1. **Receive the Annual Report**

Strategic report meets guidelines. Adequate employment and environmental policies are in place and relevant, up-to-date, quantified, environmental reporting is disclosed. The Company also disclosed the proportion of women on the Board, in Executive Management positions and within the whole organisation.

Triodos supports this resolution.

2. **Approve the Remuneration Report**

Overall disclosure is in line with best practice. The increase in CEO salary (+2%) is in line with the average salary increase for US and UK workforce (+4%). The average change in CEO pay over the last five years is considered in line with the Company’s TSR performance over the same period. The variable pay of the CEO for the year under review is not deemed excessive at 136.6% of his salary. However, the current maximum award opportunity under the DLTIP for the CEO, based on awards made during the year, is £9,155,906 (USD 11,628,000), which represent 750% of his salary and is considered highly excessive. Also, the ratio between the CEO pay and the average employee pay has been estimated and is found inappropriate at 68:1. Finally, the CEO's salary is considered to be the highest among its peer group.

Rating: AC.

Triodos abstains this resolution.

3. **Approve Remuneration Policy**

The proposed changes to the remuneration policy are considered positive (see supporting information below) but insufficient to support the proposal. The reduction in the maximum cap for pension contributions is welcomed but not sufficient. It is considered that the CEO should have reduced further its pensions entitlements (down to 30% of salary from 40%) to align the policy level (20% of salary). More importantly there are major concerns over the excessiveness of the variable pay for the Executive Directors as the CEO’s maximum potential award under all the incentive schemes is 1075% of his salary. There is no deferral requirement for the annual bonus which is contrary to best practice. Also, the Company can award both options and performance shares under the Diageo Long Term Incentive Plan (DLTIP) which is not supported as it adds unnecessary complexity to the remuneration structure. The three-year performance period for the DLTIP is not considered properly long-term, even though the two year holding period is welcomed. The DLTIP performance conditions do not operate interdependently and are not linked to any non-financial metric. The payment of dividend equivalents on vested shares is also not supported. Finally, the discretion given to the Committee to dis-apply time pro-rating on outstanding DLTIP awards for good leavers or in case of termination upon a change of control is considered inappropriate.

Rating: AEB.

Triodos opposes this resolution.

4. **Approve the Dividend**

A final dividend of 38.5 pence per share is proposed, which brings the total dividend for the year under review to 62.2 pence per share. This payment is covered by earnings.

For

5. **To re-elect PB Bruzelius**

Independent Non-Executive Director.

For
To re-elect Lord Davies
Senior Independent Director. Considered independent.
For

To re-elect J Ferrán
Chairman. Independent upon appointment.
For

To re-elect Ho KwonPing
Independent Non-Executive Director.
For

To re-elect BD Holden
Independent Non-Executive Director.
For

To re-elect NS Mendelsohn
Independent Non-Executive Director.
For

To re-elect IM Menezes
Chief Executive Officer. 12 months rolling contract.
For

To re-elect KA Mikells
Chief Financial Officer. 12 months rolling contract.
For

To re-elect AJH Stewart
Independent Non-Executive Director.
For

To re-appoint the Auditors: PricewaterhouseCoopers LLP
PwC proposed. Non-audit fees represented 24.56% of audit fees during the year under review and
20.8% on a two-year aggregate basis. This level of non-audit fees does not raise serious concerns
about the independence of the statutory auditor.
For

Allow the Board to Determine the Auditor’s Remuneration
Standard proposal.
For

Issue Shares with Pre-emption Rights
The authority is limited to one third of the Company’s issued share capital and expires at the next
AGM. Within acceptable limits.
For

Issue Shares for Cash
Authority is limited to 5% of the Company’s issued share capital and will expire at the next AGM.
Within acceptable limits.
For

Authorise Share Repurchase
The authority is limited to 10% of the Company’s issued share capital and will expire at the next AGM.
This resolution will not be supported unless the Board has set forth a clear, cogent and compelling
case demonstrating how the authority would benefit long-term shareholders. As no clear justification
was provided by the Board, Triodos opposes this resolution.
Oppose

Approve Political Donations
Although the aggregate limit sought (£100,000) is within acceptable limits, the company has made
donations in North America which are deemed to be political during the year. The Group made
political donations of £400,000 to federal and state candidates and committees in North America.
This raises concerns about the potential political donation which could be made by the Company
under this authority.
Triodos considers political donations as an inappropriate use of shareholder funds.
Oppose

Approve the Diageo plc 2017 Share Value Plan
Shareholders are being asked to approve the Diageo plc 2017 Share Value Plan. The Plan provides
a tax efficient method of saving for employees in the USA combined with an option to buy American
Depositary Shares (‘ADS’) representing Ordinary Shares in the company. The basis of entitlement
of each participant shall be the same. Once participants have elected the total annual amount they
wish to save, funds are collected on a monthly basis through payroll for one year, following the end
of which the trustee of the Plan acquires ADSs on behalf of the participants. Employees of Diageo
North America Inc. and other subsidiaries of Diageo in the USA as selected by the Board from time
to time will be eligible to participate in the Plan. It is proposed that the first grant of options will be
made in 2017. The current limit under the Plan is US$25,000 per annum, determined at the time of
grant.
The proposed limit is considered acceptable. As the proposed plan is open to all US employees on
an equal basis and has a strong participation rate, a vote in favour is recommended.
For
SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Approve Remuneration Policy
The Company is proposing minor changes to the remuneration policy at the 2017 AGM:
- Reduction of maximum company pension contribution from 30% to 20% of salary for new hires; and
- increase to the Chief Executive’s shareholding requirement from 300% to 500% of salary, and for the Chief Financial Officer from 250% to 400% of salary, with a restriction on selling shares of 50% of the executive’s vested long-term incentive awards until the shareholding requirement is met.

Proposal 18 - Authorise Share Repurchase
The Board has approved a share buyback programme to return up to £1,500,000,000 to shareholders in the year to 30 June 2018. Share repurchase is not considered as an acceptable way of returning capital to shareholders.

Proposal 20 - Approve the Diageo plc 2017 Share Value Plan
The Plan replaces the current plan which expires on 16 October 2017 but without substantive changes to the terms or application of the existing plan. No options may be granted more than ten years after the Plan is approved by shareholders.
The subscription price of ADSs purchased on exercise of options under the Plan will be not less than 85% of the closing price for such ADSs as reported on the New York Stock Exchange on the dealing day immediately before the date of grant of options.