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Diageo Capital Markets Day 2021 – Best Brand Builders Webcast

Webcast Transcript - Tuesday 16 November

Cristina Diezhandino – Chief Marketing Officer

- Hello everyone – thank you for joining me today.
- For those of you who don't already know me, I'm Cristina Diezhandino, Diageo's Chief Marketing Officer.
- I'll be joined today by my colleagues:
 - Debra Crew, President North America and Global Supply;
 - Sam Fischer, President, Asia Pacific and Global Travel; and
 - Alvaro Cardenas, President Latin America and Caribbean.
- Ivan has touched on Brand Building as something that defines us.
- Brand Building is, in many ways, our most important capability.
- Much of the value we create as a business, above and beyond our amazing liquids, comes from the identity and meaning we make for our brands - for today and for the future.
- Brand Building is fundamental to driving our business.
- It's how we recruit and re-recruit consumers. We put our brands at the front of consumers' minds and make it as easy as possible for them to buy them.
- Let's start by looking at some of our exciting Brand Building work across our portfolio and around the world.

[VIDEO]

- Today, I'll show you how we're building leading brands that will deliver sustainable long-term growth.
- I will demonstrate how our success in brand building comes from combining of our superior understanding of consumers with brilliant creativity.
- I will also cover how we use tools and data analytics to determine how and where we deploy our marketing with precision.
- This precision ensures that we can connect with the right consumers at the right time, in the right place, with the right message.

- We're then going to take a short break.
- After that I will show some of the exciting ways in which we're using these capabilities to effectively reach our consumers in a digital and omnichannel world as well as our cutting-edge innovation.
- Finally, you'll see how we combine our marketing with best-in-class commercial execution to convert the consumer at the point of purchase
- Let's start with what we mean by our Superior Consumer Understanding.
- The consumer is at the heart of our business. You cannot be a great marketer unless you understand people and recognize what drives them, motivates them and what is important to them.
- This makes a deep understanding of consumers the foundation of our brand building.
- We use our proprietary tools and data to get a full picture of our consumers. Over the last few years, we have strengthened our ability to interpret and harness that data and deepen our consumer understanding.
- These powerful insights guide our marketing teams.
- We've developed a breadth of tools to understand consumer motivations and behaviours, based on both their current and future context.
- These are a few of the key ones.
- We use our Consumer Choice Framework to give us insight into occasions. It does this by surveying two hundred thousand people, across sixty-four markets, about the factors that drive their choices in moments of consumption. We collect detailed data, at scale, to understand 'where', 'when' and 'why' consumers are enjoying our products.
- Our Foresight tool, acts as an early warning and diagnostic system for consumer trends. It combines qualitative and quantitative data with AI-driven social listening. It helps us identify, monitor and anticipate shifts in socialisation which impact the brands and products consumers choose. These insights can inform new ways to market our existing brands or inspire new product innovation.
- Catalyst, our marketing optimisation tool, enables our teams to evaluate what is working and not working so we can be agile in deploying our resources behind our best performing activities.
- We have embedded it into our planning process and continuously augment it to include more data points: giving us a faster, more in-depth understanding of the efficiency and effectiveness of our spend.
- The increased marketing effectiveness enabled by Catalyst, has driven over £400

million incremental gross profit since fiscal 17.

- The insights generated from these tools enable us to lead rather than follow trends.
- I want to share two great examples with you of where we have done this.
- The first is luxury, the second is tequila –both important growth areas for us.
- Taking luxury first.
- As you just saw from Ivan, in the spirits category, the super-premium-and-above segments have been the fastest-growing price points for 10 years as consumers choose to drink better, not more.
- We expect growth in the luxury category to be sustained by long-term tailwinds of income growth and premiumisation.
- We have the privilege of working with some of the finest luxury spirits brands in the world.
- They are valued by consumers and valuable to our business.
- We have built our portfolio and crafted our marketing to leverage this breadth and diversity.
- We used our data and tools to identify the need for a dual approach to the luxury marketplace.
- Core to luxury brands are High Net Worth Individuals, the 55 million consumers with wealth above \$1 million.
- In addition, there is a wider audience of approximately 600 million aspiring luxury consumers globally, who are starting their journey in Luxury and will continue to trade up over time.
- For High Net Worth Individuals, we have gained insights into the most effective way to bring our brands to life.
- We understand the role that social media influencers and brand advocates play in creating desire for rare and exclusive products. So, we create bespoke content with the right influencers.
- We know that they are heavy consumers of digital content and so we use brand stories to engage with them online in one-to-one relationships. And we link this to personalised brand experiences, both online and offline.
- We know they expect access to highly curated and exclusive experiences. Our brand homes such as Brora, Talisker and now Johnnie Walker Princes Street, provide us with the ability to deliver them.

- We recognize High Net Worth consumers have high standards for brands and how they look. So, we create exquisite packs and flawless visual merchandising.
- In markets like China and the US, we are launching new consumer-led engagements. These include personalised gifting experiences and membership programmes to reward loyal consumers.
- Here's Sam Fisher to share how our approach to one-to-one consumer engagement is coming to life in Asia.

Sam Fischer - President, Asia Pacific and Global Travel

- Thanks Cristina.
- In Asia, rising consumer wealth is driving growth in the luxury market.
- And in particular, the expanding middle class in China continues to be a source of scale and growth for luxury brands.
- The region is also leading the way in setting digital trends and pushing the blurring boundaries of online and offline.
- One of our initiatives in response to this, has been to extend our existing Rare and Exceptional platform to be online.
- Diageo Rare & Exceptional is our exclusive platform for engaging with high-end, luxury connoisseurs and collectors.
- We have historically had great success with our in-person events, including immersive brand education experiences.
- However, we have now built on this with the launch of diageorareandexceptional.com to extend this personalized consumer experience online.
- The launch has helped us to significantly grow brand awareness with traffic to the site has grown by 40% and the repeat purchase rate has been almost 40%.
- The e-commerce platform has also driven growth in the Rare & Exceptional private client business. Many digital-first customers have also applied for offline mentorship.
- As Cristina said, Luxury consumers like content that is tailored for them.
- And In Asia, one of the ways we are responding to this, is by working with spirits experts and influencers to create engaging and immersive online experiences.
- This video shows a fantastic example of content we created with Sam Lu, one of our wonderful whisky ambassadors.

- Sam recently toured our Brand Homes in Scotland and interviewed our community of Scotch makers.
- And from that visits he produced bespoke videos in Mandarin, which we are now using in creative ways to bring a bit of Scotland to our luxury consumers in China.
- This content was also used last week, for Singles Day, which is the single biggest online sales day in the world.
- And we will do the same for Double 12, which is held on December 12th, another important online shopping day in China preceding Chinese New Year.

Cristina Diezhandino – Chief Marketing Officer

- Thanks Sam. It's fantastic to see our luxury marketing work in China.
- In our other scale luxury market, the US, we see the luxury category evolving.
- Our tools have enabled us to understand how a new generation is reshaping luxury.
- The traditional world of luxury, which was about history, heritage, craftsmanship and rarity still exists.
- However, another world has come to the fore. It invites new consumers into a more modern, youthful, inclusive and dynamic world.
- By recognizing this evolution, we have been able to position our portfolio for success in this space—and to deliver strong growth for our key luxury brands.
- This video will show you how we think about this evolving world and Luxury consumer groups in the US.

[VIDEO]

- As you saw from that snapshot, we have used our insights capabilities to understand the luxury marketplace and converted that deep understanding of our luxury consumer to ensure we connect with them.
- I am excited by how we are marketing to luxury consumers in Asia, both online and offline. And in the US, our brands are well positioned to capitalize on the evolving shape of luxury.
- Let's move on to the second powerful example of how we harness our consumer insights: our tequila business in the US.
- I will now hand over to Debra Crew to show you how we did that.

Debra Crew – President, North America and Global Supply

- Thanks Cristina.
- I want to use the example of our tequila business in the US to demonstrate the

power of our consumer insights.

- We were able to identify an exciting growth opportunity in tequila early on.
- And the decisive action we took based on our insights enabled us build a leading portfolio in the fastest-growing category in the US spirits market.
- Tequila had its strongest year yet in fiscal 21.
- Nielsen/NABCA, showed the sales value of the tequila category growing at 39%, while total spirits grew 14%.
- As you heard from Ivan by fiscal '26 we expect the Tequila category to be #2 in value after whiskey delivering over 50% of incremental growth for spirits.
- Although the success of this category has surpassed even our own high expectations, we identified and prepared for the opportunity well ahead of time and here's how we did that.
- Our consumer insights tools gave us an early indication of the tequila trend.
- Years ago, we saw tequila starting to take off in California. We were able to understand what was driving this trend and assess its sustainability.
- We saw that tequila consumption was being fuelled by the growth in the Hispanic population in California. In 2010, 28% of California's population were Hispanic.
- They were drinking Tequila and culturally influencing the broader population. By 2030, 1 in 5 American's are forecast to be Hispanic and by 2060, Hispanic is anticipated to be the US ethnic majority. This insight made it clear to us that tequila had the potential to grow at scale.
- Also led by California, we saw consumers becoming more interested in "wellbeing" and therefore the ingredients of their drinks. We knew they viewed tequila as a 'clean' plant-based spirit made from agave. We saw it being talked about on social media as Keto and South Beach diet friendly.
- We also saw consumers trending towards more casual, day drinking and 'with food' occasions. We knew that the range of tequila variants enabled it to flex across those occasions and dayparts. It's a versatile liquid that can be mixed, blended, sipped and stirred. Moreover, it pairs well with food – especially Mexican cuisine which one of the most popular in the US.
- Across all spirits categories we saw that consumers were increasingly interested in brands with provenance, heritage and craftsmanship.
- 50% of US drinkers say they choose authentic items and 1 in 5 will pay a price premium for it.
- Tequila is an authentic category that blends tradition and craft.

- Further, our data told us that consumers were looking to drink better and we see that premiumization has accelerated. In fact, super premium and luxury tequila are now driving approximately 85% of category growth.
- Finally, consumers have increasingly sought brands that are culturally relevant to them and their lives. Beyond the Hispanic cultural influence, tequila has taken an influential role in celebrity-driven culture, with increasing participation in celebrity-associated brands.
- We understood the emerging tequila trend and anticipated the growth to be sustainable.
- And that insight drove us to build a tequila portfolio that includes some of the best-performing brands in the market.
- In fiscal 15 we took control of the remaining 50% of Don Julio, gaining full global ownership and management control of the brand and its supply assets.
- Then at the end of fiscal 17 we acquired Casamigos, the fastest growing super-premium tequila brand in the US, partnering with two of the founders George Clooney and Randy Gerber.
- We also have exciting opportunities to scale De Leon and to develop Astral – our recent acquisition from Davos
- Our consumer insights continue to fuel our marketing and our innovation against these great brands.
- We understand the importance to consumers of authenticity, mixability and quality and this underpins our brand-building model for our ultra premium brands, Don Julio and Casamigos.
- With Don Julio, we bring to life the devotion that the founder, Don Julio himself, had for the craft of tequila making.
- With Casamigos, we reflect the passion and personality of George Clooney and Randy Gerber.
- Don Julio 1942 is leading the fast-growing luxury tequila segment with 36% market share.
- Our successful growth model reflects our in-depth understanding of what consumers value at a luxury price point.
- Don Julio 1942 is a high-quality liquid in iconic, desirable packaging. And consumer desire has been built through targeted on-premise display, influencer partnerships and cultural collaborations.
- We have launched two new extensions: Don Julio Primavera, a limited edition reposado, and Ultima Reserva, which uses extra anejo tequila from Don Julio's final

harvest.

- To give you a sense of just how desirable these brands are, Primavera, which regularly retails for \$119 a bottle, has been selling on Drizly for over \$600 a bottle.
- Both variants are built on key consumers insights. Primavera is perfect for the informal and mid-tempo occasions. Ultima Reserva delivers an authentic and credible brand experience.
- And, with their iconic luxury packaging, these bottles make beautiful and covetable personal gifts, which we know in these tumultuous times, is highly motivational for consumers.
- Better than me telling you how we build these luxury brands, let me show you.

[VIDEO]

- I am really energized and excited by the potential of tequila in the US.
- By using our predictive tools, we were prepared for the category taking off.
- And our understanding of consumers has allowed us to build a powerful portfolio of brands with strong and unique positioning.
- In fiscal 21, our US tequila sales grew 87%. This was more than twice the rate of the US tequila category growth, driving significant market share gains.
- We are well-positioned for continued growth.

Cristina Diezhandino – Chief Marketing Officer

- Thanks, Debra.
- I want to move now to show you how we activate against our consumer insights.
- We call the approach we take to this: ‘Creativity with precision.’
- This reflects the importance we see in both the art and the science of marketing.
- If consumer understanding is the engine of brand building, then ‘creativity with precision’ is the fuel.
- Our portfolio includes some of the world’s most famous brands.
- And those brands have been powered by memorable creative work since their inception.
- Creativity is inherent in what we do. We combine that creativity with precision.
- Using our data, tools and capabilities to deliver the right messages at the right time

to the right consumers--- and to make it easy for consumers to find our brands when, where and how they want to purchase.

- This precision also includes the ability to interpret the drivers of our business - what's working and what's not working- and to use that knowledge to constantly optimize the business results of our marketing.
- One of the brands that I am most proud of for this is Baileys where we have a truly amazing story. I will let you watch this come to life now....

[VIDEO]

- As you can see, Baileys is successfully tapping into consumer insights and trends. It is creating amazing content and executing with precision. This keeps Baileys relevant, strong and growing.
- So far today, I've set out our approach to brand building.
- I've demonstrated the power of our consumer insights tools. And I've shown you how our marketing teams use our consumer understanding to bring our brands to life in a way that connects with consumers.
- You also saw the precision with which we deploy our marketing. This is what ensures we are reaching the right consumers, with the right messages at the right time and place.
- We're now going to take a short break.
- When we come back, I'll show you some of the exciting ways in which we're reaching our consumers and customers in an omnichannel world.

[BREAK]

Cristina Diezhandino – Chief Marketing Officer

- Welcome back.
- Before the break you saw how we develop our consumer insights and how we bring that to the magic of our marketing.
- Now, I want to show you how we are our adapting our marketing approach to reach consumers and enable them to have fantastic experiences with our brands, in a world where we have so many more channels and opportunities to connect. We call this “the omnichannel” world.
- What do we mean by omnichannel?
- While you still hear terms like ‘online’ and ‘offline’ to the consumer, there is no digital, there is no physical.

- They move seamlessly between virtual worlds and reality, never stopping to think about what channel or what space they are “in”. It’s just the way they live their lives and it means the path to purchase is less linear.
- Consumers spend more time and use more digital tools to explore and evaluate brands before they buy.
- 20 years ago, the average consumer typically used two sources of information when buying an item. Today consumers use an average of almost six.
- In this omnichannel world where consumer context changes constantly, success relies on our ability to pre-empt and respond to consumers at pace and with world-class creativity.
- We view this increased complexity as an amazing opportunity to engage more often and on a more personalized basis with consumers.
- To do this, we make sure our brands connect with consumers across a much broader range of ‘touchpoints’. Our brands need to do more than just engage with consumers when they are physically at a bar, an event or in a store.
- We need to reach them on e-commerce sites, social media platforms, when searching online or watching a video on their phone – to give you just a few examples.
- In an interconnected world that blends digital and physical touchpoints, we are creating a singular brand connection that gives consumers inspiration, memorable experiences and easy solutions.
- This connection is what will inspire people to love and enjoy our brands and will drive sustainable brand growth.
- We have a breadth of great examples across our portfolio of how we are engaging with consumers across all channels.
- I'd like to bring this to life through our scotch whisky portfolio.
- Our ambition for scotch is to drive recruitment into the category by shifting perceptions. To move from the traditional old world of scotch to a brave, bold and enticing new world.
- In an omnichannel world, we will show you how we are exciting our consumers with amazing content, sharing our brand experiences and creating direct engagement with them.
- Let’s start with how we Excite them.
- I want to start with our flagship scotch brand, Johnnie Walker.
- The brand is 200 years young and continues to walk strongly into the future.

- Its sales grew 12% in fiscal 21 and in the last 12 months it has gained off-trade market share of whisky globally.
- We've just launched a fresh and modern Keep Walking campaign to recruit the next generation of Walkers around the world.
- Here's a video to show how the brand is exciting new consumers across many channels then we will hear from Alvaro about how Johnnie Walker is being brought to life in Brazil.

[VIDEO]

Alvaro Cardenas – President, Latin America and Caribbean

- Thanks Cristina.
- I want to share a snapshot of how we are unleashing scotch whisky, and in particular Johnnie Walker, to its full potential in Brazil.
- The scotch category grew at twice the rate of the premium beer category.
- Within scotch, Johnnie Walker is the most loved brand among Brazilians, gaining around 80 basis points of penetration in the last 12 months.
- This shift has been driven by our success in rooting Johnnie Walker as a brand in culture.
- We have ensured our brand campaigns reached consumers throughout their journeys - from discovery to purchase.
- The short video you will see now really shows this in a powerful way.

[VIDEO]

- Through these activations we reached 80 million consumers in 10 days.
- That represents 50% of the legal purchasing age population in Brazil.
- It was fantastic to see Johnnie Walker delivering strong double digit growth in Brazil in fiscal 21: both performing strongly in the on-trade channel as it recovers from the impact of Covid-19 and maintaining a resilient performance in the off-trade.
- I am confident in the continued brand excitement and sustainability of future growth for our scotch category.
- Back to you Cristina.

Cristina Diezhandino – Chief Marketing Officer

- Thanks Alvaro.
- The second area I'd like to talk to you about within scotch is brand experiences.
- We know that many consumers want to connect with our brands at a deeper level, exploring where they come from and how they're made.
- Experiences can start, as well as strengthen, the relationships consumers have with a brand.
- They are critical to our omnichannel strategy and so we think through, and obsess about, every aspect and every component of them.
- Whether it is in-store, in a bar, at an event, at home or online, we want make people's experience meaningful, dynamic and seamless and to show up in new and innovative ways.
- The pinnacle of experiencing scotch whisky is to travel, physically or virtually, to the place where it's made and to meet the people who make it.
- Johnnie Walker Princes Street is the centerpiece of our investment in Scotch whisky tourism.
- It is quite simply Diageo's most ambitious brand experience to date.
- Situated in the heart of Edinburgh, it is a 70,000 square foot celebration of the Johnnie Walker brand and its amazing story which started in a small Scottish town and spread around the world.
- It's an incredible space and I'd love for you to hear it from Edith Bowan - a popular Scottish celebrity.

[VIDEO]

- We knew that to reach the largest possible global audience, the experience also had to happen in the virtual world.
- So, we put as much thought and effort into crafting the virtual experience, as we did into the physical one - ensuring each was both meaningful and memorable.
- Virtual guests to the grand opening were able to explore a 'gamified' version of Johnnie Walker Princes Street which included touring the location via 3D virtual representations, learning about their flavour profiles and chatting with our Global Brand Ambassadors.
- They even received their own highball kit to provide this essential sensory element of the tour from the comfort of home.
- During our launch, we reached 3.6 billion consumers - changing the way many of them think about Johnnie Walker and scotch whisky.

- We've brought the same care and attention to detail to all of our brand homes.
- I'd like to encourage you to visit these amazing experiences.
- From the Lagavulin Distillery on the Isle of Islay, to the recently restored and reopened Brora Ghost Distillery in the Highlands, Diageo has a rich collection of distilleries, proudly staffed by a passionate community of whisky makers.
- Beyond excite and experience, we also engage. This is all about the genuine one-to-one connection which we know is key to building true brand loyalty.
- Today, we are using our digital platforms to drive engagement with our scotch portfolio.
- We are providing personalized connections with whisky lovers, enthusiasts and premium collectors, as well as the opportunity for them to purchase.
- Malts.com is the online home of our iconic malts, including Cardhu, Lagavulin, Mortlach, Oban, Talisker, The Singleton and many others.
- Over the last few years, we have mined our data to understand what consumers want from this platform.
- The insight was that they want true one-to-one relationships to provide personal connection to the authentic places and people behind our brands.
- We have reworked our content to now focus more on our distilleries, our distillers and our blenders to engage more deeply with consumers.
- We also now offer exclusives releases and curated experiences at malts.com.
- For example, distillery-led innovations, like the Four Corners of Scotland collection and the “Legends Untold” series have been made exclusively available on the site, either completely or for a period of time.
- We are also producing a pipeline of direct-from-distillery innovations to sell through direct- to-consumer and e-marketplace platforms.
- And we found that by driving connection, we are also driving more sales,
- Our sales on the malts.com site tripled, we doubled our conversion rate and we increased repeat visits. A very encouraging set of results.
- And we use Consumer Relationship Marketing tools to reward loyal shoppers and to maintain our ongoing relationship with them.
- In Great Britain, for example, we sent an exclusive email about the launch of the Lagavulin Offerman edition to the highest propensity consumers and it sold out in just 6 minutes.
- We've set an ambitious plan to expand this personalized, direct-to-consumer

engagement around the world.

- Our omnichannel approach of creating excitement, memorable experiences and deep engagement is delivering on our strategy to reignite scotch for consumers.
- We are applying the same key principles to one of our most important constituents, the bar professional.
- Through the challenges of the last two years, we have remained fully committed to the on- trade.
- Traditionally, this is where our brands have been built and where consumer loyalty and preference have been created.
- And we believe this will continue to be true. Socializing in person will remain very important to people.
- The fully omnichannel world is fast paced and we have to continue pushing the boundaries of innovation to continue re-recruit and re-engage consumers.
- To this end, we have built a market-leading, sustainable innovation model to bring new engagement, excitement and experiences to consumers.
- We use the deep consumer insights I spoke about earlier to develop purposeful innovation that drives long-term sustainable growth, strengthens our brand equity and wins market share.
- Let's take a look.

[VIDEO]

- Our innovation stretches well beyond the amazing liquids, formats and packaging you just saw.
- The tools and capability that underpin our consumer understanding, are also powerful sources of innovation insight.
- We consider multiple horizons simultaneously, balancing short term and long term opportunities, and encompassing everything from the core of our business today to the furthest edges of our business tomorrow. In all of this, we are guided not just by insight but by three important principles for sustainable innovation:
 - First, innovate expansively – we extend the footprint of our brands beyond their core, and beyond their liquids
 - Second, innovate with purpose – we broaden celebration beyond the moment of consumption
 - Finally innovate to premiumise – we elevate the social experience everyday and everyway: make it special, make it scalable

- I am going to show you some ways these principles come to life:
- We have found that consumers are intrigued but sometimes slightly intimidated by the world of whisky.
- ‘What’s your whisky’ is a great answer to that.
- It uses artificial intelligence to help people find their perfect whisky by matching their flavour preferences with the perfect brand for them.
- We are partnering with key customers such as Amazon, Alibaba and major retailers in the US and GB to integrate this technology onto their platforms.
- Last year, an online exclusive with a leading GB retailer, resulted in their whisky category share growing almost 7 points faster than overall spirits and resulted in over 100,000 unique consumer profiles input into their system.
- Based on this success we are expanding this technology to the broader world of cocktails with our “Find your Flavour” tool.
- We also know that people want gifts that show how much they care.
- Our "Perfect Gift Guide" is a fantastic tool to help select the right gift for that special occasion.
- This is currently an integral part of our US consumer site TheBar, an online direct-to-consumer site, which we operate in partnership with ReserveBar.
- To make gifts even more special, we are giving consumers the ability to personalise them, whether that on the bottle, the gift tag or the liquid itself.
- Our service ‘Message in a bottle’ leverages new digital technologies and allows consumers to personalise a bottle of Johnnie Walker with a bespoke video message.
- By uploading a selection of pictures and a message from a smartphone or PC, ‘Message in a Bottle’ creates a thirty second video.
- A gift label on the bottle with a QR code allows the recipient to access the virtual personal message and even download it and share on social media.
- It’s a novel way for family and friends to celebrate some of life’s unforgettable memories and occasions.
- We’ve also taken digital personalisation to a whole new level with a machine that enables consumers to upload their selfies onto the foam of their pint of Guinness or their draught cocktail...
- And gives our customers, like Waxy O’Connors in Manchester a unique and novel way to express their brand and delight their customers!

- An important aspect of innovation is ensuring we deliver our brands with ease.
- Easy ways to have a great drink and enjoy it, simple and faster ways to prepare and serve fabulous drinks with our brands.
- This insight has recently driven disruptive innovation in this space.
- Let me share a few recent examples.
- Draught Cocktails are enabling more bars to serve consumers quick and high quality delicious cocktails.
- Guinness Nitrosurge, just piloted in Ireland, recreates our iconic pour at home.
- And Guinness MicroDraught, which is essentially “a keg so small it fits in a can”, uses cutting edge technology to bring beautiful fresh Guinness Draught on tap to outlets no matter their size or setup.
- Our innovation approach is to invest for the long term.
- We will continue exploring, expanding and ensuring that we are with our consumer everywhere they go, everywhere they want to go and even to places they’ve not yet imagined.
- Sam Fischer is now going to show you how we are building for the future in China and pushing the boundaries of our consumer’s imaginations

Sam Fischer - President, Asia Pacific and Global Travel

- Thanks Cristina
- The successful transformation of our innovation model in the US and elsewhere, has enabled us to take learnings and insights to other markets like Greater China.
- As you heard earlier from Ivan, Greater China is a key strategic market for Diageo and over the last five years, it has increased from 2% of Diageo’s net sales to 5%. And I anticipate this growing to 10% over time.
- We have built strong foundations for growth in recent years and we continue to invest in the critical enablers for future growth, including innovation and research and development.
- In 2021 alone, we have invested in a new regional logistics hub in Shenzhen, and we are investing in a new state-of-the-art research and development centre in Shanghai, set to open in 2022.
- This R&D centre will help us to create a dedicated innovation ecosystem in China for China - enabling us to gain deeper consumer insights on areas like ingredients, serve, and sensory perceptions across Baijiu, whisky, and other categories.

- I've spoken before about the exciting opportunities we see for scotch whisky in China.
- We've seen this through the emergence of whisky bars and boutiques in tier 1 and tier 2 cities across China, the growing popularity of whisky auctions, and the successes of our own whisky summits and similar events.
- This month we were very pleased to announce to announce a \$75 million investment to build Diageo's first whisky distillery in China.
- The Diageo Eryuan Malt Whisky Distillery in Yunnan Province will produce our first Chinese- origin, single malt whisky.
- This as a strong demonstration of our commitment to bring our whisky expertise to China and another example of our investment to develop the whisky category in China.
- This distillery will be carbon neutral when it opens, demonstrating our commitment to doing business the right way from grain to glass.
- We carefully selected Eryuan as the best location to produce our whisky in China given its temperate climate and rich biodiversity and access to natural spring water. It will enable us to craft a world-class, Chinese-origin, single malt whisky that will delight premium whisky lovers in China and beyond.
- As you can see, we are truly embarking on the next phase of our Greater China journey where we are investing in what we see as critical enablers to deliver growth and realise our Performance Ambition in this fast-moving and highly competitive market.

Cristina Diezhandino – Chief Marketing Officer

- So that's how we bring it all together – the consumer insights, the creativity with precision, the understanding of the consumers' journey in an omnichannel world and the constant focus on reinvention and innovation.
- But, that's not all.
- Our brand building efforts are made more powerful through how we connect it to our commercial execution.
- A key differentiating factor for Diageo is our ability to bring to life and execute the great brand work we create for our consumers with excellence and precision.
- Our execution capabilities ensure that the work we do to excite, to create memorable experiences and to drive personalized engagement, reaches consumers in a way that feels high quality and special. And as a result, translates into a purchase.

- It's about having the right offering, at the right place, at the right time.
- As regional leaders, Debra and Alvaro walk hand in hand with the global marketing teams to ensure that this final step of Brilliant Execution is delivered.
- Debra over to you.

Debra Crew – President, North America and Global Supply

- Thanks Cristina
- I am going to talk about some key initiatives in North America that are fundamental to our executional success.
- We know our customers are looking for more insight than ever to grow in our category and that by listening to and collaborating with them we raise the standard of our execution.
- In support of this, we recently opened a state-of-the-art customer collaboration centre just outside New York City.
- It is an interactive, physical space. It not only inspires our customers in a vibrant, data-driven setting but it also enables us to engage with customers at a new level, leveraging technology to build plans for growth.
- We are able to bring consumer occasions and shopping environments to life at in-person sessions with customers where we explore advanced analytics, virtual reality and holographic display technology.
- Another area where we have really strengthened our capabilities in recent years, is our smart use of data and analytics.
- This has significantly increased our effectiveness in reaching consumers.
- Cristina showed earlier with Baileys how the key to building our brands and driving penetration is getting the right message, to the right consumers, in the right location, at the right time.
- Specifically, data enables us to locate where people are in the moment, and we can target them based on their past and predictive future behaviour.
- This means we can remind consumers about our brands at key purchase decision making times.
- We know, through measurement, that this makes our media more effective, which means we get a higher sales volume from the same number of impressions. It also makes our media more productive, so that we get greater sales volume from the same spend.

- On Buchanan’s for example, we targeted consumers in markets where the brand was growing well with media that only showed up to consumers in those specific cities and featured customized creative with specific city landmarks and language. This nuanced local activation resulted in ROIs well over \$2 for every \$1 spent.
- We also use data analytics to determine what we call key” battlegrounds”.
- Battlegrounds are the locations or customers for a specific brand. This can either be where the brand is already strong, or where it is under-penetrated, and we see an opportunity to win in the future.
- We then consolidate and focus all activity for that brand in the battleground. This ensures a consistent approach and enables us to maximize our spend productivity.
- For example, our data analysis identified that Johnnie Walker was underperforming in New Jersey. Specifically, we saw an opportunity to improve the penetration of Johnnie Walker Black Label.
- Having identified New Jersey as a key battleground, we executed hyper-local marketing and programming across key zip codes and accounts.
- In fiscal 21, as a result of this approach, sales growth for Johnnie Walker in New Jersey grew over 20% and ahead of the strong double-digit growth that the brand achieved nationally
- Back to you Cristina

Cristina Diezhandino – Chief Marketing Officer

- The advancements Debra showed in the US are really game changing.
- Equally powerful has been the pace at which we have built a digitally-enabled, customer- focused organization.
- We started this in the US in 2019 and we are rapidly rolling it out.
- By the end of fiscal 22, it will be fully deployed across our global markets.
- What we have built is an industry-leading ‘execution ecosystem’, which we call EDGE – Every Day Great Execution.
- EDGE is a suite of proprietary and highly-advanced digital tools that enable us to execute with precision at the individual outlet level. This includes Diageo One, our business-to- business, 24/7, customer engagement portal.
- We are continually testing, learning and expanding the functionality of our tools. As an example, in Kenya, we are using these tools to build a direct-to-consumer, on-demand delivery service.

- Our EDGE tools are really transforming our business and our route to consumer by expanding our coverage, reducing our costs and simplifying our sales processes.
- Once fully deployed, we will have doubled our total customer ‘called-on’ universe: this
- means you will soon be able to find us selling our brands to about a half a million more outlets than you would have just three years ago and more than 40% of our sales calls are now done digitally, up from just 5% a few years ago
- Let’s take a look at a video that demonstrates these tools in action.
- And then Debra and Alvaro will talk through the success of EDGE in the US and LAC.

[VIDEO]

Debra Crew – President, North America and Global Supply

- As the first Diageo market to implement EDGE, we are well advanced on our journey to transform our route to consumer by effectively leveraging the EDGE tools.
- EDGE is fully deployed across the US Spirits business and we are expanding to Canada and our beer business later this year.
- We have continued to lead by adding new functionality, data sources and intelligence and are honing our analytics and insights ability.
- As a result, we consistently see the outlets that used our digital analytics out-performing those that didn’t – when a retailer lists a product we recommend through EDGE it's worth three times more sales than a non-recommended product
- Alvaro is now going to share more about how EDGE is rolling out in Latin America.

Alvaro Cardenas – President, Latin America and Caribbean

- Thanks Debra
- Across Latin America and Caribbean, the customer landscape is very fragmented. It is dominated by ‘mom & pop’ stores and local bars.
- Our success in Latin America depends on our ability to reach out and influence these outlets and EDGE is enabling us to reach more customers more efficiently and effectively.
- It has also simplified our business and improved the way in which we support our sales teams to serve our customers.

- And we know this, because we have consistently heard it from our sales teams, retailers and customers.
- I am going to share some of their feedback with you now.

[VIDEO]

- Taking Colombia as an example, the introduction of EDGE 365 has driven improved business returns for both Diageo and our customers, and it has simplified our business.
- We have seen that:
- For our customers using EDGE 365 tool, the sellout of Diageo brands has increased by over 30% on average compared to those that don't.
- We have improved the number of outlets holding our minimum product recommendation from 28% to 56% over the last 12 months and we have expanded the reach of outlets by over 40% in fiscal 21.
- In terms of simplification:
- It has enabled us to prioritize outlets based on both Diageo and the customer's business value and it has reduced the number of applications that salespeople have to navigate during a call and made contract management easier.
- These simplifications have enabled our teams to increase the number of calls that each sales rep makes by an additional one call per day over the last 12 months.
- That's the equivalent of a 16% uplift, a significant improvement in productivity.
- As a result of this we have invested in our sales force, increasing the number of sales reps and plan to increase reach of EDGE to over 135,000 outlets, up from 55,000 today. This would take our total EDGE 365 coverage to around a third of the market.
- Beyond Colombia, we are continuing to roll out EDGE 365 and Diageo One throughout Latin America and Caribbean.
- Back to you Cristina

Cristina Diezhandino – Chief Marketing Officer

- Thank you, Alvaro. In closing, these are the key elements that our teams focus on that drive sustainable, long term brand building and growth of our brands:
- A deep understanding of consumers using proprietary tools and data analytics.
- Combining creative flair with advantaged digital capabilities to connect with consumers at the right time, in the right place, with the right message.

- Connecting with consumers across multiple touchpoints.
- Delivering cutting edge innovation against consumer insights and opportunities.
- Deploying our content, experiences and innovation with best-in-class execution.
- Thank you for joining us today. I really am so proud of our amazing brand building and the teams that deliver this.
- And I am also very excited to continue on our journey and confident that our capabilities, our creativity and our amazing execution will enable us to deliver great future success.

Cautionary statement concerning forward-looking statements

This document contains ‘forward-looking’ statements, including statements related to new medium-term guidance, future TBA market share ambitions and our expectations of performance for the first half of fiscal 22. Forward-looking 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 wars or any tariffs, duties or other restrictions or barriers imposed on the import or export of goods between territories, including but not limited to, imports into and exports from the United States and the European Union and/or the United Kingdom, as well as the United Kingdom's recent departure from the European Union);
- the impact of the Covid-19 pandemic, or any other global or regional public health threats, on Diageo's business, financial condition, cash flows and results of operation;
- 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;
- changes in consumer preferences and tastes, including as a result of disruptive market forces, changes in demographics, evolving social trends (including any shifts in consumer tastes towards at-home occasions, premiumisation, small-batch craft alcohol, lower 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;
- 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;
- the consequences of any failure of internal controls, including those affecting compliance with existing or new accounting and/or disclosure requirements;
- 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;
- cyber-attacks or any other disruptions to core business operations including manufacturing and supply, business service centres and/or information systems;
- contamination, counterfeiting or other circumstances which could harm the level of customer support for Diageo's brands and adversely impact its sales;
- Diageo's ability to maintain its brand image and corporate reputation or to adapt to a changing media environment;
- 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;
- 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 financing costs 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.

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, by those set out in Diageo's annual report for the year ended 30 June 2021 under "Our principal risks and risk management", and by the 'Risk factors' section contained in the annual report on Form 20-F for the year ended 30 June 2021 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.