

**Diageo plc
Nomination Committee Terms of Reference**

Membership

1. The committee's membership shall comprise a majority of the independent non-executive directors, together with the chair of the board, it being recognised that current practice is that all independent non-executive directors are appointed to the committee.
2. The committee and its chair shall be appointed by the board on the recommendation of the committee. Appointments to the committee shall:
 - a) be for a period of up to three years (extendable by two additional three-year periods); and
 - b) unless otherwise agreed by the board, be co-terminus with their respective terms of appointment as a director on the board,provided in each case that the appointee still meets the criteria for membership of the committee.
3. The board shall appoint the chair of the committee, who shall either be the chair of the board or an independent non-executive director with recent and relevant experience. In the absence of the committee chair or an appointed deputy, the remaining members present at the meeting shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the board. The chair of the committee shall not chair the committee when it is dealing with the appointment of his/her successor. The board has elected the chair of the board to be chair of the committee until further notice and the senior independent director shall be chair of the committee when it is dealing with the matter of succession to the chair.
4. The chair of the committee shall review membership of the committee annually, as part of the annual performance evaluation of the committee.

Quorum

5. The quorum necessary for the transaction of business shall be at least three members including the chair.

Attendance at meetings

6. Only members of the committee have the right to attend committee meetings, however the CEO, chief human resources officer and other individuals may attend meetings if invited by the committee.

Frequency of meetings

7. Meetings of the committee shall be held not less than twice per year.

Secretary

8. The company secretary or the deputy company secretary shall be secretary of the committee.
9. The secretary of the committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and shall minute them accordingly.

Notice of meetings

10. Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members.
11. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with the agenda and copies of all committee papers shall be sent to all members of the committee, and to other attendees as appropriate, at least five working days before the meeting.

Minutes of meetings

12. The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.
13. Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the board and the company secretary unless, exceptionally, it would be inappropriate to do so.

Authority

14. The committee is authorised by the board to:
 - a) carry out all duties set out in these terms of reference;
 - b) seek any information it requires from any employee of the company in order to perform its duties;
 - c) obtain, at the company's expense, independent legal or other professional advice in connection with its duties, including advice from an external board evaluator (and such advisers may be invited to attend meetings as necessary);
 - d) incur any expenditure it considers appropriate in connection with the above (the company to make available the necessary funds); and
 - e) delegate its powers in relation to particular matters to a sub-committee, determine its membership, terms of reference and the extent of its delegated powers.

Responsibilities

15. The responsibilities of the committee shall be to:
 - a) ensure that there is a formal, rigorous and transparent procedure for appointments to the board;
 - b) be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise and consider proposals for the reappointment or promotion of directors and any proposal for their dismissal, retirement, non-re-appointment or any substantial change in their duties or responsibilities or the term of their appointment;
 - c) regularly review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the board and its committees, taking account of the company's strategic priorities and the matters affecting the company in paragraph 16(i) below, and make recommendations to the board with regard to any changes;
 - d) give detailed consideration to succession planning and oversee the development of a diverse pipeline for succession for directors and members of the executive committee of the company (senior management), in each case based on merit and objective criteria in the course of its work, taking into account:
 - (i) the challenges and opportunities facing the company;
 - (ii) the skills and expertise which are therefore needed on the board in the future;
 - (iii) the length of service of the board as a whole; and
 - (iv) the need for board membership to be regularly refreshed;
 - e) before making an appointment, evaluate the balance of skills, knowledge, experience and diversity of the board and the future challenges affecting the company, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment, including the time commitment expected. The committee shall set the process to identify and interview suitable candidates and in so doing, the committee shall:
 - (i) use such methods as it deems appropriate, including the use of open advertising or the services of external advisers to facilitate the search;

- (ii) consider candidates from diverse backgrounds; and
 - (iii) consider candidates on merit, against objective criteria and with due regard for promoting the benefits of diversity on the board, including of gender, social and ethnic backgrounds, and cognitive and personal strengths, taking care that appointees have enough time available to fulfil their duties;
- f) before making an appointment, ensure that a prospective director discloses:
- (i) any other significant time commitments; and
 - (ii) any other business interests that may result in a conflict of interest,
- and the committee shall ensure that any potential conflict of interest issues in respect of a prospective director are approved by the board prior to making an appointment;
- g) on an ongoing basis, report any potential conflicts of interest or time commitment issues to the board. A director must not undertake any additional time commitments or pursue business interests which may lead to a conflict of interest without the prior approval of the board;
- h) so far as is practicable, arrange for the chair of the board and as many of the directors as possible to have the opportunity to meet potential external appointees before their appointment is formally proposed at a board meeting;
- i) keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace and keep up to date and fully informed about the strategic and commercial issues and priorities and main trends and factors affecting the long-term success and future viability of the company and the market in which it operates;
- j) set measurable objectives for diversity and inclusion in relation to the board and senior management positions, including a regular refresh of its policy on diversity and inclusion on the board and in senior management and regularly review the gender balance of those in senior management and their direct reports to meet those objectives;
- k) for the appointment of the chair, prepare a job specification, including the time commitment expected from them. A proposed chair's other significant commitments should be disclosed to the board before appointment and any changes to the chair's commitments should be reported to the board as they arise;
- l) review on appointment and annually thereafter the time required from non-executive directors and the performance of the non-executive directors to assess whether they are spending enough time to fulfil their duties and keep under review the number of external appointments held by each director;
- m) work and liaise with other board committees, as appropriate, including the remuneration committee in respect of any remuneration package to be offered to any new appointee of the board. The committee shall ensure that its interaction with other board committees and with the board itself is reviewed regularly;
- n) ensure that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings;
- o) ensure that all new directors undertake an appropriate induction programme to ensure that they are fully informed about the company's main areas of business activity, including those involving financial risk, and the strategic priorities and commercial issues affecting the company and the markets in which it operates as well as their duties and responsibilities as a director. The committee shall also consider any training requirements for the board as a whole;

- p) assist the chair of the board and the senior independent director with the implementation of an objective and rigorous annual evaluation process to assess the performance and effectiveness of the board, its committees, the chair and each individual director, including consideration of balance of skills, experience, independence and knowledge of the company, its diversity, how the board works together as a unit, and other factors relevant to the board's effectiveness;
 - q) review the results of the board performance evaluation process that relate to the composition of the board, its diversity, succession planning and how effectively the members of the board work together to achieve objectives; and
 - r) in conjunction with the human resources department, set diversity objectives and strategies for the company as a whole and monitor the impact and outcome of diversity initiatives.
16. The committee shall also make recommendations to the board concerning:
- a) the chair of the board, having assessed whether the present incumbent shall continue in post, taking into account the need for continuity versus freshness of approach;
 - b) suitable candidates for the role of senior independent director;
 - c) membership of the audit and remuneration committees, in consultation with the respective chairs of those committees;
 - d) formulating succession plans for both executive and non-executive directors and in particular for the key roles of chair of the board, CEO and CFO;
 - e) the re-appointment of any non-executive director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the board and the company's long-term sustainable success, in light of the knowledge, skills and experience required and the length of service of the board as a whole and its membership being regularly refreshed;
 - f) the re-election by shareholders of any director under the 'retirement by rotation' provisions in the company's articles of association, having regard to their performance and commitment to the role and their contribution to the company's long-term sustainable success;
 - g) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company subject to applicable law and their service contract;
 - h) the appointment of any director to executive or other office other than to the positions of board chair and CEO, the recommendation for which would be considered at a meeting of the full board;
 - i) any matter that it deems appropriate in relation to any area within its remit where action or improvement is needed, allowing adequate time for board discussion where necessary; and
 - j) any other matter that the board deems appropriate.

Reporting Procedures

17. The committee chair shall report formally to the board on all significant matters considered by the committee and how the committee has discharged its duties and responsibilities and shall, if requested by any member of the committee or of the board, report to the board on any other specific matter considered by the committee at any meeting. The secretary shall circulate the minutes of meetings of the committee to all members of the board except where the committee determines it to be inappropriate to do so for reasons of confidentiality.
18. The committee shall produce a report to be included in the company's annual report describing its work, including:
 - a) its activities, the membership of the committee, number of meetings and attendance over the course of the year;
 - b) the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
 - c) the gender balance of those in the senior management and their direct reports;
 - d) a description of the board's policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives;
 - e) an explanation of how board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and its influence on board composition;
 - f) the identity of any external evaluator that has been engaged, together with a statement about any other connection it has with the company or individual directors; and
 - g) the identity of any external search consultancy that has been engaged, together with a statement about any other connection it has with the company or individual directors.
19. The committee shall ensure that, through the chair of the board, the company maintains contact and the committee chair seeks engagement, as required, with the company's major shareholders on significant matters related to the committee's areas of responsibility.
20. The chair of the committee shall attend the AGM prepared to respond to any questions which may be raised by shareholders on matters within the committee's area of responsibility.

General matters

21. The committee shall:
 - a) have access to sufficient resources to carry out its duties, including access to the company secretary and deputy company secretary for advice and assistance as required;
 - b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - c) give due consideration to all relevant laws and regulations, including in particular the directors' duties pursuant to the Companies Act 2006, the provisions of the UK Corporate Governance Code and the requirements of the UK Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate; and
 - d) arrange for periodic reviews of its own performance and regularly review (at least annually) its constitution and terms of reference in the context of the emerging governance and regulatory landscape to ensure it is operating at maximum effectiveness and recommend any changes necessary for board approval.

Approved by the Diageo plc board of directors on 23 April 2020