

DIAGEO SCOTLAND LIMITED

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.

The company is a member of the group of companies whose ultimate holding company is Diageo plc ("Diageo"). In accordance with the requirements of UK company law, Diageo has included in its 2020 annual report and accounts on page 5 a statement as to how the directors of Diageo have had regard to the matters set out in Section 172 of the Companies Act 2006.

In order to ensure consistency in how the group operates with regard to its wider stakeholders, the group has adopted an internal Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure, amongst other things, that all companies throughout the group, including the company, have regard to its wider stakeholders in a consistent manner.

The company has therefore had regard to the matters set out in Section 172 of the Act in a manner that is consistent with the approach adopted by Diageo, while at the same time ensuring the directors of the company are fulfilling their duties.

Main activities of the Board

The main activities of the Board during the year include:

- Approval of a capital injection into its subsidiary, Diageo Southern Africa Markets (Pty) Limited;
- Approval of the liquidation of the company's Representative Office in Ukraine;
- Approval of the financial statements and dividend for the financial year ended 30 June 2019;
- Adoption of subsidiary governance principles, delegation of authority to the company's executive management team and ratification of actions taken by the Crisis Management Team, regarding decision making during the Covid-19 pandemic;
- Review of updates in relation the Health and Safety Report and the impact of Covid-19 on the operations of the company, its suppliers, customers, employees and workforce; and
- Approval of amendments to the agreements relating to the company's intragroup supply and pricing agreements.

On behalf of Board

Richard Adam
Director
Lakeside Drive
Park Royal
London
NW10 7HQ

16 December 2020

Corporate governance statement

The company is a subsidiary of Diageo, a UK premium listed company that is subject to the UK Corporate Governance Code 2018 (the “Code”). In accordance with the UK Listing Rules, Diageo has issued a detailed corporate governance report describing how Diageo has applied the code’s main principles and highlighting non-compliance with any of the code’s provisions. That corporate governance report is available on Diageo’s website (<http://www.diageo.com>).

Given that Diageo applies the code throughout the group, its corporate governance report also describes corporate governance at subsidiary level. The code is applicable to the company in its capacity as a subsidiary of Diageo and as a member of the group.

As regards the application of the code by the company, it should be noted that the code contains to a substantial extent principles and provisions that are concerned with the listed parent company only. These relevant principles and provisions of the code are applied by Diageo on the above mentioned comply-or-explain basis. They relate, for instance, to the role of the Diageo board in engaging with shareholders; processes for board appointments, succession and evaluation; director remuneration; and the role of the board’s audit committee. Given the nature of the company, as a wholly owned subsidiary with no external shareholders, these elements of the code are not applicable and so were not applied by the company.

Other parts of the code can be seen to apply to the group as a whole. For instance, the code’s focus on promoting long-term sustainable success and contributing to society and the code’s requirement that workforce policies and practices are consistent with the company’s values.

Diageo has adopted a Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure that all companies throughout the group adhere to those elements of the code which are of relevance to the group as a whole. The directors of the company operate in line with these central standards and is responsible for their application within the company.

In addition, the company has adopted a set of subsidiary governance principles designed to enhance the robustness of its corporate governance procedures and practices. These principles include a formal delegation of authority to the company’s executive management team in respect of the day-to-day management of the company’s business and execution of its strategy. It is the practice of the company to ensure that the board includes members of the executive management team as well as other senior executives of the group.

On behalf of Board

Richard Adam
Director
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