

MEETING DATE	Thu, 19 Sep 2019 14:30	TYPE	AGM	ISSUE DATE	Wed, 04 Sep 2019
MEETING LOCATION	St. Paul's, 200 Aldersgate, London EC1A 4HD				
CURRENT INDICES	FTSE 100, FTSE EuroFirst				
SECTOR	Distillers & Vintners				

PROPOSALS		ADVICE
1	<p>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.</p>	For
2	<p>Approve the Remuneration Report Disclosure: All elements of the Single Total Remuneration Table are adequately disclosed. The increase in CEO salary (+2%) is in line with the average salary increase for US and UK workforce (+3%). As a Company which is operating on a global scale, PIRC would prefer to see disclosure of salary movements across all employees and not just the US and UK. The CEO's salary is in the upper quartile of the Company's comparator group. This raises concerns over potential excessiveness of variable incentive schemes as the base salary determines the overall quantum on the remuneration structure. Balance: The balance of CEO realized pay with financial performance is not considered acceptable as the change in CEO total pay over the last five years is not aligned to the change in TSR over the same period. Over the five-year period average annual increase in CEO pay has been approximately 35.18% whereas, on average, TSR has increased by 17.18%. Total realized rewards under all incentive schemes amounted to 796.46% of base salary (Annual Bonus: 122.26% - LTIP: 299.2% and DLTIP award: 374.7 %) which is considered highly excessive. CEO pay compared to average employee pay stands at 60:1, which is not considered to be appropriate. Rating: AE Triodos opposes this resolution.</p>	Oppose
3	<p>Approve the Dividend A final dividend of GBP12.17 pence per share is proposed. This payment is covered by earnings.</p>	For
4	<p>Elect Debra Crew Independent Non-Executive Director.</p>	For
5	<p>Re-elect Lord Davies Senior Independent Director. Considered independent.</p>	For
6	<p>Re-elect Javier Ferran Chair. Independent upon appointment.</p>	For
7	<p>Re-elect Susan Kilsby Independent Non-Executive Director. Although there are concerns over potential aggregate time commitments, this director has attended all Board and committee meetings during the year under review. On balance, support is recommended.</p>	For
8	<p>Re-elect Ho KwonPing Independent Non-Executive Director.</p>	For
9	<p>Re-elect Nicola Mendelsohn Independent Non-Executive Director.</p>	For
10	<p>Re-elect Ivan Menezes Chief Executive.</p>	For

- | | | |
|------------|---|---------------|
| 11 | Re-elect Kathryn Mikells
Executive Director. Acceptable service contract provisions. | For |
| 12 | Re-elect Alan Stewart
Independent Non-Executive Director. | For |
| 13 | Appoint the Auditors
PwC proposed. Non-audit fees represented 2.78% of audit fees during the year under review and 12.32% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. Support is recommended. | For |
| 14 | Allow the Board to Determine the Auditor's Remuneration
Standard proposal. | For |
| 15 | Approve Political Donations
The proposed authority is subject to an overall aggregate limit on political donations and expenditure of GBP 100,000 which is within recommended limits. However, it is noted that the Group made political donations of GBP 380,000 state candidate committees, state political parties and federal leadership committees in North America. This raises concerns about the potential political donation which could be made by the Company under this authority.
Triodos opposes this resolution. | Oppose |
| 16 | Issue Shares with Pre-emption Rights
The authority is limited to 33% of the Company's issued share capital and expires at the next AGM. Within acceptable limits. | For |
| 17 | Approve Irish Sharesave Scheme
It is proposed to Approve the Diageo 2019 Irish Sharesave Scheme. The scheme is an all employee saving-related share option scheme in which participants must be an employee or Director of the Company or a participating subsidiary who is tax resident in Ireland and who is an employee or full time director. The Board has a discretion to nominate employees who do not satisfy the above conditions to participate in the Scheme and can also decide which subsidiaries participate. In addition, the Board at any time can invite all eligible employees to apply for options. No option can be granted after ten years from the date of the approval of the scheme by the shareholders. The eligible employee who apply for an option should enter into a savings contract with a qualifying institution for a period of three or five years. Under this contract, the employee will agree to make monthly savings contributions of a fixed amount which is set by the Board (which may not exceed the statutory maximum (currently, GBP 500 per month)). Ordinary shares may only be acquired under the Scheme on the exercise of the option using the payment under this contract. The Board shall determine the price payable for each Share under option, provided that the price shall not be less than the higher of: 80% of the middle-market quotation for a Share in the Daily Official List of the London Stock Exchange and the nominal value of a Share, if the option relates to new ordinary shares. The number of the company's unissued ordinary shares that may be issued or placed under option or award in any period of ten years under the company's employee share schemes may not exceed such number of ordinary shares as represents 10% of the company's ordinary share capital in issue from time to time. An option may not normally be exercised until the option holder has completed their three-year or five-year savings contract and then not more than six months thereafter. Special provisions allow early exercise in the case of death, injury, disability, redundancy, and retirement. The dilution limit is in line with best practice.
Triodos supports this resolution. | For |
| 18* | 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 |
| 19* | 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 |

20* Meeting Notification-related Proposal

All companies should aim to provide at least 20 working days notice for general meetings in order to give shareholders sufficient time to consider what are often complex issues. Although the proposed change is permissible by the Companies Act, Triodos does not support this resolution.

Oppose

21* Adopt New Articles of Association

This proposal is considered to be a technical item in order to publish a new version of the Articles, including the proposed amendments.

Triodos supports this resolution.

For

** = Special resolution*

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 20 - Meeting Notification-related Proposal

The proposed resolution reflects the implementation of the EU Shareholder Rights Directive into English law, which took place on 3 August 2009 as implemented by the company in its Articles of Association. Under the regulations, the minimum notice period for general meetings (other than Annual General Meetings) will increase to 21 days unless shareholders agree on a shorter notice period, in which case it may be 14 days. Shareholder approval is sought to call general meetings on 14 clear days notice.

For Private Circulation only

©Copyright 2019 PIRC Ltd

Researcher: Menelaous Paloumpis
Email: pircresearch@pirc.co.uk

Information is believed to be correct but cannot be guaranteed. Opinions and recommendations constitute our judgement as of this date and are subject to change without notice. The document is not intended as an offer, solicitation or advice to buy or sell securities. Clients of Pensions & Investment Research Consultants Ltd may have a position or engage in transaction in any of the securities mentioned.



Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
<http://www.pirc.co.uk>

Regulated by the Financial Conduct Authority