

DIAGEO



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# ANNUAL GENERAL MEETING

## 28 SEPTEMBER 2020



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## IVAN MENEZES CHIEF EXECUTIVE

As referenced in the Chairman’s script, which is available to view at <https://www.diageo.com/en/investors/shareholder-centre/annual-general-meeting-agm/>, the health of our shareholders, employees and other stakeholders is of paramount importance to us. Therefore in light of the current outbreak of COVID-19, and given the need to have a safe and secure meeting, this Annual General Meeting is being held as a closed meeting in line with UK legislation on holding company meetings during the pandemic and our articles of association. Shareholders have been encouraged to submit their proxy votes prior to the meeting, and have been given the opportunity to ask questions of the Board via email to a dedicated e-mail address of [agm.2020@diageo.com](mailto:agm.2020@diageo.com).

Reflecting our ambition to be one of the best performing, most trusted and respected consumer products companies in the world

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Delivering through our six priorities with clear goals defined by our performance ambition

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### Four measures of our progress



Efficient growth



Value creation



Credibility and trust



Engaged people

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- When we reported our interim results in January, we had delivered a good, consistent performance in the first half of the year. In the second half, the outbreak of the Covid-19 pandemic created an exceptionally challenging operating environment which significantly impacted our performance.
- During the second half, our business showed considerable resilience and I am proud of our response. We acted quickly to support our communities and our customers. We stayed connected to our consumers and we responded to their changing needs.
- We took decisive action to protect our business. We reduced expenditure, conserved cash and raised additional liquidity. Our technology has given us the insights to continue investing effectively behind our brands and we are determined to emerge stronger.
- Before I review some of the actions we have taken and this year's results, I would like to thank all our people. They adapted quickly to this new environment, with energy and creativity and they have shown an unwavering commitment to supporting our consumers, trade partners and communities.
- 88% of employees surveyed in May felt that Diageo had supported them through the crisis and 90% felt we had adapted quickly to changing ways of working and doing business. These results show an agile and adaptable organisation, which will be key to our success as we emerge from this crisis.



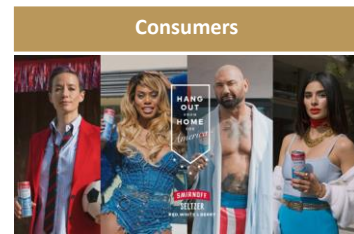
Communities

- Donated alcohol to make over **10 million bottles of hand sanitiser** in 20 countries
- Supported local charity and relief efforts with **donations** – drinking water, food parcels, masks and hygiene products
- Launched **‘Raising the Bar’** – our **\$100 million global programme** to support the on-trade recovery



Customers

- Took back **c.500,000 kegs** of Guinness from customers
- Provided **financial support packages** and **assistance** to bartenders and bar owners
- Raised money for the hospitality industry through **benefit concerts** and other **fund-raising programmes**
- Helped the bar professional community through **World Class** and **Diageo Bar Academy**



Consumers

- Used our **insights and technology** to connect with consumers and maintain brand relevance
- Pivoted to capture increased opportunities in the **at-home occasion**
- Responded to the rise in demand for **home delivery** – including ‘cocktails to go’
- Leveraged our **e-commerce** capabilities and accelerated investment

- We are proud of the actions we have taken to support our communities, customers and consumers around the world.
- At the outset of the pandemic, we donated alcohol to make more than ten million bottles of hand sanitiser for frontline healthcare workers in 20 countries. Across our regions, we supported local charity and relief efforts with donations, drinking water, food parcels, masks and hygiene products.
- Through our global recovery fund, ‘Raising the Bar’, we are providing \$100 million to help pubs and bars recover from Covid-19 in major global hospitality centres. This will support jobs and communities around the world.
- Across the UK, US and Ireland, we made the decision to take back around 500,000 kegs of Guinness from our customers, reinforcing our extraordinary commitment to quality. In many markets, we provided financial support packages for bartenders, as well as helplines and training for bar owners affected by closures.
- Through our ‘Tips From Home’ programme on social media we donated \$1 to the United States Bartenders’ Guild every time someone shared a cocktail image on social media using the hash tag #TipsFromHome, up to a total of \$1 million. Our World Class and Diageo Bar Academy platforms have helped the bar professional community stay connected and informed.
- We have used our consumer insights to understand shifts in consumer motivations and behaviours and our brands have stayed connected with consumers and responded to new occasions – such as wanting to enjoy bar-quality drinks at home.
- We have leveraged existing capabilities and accelerated investment to respond to shifts in consumer shopping behaviour, including an acceleration in e-commerce in many markets.

## OUR LEADING PORTFOLIO, EFFICIENT OPERATIONS AND AGILE CULTURE PROVIDE A STRONG FOUNDATION

DIAGEO



Broad portfolio with **leading brands** across categories, geographies and price points



Advantaged **route to consumer** and **marketing effectiveness**



Consumer-led, sustainable **innovation** executed at scale



Embedded culture of **everyday efficiency**



**Experienced** leadership team and high **employee engagement**



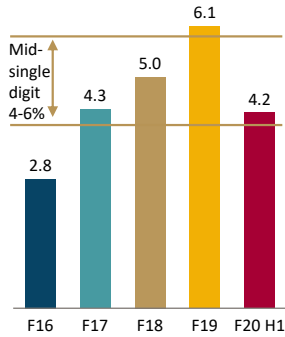
**Strong financial position** and good liquidity

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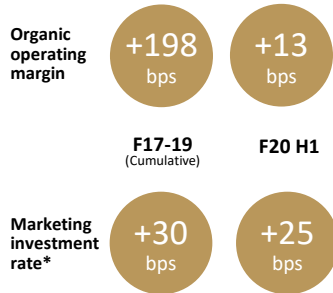
- Our strategic actions over the last six years have given us a strong foundation for managing through this period.
- Outstanding brand building, innovation and sales capabilities have been strengthened by smart investment in data analytics and technology.
- As a result of these investments, we are now faster at identifying and responding to changing consumer trends and we are a more efficient, effective and resilient organisation.

# SUCCESSFUL STRATEGIC EXECUTION HAS DELIVERED CONSISTENT GROWTH PRIOR TO COVID-19

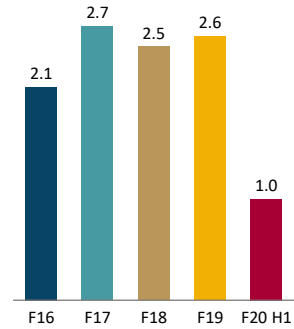
## SUSTAINABLE ORGANIC TOPLINE PERFORMANCE %



## EVERYDAY EFFICIENCY, FUELLING INCREASED INVESTMENT AND DRIVING MARGIN IMPROVEMENT



## CONSISTENT & SOLID FREE CASH FLOW £bn



All numbers are organic. \* Organic movement

- Successful execution of our strategy delivered consistent growth prior to the outbreak of Covid-19, leading to mid-single digit top-line growth over the last three years.
- Everyday efficiency has enabled us to expand operating margins and deliver strong cash flow generation.

## SIGNIFICANT IMPACT FROM COVID-19 ON F20 RESULTS

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### Efficient growth

Organic net sales growth

(8.4)%

Organic operating margin expansion

(212)bps

Free cash flow

£1,634m

Pre-exceptional eps

109.4p  
↓ 16.4%



### Value creation

ROIC

12.4%  
↓ 267 bps

Total Shareholder Return

↓ 19%

Full year dividend

↑ 2% to 69.88p

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- Specifically, on this year's results, we had a good start to the year, delivering first half organic net sales up 4.2% making this the 8th consecutive half year of consistent mid-single digit growth. Covid-19 significantly impacted our second half and therefore our full year growth.
- Organic volume decreased by 11% and organic net sales decreased by 8.4%.
- Organic operating profit declined 14% and organic operating margin declined by 212 basis points.
- Pre-exceptional earnings per share declined 16.4%, mainly driven by a decline in organic operating profit. Basic eps was 60.1p due to exceptional items driven by a £1.3bn non-cash impairment charge across India, Korea and Africa.
- Return on invested capital at 12.4% was down 267bps as a result of reduced earnings.
- In this context, agile financial management is critical to our success. By focusing on cash conservation we delivered a solid free cash flow performance at £1.6bn despite the negative impact of Covid-19 in the second half. And we took decisive quick action to strengthen Diageo's already robust liquidity position.
- In the seven months to January, we returned £1.25 billion to shareholders through our return of capital programme in the form of share buybacks.
- Total shareholder return (TSR) was down 19% over the past 12 months driven by the lower year on year share price. Over the longer term, however, both 5-year and 10-year TSR compound average growth were up double digit, placing us 6th for both periods among the other 16 CPG companies in our peer group.
- Our recommended final dividend for fiscal 20 brings the full year dividend growth to 2%.



## CONFIDENT IN THE RESILIENCE OF OUR BUSINESS AND INDUSTRY

DIAGEO

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Using **superior insight** to rapidly respond to changing consumer opportunities

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**Investing with agility** in marketing and innovation

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Partnering with customers to **win across all channels** and support the on-trade recovery

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Driving **efficiency** in cost and cash management

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Continuing to **do business in the right way** from grain to glass

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Ensuring Diageo **emerges stronger** through the recovery

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- As the extent of Covid-19's impact began to unfold in the second half, we quickly changed the way we run our business.
- From the start we have been clear and consistent on our approach. We set out to protect our people, our communities and the business with a clear outcome in mind - to emerge stronger with the recovery.
- To protect our people, we quickly moved to working from home where possible and implemented stringent safety protocols for essential employees needed on site. We supported our people in coping with the impacts of the pandemic through easier access to sick time and time off to take care for family as well as providing new life insurance and bereavement benefits.
- To protect our business, we quickly reset our discretionary spend including A&P that we believed would not be effective in the rapidly changing circumstances. We have been clear throughout that we must remain invested to sustain the health of our brands and business, while taking robust decisions to reduce costs and conserve cash over the short term where that made sense.
- We are confident in our ability to effectively manage through the current short-term volatility we face and that the robust steps we have taken will support our goal to emerge stronger.
- We are engaging with consumers, investing behind our brands, partnering with our customers, driving efficiencies and ensuring we do business in the right way from grain to glass.
- While the pace of the recovery remains uncertain, we believe in the long-term positive growth dynamics of the industry and our confidence in Diageo's business strategy remains unchanged.



## Responding to consumer insights



- Consumer insights are **driving our response** to changing behaviours
- **Quickly adapted Baileys** assets when consumers **turned to baking** in lockdown
- Launched Johnnie Walker **'Kitchen Sink Drinks'** programme for at-home **cocktail making**

## Accelerating e-commerce



- Ensuring our brands show up **brilliantly online** and **investing in marketing** to drive increased awareness and visibility
- **Partnering with grocery retailers**, e-marketplaces and delivery apps and distributors to **"win with the winners"** across regions
- **Leveraging our own digital channels** such as Malts.com in the UK and TheBar.com in Brazil

## Investing in the on-trade recovery



- Transformed **Diageo Bar Academy** content to **provide advice** for managing through the crisis and successfully re-opening
- In some markets, our teams partnered with customers to **develop 'Cocktails To Go' programmes**
- Responding with creativity to **support re-openings** across markets

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- Consistent sustainable growth depends on our ability to continue investing smartly in our business.

### Rapidly responding to consumer insights in real time

- Our consumer insights, combined with the agility and creativity of our brand teams, enabled us to pivot to the off-trade opportunity in a new and fast-changing environment.
- When lockdowns drove an increase in baking, we quickly switched on existing Baileys assets. We participated in these social conversations and helped people create indulgent adult treats.
- As consumers shifted to at-home cocktail-making our brands responded. For example, Johnnie Walker launched 'Kitchen Sink Drinks' – a platform that invited people to submit ingredients they had at home to our bartenders, who showed them how to mix them into delicious scotch cocktails.

### Accelerating our investment in e-commerce

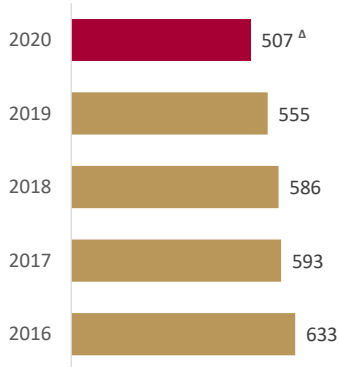
- Changes in shopping behaviour increased awareness and regulatory relaxation in response to Covid-19 have rapidly accelerated the growth in this channel.
- We are leveraging our established capabilities, while increasing our investment and redeploying resources to meet increased demand.
- While the pace of growth in e-commerce is likely to slow as the on-trade channel recovers, we expect online demand for our products to continue to increase.

### Investing in the on-trade recovery to emerge stronger

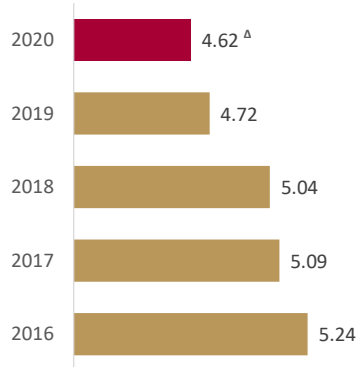
- Supporting our on-trade customers through the crisis and into the recovery is key to our ability to emerge stronger.
- Through Diageo Bar Academy, we trained 77,000 people virtually, across 38 countries, in the three months through June. We now have more than 1 million active users on our website – more than double the number before Covid-19.
- We've launched several initiatives to support the on-trade recovery, including a nationwide 'Welcome Back' support package in Australia and a 'Back to My Bar' programme in the US. In Ireland, we partnered with a digital platform that enables Guinness trade customers to access online tools, such as digital table bookings, free of charge for six months.
- We are confident that the actions we have taken during these difficult times will enable us to emerge stronger.

# IMPROVING GRAIN-TO-GLASS SUSTAINABILITY

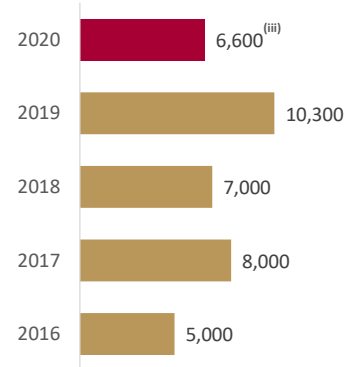
## Carbon Emissions<sup>(i)</sup> 1000 tonnes CO<sub>2</sub>e



## Water Efficiency<sup>(ii)</sup> Litres used per litre of packaged product



## Skills Empowerment # of people participating in our skills empowerment programmes



<sup>Δ</sup> Within PwC's limited assurance scope. See page 184 of the 2020 Annual Report for further details

<sup>(i)</sup> In accordance with Diageo's environmental reporting methodologies and WRI/WBCSD GHG Protocol, data for each of the four years in the period ended 30 June 2019 has been restated where relevant.

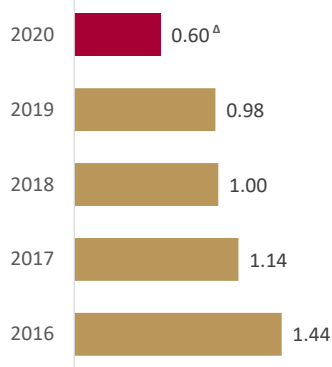
<sup>(ii)</sup> In accordance with Diageo's environmental reporting methodologies, data for each of the four years in the period ended 30 June 2019 has been restated where relevant.

<sup>(iii)</sup> While the Covid-19 pandemic has meant we reached fewer people this year than planned, we have adapted our Ragship Learning for Life programme to an online format.

- Across our markets, we remain focussed on building a truly sustainable business for the long-term. In fiscal 2020, we continued to make significant progress on our Sustainability and Responsibility goals – and are aware that we have more to do. In the coming months, we will launch our social and environmental strategy and new targets for the decade to 2030.
- When we set our 2020 goals in 2015, we were among the first companies to set an absolute, rather than relative, greenhouse gas reduction target. We have delivered our commitment to a 50% absolute reduction against our 2007 baseline and we have reduced emissions by 34% across our total value chain.
- We recently announced that our new Kentucky whiskey distillery, which will make Bulleit, is expected to be carbon neutral - one of the largest in North America and a first for Diageo. The site will be powered by 100% renewable electricity.
- We achieved our target for water replenishment in water-stressed areas and achieved a 46% improvement in water-use efficiency against our 2007 baseline. We have ensured that over 99.5% of our packaging is recyclable.
- We also run a range of skills building programmes around the world to help people overcome barriers, move into work and build their careers. In fiscal 2020, these programmes benefitted over 6,500 people.
- Despite significant progress, we have not achieved all our goals. For example, we have found reducing the overall weight of our packaging by 15% more challenging than expected.
- However, we have continued to innovate in packaging and in August, we announced the world's first, 100% plastic-free, paper-based spirits bottle, made entirely from sustainably sourced wood. The bottle will debut with Johnnie Walker in early 2021.
- Our support for communities has positively impacted millions of people within and beyond our business. In 2020, this included reaching over 250,000 people in Africa and India through our clean water, sanitation and hygiene projects.

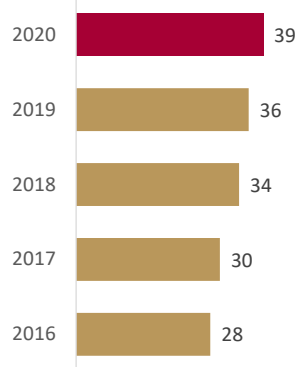
### Health and Safety

Lost time accident frequency per 1,000 employees

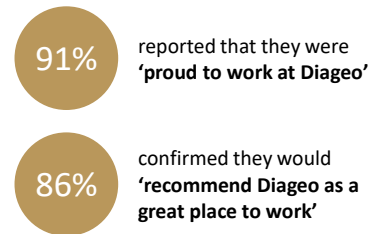


### Women in Diageo Leadership

% of Diageo leadership positions held by women



### Employee Engagement<sup>(i)</sup>



<sup>A</sup> Within PwC's limited assurance scope. See page 184 of the 2020 Annual Report for further details  
<sup>(i)</sup> Results of Diageo's employee pulse survey. Survey response rate was 74%.

- Our people are at the heart of our success. Creating an inclusive and diverse culture and keeping our people safe and engaged helps our business thrive.
- 39% of our global senior leadership team positions are held by women and we continue to work towards our 2025 target of 40%.
- While we were unable to conduct an annual Your Voice survey this year due to Covid-19, we developed a new pulse survey tool to help us measure engagement, listen to employee feedback and learn from their experience of working during the pandemic. The results of our pulse survey show that our employees continue to feel very connected to Diageo.
- We are also proud of our safety record and continue to improve employee safety in our operations every year. This year we achieved a milestone safety performance level of 0.60 lost-time accidents (LTAs) per 1,000 employees, our lowest rate ever.
- Fostering an inclusive and diverse culture is central to our purpose of 'Celebrating life, every day, everywhere'. As well as being the right thing to do, having the best and most diverse talent is essential to driving innovation and commercial performance.
- In 2020 we continued to build an inclusive, diverse culture, including further rolling out of our Family Leave and Dignity at Work policies.
- We are currently developing a progressive framework on ethnic diversity for all of our markets. It will incorporate goals across a number of areas, including representation, talent attraction and brand partnerships.

## By 2025 we will:

Educate **5 million** young people, parents and teachers about the dangers of underage drinking

1 million to date

Collect **50 million** pledges never to drink and drive through #JoinThePact<sup>(i)</sup>

25 million pledges to date

Reach **200 million** people with moderation messages from our brands

229 million people reached to date

(i) Our Join The Pact campaign, which, through signing a global pact, encourages people never to drink and drive, reached 25.3 million people by 30 June 2020, and we are proud of how it has raised awareness. Building on what we have learnt from our programmes and discussions with stakeholders, we will be evolving our approach to drink driving to focus on digital education campaigns that promote changes in attitudes. As a result, this is the last year we report Join The Pact data.

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- We have a longstanding commitment to promoting positive drinking and tackling alcohol misuse across the world.
- Diageo has also long supported the World Health Organization's goal of reducing harmful drinking by 10% across the world by 2025 and has set itself stretching targets to reach in this area over the next five years.
- So far, we have made good progress.
- We have educated 1 million young people, parents and teachers about the dangers of underage drinking, collected over 25 million pledges to never drink and drive through Join The Pact and reached over 229 million people with moderation messages through our brands.
- Building on what we have learnt from Join The Pact and discussions with stakeholders, we will be evolving our approach to drink driving to focus on digital education campaigns that promote changes in attitudes. As a result, this is the last year we report Join The Pact data.
- DRINKiQ, our dedicated responsible drinking website, is one of our most important tools in promoting moderation and addressing heavy drinking. It provides consumers and stakeholders with information on alcohol, encourages moderation in consumption and is available in 25 languages in 38 countries. The DRINKiQ quiz has been completed by over 80,000 consumers.
- During Covid-19, we launched Smashed Online in the UK, making our flagship, theatre-based education programme available to more than one million school children.
- As part of our innovative partnership with UNITAR to tackle drink driving, we also supported them in responding to Covid-19 with the launch of a series of online training resources.

## EXTERNAL RECOGNITION

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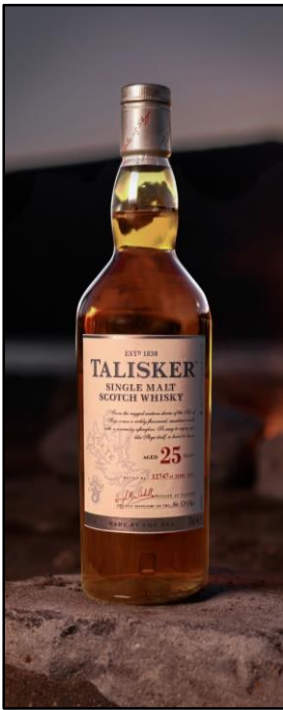


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- We are proud to have been recognised externally for our efforts to run a sustainable and responsible business.
- **On sustainability:**
  - In the 2019 Dow Jones Sustainability Index, Diageo ranked 3<sup>rd</sup> in the world and in Europe. This index assesses company performance on economic impact, and environmental, social and governance performance and we were the only global alcohol beverage company to feature in the World Index.
  - Diageo was rated “A” for climate and water efficiency in CDP’s Water A List, which recognises the world’s most pioneering companies leading on environmental transparency and performance.
  - And Gartner again named Diageo as one of the Top 25 Supply Chain companies for our environmental, social and governance performance in our direct operations and supply chain.
  - In September 2019, we joined forces with 16 other global companies under a new coalition called the “Business Avengers” to highlight the crucial role businesses have to play in hitting the targets of the 17 Sustainable Development Goals (SDGs) by 2030.
- **On people:**
  - In October 2019, Diageo was named by Equileap as the top company globally for gender equality. We improved our global ranking from 11th in 2018 and we were ranked as the number one business in the UK for gender equality for the second year in a row.
  - In January, we were included in the 2020 Bloomberg Gender-Equality Index for the third time.
- However, we are committed to doing more.
- In the coming months, we will be announcing a new set of targets to help further support the delivery of the UN Sustainable Development Goals over the critical decade to 2030.

## FOCUSED ON MANAGING THROUGH THE CRISIS TO EMERGE STRONGER

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- We believe successful strategic execution and continued agility will enable us to manage through the pandemic and we are determined to emerge stronger.
- We are moving with increased speed to win in our markets.
- In this fast-changing environment, we are continuously re-focusing our investment in marketing and innovation to capture opportunities and strengthen brand equity.
- Above all, we will continue to do business in the right way from grain to glass. This is fundamental to our performance ambition and has never been more important.

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# TRADING STATEMENT 28 SEPTEMBER 2020



This morning we released a trading statement on the London Stock Exchange:

## Diageo issues trading commentary ahead of AGM 2020

- <https://www.diageo.com/en/news-and-media/press-releases/diageo-issues-trading-commentary-ahead-of-agm-2020/>

## APPENDIX 1: 1/2 FORWARD LOOKING STATEMENTS

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### **Net sales and operating margin**

We are not providing specific guidance for fiscal 21. We expect sequential improvement in organic net sales and operating profit in the first half of fiscal 21, compared to the second half of fiscal 20. Compared to the first half of fiscal 20, we expect lower organic net sales and margin dilution.

### **Exchange rate outlook**

Given the continued uncertainty caused by the ongoing Covid-19 pandemic, we are not able to provide specific financial guidance and as such not able to provide the expected impact of exchange for the year ending 30th June 2021.

### **Net finance charges**

Effective interest rate is expected to rise to roughly 3.0% for fiscal 21 due to a further reduction in swap portfolio gains along with the increased costs from our liquidity enhancement measures. Other finance charges are ahead of last year, driven by discount unwinds of financial liabilities. We expect fiscal 21 charges to be at a similar level.

### **Taxation before exceptionals**

Our tax rate before exceptional items was 21.7%, within our guidance range of 21 to 22% for fiscal 20 which we are maintaining for fiscal 21.

### **Capital expenditure**

We do not expect to see material opportunities to decrease capex further as we work to complete projects underway to support long-term growth and enhancing brand experiences and increase investment supporting our sustainability agenda.

### **Post employment plans**

Total cash contributions by the group to all post employment plans in the year ending 30 June 2021 are estimated to be approximately £140 million.

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No script



## APPENDIX 1: 2/2

### FORWARD LOOKING STATEMENTS

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#### **Dividend**

We have announced a recommended final dividend of 42.47 pence in line with the final dividend in fiscal 19, bringing full year dividend growth to 2% and dividend cover to 1.6x. While there remains significant uncertainty in the short term, we have confidence in the long-term health of our business and the industry in which we operate. We will keep future returns of capital, including dividends, under review through fiscal 21 to ensure we allocate Diageo's capital in the best way to maximise value for the business.

#### **Capital structure**

While we remain committed to a leverage range of 2.5x to 3.0x adjusted net debt to EBITDA over the medium term we anticipate leverage to be above this range through the coming year. We expect these levels to peak when we report fiscal 21 interims, reflecting the trailing 12 months impact of Covid-19 at that time, and then to improve from there driven by the pace of recovery.

#### **Return of Capital**

In July 2019, we announced a three-year return of capital programme of up to £4.5 billion, and through January 2020 we returned £1.25bn through share buyback. In April we announced that we were not initiating the next phase of the programme during the remainder of fiscal 20. Given our elevated leverage ratio we have paused the programme until leverage is back within our target range.

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No script

**Cautionary statement concerning forward-looking statements**

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook, objectives and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to Diageo, anticipated cost savings or synergies, expected investments, the completion of any strategic transactions or restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation or regulatory enquiries, anticipated changes in the value of assets and liabilities related to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside Diageo's control.

Factors that could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements include, but are not limited to:

- economic, political, social or other developments in countries and markets in which Diageo operates (including as a result of the Covid-19 pandemic), which may contribute to a reduction in demand for Diageo's products, adverse impacts on Diageo's customer, supplier and/or financial counterparties, or the imposition of import, investment or currency restrictions (including the potential impact of any global, regional or local trade disputes, including but not limited to any such dispute between the United States and the European Union and/or the United Kingdom) or any tariffs, duties or other restrictions or barriers imposed on the import or export of goods between territories;
- the impact of the Covid-19 pandemic, or other epidemics or pandemics, on Diageo's business, financial condition, cash flows and results of operation;
- the negotiating process surrounding, as well as the final terms of, the United Kingdom's future trading relationships with the European Union and other countries, which could lead to a sustained period of economic and political uncertainty and complexity whilst successor trading arrangements with other countries are negotiated, finalised and implemented, potentially adversely impacting economic conditions in the United Kingdom and Europe more generally as well as Diageo's business operations and financial performance;
- changes in consumer preferences and tastes, including as a result of changes in demographics, evolving social trends (including any shifts in consumer tastes towards small-batch craft alcohol, low or no alcohol, or other alternative products), changes in travel, holiday or leisure activity patterns, weather conditions, health concerns, pandemics and/or a downturn in economic conditions;
- changes in the domestic and international tax environment, including as a result of the OECD Base Erosion and Profit Shifting Initiative and EU anti-tax abuse measures, leading to uncertainty around the application of existing and new tax laws and unexpected tax exposures;
- the effects of climate change, or legal, regulatory or market measures intended to address climate change, on Diageo's business or operations, including on the cost and supply of water;

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- changes in the cost of production, including as a result of increases in the cost of commodities, labour and/or energy or as a result of inflation;
- any litigation or other similar proceedings (including with tax, customs, competition, environmental, anti-corruption or other regulatory authorities), including litigation directed at the beverage alcohol industry generally or at Diageo in particular;
- legal and regulatory developments, including changes in regulations relating to production, distribution, importation, marketing, advertising, sales, pricing, labelling, packaging, product liability, antitrust, labour, compliance and control systems, environmental issues and/or data privacy or protection;
- the consequences of any failure by Diageo or its associates to comply with anti-corruption, sanctions, trade restrictions or similar laws and regulations, or any failure of Diageo's related internal policies and procedures to comply with applicable law or regulation;
- the consequences of any failure of internal controls, including those affecting compliance with existing or new accounting and/or disclosure requirements;
- Diageo's ability to maintain its brand image and corporate reputation or to adapt to a changing media environment;
- contamination, counterfeiting or other circumstances which could harm the level of customer support for Diageo's brands and adversely impact its sales;
- increased competitive product and pricing pressures, including as a result of actions by increasingly consolidated competitors or increased competition from regional and local companies, that could negatively impact Diageo's market share, distribution network, costs and/or pricing;
- any disruption to production facilities, business service centres or information systems, including as a result of cyberattacks;
- increased costs for, or shortages of, talent, as well as labour strikes or disputes;
- Diageo's ability to derive the expected benefits from its business strategies, including in relation to expansion in emerging markets, acquisitions and/or disposals, cost savings and productivity initiatives or inventory forecasting;
- fluctuations in exchange rates and/or interest rates, which may impact the value of transactions and assets denominated in other currencies, increase Diageo's cost of financing or otherwise adversely affect Diageo's financial results;
- movements in the value of the assets and liabilities related to Diageo's pension plans;
- Diageo's ability to renew supply, distribution, manufacturing or licence agreements (or related rights) and licences on favourable terms, or at all, when they expire; or
- any failure by Diageo to protect its intellectual property rights.

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## Other Information

All oral and written forward-looking statements made on or after the date of this document and attributable to Diageo are expressly qualified in their entirety by the above risk factors and by the 'Risk factors' section contained in the annual report on Form 20-F for the year ended 30 June 2019 filed with the US Securities and Exchange Commission (SEC). Any forward-looking statements made by or on behalf of Diageo speak only as of the date they are made. Diageo does not undertake to update forward-looking statements to reflect any changes in Diageo's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Diageo may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures.

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Past performance cannot be relied upon as a guide to future performance.

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# ANNUAL GENERAL MEETING

## 28 SEPTEMBER 2020

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