**

Transitioning to a low-carbon economy presents both risks to and opportunities for our business. Through our scenario analysis, we have been able to estimate the impact on our operations and financial condition to 2030, concluding that it is unlikely to be significant over that period, even assuming that we bear changes in production costs.

**Packaging is the key transition risk and opportunity**

We identified that the key driver of transition risk to 2050 is our use of glass which could contribute to an overall production cost increase.

We noted that lower transport and energy costs would partially mitigate this impact. Extending the analysis to 2050 is subject to many variables and ambiguities and, therefore, substantial uncertainty. However, it allows us to estimate what a 'worst-case scenario' may look like, based on our best available modelling of cost trajectories.

Our modelling has allowed us to estimate the impact on our operations and the financial condition, after considering some of the possible mitigating actions we plan to take, which can include pricing, improvement in energy use, sourcing and using lighter weight packaging, reducing the carbon intensity of glass production and using returnable or reusable packaging.

The results of the scenario analysis of both physical and transition risks are reflected in our assessment of viability and impairment of tangible and intangible assets (see pages 72-73 and 154).

**Summary of our most important climate risks and opportunities**

Risks		
<b>Risk description</b>	<b>Water scarcity</b> Increasing water scarcity and water stress affects our ability to continue to source from and produce in water-stressed areas.	<b>Agricultural raw material availability</b> Climate-related impacts on agricultural material availability cause scarcity or price increases.
<b>Category</b>	Physical - chronic	Physical - chronic
<b>Timeframe<sup>(1)</sup></b>	Short-term (one to five years), medium-term (five to 10 years) and long-term (10 to 30 years)	Medium-, long-term
<b>Impact (if not mitigated)</b>	Moderate <sup>(2)</sup>	Moderate <sup>(2)</sup>
<b>Response examples</b>	<ul style="list-style-type: none"> <li>• Improvements in water-use efficiency in our operations, with more ambitious targets at water-stressed sites.</li> <li>• Water replenishment plans in 100% of water-stressed areas.</li> <li>• Collective action activities to improve water security in Diageo's 'priority water basins'.</li> <li>• Nature-based solutions that support climate mitigation, adaptation and water replenishment.</li> <li>• Exploring alternative formats and ingredients with potential to reduce water use.</li> <li>• Rainwater harvesting, aquifer recharge, dam de-silting.</li> </ul>	<ul style="list-style-type: none"> <li>• Regenerative agriculture adaptations.</li> <li>• Smallholder farmer support.</li> <li>• Development of drought-resistant ingredients (e.g. sorghum, anise and barley varieties).</li> <li>• Alternative sourcing locations.</li> <li>• Substitution with alternative crops.</li> <li>• Increased use of cover cropping.</li> <li>• Improved water management in agricultural practices.</li> </ul>
<b>Risk description</b>	<b>Input costs</b> Policy changes (carbon taxation, shift to renewables) cause increases in input costs.	<b>Consumer behaviour</b> Consumers prioritise purchasing more sustainable products, rejecting those perceived to have a negative environmental impact.
<b>Category</b>	Transition - policy/legal	Transition - market
<b>Timeframe<sup>(1)</sup></b>	Short-, medium-term	Short-, medium- and long-term
<b>Impact (if not mitigated)</b>	Moderate <sup>(2)</sup>	Moderate <sup>(2)</sup>
<b>Response examples</b>	<ul style="list-style-type: none"> <li>• Supply chain decarbonisation.</li> <li>• Engaging suppliers in low-carbon technology options for their operations.</li> <li>• Reduced packaging weight.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased recycled content in packaging.</li> <li>• Developing circular product offerings.</li> <li>• Purchasing more sustainably-grown raw materials.</li> <li>• Communicating these changes to consumers.</li> <li>• Reduced packaging weight.</li> </ul>
Opportunities		
<b>Opportunity description</b>	<b>Supply chain decarbonisation</b> Reducing our Scope 1, 2 and 3 emissions lowers our exposure to carbon taxes and related costs, and improves our reputation with customers and consumers.	<b>Innovation in sustainable products and packaging</b> Developing more sustainable products meets consumers increasing demands.
<b>Category</b>	Transition - policy/legal	Transition - market
<b>Timeframe<sup>(1)</sup></b>	Short-, medium-term	Short-, medium-term
<b>Impact (if not realised)</b>	Moderate <sup>(2)</sup>	Moderate <sup>(2)</sup>
<b>Response examples</b>	<ul style="list-style-type: none"> <li>• Decarbonisation programme and capital investment in our operations.</li> <li>• Renewable energy investments.</li> <li>• Regenerative agriculture programme.</li> <li>• Collaboration, partnerships and capability building within our supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation to deliver more sustainable products (e.g. refillable and reusable packaging, alternative packaging materials).</li> <li>• Everpour, an innovative new circular keg and integrated bottle dispense system.</li> </ul>

(1) Timeframes chosen align to those used in our scenario analyses, where short-term (one to five years) reflects the typical strategic planning timeframe, medium-term (five to 10 years) includes the timeframe to 2030 and long-term (10 to 30 years) includes the timeframe to 2050.  
 (2) 'Low' impact is defined as having a negligible impact on customer service, or an absorbable disruptive impact on one or more brands. 'Moderate' impact is defined as disruption to production/supply chain creating an inability to service a small portion of our customer base, the impact of which is manageable; or a significant short-term impact on one or more of our core or local priority brands that is absorbable by the business. 'High' impact is defined as inability to service a significant portion of our customer base, or major reputational damage.

**Results of our nature risk assessment**

The greatest risk to our agricultural raw material sourcing arises from water scarcity, as much of our agricultural materials are grown in water-stressed regions. These results aligned with the observations from our climate scenario analysis. The raw materials with the highest relative nature impact

were assessed as agave, broken rice, sugarcane, sorghum and barley. We are making continuous progress in understanding our nature-related dependencies, impacts, risks and opportunities, while integrating these insights into our broader strategy. Our integrated approach aims to recognise the ways in which taking holistic action on climate change, water stewardship and regenerative agriculture can build resilience.

PIONEERING GRAIN TO GLASS SUSTAINABILITY *continued*

**Our strategy for grain-to-glass sustainability**

Our sustainability strategy acknowledges the breadth of the environmental and social consequences of a changing climate and our dependencies on nature and people. It recognises the interlinkages between climate, nature, agriculture and people, and the connections to our value chain.

Our strategy, underpinned by targets, addresses our most material impacts, risks and opportunities, primarily related to water use and greenhouse gas emissions. The strategy reflects the complexity of the challenges faced by society and the environment and is reviewed regularly as regulations evolve or we gain more information on the timeframe required to address systemic issues, like greenhouse gas emissions. By acting on, delivering and regularly reviewing our commitments, we are enhancing our business resilience while safeguarding our licence to operate and grow.

Whilst the fundamentals of our strategy to preserve water and take a focused approach to greenhouse gas emission reductions have not changed, we undertook a review of the targets we use to measure progress. This review, conducted as part of our regular update of Science Based Targets initiative (SBTi) targets, resulted in changes to greenhouse gas emission reduction percentages and timeframes to achieve those reductions (summarised on page 53). We also reframed our packaging targets due to both external factors and our growth ambitions, shifting our focus to recycled content of our packaging, with lightweight packaging reporting focused on examples, rather than a formal target.

Our greenhouse gas and water roadmaps outline the projects needed to deliver our targets. These plans are backed by capital investment and are regularly reviewed to build confidence in our ability to deliver our targets. Enhancing and digitising our data has and will continue to provide more insight into what is required to deliver our strategy.

In 2020, we announced the intention to invest \$1.2 billion between 2020 and 2030 to accelerate our ambition to preserve water and reduce greenhouse gas emissions, with \$358 million invested so far. After updating our greenhouse gas emission reduction targets, we will be further phasing our investment beyond 2030 and reconsidering the total amount funded by Diageo. The timing and level of future investment are dependent on infrastructure changes and regulation, which we are monitoring. We are committed to optimising scale and returns through partnerships and our own funding.

**Integrating nature risk into our climate risk strategy**

In alignment with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), we have commenced assessing our nature-related dependencies, impacts, risks and opportunities and we are building this into our strategic approach on nature. We conducted a nature baseline during fiscal 24, that encompassed our agricultural upstream supply chains, our direct operations and an initial assessment of parts of our packaging supply chain. We identified material pressures across the value chain and estimated our contribution to environmental impacts. We identified the geographic areas where these could be harmful to nature, using datasets covering four dimensions of nature: land, water, biodiversity and ecosystem services. In fiscal 25, we continued this work to further our understanding of our nature-related dependencies, impacts, risks and opportunities.



**Ewan Andrew**  
President, Global Supply and Procurement & Chief Sustainability Officer



**Daniel Mobley**  
Global Corporate Relations Director



'We are proud of the real world impact of our progress so far and have taken forward significant learnings to help us refine our ambition for the future.'

'Doing business the right way is at the core of our Growth Ambition. We are accelerating our action on water, delivering impactful change to address our most material environmental risks.'

**Key Sustainability Targets**

WATER EFFICIENCY <sup>(1)</sup>	
Improvement in water use efficiency in water-stressed areas	
Year	%
<b>Target by 2030</b>	
Reduce water use in our operations with a 40% improvement in water use efficiency	<b>(40)%</b>
<b>2025 cumulative progress</b>	<b>(20.6)%</b>
<b>2024 cumulative progress</b>	<b>(18.5)%</b>
<b>2025 performance</b>	<b>(2.6)%<sup>Δ</sup></b>
Percentage change in water efficiency index from the prior year	
Improvement in water use efficiency across the company	
Year	%
<b>Target by 2030</b>	
Reduce water use in our operations with a 30% improvement in water use efficiency	<b>(30)%</b>
<b>2025 cumulative progress</b>	<b>(15.8)%</b>
<b>2024 cumulative progress</b>	<b>(12.9)%</b>
<b>2025 performance</b>	<b>(3.3)%<sup>Δ</sup></b>
Percentage change in water efficiency index from the prior year	

WATER REPLENISHMENT <sup>(3)</sup>	
Year	%
<b>Target by 2026</b>	
Replenish more water than we use for operations in water-stressed areas	<b>100%</b>
<b>2025 cumulative progress</b>	<b>84%</b>
<b>2024 cumulative progress</b>	<b>70%</b>

WATER COLLECTIVE ACTION <sup>(1)</sup>	
Year	
<b>Target by 2030</b>	
Engage in collective action in all priority water basins to improve water accessibility, availability and quality and contribute to net positive water impact	<b>12</b>
<b>2025 cumulative progress</b>	<b>9</b>
<b>2024 cumulative progress</b>	<b>8</b>

EMISSIONS FROM OUR DIRECT OPERATIONS <sup>(2)</sup>	
Year	%
<b>Target by 2030</b>	
Reduce our direct operations greenhouse gas emissions by 50% (Scope 1 and 2)	<b>(50)%</b>
<b>2025 cumulative progress</b>	<b>(18.8)%</b>
<b>2024 cumulative progress</b>	<b>(14.4)%</b>
<b>2025 performance</b>	<b>(5.2)%<sup>Δ</sup></b>
Percentage change in absolute greenhouse gas emissions (direct and indirect greenhouse gas emissions by weight (market/net based) from the prior year	

EMISSIONS FROM OUR VALUE CHAIN <sup>(2)</sup>	
Year	%
<b>Target by 2030</b>	
Reduce our value chain (Scope 3) greenhouse gas emissions by 26%	<b>(26)%</b>
<b>2025 cumulative progress</b>	<b>(10.2)%</b>
<b>2024 cumulative progress</b>	<b>(11.5)%</b>
<b>2025 performance</b>	<b>1.5%</b>
Percentage change in absolute greenhouse gas emissions (ktCO <sub>2e</sub> ) from the prior year	

REGENERATIVE AGRICULTURE PROGRAMMES <sup>(1)</sup>	
Year	
<b>Target by 2030</b>	
Develop regenerative agriculture programmes in five key sourcing landscapes	<b>5</b>
<b>2025 cumulative progress</b>	<b>5</b>
<b>2024 cumulative progress</b>	<b>4</b>

INCREASING RECYCLED CONTENT	
Year	%
<b>Target by 2030</b>	
Continue our work to increase recycled content in our total packaging (increasing the percentage of recycled content in our packaging to 50%)	<b>50%</b>
<b>2025 cumulative progress</b>	<b>46%</b>
<b>2024 cumulative progress</b>	<b>42%</b>
<b>2025 performance</b>	<b>4%</b>
Change in percentage of recycled content in fiscal 25	

(1) Baseline year fiscal 20  
 (2) Baseline year fiscal 22  
 (3) Baseline year fiscal 16  
 Δ Selected metrics have been subject to independent limited assurance by PricewaterhouseCoopers LLP (PwC) for the year ended 30 June 2025. See pages 223-225 of the Annual Report and pages 65-68 of the ESG Reporting Index. The Non-Financial Reporting Boundaries and Methodologies can be found on our [website](#).

**Preserve Water for Life**

Water is the most important ingredient in our products. It is also a precious shared resource that is facing increasing pressure in many parts of the world due to the impacts of climate change and the competing demands for freshwater resources. As outlined in our physical risk assessment, water stress is our most important climate risk.

Water stewardship forms a key pillar of our 'Spirit of Progress' strategy, contributing to our climate resilience.

Our water strategy, which aims to build resilience and enable growth, has four interdependent pillars that are integrated with other actions to address impacts on climate, nature and people:

- Operations: delivering industry-leading water management across our own sites, including improving water-use efficiency in our operations and replenishing the water we use in water-stressed areas.
- Supply chain: amplifying water stewardship across our supply chain, focusing on agriculture and partnering with suppliers in priority basins on water replenishment and collective action.
- Communities: building resilience in our communities, including providing access to water, sanitation and hygiene (WASH).
- Advocacy: driving systemic change, including leading and/or participating in collective action in our priority water basins to drive positive change.

More information on our refreshed water strategy can be found on our website at [www.diageo.com](http://www.diageo.com).

In fiscal 25, we advanced our ongoing efforts to extend our water replenishment and collective action programmes to include indirect water use by key third-party operators in our priority water basins. We are increasing the number of these priority water basins to accelerate action, and will incorporate extended collective action and replenishment targets in fiscal 27.

We also aim to leverage our brands to deliver our goals, such as Don Julio's support for water replenishment in Jalisco, and increase our engagement with governments to encourage investments and progressive climate and water policy. Our ambitious actions on water will help to ensure our sites, supply chain and communities build resiliency in a changing climate.

 **Water efficiency**

Our focus on water-stressed areas has continued to deliver strong water-use efficiency performance with a 2.6% improvement in the water efficiency index versus fiscal 24 and 20.6% improvement since our fiscal 20 baseline.<sup>(1)</sup> This was primarily driven by efficiency improvement initiatives at our sites in East Africa. In fiscal 25, the volume of water recovered and recycled in water-stressed areas reached approximately 816,000 m<sup>3</sup> - equivalent to 16.4% of the total water used in these areas.

Our performance across the company on water-use efficiency has improved by 3.3% in comparison to the previous fiscal and by 15.8% since our fiscal 20 baseline.<sup>(1)</sup> This was mainly driven by a range of improvement initiatives delivered in our Scotland distilleries and our Runcorn and St. James' Gate beer sites in addition to the efficiency improvements initiatives from our East Africa sites.<sup>(2)</sup>

Innovation and new technologies continue to be essential for achieving our water-use efficiency targets and improving water management. Through Diageo Sustainable Solutions (DSS) we are continuously looking to identify, test and integrate new technologies into our plans. Last year, we launched a DSS innovation round focused on five water challenges, including efficiency and maximising wastewater value. We have now selected three partners to demonstrate their technologies, one of which has been piloted at one of our sites to test their alternative to reverse osmosis. This complements our ongoing pilot partnership with Aquacycl in our La Primavera site, where we have demonstrated the capability of this technology to be integrated as pretreatment within existing wastewater treatment systems, achieving over 80% removal in biological oxygen demand (BOD).

Previous water efficiency methodology	Fiscal 25	Percentage change compared to fiscal 24	Improvement compared to fiscal 20 baseline
Water use efficiency per litre of product packaged (litres/litre) - across the company	3.98 <sup>Δ</sup>	6.4% <sup>Δ</sup> improvement	14.5% improvement
Water use efficiency per litre of product packaged (litres/litre) - water-stressed areas	3.25 <sup>Δ</sup>	1.1% <sup>Δ</sup> improvement	19.6% improvement

 **Water replenishment**

Our water replenishment programme continues to deliver beneficial impact, with another strong year of delivering local water projects. We are on track to reach our fiscal 26 target of replenishing more water than we use for our operations in water-stressed areas. In fiscal 25, we implemented projects that have the annual volumetric replenishment capacity of 3,084,000 m<sup>3Δ</sup> of water. Cumulatively we have replenished 84% of our estimated fiscal 26 volume with projects such as reforestation, wetland restoration, agricultural water supply improvements, leak repair and rainwater harvesting.

In fiscal 25, we completed 30 replenishment projects in 10 countries, cumulatively implementing over 150 projects between fiscal 21 and fiscal 25. In Jalisco, Mexico, we were proud to partner with the local authorities in Atotonilco, where we have two tequila distilleries, to repair local infrastructure which was leaking water. The project will reduce water loss for the community by over 1.73 million m<sup>3</sup> of water per year. In Türkiye, we continued to progress agricultural water supply projects, this year providing more water for farming communities in Mersin's Gülnar district.

An important part of our approach on water is that it remains people-centric. We have committed to providing access to clean water, sanitation and hygiene (WASH) in water-stressed communities near our sites and in water-stressed areas that supply our raw materials. In fiscal 23, we reached our 2030 target, meaning all nine of the markets included in our target invested in WASH projects since 2020. We maintain this commitment, investing every year to 2030. For more information, please refer to our ESG Reporting Index.

 **Water Collective Action**

We recognise that businesses need to partner with other water users, non-governmental organisations (NGOs) and governments to build climate resilience and ensure water security. Our collective action programme embraces a collaborative approach towards water stewardship in our priority water basins across 10 countries.

The collective action programme involves multi-stakeholder partnerships including other companies, NGOs, public sector organisations and communities. Together these partnership initiatives aim to pool knowledge, expertise and resources to identify and implement solutions to address shared water challenges.

In fiscal 25, we joined the White Volta Basin Watershed Fund, which aims to enhance water security in the Greater Tamale area in Ghana, where we source raw materials. We also continued to participate in collective action groups in Scotland, Uganda and India, with multiple aims including implementation of nature-based solutions and advocating for equitable access to water. The percentage of our priority water basins with collective action participation was 75% at the end of fiscal 25 (9 out of 12 basins).

We continue to act as water basin champion in the Santiago Lerma River Basin in Mexico, where we have driven the transition of Charco Bendito collective action; the Upper Godavari River Basin in India; and Kenya's Upper Tana Basin where our increased investment will extend the Upper Tana-Nairobi Water Fund's work into new counties.

As basin champion, Diageo commits to providing overall leadership on efforts to rejuvenate selected basins. For example, we have established a project management office to co-ordinate activities for The Godavari Initiative in India and played a leading role in transforming the governance and ambition of Charco Bendito in Mexico, increasing corporate funding and participation from 10 to 12 companies. In Kenya, our cumulative contribution to the Upper Tana-Nairobi Water Fund from fiscal 24 to date has resulted in over 580,000 trees planted, over 600 water pans constructed to promote rainwater harvesting, 27 drip irrigation kits provided to enhance water-use efficiency and increase yields, 52,500 metres of terraces, 52,500 metres of grass strips and 17,500 metres of permanent river bank buffer strips to promote sustainable land management.

**Advocacy**

At COP29 in Baku, we were among businesses continuing to call for more action on water and climate resilience. We also attended the UN SDG Summit in New York and World Water Week in Stockholm to share our ambition and learnings, and advocate for more companies and partners to scale up collaboration. We are members of leading international organisations such as the Water Resilience Coalition and Alliance for Water Stewardship, and we have strategic partnerships with WaterAid and The Nature Conservancy that support this call to action.

**Our carbon strategy**

We are committed to a low-carbon future and following a science-based approach to drive the pace and scale of change required. In fiscal 25, we continued to reflect on learnings from our first five years tracking against our 'Spirit of Progress' greenhouse gas emissions reductions targets.

Based on those learnings, new targets were approved by the Board and the Science Based Targets initiative (SBTi). They include interim, near-term targets for direct operations and value chain emissions, as well as long-term net zero<sup>(1)</sup> targets. Our targets resulted from analysis of all categories of material emissions in our own operations and value chain to reflect the changes in our business since our first submission of SBTi targets in 2021. We also updated our baseline year to fiscal 22 to align to normalised production levels, which were not impacted by the Covid-19 pandemic and adjusted packaging targets in alignment with our revised value chain emissions reductions targets.

As required by SBTi, we further disaggregated our targets between those which are Forest, Land and Agriculture (FLAG) emissions and other (Non-FLAG) emissions, which we will report on separately in our ESG Reporting Index.

Target reduction from baseline fiscal 22 <sup>(2)</sup>	Date to achieve	Metric
Reduce our direct operations greenhouse gas emissions by 50% (Scope 1 and 2)	2030	Percentage change in absolute greenhouse gas emissions (direct and indirect greenhouse gas emissions by weight (market/net based))
Become net zero <sup>(1)</sup> in our direct operations (Scope 1 and 2)	2040	Percentage change in absolute greenhouse gas emissions (ktCO <sub>2</sub> e) chain
Reduce our value chain (Scope 3) greenhouse gas emissions by 26%	2030	
Become net zero <sup>(1)</sup> in our full value chain	2050	

(1) Net zero emissions are reached when anthropogenic (i.e. human-caused) emissions of greenhouse gases into the atmosphere are balanced by anthropogenic removals over a specified period. A science-based approach to net zero covers emission Scope 1, 2 and 3 with direct abatement of approximately 90% from our emissions baseline and up to 10% of high-quality certified carbon offsets to neutralise hard-to-abate residual emissions to close the gap to zero. Targets are based on our SBTi target boundary.  
 (2) Fiscal 25 is the first year that we measure progress against our 2022 baseline. Fiscal 24 progress reported has been restated to reflect this new baseline year.

(1) The water efficiency index across the company and in water-stressed areas was materially impacted by the disposal of Guinness Nigeria PLC. The impacts of Guinness Nigeria PLC on water use efficiency were removed from both the baseline and the performance in the intervening years.  
 (2) Under the previous water efficiency methodology, water efficiency was measured in litres of water per litre of product packaged (litres/litre). Performance under the previous methodology continues to be measured for long-term incentive programmes (refer to page 123). Under the new methodology, the water efficiency index - across the company was 84.2<sup>Δ</sup> and the water efficiency index - water-stressed areas was 79.4<sup>Δ</sup> in fiscal 25.  
 Δ Selected metrics have been subject to independent limited assurance by PricewaterhouseCoopers LLP (PwC) for the year ended 30 June 2025. See pages 223-225 of the Annual Report and pages 65-68 of the ESG Reporting Index. The Non-Financial Reporting Boundaries and Methodologies can be found on our website.



PIONEERING GRAIN TO GLASS SUSTAINABILITY *continued*

In fiscal 25, we delivered a number of key projects including:

- Reducing the glass bottle weight of our core size Johnnie Walker Gold, Green and Double Black Label as well as Baileys and Ciroc brands. This programme delivered an average 15% weight reduction and a total of 5,100 tonnes CO<sub>2</sub>e savings per annum across all brands in scope.
- Expanding the availability of Smirnoff Ice and Gordon's Space in cans for select markets, providing the opportunity to move away from glass and resulting in 530 tonnes CO<sub>2</sub>e savings.
- Launching a pilot programme for Johnnie Walker Black Label in a paper bottle, building on previous work for Baileys and employing a different solution as we continue to test and learn from consumer reaction to new packaging formats for spirits.
- Removing excess packaging including gift cartons from Zacapa 23 and optimising the carton design for scotch brands including Johnnie Walker Gold and Green Label.

We continue to trial and test circular solutions for packaging with Everpour, our first in-house led bespoke spirits keg and dispense system for the on-trade, with each keg replacing 500 single use 70cl glass bottles.

**Increasing recycled content in our packaging**

In fiscal 25, we surpassed our recycled content in plastic bottles target.

Our recycled content in plastic bottles was 43% versus a target of 35% which we had reset in fiscal 24 from 40% due to supply constraints, technical barriers and legislation changes. We overcame these challenges to drive a 21% increase within the year and will continue to plan for incremental improvements in future years.

Our total packaging recycled content inclusion increased to 46% versus our 2030 target of 50%. We continue to see year-on-year improvement across our packaging categories, primarily driven by recycled content in glass bottles.

Increasing glass cullet availability through improved collection and sorting schemes in partnership with our glass vendors continues to be a focus area for the business and we are engaging our key packaging suppliers across a comprehensive range of business objectives. Sustainability initiatives and the ability to help unlock industry-wide challenges are central to our joint business planning.

**How we have reported consistently with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)**

In this year's disclosures, we have complied with the FCA's UK LR6.6.6R (8). Our climate-related financial disclosures are considered to be consistent with the TCFD's recommendations and recommended disclosures, as illustrated in the index below.

TCFD recommendation	Consistency
<b>GOVERNANCE See page 46</b>	
a. Describe the board's oversight of climate-related risks and opportunities.	
b. Describe management's role in assessing and managing climate-related risks and opportunities.	Yes. See page 46.
<b>RISK MANAGEMENT See pages 47-49</b>	
a. Describe the organisation's processes for identifying and assessing climate-related risks.	Yes. See pages 47-49. Having completed comprehensive risk assessments, our focus is now on ensuring appropriate adaptation plans are in place for all risks identified.
b. Describe the organisation's processes for managing climate-related risks.	
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	
<b>STRATEGY See pages 47-50</b>	
a. Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	We have described risks and opportunities for our business, in all of our owned operating locations and our most important third-party operations, as well as the impact of those risks and opportunities on our strategy. We have modelled the resilience of our strategy under different climate-related scenarios. We have co-developed a scenario analysis tool with climate experts to enable regular updates to our scenario analyses. The precise risks and opportunities that were modelled in our scenario analysis are outlined in the Non-Financial Reporting Boundaries and Methodologies, pages 4-7.
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
<b>METRICS &amp; TARGETS See pages 50-56</b>	
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Yes. See pages 50-56.
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Yes, for Scope 1 and 2 see page 51 and 53-55. For Scope 3 see our ESG Reporting Index on page 41. We are continually enhancing our Scope 3 GHG emissions footprint through supplier engagement and refining our data granularity in line with GHG accounting standards.
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Yes. See pages 50-56.





OUR ESG REPORTING APPROACH *continued*

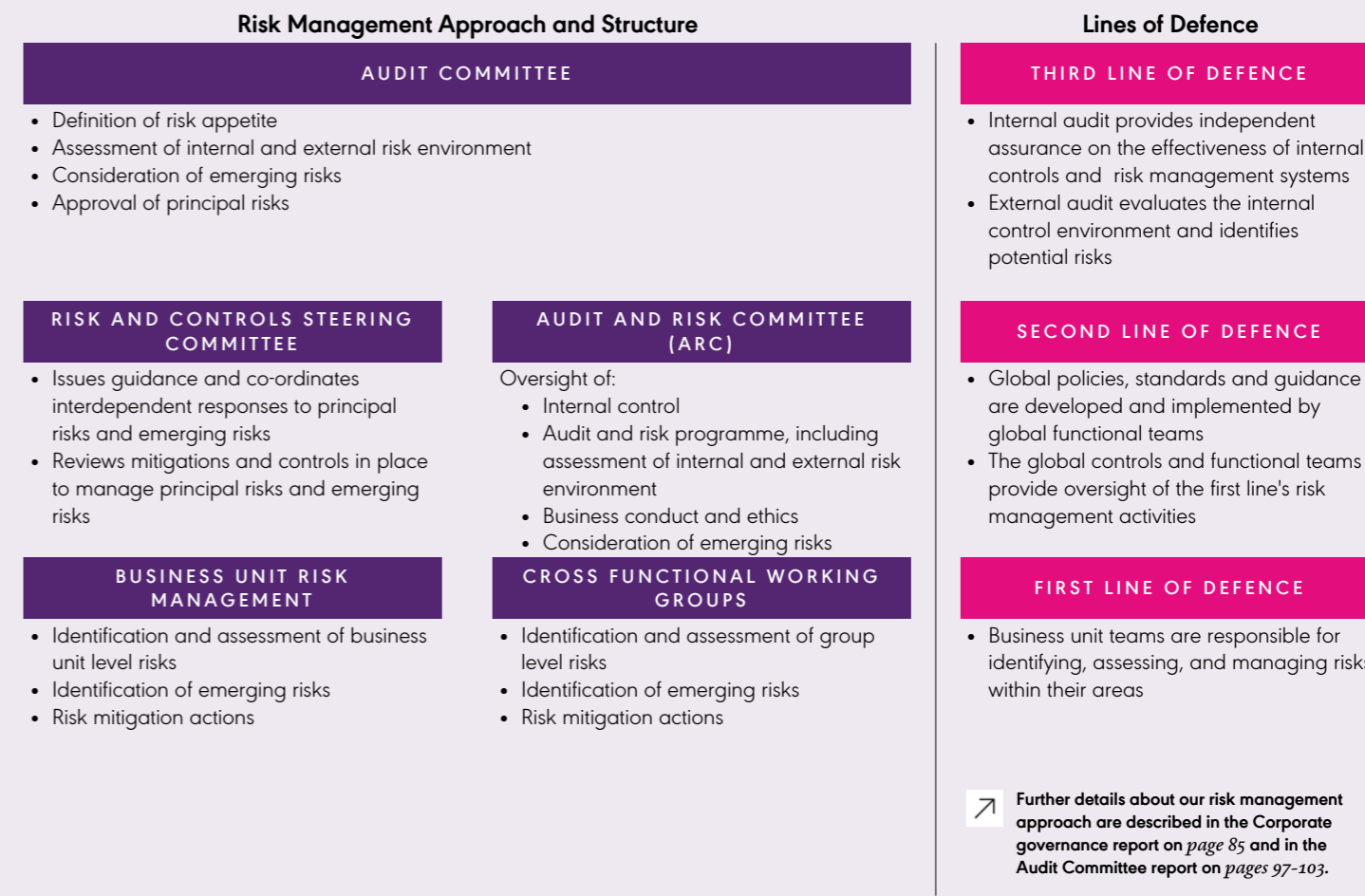
Reporting requirement as per Companies Act 2006 414CA and 414CB	Focus area	Read more in Diageo's reports	Relevant policies, standards or documents	Page reference
<b>Business model</b>				
2(a) a brief description of the company's business model	<b>Diageo's business model</b>	<ul style="list-style-type: none"> <li>Strategic Report</li> <li>Our principal risks and risk management</li> <li>Stakeholder engagement</li> </ul>		p.1-15 p.63-71  p.86-93
<b>Risk management</b>				
2(d) a description of the principal risks relating to the matters mentioned in subsection	<b>Our principal risks and risk management</b>	<ul style="list-style-type: none"> <li>Effective risk management</li> <li>Our principal risks and risk management</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Standard<sup>(4)</sup></li> <li>Business Continuity Management Standard<sup>(4)</sup></li> </ul>	p.63-71
	<b>Viability statement</b>	<ul style="list-style-type: none"> <li>Viability statement</li> </ul>		p.72-73
<b>Non-financial performance</b>				
2(e) a description of the non-financial key performance indicators relevant to the company's business	<b>Monitoring performance and progress</b>	<ul style="list-style-type: none"> <li>Non-financial performance</li> <li>'Spirit of Progress'</li> <li>Key Sustainability Targets</li> </ul>		p.18-19 p.36-60 p.51
<b>Climate-related financial disclosures as required by sections 414CA and 414CB of the Companies Act 2006</b>				
(a) description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities;		<ul style="list-style-type: none"> <li>Governance (Pioneering grain to glass sustainability)</li> </ul>		p.46
(b) a description of how the company identifies, assesses, and manages climate-related risks and opportunities;		<ul style="list-style-type: none"> <li>Risk Management - Identifying climate risks and opportunities</li> </ul>		p.47-49
(c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process;		<ul style="list-style-type: none"> <li>Effective risk management</li> <li>Risk Management - Identifying climate risks and opportunities</li> </ul>		p.63-71 p.47-49
(d) a description of – (i) the principal climate-related risks and opportunities arising in connection with the company's operations, and		<ul style="list-style-type: none"> <li>Effective risk management</li> <li>Risk Management - Identifying climate risks and opportunities</li> </ul>		p.63-71 p.47-49
(d) a description of – (ii) the time periods by reference to which those risks and opportunities are assessed;		<ul style="list-style-type: none"> <li>Risk Management - Identifying climate risks and opportunities</li> <li>Quantitative impact of transition risks and opportunities</li> </ul>		p.47-49
(e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy;	<b>Pioneering grain to glass sustainability</b>	<ul style="list-style-type: none"> <li>Risk Management - Identifying climate risks and opportunities</li> <li>Identifying and assessing our transitions risks and opportunities</li> </ul>	See above, under Environmental matters	p.47-49
(f) an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios;		<ul style="list-style-type: none"> <li>Climate change resilience</li> <li>Viability statement</li> <li>Scenario analysis of physical and transition risks (in the Non-Financial Reporting Boundaries and Methodologies)</li> </ul>		p.47-49 p.72-73 p.4-7
(g) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and		<ul style="list-style-type: none"> <li>Our strategy for grain-to-glass sustainability</li> <li>Key Sustainability Targets</li> </ul>		p.50-56 p.51
(h) a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based		<ul style="list-style-type: none"> <li>Our strategy for grain-to-glass sustainability</li> <li>Key Sustainability Targets</li> </ul>		p.50-56 p.51

(1) <https://www.diageo.com/en/our-business/corporate-governance/code-of-business-conduct/policies-and-standards>  
 (2) <https://www.diageo.com/en/our-business/corporate-governance/code-of-business-conduct>  
 (3) <https://www.diageo.com/en/esg/doing-business-the-right-way/modern-slavery-statement>  
 (4) Externally published documents on different subsites

OUR PRINCIPAL RISKS AND RISK MANAGEMENT

# Effective risk management

Effective risk management drives better commercial decisions, protects our assets and supports a growing, resilient and sustainable business. It lies at the heart of our Growth Ambition.



## Our approach

We believe that effective risk management starts with the right conversations driving better business decisions. We identify and embed mitigating actions for material risks that could impact our current or future performance, and/or our reputation. Our efforts aim to be holistic and integrated, bringing together risk management, internal controls and business integrity activities, ensuring we focus on the risks that could have the greatest impact.

## Our principal risks

The Audit Committee considers principal risks to be the most significant risks faced by the group, including those that are the most material to our performance and that could threaten our business model, solvency or liquidity. They do not comprise all the risks associated with our business and are not set out in priority order. Additional risks currently deemed to be less significant, or not known to management, may also have an adverse effect on the business. Our principal risks are considered over a three-to five-year timescale. Together with other metrics, we give consideration to risk velocity (how quickly the risk could materialise) to ensure appropriate mitigating actions are taken.

OUR PRINCIPAL RISKS AND RISK MANAGEMENT *continued*

Our principal risks at a glance

	Risk appetite	Risk velocity	Net risk movement 2024/25	Link to strategy		
				1. Brands & portfolio	2. Consumer trends	3. Operational excellence
1 Climate change and sustainability						
2 Regulation, trade barriers and indirect tax						
3 Geopolitical volatility and business interruption						
4 Macroeconomic and financial volatility						
5 Tax compliance and administration						
6 Supply chain disruption						
7 Cyber and IT resilience						
8 Business ethics and integrity						
9 Consumer demand disruption						
10 Product quality, food safety and counterfeit						
11 Transformation						

**Further details about our stakeholders can be found on pages 86-89.**

**Risk appetite**  
 Averse – Extremely conservative: Avoid unnecessary risk where possible  
 Cautious – A preference for safe delivery, but willing to take strongly justified risks  
 Open – Willing to take justified risks

**Risk velocity**  
 Slow – impact of the risk would be evident within a year, or beyond  
 Rapid – impact of the risk would be evident in a quarter  
 Very rapid – impact of the risk would be evident within a month

**Net risk movement**  
 Unchanged  
 Decreased  
 Increased

**Link to strategy**  
 Brands and portfolio  
 Consumer trends  
 Operational excellence

**Risk appetite**

The Audit and Risk Committee (ARC) and the Audit Committee have defined the group’s risk appetite across our risk categories (strategic, financial, operational and regulatory). A three-point risk appetite scale (averse, cautious and open) has been applied, using both quantitative and qualitative criteria that align to the delivery of our Growth Ambition. This category-led approach enables practical application of risk appetite thresholds to all principal risks, which informs the level of mitigation required. Examples of risks for which we have an averse appetite include those that could: harm our people; impact product quality; cause us to market irresponsibly or act without integrity; or be non-compliant with laws and regulations, including those relating to financial reporting.

Risks that can be partially mitigated, for example through being insured, are also identified and evaluated. We purchase insurance for the most critical areas or where there is a legal requirement, seeking a balance between retained risk and risk transfer.

**Emerging risks**

The ARC and Audit Committee review emerging risks. Our Strategy and Controls, Audit and Risk Excellence teams undertake horizon-scanning to monitor potential trends and events that could dramatically change our industry and/or our business, from both risk and opportunity perspectives, for the Executive Committee to understand the changing landscape and take appropriate actions.

We consider Artificial Intelligence (AI) to be a potential impact on our principal risks, and are embedding our AI governance approach to ensure the right balance between opportunity and risk. We continue to see emerging risk areas within existing principal risks, such as the continuing changes in consumer demand, and pervasive geopolitical tensions.

This list does not include all of our risks, and the risks listed are not set out in order of priority.

**1. Climate change and sustainability**

Failure to achieve collective climate action and environmental sustainability goals could lead to severe global warming, substantial societal risks, increased regulation, operational disruptions, financial losses and reputational damage for the business.

	Core mitigations	Developments in fiscal 25	Change in mitigation
<b>Risk Appetite</b>	<ul style="list-style-type: none"> <li>Location specific physical risk exposures are integrated into our market risk footprints, with clear action plans to mitigate risk and enhance resilience.</li> <li>Our water strategy aims to improve efficiency and replenish water resources whilst supporting communities and advocating for driving collective action.</li> <li>The Climate, Nature and Water Risk Steering Group manages climate risks and opportunities, based on climate change scenarios aligned with the approach recommended by the Task Force on Climate-Related Financial Disclosures (TCFD).</li> </ul>	<ul style="list-style-type: none"> <li>Recent observations of climate extremes and tipping points align with our modelling of climate risk scenarios.</li> <li>Global events and assessments, including COP29 UNFCCC and the WEF’s 2025 Global Risk Report, reinforce the critical role of water and nature in climate action and identify extreme weather, biodiversity loss and ecosystem collapse as significant threats.</li> </ul>	<ul style="list-style-type: none"> <li>Physical climate risk and water risk assessments have been completed for all sites and key third-party operations.</li> <li>Climate change mitigations have been enhanced through emissions reduction, increased use of renewable energy and initial implementation of the revised water strategy.</li> <li>Adaptation efforts have focused on water efficiency improvements, water replenishment and water collective action.</li> </ul>
<b>Risk Velocity</b>			
<b>Net Risk Movement</b>			
<b>Link to strategy</b>			

**2. Regulation, trade barriers and indirect tax**

The geopolitical and economic landscape continues to be volatile, driven by conflicts, unstable trade and inflation, leading governments to seek more tax revenues. Public health concerns may result in restrictions on alcohol marketing or sales, while trade tensions could introduce new barriers or taxes. Resistance to changes in global tax frameworks threatens their stability, reducing predictability and potentially increasing costs.

	Core mitigations	Developments in fiscal 25	Change in mitigation
<b>Risk Appetite</b>	<ul style="list-style-type: none"> <li>Our public policy and government relations plans involve global engagement with multilateral organisations as well as market-level health and finance ministries.</li> <li>We use extensive economic modelling to understand the impact of tax, trade and other public policy changes.</li> <li>Trade tensions are mitigated by our broad product portfolio.</li> <li>With respect to our Positive Drinking programmes, we work with international and market trade bodies who conduct scientific research which provide an evidence base for policy redevelopment.</li> <li>A quarterly public policy dashboard ensures the resources are deployed against high-risk issues.</li> </ul>	<ul style="list-style-type: none"> <li>International organisations that influence governmental policy decision on alcohol taxation and regulatory changes are increasingly well-organised, focusing on harm among small groups rather than targeted interventions.</li> <li>Within these organisations, there have been calls to differentiate between 'lower strength' and 'higher strength' alcoholic products. In some areas, 'higher strength' has been framed as being more harmful, supporting proposals that higher taxes should be levied on 'higher strength' products.</li> <li>Trading systems are increasingly moving away from the traditional rules-based approach. Increasing numbers of tariff barriers are leading to unpredictable trade disputes and potential retaliatory taxes.</li> </ul>	<ul style="list-style-type: none"> <li>We have increased our mitigations by expanding our advocacy efforts to challenge ineffective and discriminatory tax policies. We continue to engage positively with a wide range of international organisations to advocate for policies and interventions that promote positive drinking, whilst at the same time not discriminating against our products.</li> <li>Mitigations for this risk are typically long term in nature. However, in fiscal 25 we have implemented pricing and inventory management strategies to mitigate the short- and longer-term impact of these risks.</li> </ul>
<b>Risk Velocity</b>			
<b>Net Risk Movement</b>			
<b>Link to strategy</b>			

OUR PRINCIPAL RISKS *continued*

3. Geopolitical volatility and business interruption			
A significant interruption to our business due to external events (such as a public health threat/pandemic, war or natural hazard) could restrict access to our products, negatively affect our operations and brands or pose a threat to the safety of our employees; any of which could have a negative impact on our commercial and financial performance.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
Risk Appetite	<ul style="list-style-type: none"> <li>A global risk monitoring programme is in place to identify emerging risks.</li> <li>The Business Continuity Management (BCM) Programme ensures comprehensive contingency plans are in place across markets, operational sites and categories.</li> <li>Our Global Corporate Security Policy establishes security management structures to protect people, property and business.</li> </ul>	<ul style="list-style-type: none"> <li>Fiscal 25 has seen continued geopolitical volatility and natural hazard risks.</li> <li>There was rapid escalation of the conflicts in the Middle East; the ongoing war in Ukraine; and unrest and crime in other markets, such as Colombia, Kenya and Mexico.</li> <li>Natural hazards like Storm Eowyn and floods caused minor disruptions.</li> <li>Intelligence-led risk management approaches were deployed to safeguard people and assets, ensuring that whilst the business emerged commercially impacted, this was not at a level which is material to the group.</li> </ul>	<ul style="list-style-type: none"> <li>During the year, business continuity strategies relating to system unavailability were strengthened, further progress made on the new category-aligned supply chain BCM planning and a project launched to enhance and digitise the global BCM programme.</li> <li>To ensure compliance and effectiveness of physical and people security processes, an enhanced new assurance programme has been implemented in fiscal 25, with further improvements to follow in fiscal 26.</li> <li>The Travel Risk Management programme was further improved by driving enhanced service delivery by travel service providers and benchmarking against the new ISO31030 standard.</li> </ul>
Risk Velocity			
Net Risk Movement			
Link to strategy			

4. Macroeconomic and financial volatility			
Financial volatility could erode consumer confidence and failure to react quickly enough to changing macroeconomic conditions adversely impacts financial performance. Macroeconomic conditions include inflationary pressures, unemployment and global trade tensions. Financial volatility risk could arise from variability in financial markets, interest rate fluctuations and currency instability.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
Risk Appetite	<ul style="list-style-type: none"> <li>Key business drivers are monitored locally and globally, integrating local insights into market strategies to more effectively leverage the brand portfolio.</li> <li>Central hedging and currency monitoring are implemented to manage volatility, while strategic analysis and scenario planning take place at both global and local levels.</li> <li>Multi-country investment and local sourcing strategies are employed, supported by cross-functional steering groups dedicated to managing issues like inflation.</li> <li>Greater capabilities have been built to monitor macroeconomic volatility, including improved demand and supply signal tracking, enhanced supply chain resilience and embedding scenario planning into growth plans.</li> </ul>	<ul style="list-style-type: none"> <li>The first half of the year saw positive macroeconomic growth, with US consumer sentiment at a three-year high and monetary policy loosening benefiting our key markets.</li> <li>In the second half, increased risks from tariffs and counter-tariffs have heightened economic policy uncertainty, potentially dampening global growth and consumer demand for goods including Total Beverage Alcohol (TBA), with particular exposure in the United States due to product imports.</li> </ul>	<ul style="list-style-type: none"> <li>Scenario planning is in place to mitigate potential tariff impacts, utilising strategies such as pricing and promotion management, inventory management, supply chain optimisation and re-allocation of investments.</li> <li>Efforts are ongoing to enhance capabilities for managing macroeconomic volatility focused on improvements in forecast accuracy and reducing slow-moving and obsolete inventory (SLOBs).</li> </ul>
Risk Velocity			
Net Risk Movement			
Link to strategy			

5. Tax compliance and administration			
The increasing complexity of international tax administration may lead to higher compliance costs and an increase in the number of tax audits and exposures, which creates additional uncertainty and the potential for financial loss.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
Risk Appetite	<ul style="list-style-type: none"> <li>The international tax landscape is continuously monitored for new taxes and tax legislation being introduced, including where such tax legislation may have retrospective implications.</li> <li>Ongoing improvement of tax processes, data and system capabilities is embedded to ensure compliance.</li> <li>Through the tax transformation programme, activities and controls have been standardised, centralised and automated where possible.</li> <li>Global transfer pricing policies are reviewed and adapted to ensure profits are taxed in line with business activities and economic substance.</li> </ul>	<ul style="list-style-type: none"> <li>Several countries have implemented changes to their tax legislation with retrospective effect (including the US, France, and Poland). Although these changes have not directly increased our historic tax risk profile, if such changes become a global trend, it will increase the difficulty of assessing the stability of past tax positions.</li> <li>Multinational organisations face increasingly frequent audits and tax authority requests.</li> <li>More territories have implemented e-invoicing/digital tax filing regimes, which further increases the complexity of data requirements and compliance processes.</li> </ul>	<ul style="list-style-type: none"> <li>The ongoing work to migrate to SAP S/4HANA sets the foundation for enhanced tax management by utilising better quality data and further standardising and automating tax processes, leading to a greater ability to meet emerging digital tax authority requirements.</li> </ul>
Risk Velocity			
Net Risk Movement			
Link to strategy			

6. Supply chain disruption			
Supply chain disruptions, driven by external factors including supplier failures, can lead to longer transit times, supplier insolvency and material shortages, negatively impacting commercial and financial performance.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
Risk Appetite	<ul style="list-style-type: none"> <li>Our supply chain strategy focuses on enhancing resilience. By optimising inventory management and leveraging a broad product portfolio, we enhance agility and flexibility to buffer against unforeseen shortages and market shifts.</li> <li>We strengthen our supply chain resilience by sourcing closer to key markets, diversifying suppliers, synchronising logistics, implementing regional hubs and maintaining comprehensive Business Continuity Plans (BCPs) for operational continuity.</li> <li>Our digitalisation of the supply chain, including scenario planning and an improved planning system optimises decision-making to balance service, cost and cash.</li> </ul>	<ul style="list-style-type: none"> <li>We faced transport strikes in key markets and significant national elections worldwide leading to potential policy shifts and civil unrest in key supply regions in the fiscal.</li> <li>Global challenges included IT outages across global supply chains, increased cyber security threats targeting supply chains and severe weather events near production sites.</li> <li>Supplier-related issues such as force majeure events and insolvency risks have impacted material costs and availability, as well as capital projects.</li> </ul>	<ul style="list-style-type: none"> <li>Customer focus is the driving force behind our supply chain transformation and is delivered through three key programmes:                             <ul style="list-style-type: none"> <li>Process transformation has included comprehensive value chain assessments, critical supplier identification, cyber security enhancements and portfolio optimisation to improve supply chain resilience and agility.</li> <li>Physical transformation involves expanding the footprint in North America, selected divestments in our operational footprint, investing in key additional supply capacity, including the construction of a new beer brewery localising supply chains and enhancing distribution networks to improve efficiency, resilience, and responsiveness to regional demand.</li> <li>Digital improvements include investment in intelligent and integrated business planning systems to improve demand accuracy and development of an integrated resilience dashboard and the successful deployment of a new supply chain planning tool.</li> </ul> </li> <li>Investment in talent is a key enabler of these programmes, including through our internal development programmes and hiring strategy.</li> </ul>
Risk Velocity			
Net Risk Movement			
Link to strategy			




OUR PRINCIPAL RISKS *continued*




7. Cyber and IT resilience			
As technology evolves rapidly, maintaining robust cyber security measures is essential to safeguard our operations and stakeholders. The manufacturing sector faces increased risks from AI-enabled cyber-attacks, threatening critical third-party systems and tech-enabled operations, which could result in theft of assets, operational disruption, financial loss, regulatory penalties and reputational damage.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
Risk Appetite	<ul style="list-style-type: none"> <li>We utilise a generative AI-chatbot for real-time learning, revised ransomware response protocols and improved phishing simulation outcomes, while deploying Privileged Identity Management to enhance cloud security and deliver regular mandatory, general, and targeted cybersecurity training and education.</li> <li>Proactive identification and addressing of vulnerabilities and exposures through a variety of testing methods, including war-gaming and continuous breach simulation.</li> <li>Cyber resiliency efforts include assessing IT recovery processes, third-party assessment, increasing vulnerability scanning frequency, patch compliance monitoring, alert management enhancements and threat detection sensors in factories.</li> <li>Initiatives are underway for application governance enhancements and multi-factor authentication improvements to bolster cyber security measures across the business.</li> </ul>	<ul style="list-style-type: none"> <li>Industry cyber trends reflect a rise in phishing scams, ransomware attacks, unauthorised access through stolen credentials, growing risk of data leakage and shadow AI associated with rising use of AI technologies. There has also been an increase in deepfake deception and impersonation attack (e.g. through WhatsApp) aimed at gaining access to internal information.</li> <li>Frequent attacks on third-party supply chains pose significant risks that could disrupt our operations.</li> <li>Companywide NIS2 compliance program to enhance the cyber posture. We are conducting gap assessments for compliance among our entities, which will benefit overall cyber security resilience.</li> </ul>	<ul style="list-style-type: none"> <li>We implemented Privileged Identity Management, Cloud Security Posture Management and progressed towards a passwordless environment with time-limited, least-privilege access to critical systems. Enhanced 24/7 Security Operations Centre (SOC) with an integrated platform for improved detection capabilities.</li> <li>Comprehensive risk assessments were conducted for Tier 1 non-IT vendors and secured external data flows through advanced Application Programming Interface (API) gateways. Developed secure code by design to minimise application vulnerabilities and implemented policies to protect confidential information.</li> <li>Increased staff vigilance against deception attacks, conducted live system recovery exercises and onboarded additional expertise to bolster cyber readiness and response efforts.</li> </ul>
Risk Velocity			
Net Risk Movement			
Link to strategy			

8. Business ethics and integrity			
Diageo's geographic footprint alongside the regulated nature of the beverage alcohol industry, cross-jurisdictional regulations and rapid changes in the technological landscape, heightens the risk of our organisation potentially failing to comply with applicable laws, regulations and internal policies, which could result in significant financial penalties, legal liabilities and reputational damage.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
Risk Appetite	<ul style="list-style-type: none"> <li>Our Code of Business Conduct is embedded across the organisation through comprehensive training, regular communications and effective whistleblower mechanisms to cultivate and support an ethical culture of compliance.</li> <li>A proactive approach to whistleblowing is maintained by analysing trends and insights to implement necessary interventions and process improvements.</li> <li>Legal and business integrity teams support compliance efforts by actively engaging with stakeholders across the business to assess risks, recommend mitigations and address audit findings.</li> <li>Robust third-party due diligence processes and controls are implemented to assist with mitigating anti-trust, anti-corruption, fraud, data privacy and human rights risks; ongoing efforts include human rights strategy governance and global data privacy risk remediation.</li> </ul>	<ul style="list-style-type: none"> <li>A focus on bribery, corruption, trade sanctions and fraud has intensified in the United States and United Kingdom, with laws such as the new offence of corporate failure to prevent fraud coming into force in the United Kingdom.</li> <li>The European Union's (EU) Omnibus proposals aim to simplify regulatory burdens across sustainability directives, while the Forced Labour Regulation prohibits products made with forced labour from entering the EU market starting December 2027.</li> <li>Data privacy legislation continues to evolve globally, with frameworks for AI and cyber security being introduced by the EU and other countries, highlighting the need for holistic data governance approaches.</li> <li>Heightened regulatory scrutiny due to macroeconomic volatility is impacting competition within the consumer goods sectors, with increased dawn raids and investigations in Europe, Africa, India.</li> </ul>	<ul style="list-style-type: none"> <li>The Company has a mature multi-pronged fraud prevention framework that it reviews periodically.</li> <li>Human rights training and assessments are conducted across direct operations, while data privacy risk assessment processes have been overhauled for better risk management.</li> </ul>
Risk Velocity			
Net Risk Movement			
Link to strategy			

9. Consumer demand disruption			
Consumer demand remains volatile in the short term due to ongoing macroeconomic turbulence, geopolitical tensions and sluggish growth in major economies, leading to cautious consumer behaviour. In the medium-term demand is influenced by evolving socialising habits, health priorities, technology-enabled leisure, alcohol alternatives and the emergence of a significant number of new legal purchase age consumers. Longer term, the rise of AI is expected to transform manufacturing, brand building, distribution and enable personalised consumption. Consumer demand is also being shaped by changing lifestyle priorities and consumer nutrition and health concerns. Failure to adapt to these factors across the short, medium and longer term could hinder Diageo's ability to meet customer needs with agility.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
Risk Appetite	<ul style="list-style-type: none"> <li>Our diverse portfolio hedges against demand shifts across geography, sub-category and price tier, enabling strategic brand deployment globally.</li> <li>We leverage advanced consumer measurement tools and the Diageo Data Hub for scalable 'demand sensing', guiding decision-making through its end-to-end strategic cycle.</li> <li>Consumer data usage is integral to our brand building, supporting strategic planning from corporate strategy to market-level decisions.</li> </ul>	<ul style="list-style-type: none"> <li>The slowdown in premiumisation seen in fiscal 24, following a Covid-induced growth cycle, is ending, with recovery in markets where spending power allows. However, long-term trends like convenience and moderation are reshaping Total Beverage Alcohol (TBA) demand dynamics.</li> <li>These trends align with our premiumisation strategy but challenge the versatility of TBA offerings.</li> <li>Building consumer brands faces reputational risks due to cultural and political divisions and media discourse on Inclusion, Diversity and Equality. We mitigate these by choosing our ambassadors and spokespeople with extreme care.</li> </ul>	<p>Recent improvements in data and qualitative insights have included:</p> <ul style="list-style-type: none"> <li>A large-scale investment in consumer studies to better understand, anticipate and respond to the demand changes.</li> <li>Upgrades to the Demand Radar tool to provide dynamic short-term forecasts integrating retail sales data and machine learning.</li> <li>Development of an integrated demand insight program, for comprehensive consumer demand analysis and standardisation of the 'Where to Play' strategies using TBA value pools.</li> </ul>
Risk Velocity			
Net Risk Movement			
Link to strategy			

OUR PRINCIPAL RISKS *continued*

10. Product quality, food safety and counterfeit			
Unintentional or malicious contamination of raw materials or finished product, and/or ineffective brand protection and intervention to address counterfeiting of our products supplied to market, could cause harm to consumers, damage our corporate and brand reputation and pose potential threats to our people due to the illicit nature of organisations involved in counterfeiting activities.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
<b>Risk Appetite</b> 	Mitigations are centred around three key approaches: <ul style="list-style-type: none"> <li>Preventative: Anti-counterfeit packaging, customs recordals (the process where intellectual property (IP) rights holders register their trademarks, patents, copyrights, or other IP with customs authorities to help prevent the import, export or transit of infringing goods), training programmes with law enforcement and commercial teams, management of glass recycling programmes. Certification of our brewing and packaging sites to an internationally recognised food safety standard (FSSC 22000) and adherence to a rigorous set of internal risk management standards.</li> <li>Detective: In-field liquid and packaging authentication devices, monitoring of high-risk areas with enforcement authorities and investigations of suspected counterfeiters.</li> <li>Corrective: Cross-industry enforcement collaboration against counterfeiters, supporting law enforcement prosecutions, online monitoring programme to remove counterfeit listings and robust processes for managing quality and food safety incidents.</li> </ul>	<ul style="list-style-type: none"> <li>Geopolitical and economic pressures are increasing counterfeit risks, particularly in the Middle East, Eurasia, South Africa and Nigeria. Counterfeit production at scale continues to rise due to high-quality counterfeit dry goods from China.</li> <li>Recent methanol poisoning cases in South East Asia, Türkiye and India pose an increased risk to consumer safety from counterfeit spirits.</li> <li>We continue to enhance our Food Safety and Quality standards with a particular focus on standards for our suppliers and third-party partners.</li> </ul>	<ul style="list-style-type: none"> <li>The latest version of the International Food Safety Standard FSSC22000 V6 has been implemented across the business with our head office, brewing and packaging sites audited to this standard.</li> <li>New standards and manuals for our higher-risk products and innovations have been developed and implemented in fiscal 25.</li> <li>The roll-out of our new security closure has commenced, using advanced technology to improve pack security and consumer safety, while reducing the use of plastic.</li> </ul>
<b>Risk Velocity</b> 			
<b>Net Risk Movement</b> 			
<b>Link to strategy</b> <span>1</span> <span>2</span>			

11. Transformation			
Failure to execute strategic business transformation projects effectively, namely the implementation of Accelerate, SAP S/4HANA, our Supply Chain Agility programme, and our portfolio of digital capability builds could result in delays or changes to their expected benefits which may have a negative impact on our critical business processes or on our operating and financial performance. Failure to have the right strategic partnerships and talent in key positions to deliver and sustain our transformation projects may result in delays, unforeseen costs and other disruptions to our business and financial performance.			
	Core mitigations	Developments in fiscal 25	Change in mitigation
<b>Risk Appetite</b> 	<ul style="list-style-type: none"> <li>Continuous monitoring of S/4HANA migration is embedded in the change programme, along with external assurance partners, adjusting timelines to balance progress while minimising business continuity disruption.</li> <li>Extensive change management and training programmes are in place to support the necessary cultural transformation required to deliver with the required levels of speed and agility.</li> <li>Talent needs are proactively assessed, identifying key roles and developing a pipeline of high-quality, diverse talent critical for the successful implementation of critical transformation projects.</li> </ul>	<ul style="list-style-type: none"> <li>We are part way through implementing multiple business transformation projects, with key changes still to be delivered due to operational delays in relation to data transformation, migration and the future-state data management environment. Certain go-live dates for the S/4HANA project have been rescheduled. Subsequent waves will be reassessed following the completion of the re-plan.</li> <li>Given these delays, the expected benefits of the digital transformation programme, which includes the implementation of the SAP S/4 HANA platform, are also now delayed.</li> <li>Strategic transformation initiatives continue to adapt to changing external conditions, requiring new capabilities and skills within the workforce.</li> <li>Other business transformation projects are progressing on their expected timelines.</li> </ul>	<ul style="list-style-type: none"> <li>Formal entry and exit criteria for all critical phases have been developed and a backstop 'revert to old system' option is being held in reserve for the medium term given the global nature of the change.</li> </ul>
<b>Risk Velocity</b> 			
<b>Net Risk Movement</b> 			
<b>Link to strategy</b> <span>1</span> <span>2</span> <span>3</span>			

# Viability statement

The Directors have examined the group's long-term prospects to evaluate its sustainability. This examination encompassed an analysis of the group's operations, principal risks, as well as factors anticipated to influence its future performance, financial standing, cash flows, liquidity and borrowing capabilities, as outlined in this Annual Report.

## Assessment

To ensure an accurate assessment of the group's long-term viability, the Directors evaluated its overall funding capacity and available headroom to endure severe and plausible downside scenarios. Additionally, they conducted a thorough assessment of the significant risks confronting the group, including those posing a threat to its business model, future performance, solvency or liquidity. This evaluation also included a review and understanding of the mitigating factors associated with each principal risk. A summary of these risks and their corresponding mitigating factors can be found in this Annual Report.

## The viability assessment has three parts

Initially, the Directors assess the periods during which they reasonably expect the group to remain operational and fulfil its obligations. A three-year timeframe was deemed appropriate for this viability evaluation, aligning with the group's strategic plan and instilling a high degree of confidence in the assessment of viability. Subsequently, they evaluated the potential repercussions of severe yet plausible scenarios throughout this duration. It was determined that none of these scenarios, either individually or collectively, would cause Diageo to cease to be viable.

A summary of the modelled severe and plausible risks, along with the severity levels examined, is provided below.

Risk scenarios modelled	Description and severity	Principal risks
<b>Global economic downturn</b>	Continued interest rate hikes and prolonged market instability erode consumer confidence, leading to lower disposable income and a decline in premium alcohol sales. Financial sector disruptions increase the risk of bank failures, potentially impacting cash deposits and liquidity management. Additionally, higher corporate tax rates and increased regulatory costs place further pressure on profitability, challenging our ability to maintain margins and sustain long-term growth in key markets.  Sales: These factors will likely result in decreased sales volumes due to reduced consumer confidence, heightened price sensitivity, and increased volatility amongst suppliers.	<ul style="list-style-type: none"> <li>• Consumer demand disruption</li> <li>• Tax compliance and administration</li> <li>• Macroeconomic and financial volatility</li> </ul>
<b>Increased geopolitical tensions</b>	We are closely monitoring the increasing geopolitical tensions and their impact on our business. In high-risk areas, particularly China, we face challenges in cash repatriation, increasing the risk of cash entrapment and limiting financial flexibility. Also, the threat of cyber-attacks is still high, both on our direct operations and through vulnerabilities in our third-party suppliers. These risks could disrupt our supply chain, lead to production downtime across multiple sites and impact our ability to operate efficiently.  Sales: Lost sales from adverse impact on consumer demand/availability, production downtime and route-to-market disruption.	<ul style="list-style-type: none"> <li>• Cyber and IT resilience</li> <li>• Geopolitical volatility and business disruption</li> <li>• Macroeconomic and financial volatility</li> <li>• Supply chain disruption</li> </ul>
<b>Consumer choice changes and regulatory impact</b>	Shifting consumer preferences away from alcohol due to changing lifestyles and social habits, alongside fragmented demand reflecting personal values, leads to decreased sales and profitability as consumers abstain from purchasing our products. Additionally, high public debt levels and increased anti-alcohol pressure prompt governments to impose excise increases, restrictive trade measures or excessive regulatory actions, resulting in lost sales to the no and low segment and reduced sales growth. Moreover, increased excise taxes further reduce profit.  Sales are anticipated to decline due to shifting consumer preferences away from alcohol, government actions and increased regulatory scrutiny.	<ul style="list-style-type: none"> <li>• Regulation, trade barriers and indirect tax</li> <li>• Consumer demand disruption</li> </ul>
<b>Climate change and natural hazard</b>	Increasing global temperatures impact our ability to make products due to constrained water supply, leading to a rotational short-term shutdown occurring across some of our water-stressed sites. Climate change drives increasing costs of raw materials, while the acceleration of taxation against carbon use increases our operational costs. Extreme weather events occur more frequently, impacting our supply facilities, causing production outages. The assumptions associated with this scenario are based on our TCFD scenario modelling and applied to a three-year period.  Sales: Loss of sales due to operational outages as a result of ceasing of production at water-stressed sites, and the impact of extreme weather events.	<ul style="list-style-type: none"> <li>• Climate change and sustainability</li> <li>• Supply chain disruption</li> <li>• Geopolitical volatility and business disruption</li> </ul>
<b>Combined scenarios</b>	The highly unlikely event of the combination of all of the above scenarios occurring at the same time.	

Furthermore, the Directors analysed the group's liquidity sources to support both the strategic plan and the potential impact of severe scenarios over this timeframe. Diageo maintains continuous access to the debt capital markets and committed facilities throughout the viability period enabling the refinancing of any maturing debt or meeting new funding requirements under commercially acceptable terms. The group's liquidity is underpinned by a mix of short-term and long-term debt programmes, as well as \$3.5 billion in committed credit facilities, available if necessary. Additionally, the group retains flexibility in reducing discretionary expenditures, such as acquisitions and capital outlays, and can temporarily suspend or reduce returns of capital to shareholders (dividends or share buybacks).

Management prepared 3-year cash flow forecasts which reflect severe but plausible downside scenarios taking into consideration the group's principal risks. In the base case scenario, management included assumptions to deliver positive operating leverage, with organic profit growth ahead of organic net sales growth.

In light of the ongoing geopolitical volatility, the base case outlook and severe but plausible downside scenarios incorporated considerations for a prolonged global recession, supply chain disruptions, higher inflation and further geopolitical deterioration.

Even under these scenarios, the group's liquidity is still expected to remain strong. 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, lower level of marketing spend and investment in maturing stock, as well as a temporary suspension or reduction in dividend to shareholders 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.

## Conclusion

On the basis described above, the Directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

This Strategic Report, which has been approved by a duly appointed and authorised committee of the Board of Directors, was signed by its order by Randall Ingber, the Company Secretary, on 13 August 2025.

# Governance *report*

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## CHAIR'S INTRODUCTION TO GOVERNANCE



**Sir John Manzoni**  
Chair

## Resilient *Leadership* and long-term *Strategy*

'I am confident in our clear long-term strategy to achieve Diageo's Growth Ambition, despite market uncertainties, through resilient leadership, strong culture and values.'

### Dear Shareholder

On behalf of the Board, I am delighted to present Diageo's corporate governance report for the year ended 30 June 2025 highlighting the role of Diageo's Board and governance structures over the course of the year in seeking to achieve long-term sustainable success of the company. Your Board is responsible for maintaining the health of the company, providing leadership and strategic direction which enable management to deliver growth and shareholder value over the long term. It is also responsible for ensuring the company has a clearly defined and articulated purpose and strategy, underpinned by values and behaviours which shape the company's culture and how it goes about its business. During the year, your Board has worked closely with management shaping Diageo's strategy to be more agile, focused and adaptable to current macroeconomic uncertainties, consumer sentiment and opportunities. We have continued our focus on more effective and regular stakeholder engagement, especially in relation to our shareholders, investors and market participants, but also with our employees and broader workforce, including through our workforce engagement activities. I thank you for continuing to invest in Diageo.

**Sir John Manzoni**  
Chair

### PRINCIPAL BOARD DECISIONS

- Adapting Board ways of working, including committee structure and composition.
- Reshaping strategic priorities in light of the external environment to help deliver Diageo's long-term, sustainable Growth Ambition.
- Active portfolio management and disposals in line with our strategy.

[Read more about our principal decisions on page 90.](#)

### HIGHLIGHTS OF FISCAL 25

- Deep dive into our African business including engaging with customers and workforce in South Africa.
- Engaging directly with a panel of sell-side analysts to understand their perspective of our business.
- Welcoming new directors, Nik Jhangiani and Julie Brown, and Sir John Manzoni becoming Chair.

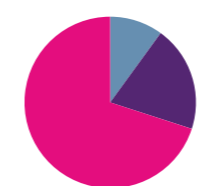
[Read more about our highlights on pages 84-85.](#)

### BOARD EVALUATION ACTIONS

- Improved focus on consistency and regularity of investor and shareholder engagement.
- Increased use of reporting tools to enable efficient communication of strategy implementation.
- Maintain focus on talent pipeline for candidates for non-executive roles.

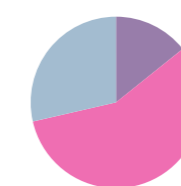
[Read more about our actions on pages 91-92.](#)

### Board composition<sup>(1)</sup>



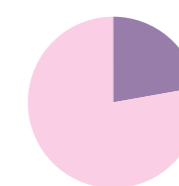
Chair  
Executive director  
Non-executive director

### Non-Executive Director tenure<sup>(1)</sup>



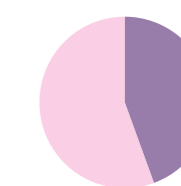
0 - 3 years  
3 - 6 years  
6 - 9 years

### Board gender diversity<sup>(1)</sup>



Male  
Female

### Board ethnic diversity<sup>(1)</sup>



Director of colour  
White European

(1) Data as at 30 June 2025.

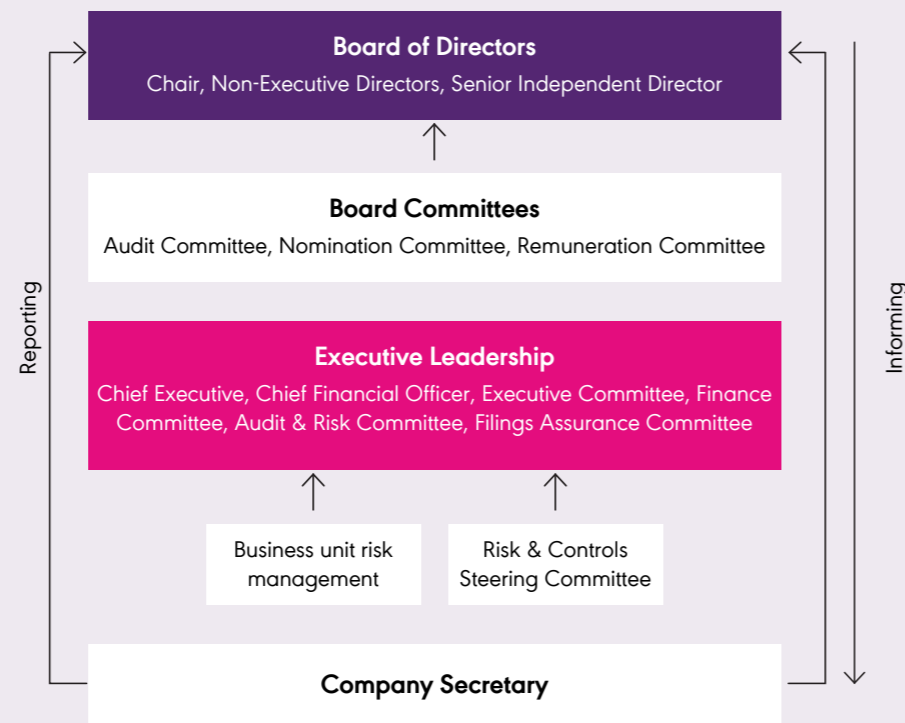
CORPORATE GOVERNANCE STRUCTURE AND DIVISION OF RESPONSIBILITIES

# The role of the Board

The Board is committed to the highest standards of corporate governance and risk management, which is demonstrated in its established corporate governance framework.

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).

[Read more about our committees on pages 97-134.](#)



## Roles and division of responsibilities – Board positions

CHAIR	NON-EXECUTIVE DIRECTORS	SENIOR INDEPENDENT DIRECTOR
<ul style="list-style-type: none"> <li>Responsible for the operation, leadership and governance of the Board.</li> <li>Ensures all Directors are fully informed of matters and receive precise, timely and clear information sufficient to make informed judgements.</li> <li>Sets Board agendas and ensures sufficient time is allocated to ensure effective debate to support sound decision-making.</li> <li>Ensures the effectiveness of the Board.</li> <li>Engages in discussions with shareholders.</li> <li>Meets with the Non-Executive Directors independently of the Executive Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Independent, experienced and influential individuals from diverse range of industries, backgrounds and countries.</li> <li>Constructively challenge the Executive Directors, develop strategy and scrutinise performance.</li> <li>Satisfy themselves on the integrity of the financial information, controls and systems of risk management.</li> <li>Set the levels of remuneration for Executive Directors and senior management.</li> <li>Make recommendations to the Board concerning appointments to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Acts as a sounding board for the Chair and serves as an intermediary for the other Directors when necessary.</li> <li>Responsible for managing an orderly succession process for the Chair.</li> <li>Together with the other Non-Executive Directors, leads the review of the performance of the Chair, taking into account the views of the Executive Directors.</li> <li>Available to shareholders if they have concerns where contact through the normal channels has failed.</li> </ul>

## Roles and division of responsibilities – Executive leadership positions

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	COMPANY SECRETARY
<ul style="list-style-type: none"> <li>Develops the group's strategic direction for consideration and approval by the Board.</li> <li>Implements the strategy agreed by the Board.</li> <li>Leads and is supported by the Executive Committee.</li> <li>Manages the company and the group.</li> <li>Along with the Chief Financial Officer, leads discussions with investors.</li> <li>Is supported by the Finance Committee and Filings Assurance Committee in the management of financial reporting of the company.</li> </ul>	<ul style="list-style-type: none"> <li>Manages all aspects of the group's financial affairs.</li> <li>Responsible for the management of the capital structure of the company.</li> <li>Contributes to the management of the group's operations.</li> <li>Along with the Chief Executive, leads discussions with investors.</li> <li>Is supported by the Finance Committee and Filings Assurance Committee in the management of the financial affairs and reporting of the company.</li> <li>Is a member of the Executive Committee.</li> </ul>	<ul style="list-style-type: none"> <li>The Board is supported by the Company Secretary who ensures information is made available to Board members in a timely fashion.</li> <li>Supports the Chair 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.</li> <li>Advise on corporate governance matters.</li> <li>Is a member of the Executive Committee as General Counsel.</li> </ul>

## Compliance with the UK Corporate Governance Code

The Board considers that, for the year ended 30 June 2025, Diageo has fully applied the Principles and complied with the Provisions of the UK Corporate Governance Code 2018 (the Code).

The table below details where content complying with the Code's requirements can be found.

[Visit diageo.com for more information.](#)

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Fiscal 25 Board Attendance	Annual General Meeting 2024	Board (maximum 8)	Audit Committee (maximum 5)	Nomination Committee (maximum 6)	Remuneration Committee (maximum 4)
Sir John Manzoni, KCB	✓	8/8	5/5	6/6	4/4
Debra Crew <sup>(1)</sup>	✓	7/8	–	–	–
Nik Jhangiani <sup>(2)</sup>	✓	6/7	–	–	–
Susan Kilsby	✓	8/8	5/5	6/6	4/4
Melissa Bethell	✓	8/8	5/5	6/6	4/4
Karen Blackett, CBE	✓	8/8	5/5	6/6	4/4
Julie Brown	✓	8/8	5/5	–	–
Valérie Chapoulaud-Floquet	✓	8/8	5/5	6/6	4/4
Ireana Vittal	✓	8/8	5/5	6/6	4/4
<b>Former Directors</b>					
Javier Ferrán <sup>(3)</sup>	✓	5/5	4/4	5/5	3/3
Lavanya Chandrashekar <sup>(4)</sup>	n/a	1/1	–	–	–
Alan Stewart <sup>(5)</sup>	✓	2/2	1/1	1/1	1/1

(1) Debra Crew retired from the Board on 16 July 2025.  
 (2) Nik Jhangiani was appointed to the Board on 1 September 2024.  
 (3) Javier Ferrán retired from the Board on 5 February 2025.  
 (4) Lavanya Chandrashekar retired from the Board on 1 September 2024.  
 (5) Alan Stewart retired from the Board on 26 September 2024.



EXECUTIVE COMMITTEE

EWAN ANDREW



**President, Global Supply and Procurement & Chief Sustainability Officer**

**Nationality:** British

**Appointed:** September 2019

**Current external appointments:** Member, Scotch Whisky Association Council, Scottish Business Climate Collaboration Board, One Planet Business for Biodiversity Board, Gartner Executive Advisory Board  
**Previous Diageo roles:** Supply Director, International Supply Centre; Senior Vice President, Supply Chain & Procurement, Latin America and Caribbean; Senior Vice President Manufacturing & Distilling, North America; various supply chain, operational management and procurement roles

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

CRISTINA DIEZHANDINO



**Chief Marketing Officer**

**Nationality:** Spanish

**Appointed:** July 2020

**Current external appointments:** Non-Executive Director, Mandarin Oriental  
**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:** Various marketing roles, Allied Domecq Spain, Unilever HPC US, United Kingdom and Spain

HINA NAGARAJAN



**President, Africa**

**Nationality:** Indian

**Appointed:** July 2021

**Current external appointments:** Non-Executive Director, BP p.l.c.  
**Previous Diageo roles:** Managing Director and CEO, Diageo India; Managing Director, Africa Regional Markets  
**Previous relevant experience:** Managing Director, China & SVP North Asia, Reckitt Benckiser; General Manager, Malaysia & Singapore, Reckitt Benckiser; MD & CEO Mary Kay India; senior marketing and general management roles, ICI Paints India and Nestlé India

DAYALAN NAYAGER



**President, Europe and Chief Commercial Officer**

**Nationality:** South African/British

**Appointed:** July 2022

**Previous Diageo roles:** President, Africa; 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

JOHN O'KEEFFE



**President, Asia Pacific, Global Travel and India**

**Nationality:** Irish

**Appointed:** July 2015

**Previous Diageo roles:** President, Asia Pacific & Global Travel; 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

SALLY GRIMES



**Chief Executive, North America**

**Nationality:** American

**Appointed:** October 2023

**Current external appointments:** Director, Continental Grains Company  
**Previous relevant experience:** Chief Executive Officer, Clif Bar & Company; Group President, Prepared Foods, President, International & Chief Global Growth Officer, Tyson Foods; President, Chief Innovation Officer, Hillshire Brands Company; Vice President, Global Business Leader, Writing and Creative Expression, Newell Brands; various Kraft Foods roles

RANDALL INGBER



**General Counsel and Company Secretary**

**Nationality:** Australian / American

**Appointed:** June 2025

**Previous Diageo roles:** Global Counsel, Asia Pacific, Brands, Innovation & Commerce; General Counsel, Asia Pacific, Supply & Procurement, Global Litigation and Africa; Deputy General Counsel, Corporate; Senior Counsel, Global Corporate Relations and Antitrust; Regional Counsel, Southeast Asia and India, Australasia and Japan  
**Previous relevant experience:** General Counsel and Company Secretary, Lion Group

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

LOUISE PRASHAD



**Chief HR Officer**

**Nationality:** British

**Appointed:** January 2022

**Previous Diageo roles:** Global Talent Director; Talent & OE Director, Africa; HR Director, Europe, West Latin America and Caribbean, Global Functions; Talent and Learning Director UK, Ireland and North America; HR Director Great Britain; Global Supply; Global Commercial  
**Previous relevant experience:** Various HR roles, Stakis Group and Hilton Hotels

PRAVEEN SOMESHWAR



**Managing Director and CEO of Diageo India**

**Nationality:** Indian

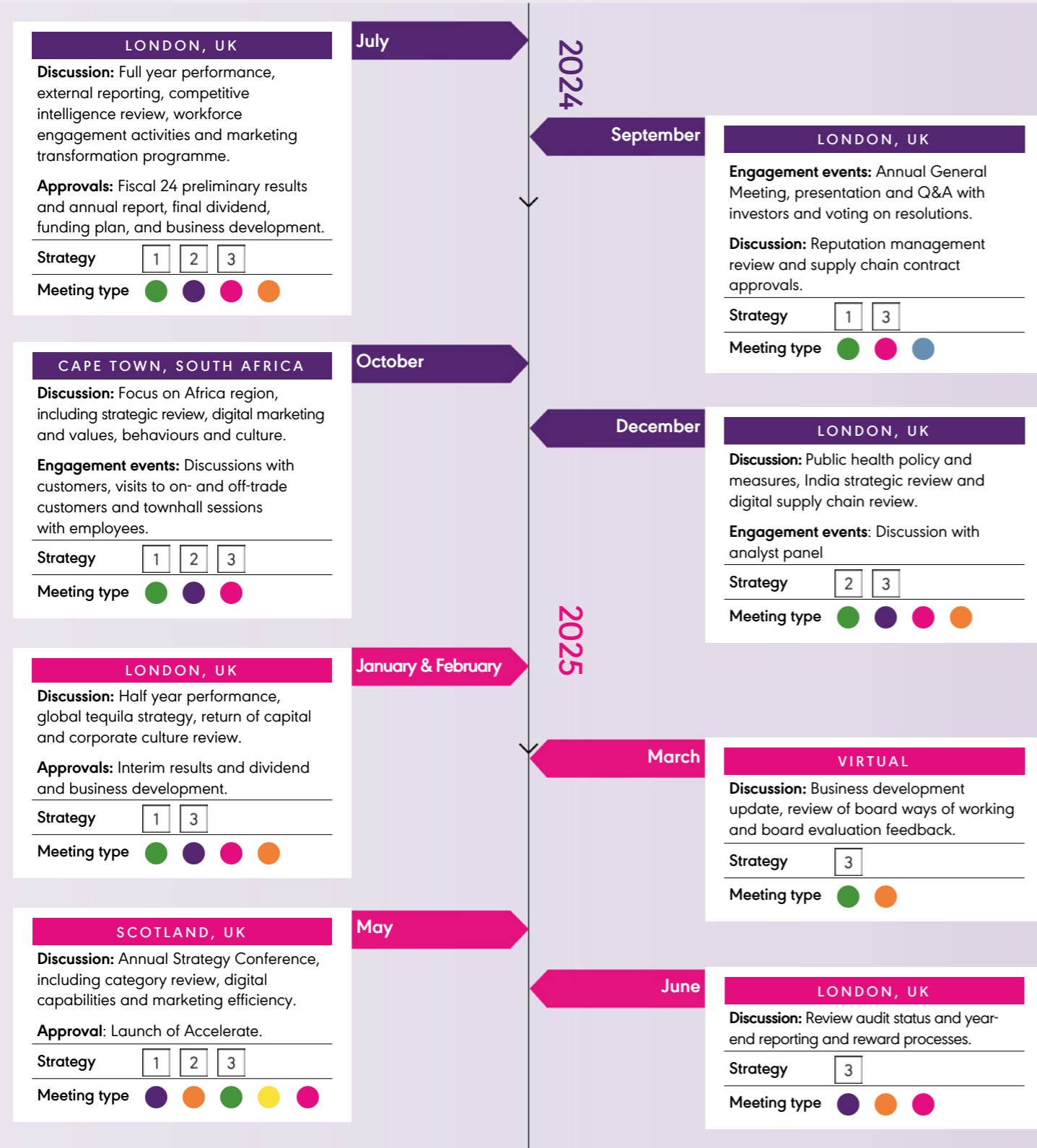
**Appointed:** April 2025

**Previous relevant experience:** Managing Director and CEO, HT Media Group; Senior Vice President & General Manager, CEO India Foods, CEO South Asia Beverages, PepsiCo

➤ Nik Jhangiani is also a member of the Executive Committee.  
 His biography can be found on page 78.



# Board and Committees' activities *timeline*



<p>Link to strategy</p> <ul style="list-style-type: none"> <li>1 Brands and portfolio</li> <li>2 Consumer trends</li> <li>3 Operational excellence</li> </ul>	<p>Meeting type</p> <ul style="list-style-type: none"> <li>● Board Meeting</li> <li>● Audit Committee</li> <li>● Remuneration Committee</li> <li>● Nomination Committee</li> <li>● Annual General Meeting</li> <li>● Annual Strategy Conference</li> </ul>
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## Board activities

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

Focus area	Strategic priority	Stakeholders
<b>STRATEGIC MATTERS</b>		
<ul style="list-style-type: none"> <li>Held a two-day Annual Strategy Conference (ASC) focusing on analysis of consumer dynamics and moderation trends, strategic role of convenience and ready-to-drink products, and other key strategic topics.</li> <li>Received reports on the financial performance of the group as against the annual plan.</li> <li>Reviewed the group's governance frameworks for reputation management, tax strategy and policy.</li> </ul>	1, 2	
<b>OPERATIONAL MATTERS</b>		
<ul style="list-style-type: none"> <li>Reviewed and approved the group's three-year plan and annual funding plan, insurance, banking and capital expenditure requirements.</li> <li>Regularly reviewed and approved the group's business development activities, reorganisations and various other projects.</li> <li>Reviewed the group's internal culture and values, including in respect of inclusion and diversity, values and behaviours.</li> <li>Approved capital expenditure investments, and various significant procurement, systems and other contracts, having taken into consideration financial, operational, sustainability and other ESG related factors.</li> </ul>	1, 2, 3	
<b>ESG MATTERS</b>		
<ul style="list-style-type: none"> <li>Supervised update to double materiality assessment, reviewed progress in relation to the group's 'Spirit of Progress' ESG action plan and reviewed the programme in light of the updated double materiality assessment results.</li> <li>Reviewed updated emissions reductions targets prior to submission to SBTi for approval.</li> <li>Received reports on workforce engagement over the year.</li> <li>Received regular investor reports.</li> </ul>	2, 3	
<b>ASSURANCE AND RISK MANAGEMENT</b>		
<ul style="list-style-type: none"> <li>Received reports in relation to material legal matters, including disputes, regulatory and governance developments, and areas of legal or regulatory risk.</li> <li>On the recommendation of the Audit Committee, approved the company's risk footprint, including reviewing and updating the principal risks.</li> </ul>	3	

Link to strategy

1	Brands and portfolio
2	Consumer trends
3	Operational excellence

Stakeholders

	Our people		Suppliers		Government and regulators
	Consumers		Communities		
	Customers		Investors		



CORPORATE GOVERNANCE REPORT *continued*

Stakeholder and why we engage

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 we believe matters most to them

- Compliance with applicable laws and regulations.
- 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 water sustainability agendas, including greenhouse gas emissions reduction, human rights, environmental impacts, sustainable agriculture, biodiversity and support for communities.

How the Board seeks to engage

- Indirect engagement through periodic updates from the Chief Executive and corporate relations executives.
- Review of macroeconomic and geopolitical developments as part of strategy sessions.
- Updates on regulatory developments, including in relation to non-financial reporting, corporate governance and public policy.

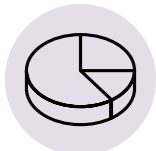
Reporting to the Board

- Reports on socio-political events and issues periodically provided to the Board.
- Developments in regulatory matters, including governance and reporting obligations, are included in biannual reports to the Board prepared by management.

Upcoming priorities

- Monitoring developments in regulation and best practice in respect of non-financial reporting requirements, corporate governance and audit regime.
- Supporting management's advocacy in relation to key public policy matters including water stewardship, positive drinking and inclusion and diversity.

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 business and the opportunities and risks of investing in it.

What we believe matters most to them

- Strategic priorities, opportunities and risks.
- 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 seeks to engage

- Regular engagement between key investors and Chief Executive and Chief Financial Officer through a programme of events, expanded during the year to include quarterly trading updates.
- Participation in investor conferences such as the Consumer Analyst Group of New York meeting (CAGNY).
- Hosting investor events such as the Guinness Investor and Analyst Event held in Dublin in May 2025.
- Attendance at the Annual General Meeting in September 2024, including responding to questions from shareholders.

Reporting to the Board

- Monthly reports provided to the Board, providing details on engagement sessions with investors and key trends.
- Chief Executive reporting investor sentiment to the Board as part of regular updates at Board meetings, including feedback following participation at analyst and investor conferences.

Upcoming priorities

- Continued proactive engagement with investors through structured programme of engagement activities over the year.
- Preparing for the Annual General Meeting to be held in November 2025.
- Engaging directly with investors through post-results announcement roadshows.



Increasing engagement with investors and shareholders

During fiscal 25, we have maintained our focus on ensuring active and regular engagement with our shareholders and investors, especially over the period from January to June 2025 during which we have carried out extensive investor engagement consistent with our commitment to increase visibility with the financial markets.

These engagement sessions enable investors to get a more detailed understanding of our Growth Ambition and strategy, opportunities for growth of our business, our industry and market dynamics while also enabling our senior management to understand the perspectives, investment criteria and strategy of our investors. Our Investor Relations (IR) team takes the lead in organising an annual programme of engagement events, reviewing analyst research notes and recommendations, monitoring share price and trading patterns, peer group and sector news.

Regular reports, including feedback from investors, are provided to the Board. Examples of engagement activities include attendance at key events such as the Consumer Analysts Group of New York (CAGNY) conference, attending key investor conferences and hosting many meetings and calls with analysts, investors and potential investors.

During the year, Diageo has also launched and completed an asset reunification programme with the aim of re-establishing contact with inactive shareholders, both institutional and retail, and reuniting them with unclaimed dividends.

A highlight of the year was the Guinness Investor and Analyst Event in May 2025 when we hosted a group of 48 investor representatives, including many of the company's largest investors, and 22 analysts at the Guinness Storehouse in Dublin, Ireland. The event focused primarily on the Guinness brand, including its recent performance, marketing strategy and how it was recruiting new consumers, as well as the opportunities for future growth, while also covering the group's overall performance, outlook and actions being taken to drive growth. Speakers at the event included not only the Chief Executive and Chief Financial Officer but also other members of the Executive Committee and senior leaders, including the general managers of Ireland, Great Britain and the beer business in the United States.

From May 2025, we commenced providing trading updates on a quarterly basis in addition to our previous half and full year reporting. By updating the market more frequently in this way on performance, Diageo aims to provide investors, analysts, shareholders and other market participants with a better understanding of performance and the drivers of this, including business seasonality through the year.

Fiscal 25 investor activity timeline

JULY AND AUGUST 2024	AUGUST 2024	SEPTEMBER 2024	OCTOBER AND NOVEMBER 2024	DECEMBER 2024
<ul style="list-style-type: none"> <li>• Announcement of Preliminary Results for fiscal 24 on 30 July 2024.</li> <li>• Post-results announcement meetings with investors, media and analysts carried out by the IR team, Chief Executive and Chief Financial Officer.</li> </ul>	<ul style="list-style-type: none"> <li>• Roadshow by the Chief Executive and the Chief Financial Officer in the United Kingdom and the United States.</li> <li>• Publication of the Annual Report and Accounts for fiscal 24 on 1 August 2024.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting held on 26 September 2024 in London, including presentation by the Chief Executive, followed by Q&amp;A with shareholders and investors.</li> <li>• IR team held various one-to-one meetings and conference calls with investors.</li> </ul>	<ul style="list-style-type: none"> <li>• IR had one-to-one meetings and conference calls with various investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Sell-side analysts joined the Head of IR for a panel discussion with the Board, highlighting investor perceptions of the company.</li> <li>• The Chief Executive, Chief Financial Officer and other Executive Committee members had various meetings and calls with investors.</li> </ul>
FEBRUARY 2025	MARCH 2025	APRIL 2025	MAY 2025	JUNE 2025
<ul style="list-style-type: none"> <li>• Announcement of Interim Results for fiscal 25 on 4 February 2025.</li> <li>• Post-results announcement meetings with investors, media and analysts.</li> <li>• The Chief Executive and the Chief Financial Officer presented at the CAGNY conference in Orlando.</li> </ul>	<ul style="list-style-type: none"> <li>• Various meetings between the Chief Executive, the Chief Financial Officer and the IR team with investors, individually and in groups.</li> </ul>	<ul style="list-style-type: none"> <li>• The Chief Executive, the Chief Financial Officer and the IR team met with several investors, individually and in groups.</li> </ul>	<ul style="list-style-type: none"> <li>• Released trading update for Q3 fiscal 25.</li> <li>• Hosted Guinness Investor and Analyst Event in the Guinness Storehouse, Dublin, showcasing the Guinness brand, its growth strategy including the potential of Guinness 0.0.</li> </ul>	<ul style="list-style-type: none"> <li>• The Chief Executive and the Chief Financial Officer participated in BNP Paribas Exane conference in Paris, discussing strategy, performance and outlook.</li> <li>• The Chief Financial Officer hosted a fireside chat at Deutsche Bank's Global Consumer Conference in Paris.</li> </ul>

CORPORATE GOVERNANCE REPORT *continued*

**Principal Board decisions**

Below are some examples of the principal decisions taken by the Board during fiscal 25 as well as summaries of some of the matters referred to in Section 172 of the Companies Act 2006 which were taken into consideration by the Board.

Decision made	Stakeholder considerations
<b>REVISING BOARD PROCESSES TO IMPROVE EFFECTIVE DECISION-MAKING</b>	
<p>The Board has adapted its processes, annual cycle and schedule of events, committee composition and ways of working in order to improve its effectiveness and ability to support management in responding to the external macroeconomic environment.</p>	<p>The Board is conscious of the need to continually review, monitor and adapt its practices in order to maintain its efficiency and enhance its responsiveness to external factors and stakeholders' needs. This is particularly important during periods of macroeconomic uncertainty impacting consumer behaviour and the market's perception of the spirits sector, and of the company, as an investment opportunity. As part of the transition in Chair in February 2025, the Board took the opportunity to conduct a thorough review of its decision-making processes, schedule of events and meeting cycle, means of stakeholder engagement, composition and committee structure. The purpose of the review was to ensure that the Board was able to respond appropriately to continued disruption in the external consumer environment and was informed by observations and feedback received as part of the recent board evaluation exercise, by discussions between the incoming Chair, the Senior Independent Director and the Executive Directors, and by feedback received from external stakeholders, including the investor community, on market perceptions of the company. An important consideration was to enhance how the Board could support management in communications with its shareholders, investors, analysts and other market participants. This had been a topic discussed by the Board in December 2024, during which a panel of leading sell-side and buy-side analysts had been invited to give their views directly to directors. Certain changes in ways of working were agreed by the Board in March 2025, including moving to a more conventional model for board committee membership enabling more depth in committee deliberations, more regular engagement between Board members and investors on governance matters, and adjusting the annual cycle of board meetings to enable more frequent interaction between directors, Executive Committee members and senior management.</p>
<b>ENHANCING OUR OPERATING MODEL AND MANAGING OUR PORTFOLIO THROUGH DISPOSALS</b>	
<p>The Board continued its strategy of using disposals to actively manage the portfolio and enhance the asset-light beer operating model.</p>	<p>We have taken an active approach to managing our portfolio of brands and investments for a number of years, with the aim of ensuring that the portfolio remains sufficiently broad to respond to consumer demand in different categories and across price points, whilst also being sufficiently focused to enable effective advertising, marketing and investment support. During fiscal 25, several brands were disposed including Safari liqueur, Pampero rum and Cacique rum. These selective disposals enable management to improve their focus on the core portfolio, enhancing the offering to customers and consumers. The Board also continued the implementation of an asset-light operating model for the beer portfolio, supporting management to select the most appropriate structure and route to consumer in each impacted market. During the year, the Board approved the disposals of the company's shareholdings in Guinness Ghana Breweries Plc and Seychelles Breweries Limited. In reaching its decision, the Board considered the views and impact of these transactions on multiple stakeholders. For example, it was critically important that our brands remain available for its customers and consumers with minimal disruption. The negotiating team was instructed to focus on ensuring long-term partnerships were maintained through beer production and distribution licensing arrangements in those markets. The interests of impacted employees, both in the markets concerned and in the broader organisation, were also considered as part of the Board's decision-making process. Lastly, there was active engagement with local government and regulatory authorities in order to address any local concerns with these transactions.</p>
<b>RESHAPING OUR STRATEGIC PRIORITIES FOR SUSTAINABLE GROWTH</b>	
<p>The Board approved the launch of the Accelerate programme to reshape our priorities to deliver sustainable long-term performance.</p>	<p>In May 2025, the Board approved the introduction of the first phase of the Accelerate programme to help deliver the Growth Ambition. This programme had been developed to ensure that the company is well-positioned to deliver sustainable, consistent performance despite the continued uncertainties in the external consumer market. Key components of the Accelerate programme include increasing agility and refocusing resources on delivering sustainable top-line growth, increasing operating leverage, maximising free cash flow and optimising shareholder returns. As part of the programme, the Board approved clear cash delivery targets for the business, further details of which are set out on page 23. In creating and implementing the Accelerate programme, consideration was given to a wide variety of external and internal stakeholders. A core principle was to maintain focus on the consumer, how it was responding to macroeconomic pressures, and to strengthen Diageo's operational excellence and ability to respond accordingly. Implications on the company's workforce and suppliers were also considered as part of the programme, with changes to the group's operating model implemented, including roles and accountabilities, simplified ways of working and increased use of technology. Ensuring that the programme was rolled out in a swift and efficient manner, consistent with our purpose and values, was of critical importance.</p>

**Wider stakeholder engagement**

We have ambitious goals across a variety of social and environmental targets and a long track record of working with stakeholders to achieve these goals. Our ambition to be one of the best performing, most trusted and respected, consumer products companies in the world can only be achieved through engagement and partnership with our stakeholders. The Board and its members have engaged directly and indirectly with a variety of its key stakeholders during fiscal 25 in order to respond to stakeholder considerations in making its decisions and determining the company's strategy and goals. These include the following activities:

- The Board met and engaged with customers and retailers in South Africa during October 2024, touring a range of on-trade and off-trade outlets, shops and stores. Directors discussed with retail staff and owners the latest consumer trends and buying patterns. The Board also invited the owner of one of Diageo's largest customers in South Africa to give feedback on his experience of working with the company over many years. Market views and customer feedback is frequently reported to the Board by the Chief Executive as part of regular performance summaries. We partner with our customers to analyse the performance of the portfolio and marketing investment as well as market trends and consumer activity, in order to enhance the company's consumer insights tools which enhance innovation, product development and marketing initiatives.
- The Chair, Chief Executive and Chief Financial Officer travel regularly to different Diageo offices, production facilities and sites around the world. Non-executive directors also have opportunities to visit sites over the course of the year, including with the Chair or executive directors. Whilst most meetings of the Board are held at the company's headquarters in London, ordinarily once a year meetings are held in an overseas market in order to enable the Board to get a deeper understanding and insight as to that market or region. This will usually involve visits to offices and production facilities, enabling directors to familiarise themselves with the consumer landscape in that market and its production processes and facilities. Directors also engage directly with the local workforce and employees during these visits, supplementing the regular workforce engagement sessions conducted during the year.
- The Board has a well-established workforce engagement programme, in which each non-executive director is involved in regular engagement sessions with different parts of the global workforce over the course of the year, both virtual and in person. Through these sessions, non-executive directors gain insights into the company's culture which are then fed back to the company's engagement teams and used to shape our approach to people. See pages 92-93 for this year's workforce engagement statement which includes further details of how the programme has operated during the year.
- Board members, and in particular the Chief Executive and Chief Financial Officer, participate in an extensive programme of regular meetings, calls and other engagement activities with investors and analysts, co-ordinated by the Investor Relations team. Increasing investor engagement has been a particular priority for the Board this year, with a small group of sell-side and buy-side analysts meeting with the Board during December 2024 to provide their perspectives on how effectively the company engages with the market. See page 89 for a timeline summarising other investor events during fiscal 25 including the company's Guinness Investor and Analyst Event hosted in the Guinness Storehouse in Dublin in May 2025 and the company's participation at the annual conference of the Consumer Analyst Group of New York held in Florida in February 2025. Materials from these sessions are available on [www.diageo.com](http://www.diageo.com).

Further information on our stakeholders, what we think is important to them and how the Board engages and responds to them can be found on pages 86-88. Case studies summarising how stakeholder considerations were taken into account by the Board during fiscal 25, as required by Section 172 of the Companies Act 2006, in respect of three of its principal decisions are set out on page 90.

**Executive direction and control**

**Executive Committee**

The Executive Committee, appointed and chaired by the Chief Executive, supports the Chief Executive in discharging the 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, Africa, Latin America and Caribbean, Asia Pacific, India, Supply Chain and Procurement and Corporate. The Executive Committee aligns its agenda to the Growth Ambition and how to achieve 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 [www.diageo.com](http://www.diageo.com).

**Performance evaluation**

With the support of the Company Secretary, an evaluation of the Board's effectiveness, including that of its Committees and Directors, was conducted from December 2024 to January 2025. This evaluation aimed to assess how the Board and its Committees function against current best practice corporate governance principles, specifically referencing Principle L and Provisions 21, 22, and 23 of the Code.

This year's evaluation was internally managed through an online questionnaire completed by all directors. The questionnaire was designed to assess satisfaction levels with specific areas and allow directors to express their views. The evaluation focused on directors' views on three areas, being (i) Board composition, balance and performance, (ii) Board and Committee topics, support and provision of information and (iii) Committees' effectiveness and performance.

Responses were submitted to the Chair of the Board, while feedback on Committee effectiveness was also provided to respective Committee Chairs. The Senior Independent Director also held a meeting with directors, excluding the Chair, in line with Code requirements. The Chair, Senior Independent Director and the Company Secretary discussed the feedback and, together with other input including a general review of the ways of working and composition of the Board and its Committees, drew up a proposed plan and next steps or actions for further consideration by the Board.

The Board reviewed the results at its March 2025 meeting and agreed on various actions for implementation. The Board remains committed to annually reviewing its performance as well as that of its committees and individual directors, with such evaluation being carried out by an external facilitator every three years. The evaluation in fiscal 26 is expected to be managed and facilitated internally.

The Chair 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 general feedback and actions for focus in the following year as identified during the December 2024 evaluation are detailed in the following table.

Key recommendations	Actions for focus in 2025/26
<b>GENERAL FEEDBACK</b>	
<ul style="list-style-type: none"> <li>Continue engagement between Board members and the workforce.</li> <li>Continued recognition for an experienced and effective Company Secretarial function.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure timely finalisation and circulation of board papers ahead of meetings.</li> <li>Ensure adequate time is allocated for presentations, deep dives and discussion during meetings.</li> </ul>
<b>BOARD COMPOSITION AND SUCCESSION</b>	
<ul style="list-style-type: none"> <li>Recent appointments of directors have ensured appropriate quality, experience, background and diversity of the Board.</li> <li>Ensure continuation of board-level knowledge while considering technical areas such as AI, digital and public policy amongst others.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to review the succession planning and pipeline at executive and senior management level.</li> <li>Review alternative models for the current composition for Board committee membership.</li> <li>Continue to focus on recruitment and talent pipeline on key areas for additional expertise.</li> </ul>
<b>PEOPLE AND CULTURE</b>	
<ul style="list-style-type: none"> <li>Continue to promote and protect the company's corporate culture, values and focus on talent development.</li> <li>Continue to ensure a clear and structured approach to leadership development.</li> <li>Review and track the success of Executive development programmes.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain ongoing function in talent development and workforce engagement.</li> <li>Increase focus on Executive talent succession planning and tenure.</li> <li>Deeper analysis and insight of employee survey results to Board members.</li> </ul>
<b>STRATEGY AND RISK</b>	
<ul style="list-style-type: none"> <li>Improved clarity in strategic focus and visibility of external stakeholder sentiment and significant improvement in stakeholder communication.</li> <li>Improved clarity and consistency in use of dashboard updates for the company's key priorities, issues and imperatives.</li> <li>Strong feedback in relation to deep-dive sessions with regional team management.</li> </ul>	<ul style="list-style-type: none"> <li>Enhance strategic focus and horizon scanning while encouraging discussion and dialogue concerning key issues across different time scales.</li> <li>Allow for more opportunities for third-party input and insights into how Diageo is perceived and recognised externally.</li> <li>Continue to build strong and collaborative approach between management and Board members.</li> </ul>

**Progress made against prior year's actions**

Good progress has been made against the actions identified following last year's externally facilitated performance evaluation:

- The Board has continued to promote and protect the company's culture and values.
- There has been a continued focus on Board and management succession planning and ensuring a pipeline of high-quality, diverse talent.
- The Board has continued to maintain strategic focus, monitor the changing business landscape and align the company's approach to strategic matters.

**Workforce Engagement statement**

At Diageo, our people are our most important asset and are critical to our company's success. We know that creating an inclusive and diverse culture where colleagues can freely express their views and feel listened to is not only core to our purpose of 'celebrating life, every day, everywhere' but is also key to sustaining high levels of engagement and performance, as well as ensuring Diageo remains a great place to work.

To understand our colleagues' experiences, we gather their feedback through both formal and informal channels. Diageo's Workforce Engagement programme is an important way for the Diageo plc Board to hear colleagues' insights on key topics, including culture, strategy, and ways of working. It is also a valued opportunity for teams to have direct access to Board members.

In F25, Karen Blackett CBE, our designated Non-Executive Director for workforce engagement, alongside all Non-Executive Directors, held 14 virtual and in-person sessions across the year, formally engaging with 654 colleagues from all regions, functions, and organisational levels below senior leadership. Diageo Chair, Sir John Manzoni, also visited several markets in the year, engaging a further 1705 colleagues in informal townhall conversations, and Karen Blackett joined two inclusion and diversity events with 956 colleagues.

Sessions have been highly engaging and Board members have valued the openness of conversations and the opportunity to gather insights on many positive aspects of working at Diageo, as well as clear areas for improvement.

The key themes emerging from these workforce engagement discussions are:

- Diageo's culture is often described as engaging, ambitious and collaborative, and this continues to be a source of pride amongst our employees, alongside their passion for our brands. Progress is being made with our dial up behaviours, with scope to further embed these in our culture for greater speed and agility. Diageo's formal recognition platform, Celebrate, is widely used and praised, as a way of reinforcing the dial up behaviours being demonstrated by colleagues.
- Diageo's approach and sustained commitment to inclusion and diversity, progressive employment policies, and its broader Spirit of Progress commitments are highlighted frequently as reasons colleagues join and remain at Diageo. Pride in the company's approach to doing business the right way and acting with integrity were also consistently shared in conversations.
- We must continue to simplify our business, addressing day-to-day barriers people face in their jobs, which can hold us back from performing at our best and can at times impact motivation.
- There are also opportunities to communicate with increased transparency and provide greater clarity on priorities, accountabilities and decision rights.
- Whilst there has been progress in building core capabilities in Digital, Data and Analytics, employees are keen to see these further embedded.

These improvement areas are points of focus within our Accelerate programme in F26 and beyond.

The key themes were also reflected in this year's engagement results seen in the global employee survey, Your Voice, which remains top quartile and above external benchmarks with 83% engagement levels (+2 vs 2024) and 90% proud to work for Diageo (+1 vs 2024).

Insights gathered from workforce engagement sessions held by the Board, alongside broader listening tools such as the Your Voice annual employee engagement and pulse surveys, have helped the company to listen and respond to the perspectives of our employees, as well as identify specific areas to further enhance our employee experience.

**Purpose, values and culture**

The Board is responsible for establishing the company's purpose, values and culture and for monitoring the level of culture embedment within our business. We have a long-established purpose and set of values which resonate strongly with our employees, as indicated by the Board's engagement sessions with our workforce and employee surveys. We are very conscious that we must operate with the highest standards of governance, doing business the right way, from grain to glass. This principle is embedded in our Code of Business Conduct and global policies, aligned with our 'Spirit of Progress' goals and reflected in our ways of working. We are pleased that we have a strong reputation for inclusion and diversity which reflects our values, attracts the best talent and enables our people to succeed.

There are a number of ways in which the Board monitors and assesses culture, including:

**Site visits**


Directors are encouraged to visit the group's offices, production facilities and sites in different markets and regions to further their understanding of the business and increase interactions with employees and the wider workforce. During fiscal 25, the majority of Board meetings have been held in the company's headquarters in London, enabling Directors to meet and interact with employees, while the Board also met with the company's regional management team for Africa in October 2024. As part of the Board's workforce engagement programme, non-executive directors regularly hold in-person and virtual meetings, townhalls, focus groups and question and answer sessions with employees in different locations over the course of the year.

**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 the company's purpose and of their people managers (including net promoter scores) and any themes raised. The survey results also give visibility of areas on which management must continue to focus. Results of this year's Your Voice survey are described on page 40.

**SpeakUp allegation reporting**

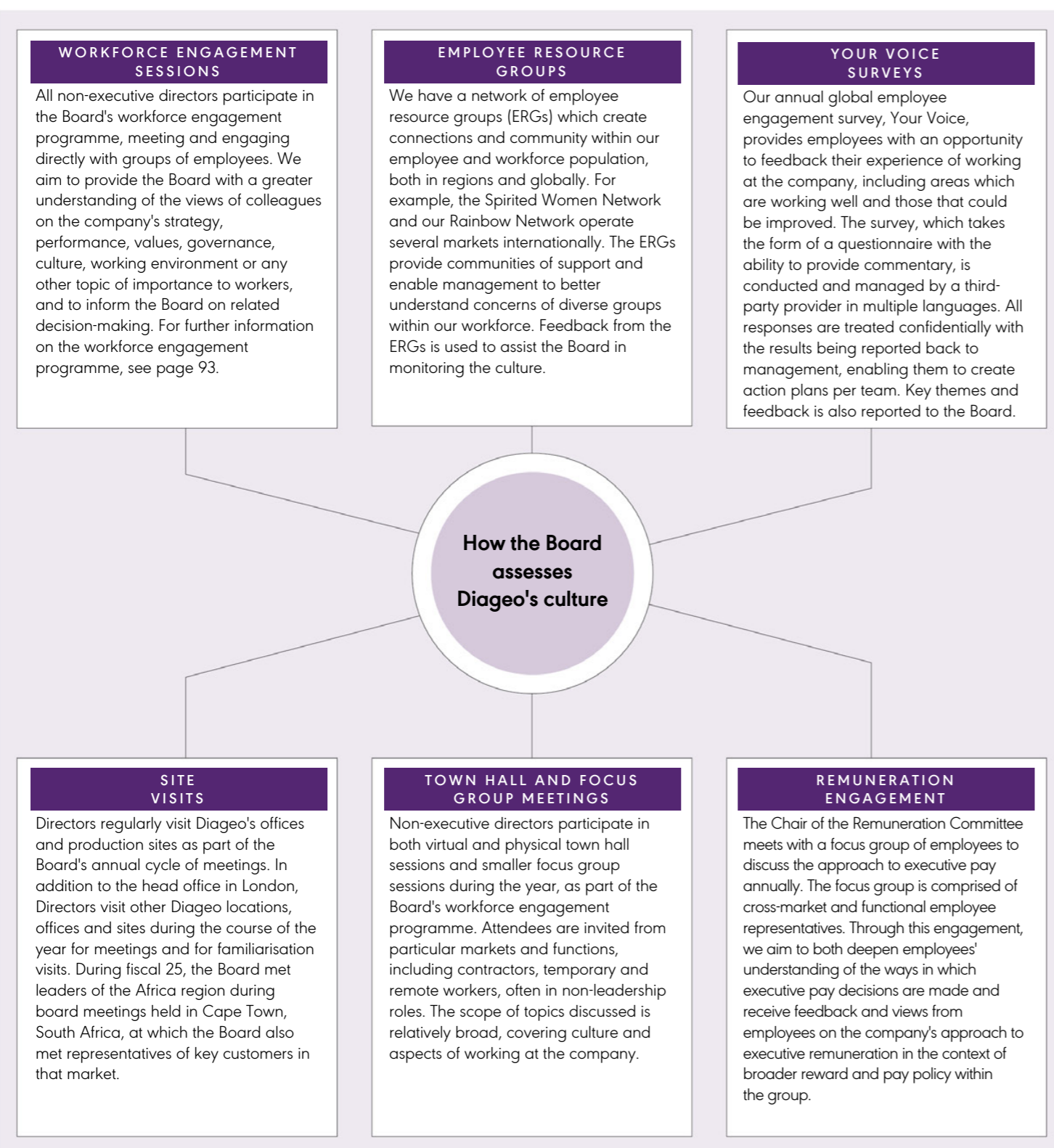
Regular reports are provided by the business integrity team to the Audit Committee with information and data on reported allegations of breaches of the Code of Business Conduct and other group policies, including those received through our confidential and independent whistleblowing service SpeakUp. 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 the purpose, values and culture embedment across its markets and functions.

 For more details of the SpeakUp service, see page 100.

**Workforce engagement programme**

Insights drawn from the Board's annual programme of workforce engagement are used by the Board to monitor and assess the culture of the company. Recommendations are fed back to management regularly with workforce engagement being discussed at Board meeting sessions twice a year. The engagement programme, which is led by Karen Blackett CBE, has enabled all non-executive directors to participate by directly engaging with employees from a variety of regions, functions and levels in the business. For more information on workforce engagement, see page 92.

## How the Board monitors *culture*



### Additional information

#### Appointment and re-appointment at the AGM

The Chair has confirmed that the non-executive directors standing for re-appointment at this year's Annual General Meeting (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 on page 77, Directors' attendance levels have been consistently high throughout the year ended 30 June 2025. Further details, including biographies, are set out in the Notice of Meeting for this year's AGM.

#### 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 Financial Reporting Council (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, it has completed 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. These risks and their mitigations are set out above in the section of this Annual Report dealing with principal and emerging risks on pages 63-71.

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 in its report, it has reviewed the effectiveness of the company's systems of internal control and risk management. During the year, the Audit Committee considered the nature and extent of the risks that the Board 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, following which the Audit Committee made a recommendation to the Board which was then approved. The Audit Committee reviews 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 or other management steering groups 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 in Scotland, 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 page 97.

### 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 pages 72-73.

### Going concern

Management prepared 18-month cash flow forecasts which reflect severe but plausible downside scenarios taking into consideration the group's principal risks. In the base case scenario, management included assumptions to deliver positive operating leverage, with organic profit growth ahead of organic net sales growth. In light of the ongoing geopolitical volatility, the base case outlook and severe but plausible downside scenarios incorporated considerations for a prolonged global recession, supply chain disruptions, higher inflation and further geopolitical deterioration. Even under these scenarios, the group's liquidity is still expected to remain strong. 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, lower level of marketing spend and investment in maturing stock, as well as a temporary suspension or reduction in dividend to shareholders in the next 12 months, or drawdowns on committed facilities. Having considered the outcome of these assessments, the Directors are comfortable that the group (and 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 during the year. Diageo North America, Inc. made contributions solely at its own discretion to non-UK political candidates and committees in the United States, where it is common practice to do so. Contributions of approximately \$1.36 million (2024: \$1.1 million) were made by Diageo North America, Inc. during the financial year to state and local candidates and committees, consistent with applicable laws. Additionally, our Australian based subsidiary made contributions, solely at its own discretion, totalling approximately \$0.09 million (2024: \$0.01 million).

The contributions in the United States reflect no endorsement of a particular political party, and contributions were made with the aim of promoting a better understanding of our business and our 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 company 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 (IFRS as issued by IASB).

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, IFRS issued by IASB 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 78-79 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, 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 a duly appointed and authorised committee of the Board of Directors on 13 August 2025.



**Julie Brown**  
Chair of the Audit Committee

# Ensuring *integrity* across the business

**Dear Shareholder**

I am pleased to present the Audit Committee's report for the year ended 30 June 2025, which describes how the Committee has carried out its responsibilities over the year.

The role of the Audit Committee is to monitor and review the integrity of financial information and external reporting, and to provide assurance to the Board that the company's internal controls and risk management processes, including its internal audit, controls, business integrity and compliance processes, are appropriate and regularly reviewed. The Audit Committee oversees the work of the external auditor, monitors its independence,

approves its remuneration and recommends its appointment. The Committee is also responsible for reviewing the company's principal and emerging risks, which it carried out over the course of the year through a series of risk reviews and deep dives.

During the year, the Committee has maintained its focus on areas of significant and particular importance. The Committee closely monitors the company's processes and functions with respect to internal audit, controls assurance, risk and business integrity with reports being issued at regular intervals over the year. The Committee reviews progress against annual plans and targets, including compliance and breach allegation investigation rates, internal audit findings, and work on controls assessment. Each principal risk is reviewed by the Committee on a regular basis over the year including, for example, Diageo's cyber security risk management processes, governance systems and capabilities, which are of key importance in light of continuously evolving risks in respect of cyber threats. Further information is provided on pages 98-101.

Having taken over as Chair of the Committee in August 2024, I have been pleased to find that the relationship between the Committee, management and the external auditors is transparent, open and constructive. I am sure that the Committee will continue to discharge its duties in an effective and diligent manner during fiscal 26.

**Julie Brown**  
Chair of the Audit Committee

**ROLE OF THE COMMITTEE**

- Monitors the integrity of the company's financial statements and formal statements relating to the company's financial performance.
- Considers whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides information necessary to assess the company's position and performance.
- Reviews the company's risk management and internal control framework, including effectiveness of internal audit.

[Read more on pages 98-101.](#)

**COMMITTEE MEMBERS**

- Julie Brown (Committee Chair)
- Melissa Bethell
- Karen Blackett CBE
- Valérie Chapoulaud-Floquet
- Susan Kilsby
- Ireena Vittal

As at the end of fiscal 25, the above directors were members of the Committee. As set out on page 105, the Board has moved to a more focused Committee structure in fiscal 26, which includes a reduced number of members on the Audit Committee.

[Read more on page 98.](#)

**PRINCIPAL AREAS OF FOCUS**

- Review of financial and non-financial reporting.
- Supervising the group's internal audit, risk and controls functions and processes including in respect of viability.
- Selection and oversight of external auditors, and review of audit quality.
- Review of the group's systems of financial reporting and accounting issues.
- Oversight of the group's regulatory compliance, business integrity and whistleblowing mechanisms.

[Read more on page 101.](#)





AUDIT COMMITTEE REPORT *continued*

**Significant issues and judgements**

Significant issues and judgements that were considered in respect of the fiscal 25 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. Refer to note 3 of the Financial Statements.	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 and investment in associates, was supportable.  Refer to notes 6, 9, 10 and 13 of the Financial Statements.	The Audit Committee reviewed the methodology applied in conducting impairment reviews and the result of management's impairment assessments that were performed during the year. The Committee was provided with information about the carrying amounts and the key assumptions incorporated in management's estimate of discounted cash flows of significant assets that are sensitive to key assumptions. 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 and conclusions, whereby investment in Distill Ventures companies, Aviation American Gin and other various brands and related tangible fixed assets and inventory have been impaired. The intangible asset impairment charge and accelerated depreciation related to the fixed assets are included in the total exceptional operating charge of \$970 million. 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. Refer to page 67 of 'Our principal risks and risk management' and note 7 of the Financial Statements.	The Audit Committee agreed that the 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. Refer to note 14 of the Financial Statements.	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. Refer to note 19 of the Financial Statements.	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.
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.
The impact of climate change on the group's financial reporting and financial statements. Refer to pages 46-57 and note 1 and note 9 of the Financial Statements.	The Audit Committee agreed that the disclosures on pages 46-57 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.

**CYBER SECURITY RISK MANAGEMENT**

As Diageo becomes more connected and digitally enabled, we recognise the growing risks from increasingly sophisticated cyber threats. Cyber security is aligned to our group risk framework and is central to our principal risk area of 'Cyber and IT resilience'.

We continue to strengthen how we protect our systems, data and brands through governance, employee awareness and regular assessments. Our approach includes working to keep pace with global regulatory changes, such as the EU's Network and Information Security Directive 2 (NIS2), where we are enhancing our incident response, supplier oversight and risk reporting processes to meet evolving expectations.

Cyber security remains key to safeguarding our most valuable assets and ensuring trust in our products, services and operations worldwide.

We align our cyber security practices with recognised industry standards to help us respond effectively to threats and incidents across our global operations. In today's environment, we are seeing increased risks from social engineering attacks and vulnerabilities in cloud infrastructure. A key area of focus is strengthening third-party risk management. We continue to work closely with our vendors and suppliers to ensure they meet our security expectations, including safeguards for systems, data and recovery capabilities, helping to build greater resilience across our end-to-end supply chain.

Our cyber security framework operates consistently across all regions and functions, enabling us to assess risks, respond quickly to threats and implement appropriate countermeasures. We are enhancing and clarifying existing protocols for escalating material cyber incidents to senior management and the Board.

In line with evolving regulatory requirements, we are progressing a structured programme to align with NIS2, focusing on governance, incident response and third-party risk obligations across our operations in Europe and globally.

We regularly engage independent cyber security experts to benchmark our capabilities and test the resilience of our systems. Alongside this, all employees and certain contractors are required to complete cyber training, with additional targeted education to address specific roles, risks and evolving threat scenarios.

The Board retains overall responsibility for risk management, including cyber security, with oversight delegated to the Audit Committee. The Audit Committee reviews management's actions with the aim of ensuring that robust processes are in place to identify, assess and manage cyber risks, and that appropriate measures are taken to mitigate potential incidents across the business.

Under our protocols, material cyber risks would be escalated by the Audit Committee to the Board, while day-to-day responsibility lies with management. Our cyber programmes are led by our Chief Information Security Officer (CISO), supported by a team of experienced industry professionals. Together, they oversee the continuous monitoring of emerging cyber trends and vulnerabilities, actions taken to prevent, respond to and mitigate potential cyber threats across the business.

Management, including the CISO and cyber security team, provides regular updates to the Audit Committee, including formal reporting twice a year. These reports cover key developments, programme assessments, risk trends and mitigation strategies aligned to our risk appetite.

In fiscal 25, we did not identify any cyber threats that materially affected, or are reasonably likely to materially affect, our strategy, operations or financial condition. However, we acknowledge that no system is immune, and undetected incidents remain a possibility. For more information, please see the section on 'Our Principal Risks and Risk Management' on pages 63-71.



NOMINATION COMMITTEE REPORT *continued*

**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 executive and non-executive directors and other appointments to the Board;
- the design and conduct of the annual review of Board, Committee and individual director effectiveness and performance, 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 2025;
- consideration and recommendation to the Board of proposed changes in directors' outside interests, status as to independence and any potential conflicts of interest;
- the approval of the adoption of guidelines in relation to Diageo's procedures for appointing employees to boards of its listed subsidiaries;
- consideration and recommendation to the Board of proposed changes in Board committee composition and membership, taking effect from the start of fiscal 26; and
- a review of the succession plans for Executive Committee roles, including potential candidates for such roles, their backgrounds and experience.

**Board evaluation**

As part of the annual Board evaluation, all members of the Nomination Committee participated in an internal evaluation of the Committee. Feedback indicated that the Committee was effective and that directors were satisfied with its performance, and that it had been efficient in managing key executive and non-executive role succession during the year. Further details of the evaluation can be found on pages 91-92.

**Induction and training**

Our customary induction processes for newly appointed directors include individual meetings with Executive Committee members and other senior executives, visits to the company's production facilities and offices including the company's head office in London and the group's spirits production facilities, scotch brand homes, visitor centres and archives in Scotland. This is supplemented by documents, materials and information, including corporate governance guidance materials, the Code of Business Conduct and other relevant policy documents, historical Board and Committee papers, recent results announcements and materials, investor relations reports, performance data and a wide range of other internal and external reports, presentations and analyses.

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 committee meetings. In addition, Executive Committee members and other senior executives are invited, as appropriate, to Board and strategy meetings to give presentations on their areas of responsibility. All directors are also provided with 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.

**Diversity**

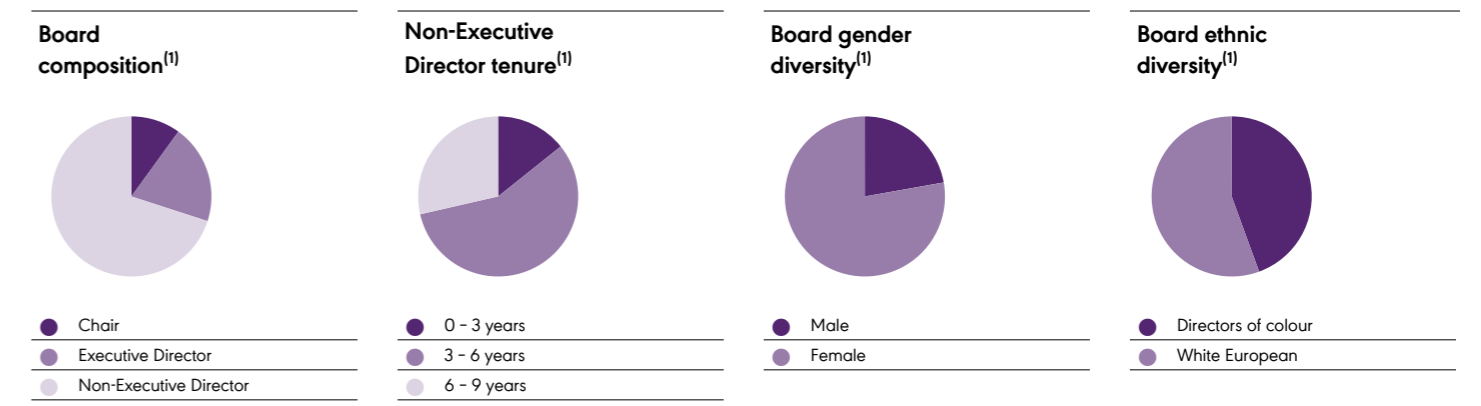
The Board has a long-standing view that it benefits from having an independent, broad and diverse membership. The Board supports the recommendations of the FTSE Women Leaders Review (previously the Hampton-Alexander Review) on gender diversity and the Parker Review on ethnic diversity. The Board's approach to inclusion and diversity includes objectively considering candidates for Board and Executive Committee roles from multiple perspectives, including on the basis of their skill set, experience, expertise, knowledge, gender, cultural and geographical backgrounds, ethnicity and age. 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 the diversity targets set out in the Board Diversity Policy and by the FCA in the UK Listing Rules have 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 ethnic minority backgrounds and other under-represented groups. As at 30 June 2025, the percentage of women on the Executive Committee and their direct reports is 47%.

**Board and Executive Committee reporting on gender identity or sex**

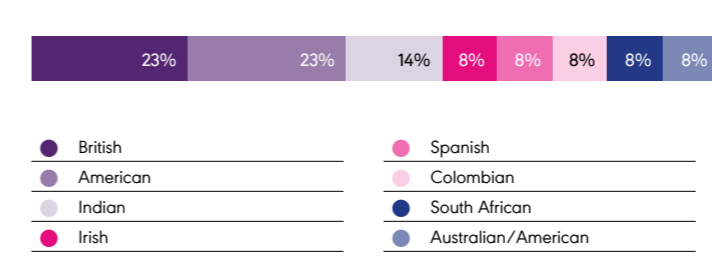
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	2	22.2%	2	8	61.5%
Women	7	77.8%	2	5	38.5%
Not specified/prefer not to say	-	-	-	-	-

**Board and Executive Committee reporting on ethnic background**

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	5	55.6%	3	7	53.8%
Mixed/Multiple Ethnic Groups	-	-	-	1	7.7%
Asian/Asian British	3	33.3%	1	3	23.1%
Black/African/Caribbean/Black British	1	11.1%	-	-	-
Other ethnic group, including Arab	-	-	-	2	15.4%
Not specified/prefer not to say	-	-	-	-	-



**Executive committee nationality<sup>(1)</sup>**



**Board diversity data**

- Directors are defined as all non-executive and executive directors appointed to the Board. Board diversity related data are collated directly from each director annually using a questionnaire and are given on a self-identifying basis.
- 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'.<sup>(1)</sup>

(1) Graphs and data above are as at 30 June 2025































































































































