


Meeting Date:	Thu, 18 Sep 2014 14:30pm	Type:	AGM	Issue date:	Fri, 05 Sep 2014
Meeting Location:	The Mermaid Conference & Events Centre, Puddle Dock, Blackfriars, London EC4V 3DB				
Current Indices:	FTSE EuroFirst FTSE 100				
Sector:	Distillers & Vintners				

PROPOSALS	ADVICE
<p>1 Receive the Annual Report The Strategic Report is considered acceptable. The objectives for the Company are clearly stated and an adequate group-wide environmental policy has been published and some quantitative data is provided. A breakdown of gender is provided at Board, senior management and on an organisational level.</p>	For
<p>2 Approve the Remuneration Report Rewards made to the Executive Directors for the year are considered excessive in comparison with their base salaries. The CEO variable pay is over three times his base salary. Also, the CEO realised pay over the last five years is not commensurate with financial performance of the Company and the rewarded pay is considered excessive. All elements of each director's cash remuneration are disclosed. Pension contributions and entitlements are also stated. All share incentive awards are provided with award dates, however, market prices at the date of grant are not provided. Rating: D Based on the excessive awards during the year, Triodos opposes this resolution.</p>	Oppose
<p>3 Approve Remuneration Policy Disclosure is considered acceptable. The Company will operate one long term incentive scheme, the Diageo Long Term Incentive Plan (DLIP). Simplification of remuneration structure is welcomed. Awards vest subject to four different performance metrics which work independently of each other. These conditions should operate concurrently i.e. both threshold targets must be met for any awards to vest. It is considered best practice to include a non-financial performance measure, which has not been the case for the DLTIP. At three years the performance period is not considered sufficiently long term. It is noted the Committee is proposing a two-year holding period for vesting awards. The Executive Directors' total potential rewards under all incentive schemes are considered to be excessive as they may amount to 700% of base salary. The ratio of CEO pay to employee average pay is not disclosed, however it has been estimated and it is also considered excessive (34 to 1). Directors are required to build and retain an appropriate shareholding in the Company, however the 5-year time-frame is not considered adequate as best practice recommends three years. Schemes are not available to enable all employees to benefit from business success without subscription. The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers. This is considered an inappropriate practice as it undermines the rationale behind the remuneration policy to retain Executive Directors. Upside discretion may be used while determining severance. Vesting of awards may be accelerated at the date of cessation. Clawback and malus provisions are in place for the bonus and DLTIP awards. Mitigation arrangements also exist. Rating: BDD Based on the excessive potential awards available, Triodos does not support this resolution.</p>	Oppose
<p>4 Approve the dividend The Board proposes a final dividend of 32p per share, making a total dividend for the year 51.7p per share. The dividend is covered by earnings.</p>	For
<p>5 Re-elect PB Bruzelius Independent Non-Executive Director. There are concerns over her aggregate time commitments.</p>	Abstain

6	Re-elect LM Danon Independent Non-Executive Director.	For
7	Re-elect Lord Davies Senior Independent Director. Considered independent.	For
8	Re-elect Ho KwonPing Independent Non-Executive Director.	For
9	Re-elect BD Holden Independent Non-Executive Director.	For
10	Re-elect Dr FB Humer Incumbent Chairman. Independent on appointment. He is Chairman of the Nomination Committee, which has not adhered to the Davies recommendation of setting a target for female Board representation by 2015. However, the Company states it remains the Board's aspiration to maintain a high level of gender diversity, within the Boardroom, appropriate to and reflecting the global nature of the company and the strategic imperatives the Board has agreed upon. There are five women on the Board, representing 45.5% of the directors. Support is recommended.	For
11	Re-elect D Mahlan Chief Financial Officer. 12 months rolling contract.	For
12	Re-elect I Menezes Chief Executive. 12 months rolling contract.	For
13	Re-elect PG Scott Independent Non-Executive Director.	For
14	Elect NS Mendelsohn Independent Non-Executive Director.	For
15	Elect AJH Stewart Independent Non-Executive Director.	For
16	Appoint the auditors: KPMG LLP Non-audit fees represented 17.54% of the audit fees during the year and 43.52% on a three year aggregate basis. This level raises significant concerns over the Auditor's independence. The auditor has been in place for more than ten years. Triodos opposes this resolution.	Oppose
17	Allow the board to determine the auditors remuneration Standard proposal.	For
18	Issue shares with pre-emption rights The authority is limited to 33% of the share capital. This is in line with normal market practice and expires at the next AGM. Acceptable proposal.	For
19*	Issue shares for cash The authority is limited to 5% of the share capital. This is in line with normal market practice and expires at the next AGM. Acceptable proposal.	For
20*	Authorise Share Repurchase The authority is limited to 10% of the share capital. This is in line with normal market practice and expires at the next AGM. Acceptable proposal.	For
21	Approve Political Donations Proposal to make political donations to political parties and/or independent election candidates, political organisations other than political parties, and to incur political expenditure up to a total of to £100,000. The aggregate total is within recommended limits and the authority expires at the next AGM. However, the group made contributions to (non-EU) political parties totalling £0.4 million during the year. Triodos does not support donations for political events and specific political parties as such contributions could be viewed as encouraging preferential treatment and interfering with the democratic process.	Oppose

22 Approve new long term incentive plan**Oppose**

The DLTIP is proposed to replace the existing Diageo 2008 Performance Share Plan (PSP) and the Diageo 2008 Senior Executive Share Option Plan (SESOP). The scheme expires in 10 years. The amount of awards that may be granted under the scheme shall not exceed 10% of the Company's issued ordinary share capital. Awards will take form of performance share awards or market price share options (valued at one-third of a performance share). The grants are individually capped at 500% of base salary. Awards are subject to a performance period of three years.

Disclosure is acceptable. Awards vest subject to multiple performance conditions, however, these do not run concurrently as best practice recommends. Also, no non-financial measure is used. The performance period of three years is not considered sufficiently long term.

The DLTIP awards are considered excessive particularly when aggregated with other variable schemes and can lead to generous payouts. Dividend equivalents may be accrued on share awards from the date of grant, on vesting awards. This policy is not considered in line with shareholders best interests. It is noted there are malus provisions for awards made under the plan. Vesting of awards may be accelerated in the event of cessation of employment (and they usually will in the event of a takeover), which is considered inappropriate as executives may be rewarded for performance not obtained. The Directors have the ability to amend or waive any performance conditions without shareholders approval. Such a high level of discretion negates the purpose of safeguards.

Rating: DB

Based on the potentially excessive awards, Triodos opposes this resolution.

*** = Special resolution**

Supporting Information for Resolutions

Proposal 10 - It is noted Diageo PLC received the Opportunity Now Female FTSE100 award, given to FTSE100 companies with the highest female representation on the Board.

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