



## **DIAGEO CAPITAL PLC**

(INCORPORATED WITH LIMITED LIABILITY IN SCOTLAND  
WITH REGISTERED NUMBER SC040795)

**\$500,000,000 5.200% Fixed Rate Notes due 2025**

**\$750,000,000 5.300% Fixed Rate Notes due 2027**

**\$750,000,000 5.500% Fixed Rate Notes due 2033**

EACH GUARANTEED AS TO THE PAYMENT OF PRINCIPAL AND INTEREST BY

## **DIAGEO PLC**

(INCORPORATED WITH LIMITED LIABILITY IN ENGLAND AND WALES  
WITH REGISTERED NUMBER 23307)

Diageo Capital plc (the "**Issuer**") has issued (i) \$500,000,000 5.200% Fixed Rate Notes due 2025 (the "**2025 Notes**"); (ii) \$750,000,000 5.300% Fixed Rate Notes due 2027 (the "**2027 Notes**"); and (iii) \$750,000,000 5.500% Fixed Rate Notes due 2033 (the "**2033 Notes**" and, together with the 2025 Notes and the 2027 Notes, the "**Notes**") each guaranteed by Diageo plc (the "**Guarantor**" or "**Diageo**").

The Notes have been issued under an indenture dated 3 August 1998 between the Issuer, Diageo and The Bank of New York Mellon (as successor trustee pursuant to an Agreement of Resignation, Appointment and Acceptance dated 16 October 2007 between, amongst others, the Issuer, Diageo, The Bank of New York and Citibank, N.A.) (the "**Indenture**").

This Prospectus comprises a prospectus for the purposes of Article 6 of Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom (the "**UK**") by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") (the "**UK Prospectus Regulation**") and for the purpose of giving information with regard to the Issuer and Diageo (each an "**Obligor**" and together the "**Obligors**"), their respective subsidiaries, the Notes and the guarantees of the Notes given by Diageo, which, according to the particular nature of the Obligors and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Obligors and of the rights attaching to the Notes.

Diageo has filed a registration statement with the United States Securities and Exchange Commission ("**SEC**") for the offering of the Notes to which this Prospectus relates. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy securities either in the United States or any other jurisdiction, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration and qualification under the securities laws of any such jurisdiction. Any public offering of securities in the United States is being made solely by means of a prospectus supplement to the prospectus included in the registration statement filed with the SEC by Diageo, the Issuer and Diageo Investment Corporation. The prospectus in that registration statement (which is different from this Prospectus) and the prospectus supplement and other documents Diageo has filed with the SEC contain information about Diageo and the offering of the Notes. You may get these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Neither the SEC nor any state securities

commission nor any other regulatory body has approved or disapproved of these securities. Any representation to the contrary is a criminal offense.

This Prospectus has been approved by the UK Financial Conduct Authority (the "**FCA**"), in its capacity as competent authority under the UK Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Obligors or an endorsement of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA in its capacity as the UK competent authority under the FSMA (as defined below) for the Notes to be admitted to the Official List of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Regulation (EU) No. 600/2014 on markets in financial instruments, as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**").

The Notes have been issued in fully registered form in denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof. The Notes are represented by one or more global securities registered in the name of a nominee of The Depository Trust Company ("**DTC**"). Beneficial interests in the Notes are held through DTC and its participants, including Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). See Part 4 ("*Provisions Relating to the Notes Whilst in Global Form*") of this Prospectus.

As at the date of this Prospectus, Diageo's long term senior debt ratings are: A3 by Moody's Investors Service Ltd ("**Moody's**") (obligations rated 'A' are judged to be upper-medium grade and are subject to low credit risk, and the modifier 3 indicates a ranking in the lower end of that generic rating category) and A- by S&P Global Ratings UK Limited ("**S&P**") (an obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitments on the obligation is still strong. The minus (-) sign shows relative standing within the rating categories). Each of Moody's and S&P is established in the UK and registered under Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (as amended, the "**UK CRA Regulation**"). Each of Moody's and S&P is not established in the European Economic Area ("**EEA**") and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**EU CRA Regulation**", and together with the UK CRA Regulation, the relevant "**CRA Regulation**"). However, S&P Global Ratings Europe Limited has endorsed the ratings of S&P and Moody's Deutschland GmbH has endorsed the ratings of Moody's. Each of S&P Global Ratings Europe Limited and Moody's Deutschland GmbH is established in the EEA and registered under the EU CRA Regulation.

The date of this Prospectus is 12 December 2022.

Each Obligor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each Obligor, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

This Prospectus should be read and construed with any amendment or supplement hereto and with any other documents incorporated herein by reference (see “*Documents Incorporated by Reference*” below).

No person has been authorised by the Obligors to give any information or to make any representation not contained in or not consistent with this Prospectus or any information supplied by the Obligors or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Obligors.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Obligors to inform themselves about and to observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by any of the Obligors that any recipient of this Prospectus should purchase any Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of each Obligor. This Prospectus may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction.

Each investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to an

investor's overall portfolios. An investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each investor in the Notes should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.**

**PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of the domestic law of the UK by virtue of the EUWA; or (ii) a customer within the meaning of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of the domestic law of the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of the domestic law of the UK by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the audited annual financial statements (on a consolidated basis and including the auditor's report thereon and notes thereto) of Diageo in respect of the financial years ended 30 June 2022 (as set out at pages 136 to 194 of the Annual Report of Diageo for the year ended 30 June 2022) (the "**2022 Financial Statements**") and 30 June 2021 (as set out at pages 132 to 187 of the Annual Report of Diageo for the year ended 30 June 2021) (the "**2021 Financial Statements**");
2. the audited annual financial statements (on an entity basis and including the auditor's report thereon and notes thereto) of the Issuer in respect of the financial years ended 30 June 2022 and 30 June 2021; and
3. the audited annual financial statements (on a consolidated basis and including the auditor's report thereon and notes thereto) of Diageo in respect of the financial year ended 30 June 2022 (as set out at pages 215 to 292 of the Annual Report on Form 20-F of Diageo in respect of the year ended 30 June 2022), and 30 June 2021 (as set out at pages 219 to 293 of the Annual Report on Form 20-F of Diageo for the year ended 30 June 2021),

save that any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement provided that such modifying or superseding statement is made by way of supplement to the Prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The consolidated financial statements for Diageo as detailed in paragraph 1 were prepared in accordance with applicable law and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IASB**") (together "**IFRS**") and the parent company financial statements for Diageo were prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

The parts of the above mentioned documents which are not incorporated by reference into this Prospectus are either not relevant for investors or covered elsewhere in this Prospectus.

Copies of documents deemed to be incorporated by reference in this Prospectus may be obtained: (i) by a request in writing to the Issuer at its registered office as set out at the end of this Prospectus and marked for the attention of Company Secretariat; and (ii) from the website of the Regulatory News Service operated by the London Stock Exchange at: <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

## ALTERNATIVE PERFORMANCE MEASURES

To supplement its consolidated financial statements presented in accordance with IFRS, Diageo and its consolidated subsidiaries (the “**Diageo Group**”) uses certain ratios and measures included or referred to in this Prospectus (including, without limitation, in the 2022 Financial Statements incorporated by reference) that would be considered Alternative Performance Measures (“**APMs**”) as defined in the European Securities and Markets Authority Guidelines. These measures are considered useful to investors to enhance their understanding of the Diageo Group’s financial performance. The APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. An explanation of each APM’s components and calculation method can be found on pages 76 to 83 (incorporated by reference herein) of the Annual Report for Diageo for the year ended 30 June 2022.

## 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 programs, 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. These risks and uncertainties include, but are not limited to, the continuing and longer-term effects of the Covid-19 pandemic and of the elevated geopolitical instability and economic volatility resulting from Russia’s invasion of Ukraine; the adverse effects of the Covid-19 pandemic and the Russian invasion of Ukraine on our business or the market price of our common stock; the larger trend of rising inflation around the globe, which may have a significant adverse effect on economic activity and Diageo’s business; and the risks and uncertainties described in our Annual Report on Form 20-F for the fiscal year ended June 30, 2022 (including the section entitled “Business Description—Risk factors”) and our other documents filed with the SEC. Our Annual Report on Form 20-F and any other documents filed by Diageo with the SEC are publicly available through the website maintained by SEC at [sec.report](http://sec.report). 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.

## SUPPLEMENTAL PROSPECTUS

Each Obligor will in the event of any significant new factor, material mistake or inaccuracy relating to information included in the Prospectus, prepare a further supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes in compliance with Article 23 of the UK Prospectus Regulation.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references in this document to “**U.S.\$**”, “**\$**” and “**U.S. dollars**” are to United States dollars, those to “**Sterling**” and “**£**” are to pounds sterling, those to “**INR**” are to Indian rupees and those to “**euro**”, “**Euro**”, “**€**” and “**EUR**” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended.

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## PART 1: OVERVIEW OF THE NOTES

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.*

*The following is a brief overview of the key terms of the Notes only and should be read in conjunction with the rest of this Prospectus, including "Risk Factors", for a discussion of certain factors to be considered in connection with Notes.*

Aggregate Principal Amount:	\$500,000,000 Fixed Rate Notes due 2025
	\$750,000,000 Fixed Rate Notes due 2027
	\$750,000,000 Fixed Rate Notes due 2033
Issue Date:	24 October 2022.
Issuer:	Diageo Capital plc.
Guarantees:	The Notes are guaranteed by Diageo as to the payment of the principal, premium (if any) and interest, including any additional amounts that may be payable.
Minimum Denomination:	\$200,000 and in integral multiples of \$1,000 in excess thereof.
Maturity Date:	24 October 2025 for the 2025 Notes.
	24 October 2027 for the 2027 Notes.
	24 January 2033 for the 2033 Notes.
Interest Rate:	The interest rate on the 2025 Notes is 5.200% per annum (fixed).
	The interest rate on the 2027 Notes is 5.300% per annum (fixed).
	The interest rate on the 2033 Notes is 5.500% per annum (fixed).
Interest Payment Dates:	For the 2025 and 2027 Notes, semi-annually in arrear on 24 April and 24 October of each year, commencing on 24 April 2023.
	For the 2033 Notes, semi-annually in arrear on 24 January and 24 July of each year, commencing on 24 July 2023.

Optional Redemption: The Issuer or the Guarantor have the right to redeem the 2025 Notes, the 2027 Notes and/or the 2033 Notes in whole or in part as set out below

In whole or in part, (i) the 2025 Notes at any time and from time to time prior to the stated maturity date of the 2025 Notes; (ii) the 2027 Notes at any time and from time to time prior to the 2027 Par Call Date (as defined below); and (iii) the 2033 Notes at any time and from time to time prior to the 2033 Par Call Date (as defined below) in each case at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes plus accrued interest to, but excluding, the date of redemption and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such Notes as if the Notes to be redeemed matured on the applicable Par Call Date (as defined below) (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 15 basis points for the 2025 Notes, 15 basis points for the 2027 Notes and 25 basis points for the 2033 Notes plus, in each case, accrued interest to, but excluding, the date of redemption.

In addition, (i) the 2027 Notes at any time and from time to time on or after 24 September 2027 (the date that is one month prior to the maturity date of the 2027 Notes) (the “**2027 Par Call Date**”) and (ii) the 2033 Notes at any time and from time to time on or after 24 October 2032 (the date that is three months prior to the maturity date of the 2033 Notes) (the “**2033 Par Call Date**”) and, together with the 2027 Par Call Date each a “**Par Call Date**”), in each case at a redemption price equal to 100% of the principal amount of such Notes plus accrued interest to, but excluding, the date of redemption.

Ranking: The Notes and the guarantees of the Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and will rank equally with all of its other unsecured and unsubordinated indebtedness from time to time outstanding.

Tax Redemption: The Notes are redeemable at the option of the Issuer or the Guarantor upon certain changes in UK tax law

or in the event of a requirement to pay additional amounts due to certain mergers, conveyances, transfers or leases.

Estimated Net Amount of Proceeds in respect of the 2025 Notes: \$ 498,590,000

Estimated Net Amount of Proceeds in respect of the 2027 Notes: \$ 747,165,000

Estimated Net Amount of Proceeds in respect of the 2033 Notes: \$ 743,550,000

Use of Proceeds: General corporate purposes.

Form of Notes: The Notes have been issued in the form of registered global notes as described in registered form as described in Part 4 ("*Provisions Relating to the Notes Whilst in Global Form*").

Record Dates: The close of business on the business day immediately preceding each applicable interest payment date (or, if the Notes are held in definitive form, the 15th business day preceding each applicable interest payment date).

Trustee and Principal Paying Agent: The Bank of New York Mellon, London Branch.

Joint Bookrunners: Citigroup Global Markets Inc.  
HSBC Securities (USA) Inc.  
Morgan Stanley & Co. LLC  
NatWest Markets Securities Inc.  
Santander Investment Securities Inc.  
UBS Securities LLC

Listing and admission to trading: Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's regulated market.

Further Issues: The Issuer or the Guarantor may, without the consent of the holders of any series of Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the applicable series of Notes except for the price to the public and Issue Date. Any such additional notes, together with the applicable series of Notes, will constitute a single series of securities under the Indenture relating to the Notes; provided that, if the

additional notes are not fungible for U.S. federal income tax purposes with the Notes, the additional notes will have a separate CUSIP or other identifying number. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.

CUSIP: 25243Y BF5 in respect of the 2025 Notes.

25243Y BG3 in respect of the 2027 Notes.

25243Y BH1 in respect of the 2033 Notes.

ISIN: US25243YBF51 in respect of the 2025 Notes.

US25243YBG35 in respect of the 2027 Notes.

US25243YBH18 in respect of the 2033 Notes.

Selling Restrictions: See Part 8 ("*Selling Restrictions*") below.

Governing Law: New York.

## PART 2: RISK FACTORS

The Obligors believe that the following factors are the risks which are specific to the Obligors and/or to the Notes and which are material for taking an informed investment decision. Most of these factors are contingencies which may or may not occur. In the ongoing uncertain economic environment, certain risks may gain more prominence either individually or when taken together. If any of these risks occur, the Diageo Group's business, financial condition and performance could suffer and the trading price and liquidity of the Notes could decline.

The Obligors believe that the factors described below represent the material risks inherent in investing in the Notes, but the inability of the Obligors to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Obligors do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decisions.

Words and expressions defined elsewhere in this Prospectus have the same meanings in this section.

The risk factors are presented in categories which are numbered 1. to 6. below, with the most material risk factors appearing first in each numbered category.

### **A. Risks which are specific and material to each Obligor and which may have a material effect on each Obligor's ability to fulfil its obligations under the Notes including Diageo's obligations under the guarantees**

#### **1. Risks related to the business activities and industry of the Diageo Group**

*The Diageo Group's business has been and may, in the future, be adversely impacted by unfavourable economic, political, social or other developments and risks (including those resulting from the Covid-19 pandemic, geopolitical instability increased by Russia's invasion of Ukraine and/or inflationary pressures) in the countries in which it operates*

The Diageo Group's products are sold in over 180 countries worldwide, and the Diageo Group may be adversely affected by global economic volatility or unfavourable economic developments in any of the countries where it has distribution networks, marketing companies or production facilities. In particular, the Diageo Group's business is dependent on general economic conditions in its major markets, which include the United States, the UK, the countries that form the European Union, and certain countries within the Asia Pacific region, such as India and China, and failure to react quickly enough to changes in those economies could have an adverse effect on financial performance..

The Covid-19 pandemic has created and continues to create economic volatility significantly impacting the markets in which the Diageo Group operates. While restrictions imposed in response to the pandemic in most countries around the world have gradually eased, the long-term economic impact of the pandemic is still uncertain and the rate of economic recovery could vary significantly between and even within markets. Similarly, Russia's invasion of Ukraine and the escalating military conflict in the region has, among other things, resulted in elevated geopolitical instability and economic volatility. For more information on how the invasion may impact the Diageo Group, see the risk factor entitled "*The Diageo Group's business may be*

*adversely impacted by the effects of Russia's invasion of Ukraine" below. The economic volatility attributable to Covid-19 and Russia's invasion of Ukraine is part of and contributing to a larger trend of rising inflation around the globe, which may have a significant adverse effect on economic activity and the Diageo Group's business. For more information on how rising inflation may impact the Diageo Group, see the risk factor entitled "Any increases in the cost of production could affect the Diageo Group's profitability, including increases in the cost of commodities, labour and/or energy due to inflation" below.*

Any future significant deterioration in economic conditions globally or in any of the Diageo Group's important markets, including economic slowdowns, global, regional or local recessions or depressions, currency instability, increased unemployment levels, increased custom duties, tariffs and/or other tax rates, increased inflationary pressures and/or disruptions to credit and capital markets, could lead to eroded consumer confidence and decreased consumer spending more generally, which in turn could reduce consumer demand for the Diageo Group's products. For more information on how consumer demand for the Diageo Group's products may be impacted, see the risk factor entitled "*Demand for the Diageo Group's products may be adversely affected by many factors, including disruptive market forces, changes in consumer preferences and tastes and the adverse impacts of declining economies*".

Unfavourable economic conditions could also negatively impact the Diageo Group's customers, suppliers, distributors and financial counterparties, who may experience cash flow problems, increased credit defaults, decreases in disposable income or other financial issues, which could lead to changes to ordinary customer stocking patterns, including destocking or stocking ahead of potential price increases. In addition, volatility in the capital and credit markets caused by unfavourable economic developments and uncertainties, including those related to the ongoing impact of the Covid-19 pandemic, the heightened geopolitical instability caused by Russia's invasion of Ukraine and/or inflationary pressures, could result in a reduction in the availability of, or an increase in the cost of, financing to, the Diageo Group.

The Diageo Group's business could also be affected by other economic developments such as fluctuations in currency exchange rates, the imposition of any import, investment or currency restrictions (including the potential impact of any global, regional or local trade wars or any tariffs, customs 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, China the UK, the European Union and/or Russia), the imposition of economic or trade sanctions, or any restrictions on the repatriation of earnings and capital. Any of these developments may have a material adverse effect on the Diageo Group's forecasting and/or financial performance.

The Diageo Group's operations are also subject to a variety of other risks and uncertainties related to its global operations, including adverse political, social or other developments. Political and/or social unrest or uncertainties, disease outbreaks (including the Covid-19 pandemic and any future epidemics or pandemics, and government responses thereto), natural disasters, politically-motivated violence and terrorist threats and/or acts, including those which are specifically directed at the alcohol industry, may also occur in countries where the Diageo Group has operations.

There is also a risk that the continuing economic and political effects surrounding the UK's departure from the European Union ("**Brexit**") could contribute to volatility in exchange rates, wider risks to supply chains and potentially ultimately lead to changes in market access or trading terms (including to customs duties, tariffs and/or industry-specific requirements and regulations),

as well as generally increased legal and regulatory complexity and costs. To minimise the associated risks of Brexit for firms and businesses, the UK Government implemented secondary legislation under powers provided in the EUWA to ensure that the UK had a functioning statute book from 31 December 2020, however, the continuing effects of Brexit are difficult to predict and there remains both short-term and long-term political and economic uncertainty. In particular, Brexit could also have further implications for the constitutional makeup of the UK as a result of renewed discussions surrounding further devolved governments in Scotland and Northern Ireland and/or possible independence for Scotland. This could result in a further period of political uncertainty in the UK and otherwise adversely affect the Diageo Group's business and financial results, particularly since the Diageo Group has substantial operations and inventory located in Scotland. Any of the foregoing could have a material adverse effect on the Diageo Group's business, financial condition and performance.

Many of the above risks are heightened, or occur more frequently, in emerging markets. A substantial portion of the Diageo Group's operations is conducted in emerging markets, which represented approximately 39% of the Diageo Group's net sales for the year ended 30 June 2022. In general, emerging markets are also exposed to relatively higher risks attributable to unstable governments, corruption, crime and lack of law enforcement, undeveloped or biased legal systems, military conflicts, expropriation of assets, sovereign default, liquidity constraints, inflation, devaluation, price volatility and currency convertibility issues, as well as other legal and regulatory risks and uncertainties. Developments in emerging markets can affect the Diageo Group's ability to import or export products and to repatriate funds, as well as impact levels of consumer demand (for example, in duty-free outlets at airports or in on-trade premises in affected regions) and therefore the Diageo Group's levels of sales or profitability. Any of these factors may affect the Diageo Group disproportionately or in a different manner from its competitors, depending on the Diageo Group's specific exposure to any particular emerging market, and could have a material adverse effect on the Diageo Group's business and financial results.

*Any increases in the cost of production could affect the Diageo Group's profitability, including increases in the cost of commodities, labour and/or energy due to inflation*

The components that the Diageo Group uses for the production of its beverage alcohol products are largely commodities purchased from suppliers which are subject to price volatility caused by factors outside of the Diageo Group's control, including inflation, changes in global and regional supply and demand, weather and/or agricultural conditions, fluctuations in relevant exchange rates and/or governmental controls. Fluctuations in the prices of various commodities, including energy prices, may result in unexpected increases in the cost of the raw materials the Diageo Group uses in the production of its products, including the prices of the agricultural commodities, flavourings and other raw materials necessary for the Diageo Group to produce its various beverages, as well as glass bottles and other packaging materials, thus increasing the Diageo Group's production costs. For example, recently there has been increased demand for and restricted supply of agave suitable for use in tequila which has driven a marked increase in the cost of agave and, as a result, has impacted the Diageo Group's margins.

The Diageo Group may also be adversely affected by shortages of any such materials, by increases in energy costs resulting in higher transportation, freight or other related operating costs, by inflation in any of the jurisdictions in which it produces its products. The Diageo Group may not be able to increase its prices or create sufficient efficiencies to offset these increased costs without suffering reduced volumes of products sold and/or decreased operating profit. While the Diageo Group continues to closely monitor its operating environment, it is possible that the

ongoing volatility related to significant cost inflation along with a potential weakening of consumer spending power may have an adverse effect on the Diageo Group's business, financial condition and results of operations.

*The Diageo Group's business, financial condition, cash flows and results of operations have been and may continue to be adversely affected by the Covid-19 pandemic, or by any other novel global public health threats or fear thereof*

Covid-19 was declared a pandemic by the World Health Organization in March 2020. Since then, government responses and measures adopted by other regulatory bodies in response to the pandemic have caused and continue to cause business slowdowns as well as general economic instability and disruption to the Diageo Group's operations.

While restrictions in most countries around the world have gradually eased, the longer-term impacts of the Covid-19 pandemic on the Diageo Group's business and operations remain uncertain. It is possible that vaccinations and other preventative measures become less effective over time, particularly if any new variants of the Covid-19 virus emerge, leading governments to impose new or additional restrictions, which may adversely affect the Diageo Group's business and operations.

To date, the direct impacts on the Diageo Group's business from the Covid-19 pandemic have included, but have not been limited to:

- the closure of and/or other restrictions being placed upon on-trade channels such as bars, restaurants and other hospitality venues in a significant number of the Diageo Group's markets globally as a result of government social distancing mandates and/or other factors, which have impacted the volume of the Diageo Group's products sold via those channels;
- temporary disruptions to the Diageo Group's ability to operate certain of its production and other facilities due to regulatory restrictions or other factors, as well as the implementation of heightened safety protocols in all of the Diageo Group's facilities and offices worldwide leading to restrictions to access, reductions in activity levels, employees of the Diageo Group and its suppliers and distributors not being able to work at all or work as efficiently due to home working, illness, quarantines or other factors, as well as other additional costs;
- wider disruptions to the Diageo Group's supply chains and routes to market, or those of the Diageo Group's suppliers and/or distributors or customers; and
- the imposition of travel restrictions by numerous jurisdictions combined with public concern about travel resulting in significant declines in passenger numbers, particularly in air travel.

The impacts of the Covid-19 pandemic and related response measures worldwide, including the impacts described above, have had and may continue to have an adverse effect on global economic conditions, as well as on the Diageo Group's business, results of operations, cash flows and financial condition, with recovery expected to be dependent on the success of public health measures and the impact of economic policies. While most countries around the world have gradually scaled back their Covid-19 response measures, any additional impacts related to Covid-



19 (including those related to any new variants of the Covid-19 virus that may emerge) may affect economic recovery, which could materially adversely impact global economic conditions. This could in turn lead to a further decline in discretionary spending by consumers. In addition, a global outbreak of another novel public health threat, or fear of such an event, could result in a resurgence of government restrictions and regulations and result in any of the impacts described above.

The Diageo Group conducts impairment reviews as and when required in accordance with applicable accounting standards, to ensure that, among other things, intangible assets, including brands, are not carried at above their recoverable amounts. Although no material write-downs relating to the impacts of the Covid-19 pandemic were recognised during the financial year ended 30 June 2022 there remains a risk that material write-downs or impairments may occur during future periods as a result of the Covid-19 pandemic.

In addition, the impact of the Covid-19 pandemic on global economic conditions has impacted and may continue to impact the proper functioning of financial and capital markets, as well as foreign currency exchange rates, commodity and energy prices and interest rates. Responses to the Covid-19 pandemic may also result in both short-term and long-term changes to financial and tax policies in impacted jurisdictions, including increases in tax rates. A continuation or worsening of the levels of market disruption and volatility seen in the recent past, either as a result of the Covid-19 pandemic or of the emergence of any other new international public health threat, could have an adverse effect on the Diageo Group's ability to access, or costs of, capital or borrowings, its liquidity, its financial position, its adjusted net debt to EBITDA ratio, its ability to comply with any applicable financial covenants or its credit ratings.

Any of the foregoing developments may have a material adverse effect on the Diageo Group's business, financial condition, cash flows and results of operations. In addition, the impact of the Covid-19 pandemic, or any other future epidemics or pandemics, may also have the effect of heightening many of the risks described elsewhere within this Prospectus.

*The Diageo Group's business may be adversely impacted by the effects of Russia's invasion of Ukraine*

In response to Russia's invasion of Ukraine in early March 2022, the Diageo Group temporarily halted shipments and sales of its products in Russia and Ukraine while focusing on supporting its employees in the region. In June 2022, the Diageo Group restarted shipments of the Diageo Group's products to Western Ukraine through local distributor networks and made the decision to wind down its business operations in Russia. The Diageo Group expects this winding-down process to take approximately six months, during which time the Diageo Group will continue to focus on supporting its employees and providing them with enhanced redundancy terms, while ensuring compliance with local regulations.

The Diageo Group has historically derived only a small proportion of its revenue from the distribution of its products within Russia and Ukraine. For the financial years ended 30 June 2022 and 30 June 2021, the Diageo Group's business in Russia contributed less than 1% of reported net sales and of reported operating profit. In addition, the Diageo Group has never produced any of its products in Ukraine. However, the Diageo Group's business and operations may be adversely impacted as a result of the broader geopolitical and economic consequences of the invasion, including due to elevated geopolitical instability, additional trade restrictions (as well as any retaliatory actions taken by Russia in response to sanctions and other restrictive measures

imposed against it), disruptions to global supply chains, increases in commodity and energy prices with flow-on global inflationary impacts, adverse impacts on markets and a downturn in the global economy.

*Demand for the Diageo Group's products may be adversely affected by many factors, including disruptive market forces, changes in consumer preferences and tastes and the adverse impacts of declining economies*

The Diageo Group's portfolio of brands includes some of the world's leading beverage alcohol brands, as well as a number of brands that are prominent in certain regional and/or country-specific markets. Any inability by the Diageo Group to respond and adapt either its products or its processes to disruptive market forces including e-commerce, digital, and new formats could impact the Diageo Group's ability to effectively service its customers and consumers with the required agility, thereby threatening market share, revenue, profitability and growth ambitions. While the Diageo Group is focussed on expanding its digital platforms and effectively using technology in its supply chains, there is no guarantee that these efforts will help the Diageo Group gain and/or maintain a competitive advantage over its peers.

Consumer preferences on a global, regional and/or local scale may shift due to a variety of factors, including changes in demographics, evolving social trends (including any shifts in consumer tastes towards at-home consumption occasions, premiumisation, small-batch craft alcohol, lower or no alcohol beverages, or other alternative products), changes in travel, holiday or leisure activity patterns, weather conditions, public health regulations and/or health and wellness concerns (including as a result of the Covid-19 pandemic), any or all of which may reduce consumers' willingness to purchase beverage alcohol products from large producers such as the Diageo Group or at all.

The market share, profitability and growth ambitions of the Diageo Group's brands, as well as the Diageo Group's reputation more generally, could also be adversely affected by any failure by the Diageo Group to service its customers and consumers with the required agility or to provide consistent, reliable quality in its products or in its service levels to customers.

Economic pressures in the markets the Diageo Group serves may also reduce consumer demand for the Diageo Group's products. In particular, inflation, as measured by the consumer price index has recently increased in advanced and emerging market economies, including in Europe and the United States, driven mainly by supply chain issues (including input shortages, labour constraints, rising commodity prices and rising shipping costs), excess demand for goods and services, and significant increases in energy prices. Rising costs of living could negatively impact the spending habits of consumers in various markets which the Diageo Group serves and could cause consumers to choose products which have lower price points, including those of the Diageo Group's competitors. Changes in consumers' spending habits due to rising inflation may therefore have an adverse effect on the Diageo Group's business and financial results.

In addition, the social acceptability of the Diageo Group's products may decline due to negative publicity surrounding, and/or public concerns about, alcohol consumption. Such anti-alcohol publicity or sentiment could also result in regulatory action, litigation or customer complaints against companies in the beverage alcohol industry and have an adverse effect on the Diageo Group's business and financial results. Further detail as to the potential regulatory risks regarding constraints on the selling or consumption of alcohol is set out in the "*Legal and regulatory*" risks below.

Growth in the Diageo Group's business has historically benefited from the launch of new to world products or variants of existing brands (with recent examples including the at-home Guinness microdraught dispenser or the Crown Royal's ready-to-drink hard whisky cocktails), and continuing product innovation and the creation of extensions to existing brands remain significant elements of the Diageo Group's growth plans. The launch and ongoing success of new to world products or global brand extensions is inherently uncertain, especially with respect to such products' initial and continuing appeal to consumers. Similarly, brands that the Diageo Group acquires may not deliver the expected benefits and/or may not scale as expected. The failure to successfully launch a new product or an extension of an existing brand, or to maintain the product's initial popularity, can give rise to inventory write-offs and other costs, as well as negatively impact the consumer perception of and thus the growth of an existing brand. There can be no assurance of the Diageo Group's continuing ability to develop and launch successful new products or variants of existing products, or to ensure or extend the profitable lifespan of its existing products.

*The Diageo Group faces competition that may reduce its market share and margins*

The Diageo Group faces substantial competition from several international companies as well as regional and local companies (including craft breweries) in the countries in which it operates, and competes with other drinks companies across a wide range of consumer drinking occasions. Within a number of categories, the beverage alcohol industry has been experiencing continuing consolidation among major global producers, as evidenced by business combinations of substantial value carried out by significant competitors in recent years. Consolidation is also taking place among the Diageo Group's customers in many countries. In addition, there has been a recent increase in competition for distribution channels, notably e-commerce channels. These trends may lead to stronger competitors, increased competitive pressure from customers, negative impacts on the Diageo Group's distribution network (including sub-optimal routes to customers and consumers), downward pressure on prices, predatory marketing tactics by the Diageo Group's competitors and/or a decline in the Diageo Group's market share in any of these categories. For example, expansion in the seltzer and ready-to-drink categories has increased competitive pressures across product categories and in certain markets (such as in the United States). Adverse developments in economic conditions or declines in demand or consumer spending may also result in intensified competition for market share, with potentially adverse effects on sales volumes and prices. Any of these factors may adversely affect the Diageo Group's results and potential for growth.

*The Diageo Group may not be able to derive the expected benefits from its business strategies, including in relation to expansion in emerging markets, acquisitions, investments in joint ventures, productivity initiatives or inventory forecasting*

There can be no assurance that the Diageo Group's business strategies will result in opportunities for growth and improved margins. Part of the Diageo Group's growth strategy includes expanding its business in certain emerging market countries where the Diageo Group believes there are strong prospects for growth. There is no guarantee that this strategy will be successful, and some of these markets may represent a higher risk in terms of their changing regulatory environments and higher degrees of uncertainty over levels of consumer spending. There could be a material adverse impact on the Diageo Group's growth and margins if the Diageo Group's business strategies were unsuccessful.

As part of its growth strategy, the Diageo Group also made a number of acquisitions in recent years, and it is possible that the Diageo Group may not be able to derive the expected benefits from these acquisitions and/or may experience unexpected integration challenges. In the future, the Diageo Group's business strategies will, almost certainly, give rise to further business combinations, acquisitions, disposals, joint ventures and/or partnerships (including any associated financing or the assumption of actual or potential liabilities, depending on the transaction contemplated). However, there can be no assurance that any such transaction would be completed and/or that it would deliver the anticipated benefits, cost savings or synergies. The success of any transaction also depends in part on the Diageo Group's ability to successfully integrate new businesses with its existing operations. Acquisitions may also expose the Diageo Group to liabilities it may not be aware of at the time of the acquisition, for example if acquired companies and business do not act, or have not acted, in compliance with applicable laws and regulations. The historical issues associated with United Spirits Limited ("**USL**") detailed in note 19 to the 2022 Financial Statements provide an example of integration and legal challenges.

The Diageo Group may from time to time hold interests and investments in joint ventures and associated companies in which it has a non-controlling interest and may continue to do so. In these cases, the Diageo Group may have limited influence over, and limited or no control of, the governance, performance and cost of operations of the joint ventures and associated companies. Some of these joint ventures and associated companies may represent significant investments, and these investee entities or other joint venture partners or equity holders may make business, financial or investment decisions contrary to the Diageo Group's interests (including with respect to the distribution of profits and dividends) or may make decisions different from those that the Diageo Group itself may have made.

To strengthen the resilience and agility of the Diageo Group's supply chain, the Diageo Group has recently initiated a supply chain agility programme, expected to be implemented over the five years starting from the financial year ended 30 June 2023. There can be no assurance that this programme or other programmes designed to improve the effectiveness and efficiency of end-to-end operations, will deliver the expected benefits. Such programmes may also result in significant costs to the Diageo Group or may have other adverse impacts on the business and operations of the Diageo Group. Certain of the Diageo Group's aged product categories may mature over decades, and forecasts of demand for such products in future periods are subject to significant uncertainty. There is an inherent risk of forecasting error in determining the quantity of maturing stock to lay down in a given year for future consumption as a result of changes in business strategy, market demand and unplanned shifts in consumer preferences, introductions of competing products and other changes in market conditions. Any forecasting error could lead to the Diageo Group being unable to meet the objectives of its business strategy, demand or lead to a future surplus of inventory and consequent write-down in value of maturing stocks. If the Diageo Group is unable to accurately forecast demand for its products or efficiently manage its inventory, this may have a material adverse effect on the Diageo Group's business and financial results.

*The value of the Diageo Group's brands and its net sales may be negatively affected by its failure to maintain its brand image and corporate reputation or adapt to a changing media environment*

The value of the Diageo Group's brands and its profitability depend heavily on its ability to maintain its brand image and corporate reputation. Adverse publicity, whether or not justified, may tarnish the Diageo Group's reputation and cause consumers to purchase products offered by its competitors instead of by the Diageo Group. Such adverse publicity could arise as a result of a perceived failure by the Diageo Group to make adequate positive social contributions, including

in relation to the level of taxes paid by the Diageo Group, or by any failure of internal controls or compliance breaches leading to violations of the Diageo Group's Code of Business Conduct, Code of Ethics, its other key policies, or the laws or regulations of the jurisdictions in which it operates. The Diageo Group has also established and may continue to establish relationships with brand founders and/or other public figures to develop and promote its brands, and to establish brand equity, history and authenticity with consumers. If certain such individuals were to stop promoting a Diageo Group brand or brands contrary to their agreements, the Diageo Group's business could be adversely affected. Negative claims or publicity involving the Diageo Group, its culture and values, brands, or any of its key employees or brand endorsers could also damage the Diageo Group's brands and/or reputation, regardless of whether such claims are accurate, and may have a material adverse effect on the Diageo Group's business and financial results.

In addition, the Diageo Group's ability to maintain, extend, and expand its brand image depends on its ability to adapt to a rapidly changing media environment. The Diageo Group also maintains an online presence as part of its business operations, and increasingly relies on social media and online dissemination of advertising campaigns. The Diageo Group's reputation may suffer if it is perceived to fail to appropriately restrict access to its online content or if it breaches any marketing regulation, code or policy. In addition, the growing use of social and digital media increases the speed and extent that information or misinformation and opinions can be shared. Negative posts or comments about the Diageo Group, its brands or its products on social or digital media, whether or not valid, could seriously damage the Diageo Group's brands and reputation.

Any failure to maintain, extend, and expand the Diageo Group's brand image or adapt to a changing media environment may have a material adverse effect on the Diageo Group's business and financial results and reputation, as well as the price of the Diageo Group's securities.

*Contamination, counterfeiting or other events could harm the integrity of customer support for the Diageo Group's brands and adversely affect the sales of those brands*

The success of the Diageo Group's brands depends upon the positive image that consumers have of those brands, and contamination, whether arising accidentally, or through deliberate third party action, or other events that harm the integrity of, or consumer support for those brands, could adversely affect their sales and the Diageo Group's corporate and brand reputation. The Diageo Group purchases most of the raw materials for the production and packaging of its products from third party producers or on the open market. The Diageo Group may be subject to liability if contaminants in those raw materials or defects in the distillation, fermentation or bottling process lead to reduced beverage quality or illness among, or injury to, the Diageo Group's consumers, or if the products do not otherwise comply with applicable food safety regulations.

The Diageo Group has had to recall products in the past due to contamination or damage and may have to do so again in the future. A significant product liability judgment or a widespread product recall may cause harm to consumers and negatively and materially impact sales and profitability of the affected brand or all of the Diageo Group's brands for a period of time depending on product availability, competitive reaction and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, any resulting negative publicity could materially adversely affect the Diageo Group's reputation with existing and potential customers as well as its corporate and individual brand image.

Additionally, third parties sell products which are either counterfeit versions of the Diageo Group brands or inferior brands that look like the Diageo Group brands, and consumers of the Diageo Group brands could confuse the Diageo Group products with such counterfeit products. A negative consumer experience with such a product could cause them to refrain from purchasing the Diageo Group brands in the future and impair the Diageo Group's brand equity, thereby materially adversely affecting the Diageo Group's business. There is also a risk of physical threats to the Diageo Group's employees due to the illicit nature of the type of organisations or individuals involved in counterfeit activities.

*The Diageo Group's business may be adversely affected by increased costs for, or shortages of, talent, or by labour strikes or disputes*

The Diageo Group's business could be adversely affected by labour or skill shortages or increased labour costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. The Diageo Group, its suppliers and/or its customers may also be adversely affected by staff unavailability due, in part, to disruptions in the labour force due to increase in employee resignations in various regions during the Covid-19 pandemic. This phenomenon of increased turnover in labour is particularly pronounced in the United States. As a result, competition for labour has increased and a shortage of labour has been noted in certain of the areas in which the Diageo Group operates. There is no guarantee that the Diageo Group will continue to be able to recruit, retain and develop personnel possessing the skill sets that it requires to deliver its strategy, for example in relation to sales, marketing and innovation capability within markets, or in its senior management. The loss of senior management or other key personnel or the inability to identify, attract and retain qualified personnel in the future could make it difficult to manage the Diageo Group's operations and adversely affect the Diageo Group's business and financial results. In addition, labour strikes, work stoppages or slowdowns within the Diageo Group's operations or those of the Diageo Group's suppliers could adversely impact the Diageo Group.

*The Diageo Group's operations may be adversely affected by failure to maintain or renegotiate distribution, supply, manufacturing or licence agreements on favourable terms*

The Diageo Group's business has a number of distribution, supply, manufacturing or licence agreements for brands owned by it or by other companies. These agreements vary depending on the particular brand, but tend to be for a fixed number of years. There can be no assurance that the Diageo Group will be able to renegotiate its rights on favourable terms when these agreements expire or that they will not be terminated. Failure to renew these agreements on favourable terms, or any disputes with distributors of the Diageo Group's products or suppliers of raw materials, could have a material adverse impact on the Diageo Group's business and financial results.

## **2. Risks related to the Diageo Group's financial situation**

*The Diageo Group's operations and financial results may be adversely affected by fluctuations in exchange rates and fluctuations in interest rates*

The Diageo Group is engaged in an international business that operates in, and makes sales into, countries with different currencies, while its financial results are presented in Sterling. As a result, the Diageo Group is subject to foreign currency risk due to exchange rate movements, which affects the Sterling value of its transactions, as well as the translation to Sterling of the results

and underlying net assets of its operations. In particular, approximately 42% of the Diageo Group's net sales in the year ended 30 June 2022 were in U.S. dollars, approximately 10% were in Euros and approximately 8% were in Sterling. Movements in exchange rates used to translate foreign currencies into Sterling may have a significant impact on the Diageo Group's reported results of operations from year to year. For example, the hyperinflationary environment in Turkey has significantly weakened the Turkish lira, which has had an unfavourable impact on the Diageo Group's sales during the financial year ended 30 June 2022. Exchange rate fluctuations may also expose the Diageo Group to increased interest expense on borrowings denominated in currencies which appreciate against Sterling. As a result, the Diageo Group's business and financial results may be materially adversely affected by fluctuations in exchange rates.

In addition, the Diageo Group may be adversely impacted by fluctuations in interest rates, mainly through increased interest expense. Accommodative monetary policy has generally made borrowing less expensive in the markets in which the Diageo Group operates in recent years. However, the global economy has recently experienced high levels of inflation, while benchmark interest rates, such as the UK base rate, have begun to rise. Such inflationary pressures stem from and are compounded by ongoing disruptions in the global supply chain due to geopolitical tensions, including the conflict in Ukraine, rising energy prices (particularly for oil and gas) and Covid-19. Supply chain disruptions are expected to continue in the markets which the Diageo Group operates in and may worsen in the near term. As a result, the availability and prices of inputs available to the Diageo Group from its first- and second-tier suppliers are expected to be volatile and inflationary pressures more broadly are expected to persist. As a result, market expectations are currently that benchmark interest rates could begin to rise further and faster than had been anticipated previously and may be accompanied by other measures to reverse accommodative policy, such as quantitative tightening. Sharp increases and/or unexpected moves in interest rates due to any of the foregoing factors could have macroeconomic effects that materially adversely affect the Diageo Group's business and its financial results. In particular, rising interest rates could lead to a material increase in the Diageo Group's funding costs. In addition, if there is an extended period of constraint in the capital markets and, at the same time, cash flows from the Diageo Group's business are under pressure, the Diageo Group's ability to fund its long-term strategies may be materially adversely impacted.

*The Diageo Group's operations and financial results may be adversely affected by movements in the value of assets and liabilities related to its pension plans*

The Diageo Group operates a number of pension plans throughout the world, which vary in accordance with local conditions and practices. The majority of these pension plans are defined benefit plans and are funded by payments to separately administered trusts or insurance companies. The ability of these pension plans to meet their pension obligations may be affected by, among other things, the performance of assets owned by these pension plans, the liabilities in connection with the pension plans, the underlying actuarial assumptions used to calculate the surplus or deficit in the plans, in particular the discount rate and long term inflation rates used to calculate the liabilities of the pension funds, and any changes in applicable laws and regulations. If there are significant declines in financial markets and/or deterioration in the value of fund assets or changes in discount rates or inflation rates, the Diageo Group may need to make substantial contributions to these pension funds in the future which could have a material adverse effect on the Diageo Group's results of operation and financial condition.

Furthermore, if the market values of the assets held by the Diageo Group's pension funds decline, the valuations of assets by the pension trustees decline or the valuation of liabilities in connection

with pension plans increase, pension expenses may increase which, as a result, could materially adversely affect the Diageo Group's financial position. There is no assurance that interest rates or inflation rates will remain constant, that pension fund assets can earn the assumed rate of return annually or that the value of liabilities will not fluctuate significantly. The Diageo Group's actual experience may also be significantly more negative than the assumptions used.

### **3. Legal and regulatory risk**

*The Diageo Group is subject to litigation specifically directed at the beverage alcohol industry, as well as to other litigation*

The Diageo Group and other companies operating in the beverage alcohol industry are, from time to time, exposed to class action or other private or governmental litigation and claims relating to product liability, alcohol marketing, advertising or distribution practices, alcohol abuse problems or other health consequences arising from the excessive consumption of or other misuse of alcohol, including underage drinking. The Diageo Group may also be subject to litigation arising from legacy and discontinued activities, as well as other litigation in the ordinary course of its operations, including in connection with commercial disputes and the acquisition or disposal of businesses or other assets. The Diageo Group is further subject to the risk of litigation, enforcement or other regulatory actions by tax, customs, competition, environmental, anti-corruption and other relevant regulatory authorities, including with respect to the methodology for assessing importation value, transfer pricing or compliance matters. The Diageo Group's listing in the United States may also expose it to a higher risk of securities-related class action suits, particularly following any significant decline in the price of the Diageo Group's securities. Any such litigation or other actions may be expensive to defend and result in damages, penalties or fines as well as reputational damage to the Diageo Group or its brands, and/or impact the ability of management to focus on other business matters, and may adversely affect the Diageo Group's business and financial results. For additional information with respect to legal proceedings, including certain continuing litigation in India arising from the Diageo Group's acquisition of USL, see note 19 to the 2022 Financial Statements.

*Regulatory decisions and changes in the legal and regulatory environment could increase the Diageo Group's costs and liabilities or limit its business activities*

The Diageo Group's operations are subject to extensive regulatory requirements relating to production, distribution, importation, marketing, advertising, sales, pricing, labelling, packaging, product liability, antitrust, labour, pensions, compliance and control systems, and environmental issues. Changes in any such applicable laws, regulations or governmental or regulatory policies and/or practices could cause the Diageo Group to incur material additional costs or liabilities that could adversely affect its business. In particular, governmental bodies in jurisdictions where the Diageo Group operates may impose new labelling, product or production requirements, limitations on the marketing, advertising and/or promotion activities used to market beverage alcohol, restrictions on retail outlets, restrictions on importation and distribution or other restrictions on the locations or occasions where beverage alcohol is sold which directly or indirectly limit the sales of the Diageo Group's products. Enforced closure of on-trade venues introduced in response to the Covid-19 pandemic, including in many of the markets in which the Diageo Group operates, impacted the sale of the Diageo Group's products in such jurisdictions. While the general easing of restrictions across most of the world has seen a recovery for the on-trade in many regions, a re-introduction of any such measures in the future may have a further impact on the sale of the



Diageo Group's products, which in turn could adversely affect the Diageo Group's business and financial results. Regulatory authorities under whose laws the Diageo Group operates may also have enforcement power that can subject the Diageo Group to actions such as product recalls, seizure of products or other sanctions, which could have an adverse effect on the Diageo Group's sales or damage its reputation.

The Diageo Group is also subject to antitrust and competition laws in many of the jurisdictions in which it operates. In a number of these jurisdictions, there has been an increase in the enforcement of these laws during recent years. Should this trend continue, this may, among other things, result in increased regulatory scrutiny of the Diageo Group, potential reputational damage and/or increased costs related to compliance.

The Diageo Group is required to comply with data privacy laws and regulations in many of the markets in which it operates. For example, the Diageo Group is subject to the General Data Protection Regulation ("**GDPR**") in the European Union, the United Kingdom General Data Protection Regulation ("**UK GDPR**"), data privacy legislation in the United States and the Personal Information Protection Law ("**PIPL**") in China. Breach of any of these laws or regulations could lead to significant penalties (including, under the GDPR and the UK GDPR, a fine of up to 4% of annual global turnover), other types of government enforcement actions, private litigation and/or damage to the Diageo Group's reputation, as well as impact the Diageo Group's ability to deliver on its digital productivity and growth plans. With the introduction of new data privacy laws, such as the PIPL, there is also an increased cost relating to monitoring and compliance, which may have an adverse impact on the Diageo Group's business and financial performance.

In many of the markets in which the Diageo Group operates, the overall legal and regulatory landscape has become more complex in recent years and changes to the regulatory environment in which the Diageo Group operates could also cause the Diageo Group to incur material additional costs or liabilities, which could adversely affect the Diageo Group's business and financial performance.

*The Diageo Group is subject to tax uncertainties, including changes in tax obligations, tax laws, regulations and interpretations, as well as enforcement actions by tax authorities*

Changes in the political and economic climate have resulted in an increased focus on tax collection in recent years, leading to greater uncertainty for multinational groups such as the Diageo Group. In recent years, tax authorities have shown an increased appetite to challenge the methodology used by multinational enterprises, even where an enterprise complies with international best practice guidelines. Changes in tax law (including tax rates), tax treaties, accounting policies and accounting standards, including as a result of the Organisation for Economic Co-Operation and Development's review of base erosion and profit shifting and the European Union's anti-tax abuse measures, combined with increased investments by governments in the digitisation of tax administration, could also result in increased levels of audit activity, investigations, litigation or other actions by relevant tax authorities. The Diageo Group also operates in a large number of jurisdictions with complex tax and legislative regimes and whose related laws and regulations are open to subjective interpretation. These countries include Brazil and India, where the Diageo Group is currently involved in a large number of tax cases, and the Diageo Group may be subject to further future tax assessments in these jurisdictions based on the same or similar matters. Assessing the potential financial exposure arising from such cases in Brazil and India is particularly challenging due to the uncertain financial

environment in these jurisdictions. Any such investigations, litigation or other actions may result in damages, penalties or fines as well as reputational damage to the Diageo Group or its brands and, as a result, adversely impact the Diageo Group's business and financial results. For additional information with respect to legal proceedings, including the potential tax liabilities in Brazil and India, see note 19 to the 2022 Financial Statements.

Beverage alcohol products are also subject to national excise taxes, import duties, sales or value-added taxes and other types of direct and indirect taxes in most countries around the world, most of which are specific to individual jurisdictions. Increases in any such taxes, or the imposition of new taxes, could have a material adverse impact on the Diageo Group's revenue from sales or its margin, either through reducing the overall level of beverage alcohol consumption and/or by encouraging consumers to switch to lower-taxed categories of beverage alcohol.

In addition to the above, other significant changes in tax law, tax treaties, related accounting policies and accounting standards could also increase the Diageo Group's cost of doing business and lead to a rise in the Diageo Group's effective tax rate and/or unexpected tax exposures, thus adversely affecting the Diageo Group's business and financial results.

*Any failure by the Diageo Group to comply with anti-corruption laws, anti-money laundering laws, economic sanctions laws, trade restrictions or similar laws or regulations, or any failure of the Diageo Group's related internal policies and procedures designed to comply with applicable law, may have a material adverse effect on the Diageo Group's business and financial results, the Diageo Group's reputation and the price of the Diageo Group's securities*

The Diageo Group produces and markets its products on a global scale, including in certain countries that, as a result of political and economic instability, a lack of well-developed legal systems and/or potentially corrupt business environments, have a higher level of corruption risk than other countries. There is increasing scrutiny and enforcement by regulators in many jurisdictions of anti-corruption laws, including pursuant to the US Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and certain jurisdictions' equivalent local laws. Such enforcement has been enhanced by applicable regulations in the United States, which offer substantial financial rewards to whistleblowers for reporting information that leads to monetary fines.

If the Diageo Group or any of its associates fails to comply with anti-corruption laws (including anti-bribery laws), anti-money laundering laws or with existing or new economic sanctions or trade restrictions imposed by the United States, the European Union, the UK or other national or international authorities that are applicable to the Diageo Group or its associates, including any sanctions introduced in response to Russia's invasion of Ukraine, the Diageo Group may be exposed to the costs associated with investigating potential misconduct as well as significant financial penalties and/or reputational damage.

While the Diageo Group has implemented and maintains internal practices, procedures and controls designed to ensure compliance with anti-corruption laws, sanctions, trade restrictions or similar laws and regulations, and routinely conducts investigations, either at its own initiative or in response to requests from regulators in connection with compliance with such internal controls, there is no guarantee that such procedures will be effective in preventing compliance failures at the Diageo Group or at third parties with whom the Diageo Group maintains business relationships. In addition, any lack of an embedded business integrity culture and associated

control framework in any market could increase the risk of non-compliance with relevant laws and regulations.

Any investigations and lawsuits, regardless of the ultimate outcome of the proceeding, are time consuming and expensive and can divert the time and effort of the Diageo Group's personnel, including senior management, from its business. Adverse publicity, legal and enforcement proceedings, and enhanced government scrutiny can also have a negative impact on the Diageo Group's reputation. To the extent that violations of anti-corruption, sanctions and/or trade restriction laws and regulations, and/or the Diageo Group's internal policies and procedures, are found, or if the Diageo Group's internal policies and procedures are found not to comply with applicable law, possible regulatory sanctions, fines and other penalties or consequences, including reputational damage, may also be material. For additional information with respect to legal proceedings, see note 19 to the 2022 Financial Statements.

*The Diageo Group may not be able to protect its intellectual property rights*

Given the importance of brand recognition to its business, the Diageo Group has invested considerable effort in protecting its intellectual property rights, including trademark registration and domain names. The Diageo Group's patents cover some of its process technology, including some aspects of its bottle marking technology. The Diageo Group also uses security measures and agreements to protect its confidential information and trade secrets. However, the Diageo Group cannot be certain that the steps it has taken will be sufficient or that third parties will not infringe on or misappropriate its intellectual property rights in its brands or products or, indeed, that the Diageo Group will not inadvertently infringe a third party's intellectual property rights. Moreover, some of the countries in which the Diageo Group operates offer less intellectual property protection than Europe or North America. Given the attractiveness of the Diageo Group's brands to consumers, it is not uncommon for counterfeit products to be manufactured and traded in certain jurisdictions. The Diageo Group cannot be certain that the steps it takes to assist the authorities to prevent, detect and eliminate counterfeit products will be effective in preventing material loss of profits or erosion of brand equity resulting from lower quality or even dangerous counterfeit products reaching the market. If the Diageo Group is unable to protect its intellectual property rights against infringement or misappropriation, this could materially harm its future financial results and ability to develop its business.

**4. Internal control risk**

*The Diageo Group may be adversely affected by cyber-attacks or other disruption to core business operations including manufacturing and supply, business service centres and/or information systems*

International and domestic security risks including terrorism and military conflicts, as well as natural hazards, also pose a threat to the safety of the Diageo Group's employees and third parties at its sites and events, as well as its property and products. The Diageo Group operates production facilities around the world. If there was a technical failure, or a fire, explosion, flood or other significant event, at one or more of the Diageo Group's production facilities, this could result in significant damage to the facilities, plant or equipment, their surroundings and/or the local environment and/or injury or loss of life. Such an event could also lead to a loss of production capacity, result in regulatory action or legal liability, and/or damage the Diageo Group's reputation.

The Diageo Group has a substantial inventory of aged product categories, including Scotch whisky, which may mature over periods of up to 30 years or more. A substantial portion of this maturing inventory is stored in Scotland, and the loss through contamination, fire or other natural disaster of all or a portion of the stock of any one of those aged product categories could result in a significant reduction in supply of those products, and consequently, the Diageo Group would not be able to meet consumer demand for those products as such demand arises. There can be no assurance that insurance proceeds would cover the replacement value of the Diageo Group's maturing inventory or other assets in the event that such assets were lost due to contamination, fire or natural disasters, destruction resulting from negligence or the acts of third parties, or failure of information systems or data infrastructure.

The Diageo Group also relies on information technology ("IT") systems, networks and services, including internet sites, data hosting and processing tools, hardware (including laptops and mobile devices), software, and technical platforms and applications, to process, store and transmit large amounts of data and to help it manage its business. The Diageo Group uses its IT systems, networks and services for, among other key business functions, the hosting of its primary and brand-specific websites and its internal network and communications systems; supply and production planning, execution and shipping; the collection and storage of customer, consumer, investor relations and employee data; processing various types of transactions, including summarising and reporting its results of operations; the development and storage of strategic corporate plans; and ensuring compliance with various legal, regulatory and tax requirements. As with all large systems, the Diageo Group's IT systems, including those managed or hosted by third parties, could be subject to sophisticated cyber-attacks (including phishing and ransomware attacks) and IT threats by external or internal parties intent on disrupting production or other business processes or otherwise extracting or corrupting information. In recent years, ransomware attacks against some of Diageo's peers have become more frequent, which has increased the likelihood of Diageo being targeted for a similar cyber-attack. The Diageo Group's vulnerability to such cyber-attacks could also be increased due to a significant proportion of its employees working remotely. Unauthorised access to the Diageo Group's IT systems could disrupt the Diageo Group's business, including its beverage alcohol and other production capabilities, and/or lead to theft, loss or misappropriation of critical assets or to outside parties having access to confidential or even highly confidential information, including privileged data, personal data or strategic information of the Diageo Group and its current or former employees, customers and consumers. Such information could also be made public in a manner that harms the Diageo Group's reputation and financial results and, particularly in the case of personal data, could lead to regulators imposing significant fines on the Diageo Group.

The Diageo Group's use of shared business services centres, located in Hungary, Colombia, the Philippines and India, to deliver transaction processing activities for markets and operational entities also means that any sustained disruption to a facility centre or issue impacting the reliability of the information systems used could impact a large portion of the Diageo Group's business operations. The captive shared business services centres in Hungary and India also perform certain central finance activities, including elements of financial planning and reporting, treasury and HR services. Any transitions of transaction processes to, from or within shared business services centres, as well as other projects which impact the Diageo Group's IT systems, could lead to business disruption. In addition, if the Diageo Group does not allocate and properly manage the resources necessary to build, sustain and protect these centres or its wider IT systems, it could be subject to losses attributable to processing inefficiencies, the unexpected failure of computer systems, devices and software used by its IT platforms, production or supply

chain disruptions, the unintended disclosure of sensitive business or personal data and the corruption or loss of accounting data necessary for it to produce accurate and timely financial reports. In certain circumstances, such disruptions or failures could also result in property damage, breaches of regulations, litigation, legal liabilities and reparation costs, thereby having a material adverse effect on the Diageo Group's business and financial results.

*Defective internal controls could adversely affect the Diageo Group's financial reporting and management processes, as well as the accuracy of public disclosures*

The Diageo Group has in place internal control and risk management systems in relation to its financial reporting process and its process for the preparation of consolidated financial statements. In addition, management undertakes a review of the consolidated financial statements in order to ensure that the financial position and results of the group are appropriately reflected therein. The Diageo Group is required by the laws of various jurisdictions to publicly disclose its financial results, as well as developments that could materially affect its financial results. Accurate disclosures provide investors and other market professionals with information to understand the Diageo Group's business. In addition, the reliability of financial reporting is important in ensuring that the business' management and its results are based on reliable data. Regulators routinely review the financial statements of listed companies such as the Diageo Group for compliance with existing, new or revised accounting and regulatory requirements. Should the Diageo Group be subject to an investigation into potential non-compliance with accounting and disclosure requirements or be found to have breached any such requirements, this may, among other things, lead to restatements of previously reported results, significant penalties, public censure and/or litigation. Any such regulatory action could adversely affect the Diageo Group's business and financial results, reputation and the price of the Diageo Group's securities. In addition, defective internal controls could result in inaccuracies or lack of clarity in public disclosures and could result in a material misstatement of financial reporting. This could create market uncertainty regarding the reliability of the data presented and have an adverse impact on the Diageo Group's reputation and the price of the Diageo Group's securities.

## **5. Environmental, social and governance risks**

*Climate change, or legal, regulatory or market measures to address climate change or other environmental concerns, may negatively affect the Diageo Group's business or operations, and water scarcity or water quality issues could negatively impact the Diageo Group's production costs and capacity*

Climate change is occurring around the world as a result of carbon dioxide and other greenhouse gases in the atmosphere having an adverse effect on global temperatures, weather patterns and the frequency and severity of extreme weather-related events and disasters. To the extent that weather patterns and climate change, or legal, regulatory or market measures enacted to address such climate change or other environmental concerns, have a negative effect on agricultural productivity in the various regions from which the Diageo Group procures its raw materials, the Diageo Group may be subject to decreased availability or increased prices for a number of raw materials that are necessary in the production of the Diageo Group's products, including wheat, maize, barley, sugar cane/molasses, vanilla, agave, rice, grapes, sorghum, and aniseed. Severe weather events or changes in the frequency or intensity of weather events could also disrupt the Diageo Group's supply chain, which may affect production operations as well as delivery of its products to customers. For example, a number of the Diageo Group's distilleries in Scotland are in lower coastal areas and, as a result, may suffer disruption due to coastal flooding and/or storms.

The Diageo Group also has production facilities in water stressed areas which may be at increased risk of water stress in the future as a result of climate change.

Water, which is the main ingredient in virtually all of the Diageo Group's products and a major component within its agricultural supply chain, is also a limited resource in many parts of the world. As demand for water continues to increase, and as water becomes scarcer and the quality of available water deteriorates, the Diageo Group may be affected by increased production costs (including as a result of increases in certain water-related taxes or related regulations) or capacity constraints, which in turn could adversely affect the Diageo Group's business and financial results. A number of the Diageo Group's production sites are in water-stressed areas and may be exposed to potential disruption if demand for water exceeds the available amount during a certain period or if the poor quality of available water restricts its use.

In addition, a failure by the Diageo Group to respond appropriately to increased governmental or public pressure for further reductions in greenhouse gas emissions and/or to address any other perceived environmental issues could damage the Diageo Group's reputation. Increased governmental or public pressure for further reductions in greenhouse gas emissions may also cause the Diageo Group to incur increased costs for energy, transportation and raw materials, as well as potentially require the Diageo Group to make additional investments in facilities and equipment, thus adversely impacting the Diageo Group's business and financial results. As governments and business take action to reduce or mitigate the effects of climate change, the Diageo Group is expected to incur increased costs, including those associated with required improvements to energy usage in agriculture and glass manufacturing, land practices and competition for land from bio-crops, the rising cost of natural gas, rising worldwide carbon prices and the compliance and costs linked with packaging taxes. It is possible these costs increase beyond what is currently expected or that other categories of costs arise or increase unexpectedly, either or both of which could have an impact on the Diageo Group's financial results.

The Diageo Group is also required to report greenhouse gas emissions, energy usage data and related environmental information to a variety of entities, including complying with the European Union Emissions Trading Scheme. In addition, in March 2022 the US Securities and Exchange Commission announced proposed rules with respect to climate-related disclosures, including with respect to greenhouse gas emissions and certain climate-related financial statement metrics, which would apply to foreign private issuers listed on US national securities exchanges such as Diageo. Compliance with such reporting requirements (if they are adopted) or any similar requirements may be complex to comply with and the Diageo Group may incur substantial costs as a result. If the Diageo Group is unable to accurately measure and disclose required climate-related data in a timely manner, it could be subject to penalties in certain jurisdictions. In November 2020, the Diageo Group announced its "Society 2030: Spirit of Progress" 10-year sustainability action plan, for contributing to the achievement of the UN Sustainable Development Goals. As part of this plan, the Diageo Group is aiming to reach certain science-based carbon and water efficiency and replenishment targets. The Diageo Group could suffer reputational damage and a loss of trust from consumers, investors and other stakeholders, and/or the price of the Diageo Group's securities could be adversely affected, if it fails to achieve any of these goals for any reason or is otherwise perceived to be failing to act responsibly with respect to the environment or to effectively respond to regulatory requirements concerning climate change.

*The Diageo Group may incur significant cost in connection with attempting to achieve its environmental, societal and governance ("ESG") ambitions, and may be subject to increased scrutiny and reputational risk if it is unable to make sufficient progress or achieve its objectives*

The Diageo Group has articulated certain ESG ambitions as part of its “Society 2030: Spirit of Progress” targets and is undertaking a number of strategic and operational initiatives in order to achieve those ambitions. In addition, from time to time, the Diageo Group may introduce new initiatives in the future to make progress against those targets, as well as to address other ESG-related issues that arise. The Diageo Group expects to incur significant costs and investment in connection with any such initiatives (including those related to human resources, technology, capital projects and operations), and as a result of compliance with new laws, regulations, reporting frameworks and industry practices. Consistent with many companies across the alcohol beverage industry, the Diageo Group expects that future innovations and technological improvement will be required in order to achieve and sustain its ESG-related ambitions. Furthermore, the Diageo Group’s own current expectations with respect to its expected pathway to achieve its Society 2030 ambitions (including achieving “net zero”) are subject to change as underlying assumptions and its own operations change over time, including as a result of new information, changed expectations and innovation. In the event that the Diageo Group is unable to make sufficient progress in a timely manner or achieve its ESG-related ambitions, it may be subject to additional scrutiny and criticism, and may face regulatory censure and/or fine. The occurrence of any of these events may have material adverse impact on the Diageo Group’s financial condition, results of operations, reputation and/or the price of the Diageo Group’s securities.

**B. Risks which are specific and material to the Notes including the guarantees and which are material for the purpose of assessing the market risks associated with the Notes including the guarantees**

**6. Risks related to the nature of the Notes**

*Because Diageo is a holding company and currently conducts its operations through subsidiaries, your right to receive payments on the Notes or the guarantees in respect of the Notes is subordinated to the other liabilities of Diageo’s subsidiaries*

Diageo is organised as a holding company, and substantially all of its operations are carried on through subsidiaries. Diageo had guaranteed a total of £15,933 million of debt as of 30 June 2022. Diageo’s ability to meet its financial obligations is dependent upon the availability of cash flows from its domestic and foreign subsidiaries and affiliated companies through dividends, intercompany advances, management fees and other payments. Diageo’s subsidiaries are not guarantors of the Notes. Moreover, these subsidiaries and affiliated companies are not required and may not be able to pay dividends to Diageo, which could limit the amount of funds available to meet the payment obligations of the Notes. Claims of the creditors of Diageo’s subsidiaries have priority as to the assets of such subsidiaries over the claims of Diageo. Consequently, in the event of insolvency of Diageo, the claims of holders of the Notes would be structurally subordinated to the prior claims of the creditors of subsidiaries of Diageo.

In addition, some of Diageo’s subsidiaries are subject to laws restricting the amount of dividends they may pay. For example, subsidiaries of Diageo incorporated under the laws of England and Wales and the law of Scotland may be restricted by law in their ability to declare dividends due to failure to meet requirements tied to net asset levels or distributable profits.

*Because the Notes are unsecured, and because there is no restriction on the amount or type of further securities or indebtedness that the Diageo Group may issue, guarantee or incur, your right to receive payments may be adversely affected*

The Notes are unsecured. The Notes are not subordinated to any of the Issuer or Diageo's other debt obligations and therefore they will rank equally with all of the Issuer and Diageo's other unsecured and unsubordinated indebtedness. There is no restriction on the amount or type of further securities or indebtedness that the Diageo Group may issue, incur or guarantee, as the case may be, that rank senior to, or pari passu with, the Notes. In addition, the Notes do not contain any restriction on the Diageo Group issuing securities that may have preferential rights to the Notes or securities with similar or different provisions to those described therein. The terms of the Indenture also permit the Diageo Group to incur secured debt. As of 30 June 2022, none of the Diageo Group's borrowings were secured by the assets of the Diageo Group. If the Issuer defaults on the Notes or Diageo defaults on its guarantees in respect of the Notes, or in the event of bankruptcy, liquidation or reorganisation, then, to the extent that the Issuer or Diageo grant any security over their assets, the assets that secure these debts will be used to satisfy the obligations under that secured debt before the Issuer or Diageo could make payment on the Notes or the guarantees in respect of the Notes, respectively. As a result, there may only be limited assets available to make payments on the Notes or the guarantees. If there is not enough collateral to satisfy the obligations of the secured debt, then the remaining amounts on the secured debt would share equally with all unsubordinated unsecured indebtedness. Furthermore, the issue or guaranteeing of any further unsecured securities or indebtedness which rank senior to, or pari passu with, the Notes, may also reduce the amount recoverable by the holders of the Notes upon bankruptcy, liquidation or reorganisation.

*Your rights as a holder of Notes may be inferior to the rights of holders of a different notes issued pursuant to the Indenture*

The Notes are governed by the Indenture. The Issuer may issue as many distinct series of debt securities under the Indenture as it wishes. The issue or guaranteeing of any such further securities or indebtedness may reduce the amount recoverable by holders of the Notes upon bankruptcy, liquidation or reorganisation, and may limit the Obligors' ability to meet obligations under the Notes or guarantees. The Issuer may issue a series of debt securities under the Indenture that provides holders with rights superior to the rights already granted to holders of the Notes. The Issuer could also in the future grant rights to holders of another existing series of debt securities issued pursuant to the Indenture that are superior to the rights of the holders of the Notes. This could have a material adverse impact on holders of the Notes as it could cause the Notes to decline in value due to the inferior rights of their holders.

*Should the Issuer default on the Notes, or should Diageo default on its guarantees in respect of the Notes, your right to receive payments on such Notes or guarantees may be adversely affected by applicable insolvency laws.*

Diageo is incorporated under the laws of England and Wales and the Issuer is incorporated under the laws of Scotland. Accordingly, insolvency proceedings with respect to Diageo or the Issuer are likely to proceed under, and be governed by, UK insolvency law. The procedural and substantive provisions of such insolvency laws are generally more favourable to secured creditors than comparable provisions of United States law. These provisions afford debtors and unsecured creditors only limited protection from the claims of secured creditors and it will generally not be possible for Diageo, the Issuer or other unsecured creditors to prevent or delay the secured creditors from enforcing their security to repay the debts due to them under the terms that such security was granted.



*The Notes may be subject to redemption by the Issuer*

The optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes.

*Modification, waivers and substitution*

The Indenture contains provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. To be bound in such a way could materially adversely affect the interests of holders who did not attend and vote at the relevant meeting or who voted in a manner contrary to the majority.

*Change of law*

The Indenture and the relevant terms and conditions of the Notes are based on New York law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

*Other parties*

The Issuer and Diageo may be a party to contracts with a number of other third parties that have agreed to perform services in relation to the Notes. For example, a paying agent has agreed to provide payment and calculation services in connection with the Notes. There is a risk that the relevant third parties may fail to perform adequately or at all under the relevant contracts, causing disruption to the services that such third parties have agreed to perform in relation to the Notes. For example the paying agent's failure to perform its payment services in respect of the Notes

may result in a material adverse impact on the value of such Notes. A failure by the relevant third parties to perform may also require the Issuers and/or Diageo to source and agree replacement contracts with alternative third parties which could prolong any disruption and its impact.

*Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes, and Diageo will make any payments under the guarantees, (the “**Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Currency would decrease (i) the Investor’s Currency equivalent yield on the Notes, (ii) the Investor’s Currency equivalent value of the principal payable on the Notes and (iii) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

In general, as market interest rates rise, notes bearing interest at a fixed rate decline in value because the premium, if any, over market interest rates will decline. Consequently, if investors purchase the Notes and market interest rates increase, the market value the Notes may decline. Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

*Credit ratings may not reflect all risks*

The credit ratings of the Notes are intended to reflect the Diageo Group’s ability to meet its payment obligations, generally and in respect of the Notes and the guarantees. They may not reflect the potential impact of all risks related to structure and other factors on the value of the Notes. In addition, actual or anticipated changes in the credit ratings may generally be expected to affect the market value of the Notes and the Diageo Group’s other debt securities. In addition, U.S. federal regulations applicable to ratings agencies may change and lead to changes in the manner in which the ratings agencies conduct their business.

### PART 3: DESCRIPTION OF THE TERMS AND CONDITIONS OF THE NOTES

In this part of the Prospectus, the terms "**we**", "**our**" and "**us**" refer to the Obligors and "**you**" means direct holders and not street name or other indirect holders of the Notes. Indirect holders should read Part 4 ("*Provisions Relating to the Notes Whilst in Global Form*") of this Prospectus.

#### 1. INTRODUCTION

This part of the Prospectus describes the material provisions of the Indenture, the terms and conditions of the Notes and the guarantees in respect of the Notes. However, it does not describe every aspect of the Indenture, the terms and conditions of the Notes or the guarantees in respect of the Notes and is subject to and qualified in its entirety by reference to all the provisions of the Indenture, including some of the terms used in the Indenture. The meaning for only the more important terms is described.

Pursuant to an Agreement of Resignation, Appointment and Acceptance dated 16 October 2007 by and among, amongst others, Diageo, the Issuer, The Bank of New York and Citibank N.A., The Bank of New York Mellon (the "**Trustee**") has become the successor trustee to Citibank, N.A., under the Indenture.

The Trustee has two main roles:

- first, it can enforce your rights against us if we default. There are some limitations on the extent to which the Trustee acts on your behalf, described under "*Default and Related Matters*" below; and
- second, the Trustee performs administrative duties for us, such as sending you interest payments, transferring your Notes to a new buyer if you sell them and sending you notices.

Diageo acts as the guarantor of the Notes issued under the Indenture. The guarantees are described further under "*Guarantees*", below.

The Indenture and its associated documents contain the full legal text of the matters described in this part of the Prospectus. The Indenture, the Notes and the guarantees in respect of the Notes are governed by New York law.

The Issuer may issue as many distinct series of notes under the Indenture as it wishes. This part of the Prospectus describes all material terms and conditions of the Notes that are common to all the Notes, unless otherwise indicated in Part 1 ("*Overview of the Notes*") of this Prospectus.

The Notes were issued only in fully registered form without interest coupons.

## 2. INTEREST

Definitions. In this part of the Prospectus:

- a "**business day**" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorised or required by law or regulation to close in New York City or in the City of London.
- "**Adjusted treasury rate**" means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the comparable treasury issue, assuming a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.
- "**Comparable treasury issue**" means the United States Treasury security selected by the quotation agent as being the most recently issued United States Treasury note or bond as displayed by Bloomberg LP (or any successor service) on screens PX1 through PX8 (or any other screens as may replace such screens on such service) that has a remaining term comparable to the remaining term of the Notes to be redeemed through the applicable Par Call Date.
- "**Comparable treasury price**" means, with respect to any redemption date, the average of the reference treasury dealer quotations for such redemption date after excluding the highest and lowest such reference treasury dealer quotations.
- "**Quotation agent**" means the reference treasury dealer appointed by us.
- "**Reference treasury dealer**" means any primary U.S. government securities dealer in the United States or their affiliates and their respective successors, as selected by the Trustee after consultation with us.
- "**Reference treasury dealer quotations**" means with respect to each reference treasury dealer and any redemption date, the average, as determined by the Trustee, of the bid and ask prices for the comparable treasury issue (expressed as a percentage of its principal amount) quoted in writing to the Trustee by five reference treasury dealers at 3:30 p.m. Eastern Standard Time on the third business day preceding such redemption date.

The 2025 Notes will bear interest at a rate per annum of 5.200%, payable semi-annually in arrear on 24 April and 24 October of each year, commencing 24 April 2023. The 2027 Notes will bear interest at a rate per annum of 5.300%, payable semi-annually in arrear on 24 April and 24 October of each year, commencing 24 April 2023. The 2033 Notes will bear interest at a rate per annum of 5.500%, payable semi-annually in arrear on 24 January and 24 July of each year, commencing 24 July 2023.

If any scheduled interest payment date is not a business day, we will pay interest on the next business day, but interest on that payment will not accrue during the period from and after the scheduled interest payment date. If the scheduled maturity date or date of redemption or repayment is not a business day, we may pay interest and principal and premium, if any, on the

next succeeding business day, but interest on that payment will not accrue during the period from and after the scheduled maturity date or date of redemption or repayment.

The day count will be 30/360, following, unadjusted.

### **3. GUARANTEES**

The Notes will be fully and unconditionally guaranteed by Diageo as to the due and punctual payment of principal, premium (if any) and interest on the Notes, including any additional amounts and any and all other amounts under the Indenture, that may be payable, when and as such payments become due and payable, whether at maturity, upon redemption or declaration of acceleration, or otherwise.

### **4. OVERVIEW OF REMAINDER OF THIS DESCRIPTION**

The remainder of this part of the Prospectus describes:

- additional mechanics relevant to the Notes under normal circumstances, such as how you transfer ownership and where we make payments;
- your rights under several special situations, such as if we merge with another company, if we want to change a term of the Notes or if the Issuer wants to redeem the Notes (for tax reasons);
- your rights to receive payment of additional amounts due to changes in the withholding requirements of various jurisdictions;
- covenants contained in the Indenture that restrict our ability to incur liens and undertake sale and leaseback transactions;
- your rights if we default or experience other financial difficulties; and
- our relationship with the Trustee.

### **5. ADDITIONAL MECHANICS**

#### **5.1 Exchange and Transfer**

You may have your Notes broken into more notes of smaller denominations or combined into fewer notes of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

You may exchange or transfer registered Notes at the office of the Trustee. The Trustee acts as our agent for registering Notes in the names of holders and transferring registered Notes. We may change this appointment to another entity or perform the service ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also register transfers of registered Notes. However, you may not exchange registered Notes for bearer notes.

You will not be required to pay a service charge to transfer or exchange Notes, but you may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange of a registered Note will only be made if the security registrar is satisfied with your proof of ownership.

We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the Issuer redeems fewer than all of the notes of a class of Notes, we may block the transfer or exchange of notes of those Notes during a specified period of time in order to freeze the list of holders to prepare the mailing. The period begins 15 days before the day we mail the notice of redemption and ends on the day of that mailing. We may also refuse to register transfers or exchanges of notes of those Notes selected for redemption. However, we will continue to permit transfers and exchanges of the unredeemed portion of any security being partially redeemed.

## **5.2 Payment and Paying Agents**

We will pay interest to you if you are a direct holder listed in the Trustee's records at the close of business on a particular day in advance of each due date for interest, even if you no longer own the security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and is close of business on the business day immediately preceding each applicable interest payment date (or, if the Notes are held in definitive form, the 15th business day preceding each applicable interest payment date).

We will pay interest, principal and any other money due on the Notes at the corporate trust office of the Trustee in New York City. That office is currently located at The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286. You must make arrangements to have your payments picked up at or wired from that office. We may also choose to pay interest by mailing checks. Interest on global securities will be paid to the holder thereof by wire transfer of same-day funds.

Holders buying and selling any Notes must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sales price of the relevant notes to pro rate interest fairly between buyer and seller. This pro-rated interest amount is called accrued interest.

**Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.**

We may also arrange for additional payment offices, and may cancel or change these offices, including our use of the Trustee's corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent. We must notify you of changes in the paying agents for any particular Notes.

## **5.3 Notices**

We and the Trustee will send notices only to direct holders, using their addresses as listed in the Trustee's records.

Regardless of who acts as paying agent, all money that we pay to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders will be repaid to us. After that two-year period, you may look only to us for payment and not to the Trustee, any other paying agent or anyone else.

#### **5.4 Redemption of the 2025 Notes, 2027 Notes and 2033 Notes**

We have the right to redeem the 2025 Notes, 2027 Notes and/or the 2033 Notes in whole or in part as set out below

We have the right to redeem, in whole or in part, (i) the 2025 Notes at any time and from time to time prior to the stated maturity date of the 2025 Notes; (ii) the 2027 Notes at any time and from time to time prior to the 2027 Par Call Date (as defined below); and (iii) the 2033 Notes at any time and from time to time prior to the 2033 Par Call Date (as defined below) in each case at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes plus accrued interest to but excluding the date of redemption and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such Notes as if the notes to be redeemed matured, in the case of the 2025 Notes, at the stated maturity date of the 2025 Notes or, in the case of the 2027 Notes or the 2033 Notes, on the applicable Par Call Date (as defined below) (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 15 basis points for the 2025 Notes, 15 basis points for the 2027 Notes and 25 basis points for the 2033 Notes plus, in each case, accrued interest to but excluding the date of redemption.

In addition, we have the right to redeem, in whole or in part: (i) the 2027 Notes at any time and from time to time on or after 24 September 2027 (the date that is one month prior to the stated maturity date of the 2027 Notes) (the “**2027 Par Call Date**”); and (ii) the 2033 Notes at any time and from time to time on or after 24 October 2032 (the date that is three months prior to the stated maturity date of the 2033 Notes) (the “**2033 Par Call Date**” and, together with the 2027 Par Call Date, each a “**Par Call Date**”), in each case at a redemption price equal to 100% of the principal amount of such Notes plus accrued interest to but excluding the date of redemption.

#### **5.5 Further Issues**

We may, without the consent of the holders of any series of Notes, issue additional notes having the same ranking and same interest rate, stated maturity date, redemption terms and other terms as the applicable series of Notes except for the price to the public and Issue Date. Any such additional notes, together with the applicable series of Notes, will constitute a single series of securities under the Indenture; provided that, if the additional notes are not fungible for U.S. federal income tax purposes with the Notes, the additional notes will have a separate CUSIP or other identifying number. The address of The Bank of New York Mellon, London Branch is One Canada Square, London E14 5AL. There is no limitation on the amount of notes or other debt securities that we may issue under the Indenture.

## 5.6 Book-Entry Issuance, Settlement and Clearance

Book-entry interests in the Notes have been issued in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof.

The principal corporate trust office of the Trustee in the City of London has been designated as the principal paying agent. We may at any time designate additional paying agents or rescind the designation of paying agents or approve a change in the office through which any paying agent acts. The Notes were issued in fully registered form. Each series of the Notes is represented by one or more global securities registered in the name of a nominee of DTC. You hold beneficial interest in the Notes through DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg, and DTC and its direct and indirect participants record your beneficial interest on their books. You hold beneficial interest in the Notes through DTC and its participants, including Euroclear and Clearstream Luxembourg. Indirect holders trading their beneficial interests in the Notes through DTC must trade in DTC's same-day funds settlement system and pay in immediately available funds. Secondary market trading through Euroclear and Clearstream, Luxembourg will occur in the ordinary way following the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg.

We will not issue certificated notes except in limited circumstances that we explain under "*Legal Ownership—Global Securities—Special Situations When the Global Security Will Be Terminated*" in Part 4 below.

Payment of principal of and interest on the Notes, so long as the Notes are represented by global securities, as discussed below, will be made in immediately available funds. Beneficial interests in the global securities will trade in the same-day funds settlement system of DTC, and secondary market trading activity in such interests will therefore settle in same-day funds.

## 6. SPECIAL SITUATIONS

### 6.1 Mergers and Similar Events

We are generally permitted to consolidate or merge with another company or firm. We are also permitted to sell or lease substantially all of our assets to another firm or to buy or lease substantially all of the assets of another firm. However, we may not take any of these actions unless all the following conditions are met:

- where the Issuer or Diageo merges out of existence or sells or leases its assets, the other firm must assume its obligations on the Notes or the guarantees in respect of the Notes (as applicable). The other firm's assumption of these obligations must include the obligation to pay the additional amounts described below under "*Payment of Additional Amounts*". If such other firm is organised under a foreign country's laws, it must indemnify you against any governmental charge or other cost resulting from the transaction;
- the merger, sale or lease of assets or other transaction must not cause a default on the Notes, and we must not already be in default. For the purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under "*Default and Related Matters*". A default for this purpose would also include any event that would be an event of default if the requirements for giving us



default notice or our default having to exist for a specific period of time were disregarded; and

- it is possible that the merger, sale or lease of assets or other transaction would cause some of our property to become subject to a mortgage or other legal mechanism giving lenders preferential rights in that property over other lenders or over our general creditors if we fail to pay them back. We have promised to limit these preferential rights on our property, called liens, as discussed below under "*Covenants*". If a merger or other transaction would create any liens on our property, we must comply with that covenant. We would do this either by deciding that the liens were permitted, or by following the requirements of the covenant to grant an equivalent or higher-ranking lien on the same property to you and the other direct holders of the Notes.

## 6.2 Modification and Waiver

There are three types of changes we can make to the Indenture and the Notes.

- (A) Changes Requiring Your Approval. First, there are changes that cannot be made to your Notes without your specific approval. The following is a list of those types of changes: (i) changing the stated maturity of the principal or interest on a Note; (ii) reducing any amounts due on a Note; (iii) changing any obligation of Diageo or the Issuer to pay additional amounts described later under "*Payment of Additional Amounts*"; (iv) reducing the amount of principal payable upon acceleration of the maturity of a Note following a default; (v) changing the place or currency of payment on a Note; (vi) impairing any of the conversion or exchange rights of your Note (if applicable); (vii) impairing your right to sue for payment, conversion or exchange; (viii) reducing the percentage of holders of Notes whose consent is needed to modify or amend the Indenture; (ix) reducing the percentage of holders of Notes whose consent is needed to waive compliance with various provisions of the Indenture or to waive various defaults; (x) modifying any other aspect of the provisions dealing with modification and waiver of the Indenture; and (xi) changing the obligations of Diageo (as guarantor) that relate to payment of principal, premium and interest, sinking fund payments and conversion rights.
- (B) Changes Requiring a Majority Vote. The second type of change to the Indenture and the Notes is the kind that requires a vote in favour by holders of affected Notes owning a majority of the principal amount of the particular Notes affected. Most changes fall into this category, except for clarifying changes and other changes that would not adversely affect holders of those Notes in any material respect. The same vote would be required for us to obtain a waiver of all or part of the covenants described below, or a waiver of a past default. However, we cannot obtain a waiver of a payment default or any other aspect of the Indenture or the Notes in the first category described above unless we obtain your individual consent to the waiver.
- (C) Changes Not Requiring Approval. The third type of change does not require any vote by holders of affected Notes. This type is limited to clarifications and other

changes that would not adversely affect holders of the affected Notes in any material respect.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- Notes will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for you money for their payment or redemption. Notes will also not be eligible to vote if they have been fully defeased as described later under "*Defeasance and Discharge*", below.
- We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding Notes that are entitled to vote or take other action under the Indenture. In limited circumstances, the Trustee will be entitled to set a record date for action by holders. If we or the Trustee set a record date for a vote or other action to be taken by holders of particular Notes, that vote or action may be taken only by persons who are holders of outstanding Notes of those Notes on the record date and must be taken within 180 days following the record date or another period that we may specify (or as the Trustee may specify, if it set the record date). We may shorten or lengthen (but not beyond 180 days) this period from time to time.

**Street name and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the Notes or request a waiver.**

### 6.3 Optional Tax Redemption

We have the option to redeem affected Notes in the two situations described below. The redemption price for such Notes will be equal to the principal amount of the Notes being redeemed plus accrued interest and any additional amounts due on the date fixed for redemption. Furthermore, we must give you between 30 and 60 days' notice before redeeming the relevant Notes.

The first situation is where, as a result of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties, either:

- Diageo or the Issuer, as the case may be, would be required to pay additional amounts as described later under "*Payment of Additional Amounts*"; or
- Diageo or any of its subsidiaries would have to deduct or withhold tax on any payment to the Issuers to enable them to make a payment of principal or interest on the affected Notes.

This applies only in the case of changes, executions or amendments in the jurisdiction where Diageo or the Issuer, as the case may be, is incorporated. If Diageo or the Issuer is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which such successor entity is organised, and the applicable date will be the date the entity became a successor.

We would not have the option to redeem in this case if we could have avoided the payment of additional amounts or the deduction or withholding by using reasonable measures available to us.

The second situation is where a person located outside of the United States into which Diageo or the Issuer, as the case may be, is merged or to whom it has conveyed, transferred or leased its property is required to pay an additional amount. We would have the option to redeem the Notes even if we are required to pay additional amounts immediately after the merger, conveyance, transfer or lease. We are not required to use reasonable measures to avoid the obligation to pay additional amounts in this situation.

## **7. PAYMENT OF ADDITIONAL AMOUNTS**

The government of any jurisdiction where Diageo or the Issuer, as the case may be, is incorporated may require Diageo or the Issuer to withhold amounts from payments on the principal or interest on a Note or any amounts to be paid under the guarantees in respect of the Notes, as the case may be, for taxes or any other governmental charges. If the jurisdiction requires a withholding of this type, Diageo or the Issuer, as the case may be, may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the Note to which you are entitled. However, in order for you to be entitled to receive the additional amount, you must not be resident in the jurisdiction that requires the withholding.

Diageo or the Issuer, as the case may be, will not have to pay additional amounts under any of the following circumstances:

- the U.S. government or any political subdivision of the U.S. government is the entity that is imposing the tax or governmental charge;
- the tax or governmental charge is imposed only because the holder, or a fiduciary, settlor, beneficiary or member or shareholder of, or possessor of a power over, the holder, if the holder is an estate, trust, partnership or corporation, was or is connected to the taxing jurisdiction, other than by merely holding the debt security or guarantee or receiving principal or interest in respect thereof. These connections include where the holder or related party:
  - is or has been a citizen or resident of the jurisdiction;
  - is or has been engaged in trade or business in the jurisdiction; or
  - has or had a permanent establishment in the jurisdiction;
- the tax or governmental charge is imposed due to the presentation of a Note, if presentation is required, for payment on a date more than 30 days after the Note became due or after the payment was provided for, whichever occurs later;
- the tax or governmental charge is on account of an estate, inheritance, gift, sale, transfer, personal property or similar tax or other governmental charge;

- the tax or governmental charge is for a tax or governmental charge that is payable in a manner that does not involve withholdings;
- the tax or governmental charge is imposed or withheld because the holder or beneficial owner failed to comply with any of the following requests of Diageo or the Issuer:
  - to provide information about the nationality, residence or identity of the holder or beneficial owner; or
  - to make a declaration or satisfy any information requirements,

that the statutes, treaties, regulations or administrative practices of the taxing jurisdiction require as a precondition to exemption from all or part of such tax or governmental charge;

- the holder is a fiduciary, partnership or other entity that is not the sole beneficial owner of the payment of the principal of, or any interest on, any Note, and the laws of the jurisdiction require the payment to be included in the income of a beneficiary or settlor for tax purposes with respect to such fiduciary, a member of such partnership or a beneficial owner who would not have been entitled to such additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Note; or
- the payment is in respect of a definitive registered security issued at the request of a holder of a global security following an event of default and at the time the payment is made definitive registered securities have not been issued in exchange for the entire principal amounts of the securities issued under the Indenture.

For the avoidance of doubt, any amounts to be paid by Diageo or the Issuer, as the case may be, on the Notes or the guarantees will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (“**FATCA Withholding**”). None of Diageo or the Issuer will be required to pay additional amounts on account of any FATCA Withholding.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to Diageo or the Issuer is organised.

In certain circumstances, payments made to holders of Notes may be subject to withholding or deduction for or on account of UK tax. These circumstances might include, for example, if payments are made on Notes that are not listed on a "recognised stock exchange" for UK tax purposes at the time of payment and no direction allowing relief under an appropriate double taxation treaty has been obtained. For more information, see Part 7 ("*United Kingdom Taxation*") of this Prospectus.

## **8. COVENANTS**

### **8.1 Restrictions on Liens**

Some of Diageo's property may be subject to a mortgage or other legal mechanism that gives our lenders preferential rights in that property over other lenders, including you and the other direct holders of the Notes, or over our general creditors if we fail to pay them back. These preferential rights are called liens. Diageo promises that it and its restricted subsidiaries, which are defined below, will not become obligated on any new debt for borrowed money that is secured by a lien on any of its principal properties, which are defined below, or on any shares of stock of any of its restricted subsidiaries, unless it grants an equivalent or higher-ranking lien on the same property to you and the other direct holders of the Notes.

Diageo does not need to comply with this restriction if the amount of all debt that would be secured by liens on its principal properties and the shares of stock of Diageo's restricted subsidiaries, excluding the debt secured by the permitted liens that are listed below, is less than 15% of Diageo's consolidated shareholders' equity.

This restriction on liens applies, with certain exceptions, to liens for borrowed money. For example, several liens imposed by operation of law, such as liens to secure statutory obligations for taxes or workers' compensation benefits, or liens we create to secure obligations to pay legal judgments or surety bonds, are not covered by this restriction. This restriction on liens also does not apply to debt secured by a number of different types of liens, and we can disregard this debt when we calculate the limits imposed by this restriction. These types of liens include, among others, the following:

- any lien existing on or before the date of the Indenture;
- any lien arising by operation of law and not securing amounts more than 90 days overdue or otherwise being contested in good faith;
- any lien on a principal property, shares or stock of any restricted subsidiary, which becomes a restricted subsidiary after the date of the Indenture, arising prior to the date of the restricted subsidiary's becoming a restricted subsidiary, provided that such lien was not created in contemplation of such restricted subsidiary's becoming a restricted subsidiary;
- any lien over any principal property, or documents of title thereto, shares or stock of any restricted subsidiary that Diageo or any restricted subsidiary acquired as security for, or for indebtedness incurred, to finance all or part of the price of its acquisition, development, redevelopment, modification or improvement;
- any lien over any principal property, or documents of title thereto, shares or stock of any restricted subsidiary that Diageo or any restricted subsidiary acquired subject to the lien;
- any lien to secure indebtedness for borrowed money incurred in connection with a specifically identifiable project where the lien relates to a principal property involved in the project and that Diageo or any restricted subsidiary acquired after the date of the Indenture and the recourse of the creditors relating to the indebtedness is limited to the project and principal property;
- any lien securing indebtedness of Diageo or any restricted subsidiary for borrowed money incurred in connection with the financing of accounts receivable;

- any lien incurred or deposits made in the ordinary course of business;
- any lien on a principal property of Diageo or any restricted subsidiary in favour of the U.S. federal or any state government or the UK or any EU government or any instrumentality of any of them, securing the obligations of Diageo or any restricted subsidiary as a result of any contract;
- any lien securing industrial revenue, development or similar bonds issued by or for the benefit of Diageo or any of its restricted subsidiaries, provided that the industrial revenue, development or similar bonds are non-recourse to Diageo or the restricted subsidiary; and
- any extension, renewal or replacement or successive extensions, renewals or replacements, as a whole or in part, of any lien included earlier in this list.

## 8.2 Restrictions on Sales and Leasebacks

Diageo promises that neither it nor any of its restricted subsidiaries will enter into any sale and leaseback transaction involving a principal property unless we comply with this covenant. A sale and leaseback transaction is an arrangement between us or a restricted subsidiary and a bank, insurance company or other lender or investor where Diageo or the restricted subsidiary leases a property that Diageo or the restricted subsidiary has owned for more than six months and has sold to a lender or investor or to any person to whom the lender or investor has advanced funds on the security of the principal property.

Diageo can comply with this covenant in either of two different ways.

First, Diageo will be in compliance if it or its restricted subsidiary could grant a lien on the principal property in an amount equal to the indebtedness attributable to the sale and leaseback transaction without being required to grant an equivalent or higher-ranking lien to you and the other direct holders of the Notes under the restriction on liens described above.

Second, Diageo can comply if it invests an amount equal to at least the net proceeds of the sale of the principal property that it or its restricted subsidiary leases in the transaction or the fair value of that property, whichever is greater. This amount must be invested in any principal property or used to retire indebtedness for money that it or its restricted subsidiaries borrowed, incurred or assumed and that either has a maturity of 12 months or more from the date of incurrence of the indebtedness or has a maturity of less than 12 months from that date but is by its terms renewable or extendible beyond 12 months from that date at the option of the borrower, within one year of the transaction.

This restriction on sales and leasebacks does not apply to any sale and leaseback transaction that is between Diageo and one of its subsidiaries, or between one of Diageo's restricted subsidiaries and either Diageo or one of Diageo's other subsidiaries. It also does not apply to any lease with a term, including renewals, of three years or less.

As used in this Prospectus, "**principal property**" means a building or other structure or facility, and the land on which it sits and its associated fixtures that are located in the United States or the UK and Diageo or a restricted subsidiary owns or leases. The gross book value of the property

must exceed 2% of Diageo's consolidated shareholders' equity. Any property or portion of any property is not a principal property if Diageo's board of directors:

- does not view it as materially important to the total business conducted by Diageo and its subsidiaries as an entirety; or
- does not view any portion of the property as materially important for the use of the property.

Diageo and its subsidiaries have no principal properties as of the date of this Prospectus.

As used in this Prospectus, “**restricted subsidiary**” means any subsidiary that has two characteristics. First, its assets and operations are substantially located within the United States or the UK. Second, it owns a principal property. However, a restricted subsidiary does not include two types of subsidiaries. It does not include a subsidiary that is primarily engaged in leasing or in financing instalment receivables or a subsidiary that primarily acts to finance the operations of Diageo and its consolidated subsidiaries.

### **8.3 Defeasance and Discharge**

We can legally release ourselves from any payment or other obligations on the Notes, except for various obligations described below, if we, in addition to other actions, put in place the following arrangements for you to be repaid:

- we must deposit in trust for your benefit and the benefit of all other direct holders of the relevant Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the relevant Notes on their various due dates; and
- we must deliver to the Trustee a legal opinion of our counsel confirming that under current U.S. federal income tax law we may make the above deposit without causing you to be taxed on the relevant Notes any differently than if we did not make the deposit and just repaid the relevant Notes ourselves. We would not have to deliver this opinion if we received from, or there has been published by, the U.S. Internal Revenue Service a ruling that states the same conclusion.

However, even if we take these actions, a number of our obligations relating to the Notes will remain. These include the following obligations: (i) to register the transfer and exchange of Notes; (ii) to replace mutilated, destroyed, lost or stolen Notes; (iii) to maintain paying agencies; and (iv) to hold money for payment in trust.

## **9. PRESCRIPTION**

The Indenture, the Notes and the guarantees in respect of the Notes are governed by New York law. Under New York's statute of limitations, any legal action upon the Notes or the guarantees must be commenced within six years after the applicable payment in respect thereof is due. Accordingly, claims in respect of principal and interest will become void unless made within the applicable time periods prescribed by New York's statute of limitations.

## 10. DEFAULT AND RELATED MATTERS

### 10.1 Ranking

The Notes are not secured by any of our property or assets. Accordingly, your ownership of Notes means you are one of our unsecured creditors. The Notes are not subordinated to any of the Issuer's other debt obligations and therefore they rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness.

### 10.2 Events of Default

You will have special rights if an event of default occurs and is not cured, as described later in this subsection. The term event of default means any of the following:

- we do not pay the principal or any premium on a Note on its due date and, in the case of technical or administrative difficulties, only if such failure to pay persists for more than five days;
- we do not pay interest on a Note within 30 days of its due date;
- we do not deposit any sinking fund payment on its due date;
- we remain in breach of a covenant described above or any other term of the Indenture for 90 days after we receive a notice of default stating we are in breach. The notice must be sent by either the Trustee or holders of 10% of the principal amount of Notes of the affected class of Notes; or
- we file for bankruptcy or certain other events in bankruptcy, insolvency or reorganisation occur.

Remedies If an Event of Default Occurs. If an event of default has occurred and has not been cured, the Trustee or the holders of 25% in principal amount of the Notes of the affected may declare the entire principal amount of all the Notes to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the Notes of the affected Notes if certain conditions are met.

Except in cases of default, where the Trustee has some special duties, the Trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the Trustee reasonable protection from expenses and liability. This protection is called an indemnity. If reasonable Indemnity is provided, the holders of a majority in principal amount of the outstanding Notes of the relevant Notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the Trustee. These majority holders may also direct the Trustee in performing any other action under the Indenture.

Before you bypass the Trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the Notes, the following must occur:



- you must give the Trustee written notice that an event of default has occurred and remains uncured;
- the holders of 25% in principal amount of all outstanding Notes of the relevant Notes must make a written request that the Trustee take action because of the default, and must offer reasonable indemnity to the Trustee against the cost and other liabilities of taking that action; and
- the Trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity and no direction inconsistent with the request described above may have been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the outstanding Notes of the relevant Notes.

**Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the Trustee and to make or cancel a declaration of acceleration.**

We will furnish to the Trustee every year a written statement of certain of our officers and directors certifying that, to their knowledge, we are in compliance with the Indenture and the Notes, or else specifying any default.

#### **11. REGARDING THE TRUSTEE**

Diageo and several of its subsidiaries maintain banking relations with the Trustee in the ordinary course of their business.

If an event of default occurs, or an event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded occurs, the Trustee may be considered to have a conflicting interest with respect to the Notes or the Indenture for the purposes of the US Trust Indenture Act of 1939. In that case, the Trustee may be required to resign as trustee under the Indenture and we would be required to appoint a successor trustee.

## **PART 4: PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM**

In this part of the Prospectus, the terms "**we**", "**our**" and "**us**" refer to the Obligors and "**you**" means direct holders and not street name or other indirect holders of the Notes. Indirect holders should carefully read this part of the Prospectus.

### **1. INTRODUCTION**

The Notes were issued in the form of registered global notes that were deposited with DTC on the relevant issue date. This means that we did not issue certificates to each holder. We issued one global note with respect to the Notes to DTC, and DTC will keep a computerized record of its participants (including Euroclear and Clearstream, Luxembourg) whose clients have purchased the Notes. The participant will then keep a record of its clients who purchased the Notes. Unless it is exchanged in whole or in part for a certificated note, a global note may not be transferred, provided that DTC, its nominees, and their successors may transfer a global note as a whole to one another. We will not issue certificated notes except in limited circumstances that we explain under "*Legal Ownership*", below.

Beneficial interests in the global notes will be shown on, and transfers of the global notes will be made only through, records maintained by DTC and its participants. A description of DTC and its procedures is provided under "*Clearance and Settlement*", below.

We will wire principal and interest payments to DTC's nominee. We and the Trustee will treat DTC's nominee as the owner of the global notes for all purposes. Accordingly, we, the Trustee and any paying agent will have no direct responsibility or liability to pay amounts due on the global notes to owners of beneficial interests in the global note.

It is DTC's current practice, upon receipt of any payment of principal or interest, to credit direct participants' accounts on the payment date according to their respective holdings of beneficial interest in the global note as shown on DTC's records. In addition, it is DTC's current practice to assign any consenting or voting right to direct participants whose accounts are credited with notes on a record date, by using an omnibus proxy. Payments by participants to owners of beneficial interest in the global note, and voting by participants, will be governed by the customary practices between the participants and owners of beneficial interest, as is the case with notes held for the account of customers registered in "street name". However, payments will be the responsibility of the participants and not of DTC, the Trustee or us.

### **2. CLEARANCE AND SETTLEMENT**

You hold your beneficial interest in the Notes through DTC and its participants, including Euroclear and Clearstream, Luxembourg. These systems have established electronic securities and payment transfer, processing, depository and custodial links among themselves and others, either directly or through custodians and depositories. These links allow securities to be issued, held and transferred among the clearing systems without the physical transfer of certificates.

Special procedures to facilitate clearance and settlement have been established among these clearing systems to trade securities across borders in the secondary market. Where payments for securities we issue in global form will be made in U.S. dollars (as is the case with the Notes),

these procedures can be used for cross-market transfers and the securities will be cleared and settled on a delivery against payment basis.

The policies of DTC, Clearstream, Luxembourg and Euroclear will govern payments, transfers, exchange and other matters relating to the investors' interests in securities held by them. Clearstream, Luxembourg and Euroclear hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depositaries which, in the case of securities for which a global security in registered form is deposited with DTC (as is the case with the Notes), in turn hold such interests in customers' securities accounts in the depositaries' names on the books of DTC.

Neither we, nor the trustees nor any of our or its agents have any responsibility for any aspect of the actions of DTC, Clearstream, Luxembourg or Euroclear or any of their direct or indirect participants. Neither we, nor the trustees nor any of our or its agents have any responsibility for any aspect of the records kept by DTC, Clearstream, Luxembourg or Euroclear or any of their direct or indirect participants. Neither we, nor the trustees nor any of our or its agents supervise these systems in any way.

DTC, Clearstream, Luxembourg, Euroclear and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. You should be aware that they are not obligated to perform these procedures and may modify them or discontinue them at any time.

The description of the clearing systems in this part of the Prospectus reflects our understanding of the rules and procedures of DTC, Clearstream, Luxembourg and Euroclear as they are currently in effect. Those systems could change their rules and procedures at any time.

### **3. THE CLEARING SYSTEMS**

#### **3.1 DTC**

DTC has previously advised us as follows:

- DTC is:
  - a limited purpose trust company organized under the laws of the State of New York;
  - a "banking organization" within the meaning of New York Banking Law;
  - a member of the Federal Reserve System;
  - a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
  - a "clearing agency" registered pursuant to the provisions of Section 17A of the US Securities Exchange Act of 1934, as amended.

- DTC holds securities deposited with it by its participants and facilitates the settlement of transactions among its participants in such securities through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations.
- DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.
- The rules applicable to DTC and DTC participants are on file with the SEC.

### **3.2 Clearstream, Luxembourg**

Clearstream, Luxembourg has previously advised us as follows:

- Clearstream, Luxembourg is a duly licensed bank organized as a *société anonyme* incorporated under the laws of Luxembourg and is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*).
- Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through electronic book-entry transfers between the accounts of its customers. This eliminates the need for physical movement of certificates.
- Clearstream, Luxembourg provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally traded securities and lending and borrowing of securities. It interfaces with the domestic markets in over 30 countries through established depository and custodial relationships.
- Clearstream, Luxembourg's customers include worldwide securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other professional financial intermediaries. Its U.S. customers are limited to securities brokers and dealers and banks.
- Indirect access to the Clearstream, Luxembourg system is also available to others that clear through Clearstream, Luxembourg customers or that have custodial relationships with its customers, such as banks, brokers, dealers and trust companies.

### **3.3 Euroclear**

Euroclear has previously advised us as follows:

- Euroclear is incorporated under the laws of Belgium as a bank and is subject to regulation by the Belgian Financial Services and Markets Authority (*L'Autorité des Services et Marchés Financiers*) and the National Bank of Belgium (*Banque Nationale de Belgique*).
- Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates.
- Euroclear provides other services to its customers, including credit, custody, lending and borrowing of securities and tri-party collateral management. It interfaces with the domestic markets of several countries.
- Euroclear customers include banks, including central banks, securities brokers and dealers, trust companies and clearing corporations and may include certain other professional financial intermediaries.
- Indirect access to the Euroclear system is also available to others that clear through Euroclear customers or that have custodial relationships with Euroclear customers.
- All securities in Euroclear are held on a fungible basis. This means that specific certificates are not matched to specific securities clearance accounts.

#### **4. SECONDARY MARKET TRADING**

##### **4.1 Trading Between DTC Participants**

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules. Secondary market trading will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System for debt securities.

If payment is made in U.S. dollars, settlement will be in same-day funds. If payment is made in a currency other than U.S. dollars, settlement will be free of payment. If payment is made other than in U.S. dollars, separate payment arrangements outside of the DTC system must be made between the DTC participants involved.

##### **4.2 Trading Between Euroclear and/or Clearstream, Luxembourg Participants**

We understand that secondary market trading between Euroclear and/or Clearstream, Luxembourg participants will occur in the ordinary way following the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg. Secondary market trading will be settled using procedures applicable to conventional Eurobonds in registered form for debt securities.

##### **4.3 Trading Between a DTC Seller and a Euroclear or Clearstream, Luxembourg Purchaser**

A purchaser of securities that are held in the account of a DTC participant must send instructions to Euroclear or Clearstream, Luxembourg at least one business day prior to settlement. The instructions will provide for the transfer of the securities from the selling DTC participant's account to the account of the purchasing Euroclear or Clearstream, Luxembourg participant. Euroclear or Clearstream, Luxembourg, as the case may be, will then instruct the common depository for Euroclear and Clearstream, Luxembourg to receive the securities either against payment or free of payment.

The interests in the securities will be credited to the relevant clearing system. The clearing system will then credit the account of the participant, following its usual procedures. Credit for the securities will appear on the next day, European time. Cash debit will be back-valued to, and the interest on the securities will accrue from, the value date, which would be the preceding day, when settlement occurs in New York. If the trade fails and settlement is not completed on the intended date, the Euroclear or Clearstream, Luxembourg cash debit will be valued as of the actual settlement date instead.

Euroclear participants or Clearstream, Luxembourg participants will need the funds necessary to process same-day funds settlement. The most direct means of doing this is to pre-position funds for settlement, either from cash or from existing lines of credit, as for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, participants may take on credit exposure to Euroclear or Clearstream, Luxembourg until the securities are credited to their accounts one business day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants can choose not to pre-position funds and will instead allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg participants purchasing securities would incur overdraft charges for one business day (assuming they cleared the overdraft as soon as the securities were credited to their accounts). However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities that is earned during that one business day period may substantially reduce or offset the amount of the overdraft charges. This result will, however, depend on each participant's particular cost of funds.

Because the settlement will take place during New York business hours, DTC participants will use their usual procedures to deliver securities to the depository on behalf of Euroclear participants or Clearstream, Luxembourg participants. The sale proceeds will be available to the DTC seller on the settlement date. For the DTC participants, then, a cross-market transaction will settle no differently than a trade between two DTC participants.

## **5. SPECIAL TIMING CONSIDERATIONS**

You should be aware that investors will be able to make and receive deliveries, payments and other communications involving the securities through Clearstream, Luxembourg and Euroclear only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving Clearstream, Luxembourg and Euroclear on the same business day as in

the United States. U.S. investors who wish to transfer their interests in the securities, or to receive or make a payment or delivery of the securities, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Clearstream, Luxembourg or Euroclear is used.

## **6. LEGAL OWNERSHIP**

### **6.1 Street Name and Other Indirect Holders**

We generally will not recognise investors who hold securities in accounts at banks or brokers as legal holders of securities. When we refer to the holders of securities, we mean only the actual legal and (if applicable) record holder of those securities. Holding securities in accounts at banks or brokers is called holding in street name. If you hold securities in street name, we will recognize only the bank or broker or the financial institution the bank or broker uses to hold its securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the securities, either because they agree to do so in their customer agreements or because they are legally required. If you hold securities in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle voting if it were ever required;
- whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and
- how it would pursue rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests.

### **6.2 Direct Holders**

Our obligations, as well as the obligations of the Trustee and those of any third parties employed by us or the Trustee, under the securities run only to persons who are registered as holders of securities. As noted above, we do not have obligations to you if you hold in street name or other indirect means, either because you choose to hold securities in that manner or because the securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

### **6.3 Global Securities**

#### What is a Global Security?

A global security is a special type of indirectly held security, as described above under "*Street Name and Other Indirect Holders*". The ultimate beneficial owners of global securities can only be indirect holders.

We require that the securities included in the global security not be transferred to the name of any other direct holder unless the special circumstances described below occur (and provided that DTC, its nominees, and their successors may transfer a global note in respect of a Series of Notes as a whole to one another). The financial institution that acts as the sole direct holder of the global security is called the depositary. Any person wishing to own a security must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depositary.

#### Special Investor Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. We do not recognize this type of investor as a holder of securities and instead deal only with the depositary that holds the global security.

If you are an investor in securities that are issued only in the form of global securities, you should be aware that:

- You cannot get securities registered in your own name.
- You cannot receive physical certificates for your interest in the securities.
- You will be a street name holder and must look to your own bank or broker for payments on the securities and protection of your legal rights relating to the securities, as explained earlier under "*Street Name and Other Indirect Holders*".
- You may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates.
- The depositary's policies will govern payments, transfers, exchange and other matters relating to your interest in the global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We and the trustee also do not supervise the depositary in any way.
- The depositary will require that interests in a global security be purchased or sold within its system using same-day funds. By contrast, payment for purchases and sales in the market for corporate bonds and other securities is generally made in next-day funds. The difference could have some effect on how interests in global securities trade, but we do not know what that effect will be.

#### Special Situations When the Global Security Will Be Terminated

In a few special situations described below, the global security will terminate and interests in it will be exchanged for physical certificates representing securities. After that exchange, the choice of whether to hold securities directly or in street name will be up to the investor. Investors must consult their own bank or brokers to find out how to have their interests in securities transferred to their own name so that they will be direct holders. The rights of street name investors and direct



holders in the securities have been previously described in the subsections entitled "*Street Name and Other Indirect Holders*" and "*Direct Holders*", above.

The special situations for termination of a global security are:

- When the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary.
- When an event of default on the Notes has occurred and has not been cured. Defaults on the Notes are discussed in Part 3 of this Prospectus ("*Description of the Terms and Conditions of the Notes*").

## PART 5: DIAGEO PLC

### 1. OVERVIEW

Diageo was incorporated as Arthur Guinness Son and Company Limited on 21 October 1886. The Diageo Group was formed by the merger of Grand Metropolitan Public Limited Company and Guinness PLC in December 1997. Diageo is incorporated as a public limited company in England and Wales with registered number 23307. It is the holding company of the Diageo Group. The registered office of Diageo is 16 Great Marlborough Street, London, W1F 7HS and its telephone number is +44 (0) 20 7947 9100.

Diageo is a major participant in the global beverage alcohol industry, producing and distributing a leading collection of branded premium spirits and beer. It brings together world-class brands and a management team that seeks to maximise shareholder value over the long term. The management team expects to continue the strategy of investing behind the Diageo Group's strategic brands, expanding production capacity, adding new customer experiences and seeking to expand selectively either through partnerships or acquisitions that add long term value for shareholders.

Diageo is the leading premium spirits business in the world by volume, by net sales and by operating profit and is one of a small number of premium drinks companies that operate globally across spirits and beer.

As at 30 June 2022, there were approximately 2,498,000,000 ordinary shares of 28 <sup>101</sup>/<sub>108</sub> pence each in issue with an approximate nominal value of £723,000,000.

### 2. ORGANISATIONAL STRUCTURE OF THE DIAGEO GROUP

The companies listed below include those which principally affect the profits and assets of the Diageo Group. The operating companies listed below may carry on the business described in the countries listed in conjunction with their subsidiaries and other Diageo Group companies.

	Country of Incorporation	Country of Operation	Percentage of Equity Owned	Business Description
<b>Subsidiaries</b>				
Diageo Ireland	Republic of Ireland	Worldwide	100%	Production, marketing and distribution of premium drinks.
Diageo Great Britain Limited	England	Great Britain	100%	Marketing and distribution of premium drinks.

Diageo Scotland Limited	Scotland	Worldwide	100%	Production, marketing and distribution of premium drinks.
Diageo Brands B.V.	Netherlands	Worldwide	100%	Marketing and distribution of premium drinks.
Diageo North America, Inc.	United States	Worldwide	100%	Production, importing, marketing and distribution of premium drinks.
United Spirits Limited <sup>1</sup>	India	India	55.94%	Production, importing, marketing and distribution of premium drinks.
Diageo Capital plc <sup>2</sup>	Scotland	UK	100%	Financing company for the Diageo Group.
Diageo Finance plc <sup>3</sup>	England	UK	100%	Financing company for the Diageo Group.
Diageo Investment Corporation	United States	United States	100%	Financing company for the US Diageo Group.
Diageo Capital B.V. <sup>4</sup>	The Netherlands	The Netherlands	100%	Financing company for the Diageo Group.
Mey İçki Sanayi ve Ticaret A.Ş.	Turkey	Turkey	100%	Production, marketing and distribution of premium drinks.
<b>Associate</b>				
Moët Hennessy, SAS <sup>5</sup>	France	France	34%	Production and distribution of premium drinks.

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<sup>1</sup> Percentage ownership excludes 2.38% owned by the USL Benefit Trust.

<sup>2</sup> Directly owned by Diageo.

<sup>3</sup> Directly owned by Diageo.

<sup>4</sup> Directly owned by Diageo.

<sup>5</sup> French partnership.

All percentages, unless otherwise stated, are in respect of holdings of ordinary share capital and are equivalent to the percentages of voting rights held by the Diageo Group.

Diageo, consistent with its current strategy, expects to continue to focus on growing its brands on a worldwide basis and expects to make selective acquisitions in both its developed and emerging markets. Diageo explores the potential to make acquisitions on an ongoing basis and is currently evaluating a number of such opportunities, some of which may be significant. Funds for any such acquisitions would be drawn from internally generated cash, bank borrowings or the issuance of equity or debt securities (in an amount that cannot now be determined) and the proceeds of any potential disposals. No material disposals are currently contemplated.

In evaluating financing of any such acquisitions, Diageo's management remains committed to enhancing shareholder value in the long term, both by investing in the businesses and brands so as to improve the return on investment and by managing the Diageo Group's capital structure. Diageo manages its capital structure to achieve capital efficiency, provide flexibility to invest through the economic cycle and give efficient access to debt markets at attractive cost levels. This is achieved by targeting an adjusted net borrowings (net borrowings aggregated with post-employment benefit liabilities) to adjusted EBITDA leverage of 2.5 – 3.0x, this range for Diageo being currently broadly consistent with an A band credit rating. Diageo would consider operating outside of this range in order to effect strategic initiatives within its stated goals, which could have an impact on its rating. If Diageo's leverage was to be negatively impacted by the financing of an acquisition, it would seek over time to return to the range of 2.5 – 3.0x.

### 3. PRINCIPAL MARKETS

Diageo owns over 200 brands and operates in a number of geographically based markets around the world with its products being sold in over 180 countries.

- Diageo **North America** is headquartered in New York, and is comprised of US Spirits, Diageo Beer Company USA (DBC USA) and Diageo Canada, headquartered in Toronto. North America remains the second largest beverage alcohol market worldwide and represents over one-third of Diageo's net sales.
- Diageo's six market operating model in **Europe**, comprising of Great Britain, Ireland, Northern Europe, Eastern Europe, Southern Europe and Turkey is building further momentum after launching in 2020. All of these markets now operate with end-to-end accountability.
- In **Africa**, Diageo's strategy is to grow its beers fast and its spirits faster through selective participation across categories including 'near beer', leveraging the broad range of the global Diageo portfolio. The region comprises East Africa (Kenya, Tanzania and Uganda), Africa Regional Markets (including Ghana, Cameroon, Ethiopia, Indian Ocean and Angola), Nigeria and South Africa.
- In **Latin America and Caribbean**, Diageo's strategic priority is to continue gaining share of total beverage alcohol while expanding margin, driven by scotch, and complemented by a broader base of spirits brands. The region is grouped into the five markets of PUB (Paraguay, Uruguay and Brazil), Mexico, CCA (Central America and Caribbean), Andean (Colombia and Venezuela), and PEBAC (Peru, Ecuador, Bolivia, Argentina and Chile).

- Diageo's focus in **Asia Pacific** is to grow in both developed and emerging markets across its entire portfolio ranging from international and local spirits to ready to drink formats and beer. In Asia Pacific, the middle class is growing and their expectations are becoming increasingly demanding. As a result, the Diageo Group manages its portfolio strategically, focusing on developing its premium and super deluxe segments and encouraging consumers to drink better, not more. Asia Pacific comprises India (including Nepal and Sri Lanka), Greater China (China, Taiwan, Hong Kong and Macau), Australia (including New Zealand), South East Asia (Vietnam, Thailand, Philippines, Indonesia, Malaysia, Singapore, Cambodia, Laos and Myanmar), North Asia (Korea and Japan) as well as Travel Retail Asia and Middle East.

#### 4. PRINCIPAL BRANDS

Diageo is a global leader in beverage alcohol with an outstanding collection of brands including Johnnie Walker, Crown Royal, J&B and Buchanan's whiskies, Smirnoff, Cîroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray, Casamigos and Guinness.

#### 5. MAJOR SHAREHOLDERS AND SIGNIFICANT CHANGES IN OWNERSHIP

The Disclosure and Transparency Rules published by the FCA provide that a person or corporate entity that acquires an interest of 3% or more in Diageo's ordinary shares is required to notify Diageo of that interest. Any subsequent increase or decrease of 1% or more must also be notified. Similarly, a notification is required once the interest falls below 3%. At 30 June 2022, the following substantial interests (3% or more) in Diageo's ordinary share capital (voting securities) had been notified to Diageo: BlackRock Investment Management (UK) Limited (indirect holding) – 147,296,928 ordinary shares (being 5.89% of the issued ordinary share capital (excluding treasury shares) of Diageo at 3 December 2009); Capital Research and Management Company (indirect holding) – 124,653,096 ordinary shares (being 4.99% of the issued ordinary share capital (excluding treasury shares) of Diageo at 28 April 2009); and Massachusetts Financial Services Company (indirect holding) – 114,036,646 ordinary shares (being 4.95% of the issued ordinary share capital (excluding treasury shares) of Diageo at 1 June 2022. Diageo has not been notified of any other substantial interests in its securities. Diageo's substantial shareholders do not have different voting rights. Diageo, so far as is known by Diageo, is not directly or indirectly owned or controlled by another corporation or by any government.

Diageo knows of no arrangements, the operation of which may at a subsequent date result in a change of control of Diageo.

As at the close of business on 29 July 2022, 321,284,915 ordinary shares, including those held through American Depositary Shares ("**ADSs**"), were held by approximately 2,680 holders (including American Depositary Receipt ("**ADR**") holders) with registered addresses in the United States, representing approximately 12.68% of the outstanding ordinary shares (excluding treasury shares). At such date, 80,253,313 ADSs were held by 2,262 registered ADR holders. Since certain of such ordinary shares and ADSs are held by nominees or former GrandMet PLC or Guinness Group PLC ADR holders who have not re-registered their ADSs, the number of holders may not be representative of the number of beneficial owners in the United States or the ordinary shares held by them.

## 6. LEGAL PROCEEDINGS

The inherent uncertainty of litigation, including the uncertainty of estimating whether any settlement which may be entered into in the future will be on favourable terms, makes it difficult to quantify the outcome of the litigation disclosed on this and the next pages of this Prospectus with certainty.

### (a) Guarantees and related matters

As of 30 June 2022, the Diageo group has no material unprovided guarantees or indemnities in respect of liabilities of third parties.

### (b) Acquisition of USL shares from UBHL and related proceedings in relation to the USL transaction

On 4 July 2013, Diageo completed its acquisition, under a share purchase agreement with United Breweries (Holdings) Limited (“**UBHL**”) and various other sellers (the “**SPA**”), of shares representing 14.98% in USL, including shares representing 6.98% from UBHL. The SPA was signed on 9 November 2012 as part of the transaction announced by Diageo in relation to USL on that day (the “**Original USL Transaction**”). Following a series of further transactions, as of 30 June 2022, Diageo has a 55.94% investment in USL (excluding 2.38% owned by the USL Benefit Trust).

Prior to the acquisition from UBHL on 4 July 2013, the High Court of Karnataka (the “**High Court**”) had granted leave to UBHL under the Indian Companies Act 1956 (the “**Leave Order**”) to enable the sale by UBHL to Diageo to take place (the “**UBHL Share Sale**”) notwithstanding the continued existence of certain winding-up petitions that were pending against UBHL on the date of the SPA. At the time of the completion of the UBHL Share Sale, the Leave Order remained subject to review on appeal. However, as stated by Diageo at the time of closing, it was considered unlikely that any appeal process in respect of the Leave Order would definitively conclude on a timely basis and, accordingly, Diageo waived the conditionality under the SPA relating to the absence of insolvency proceedings in relation to UBHL and acquired the 6.98% stake in USL from UBHL at that time.

Following appeal and counter-appeal in respect of the Leave Order, this matter is now before the Supreme Court of India which has issued an order that the status quo be maintained with regard to the UBHL Share Sale pending a hearing on the matter before it. Following a number of adjournments, the next date for a substantive hearing is yet to be fixed.

In separate proceedings, the High Court passed a winding-up order against UBHL on 7 February 2017, and appeals filed by UBHL against that order have since been dismissed, initially by a division bench of the High Court and subsequently by the Supreme Court of India.

Diageo continues to believe that the acquisition price of INR 1,440 per share paid to UBHL for the USL shares is fair and reasonable as regards UBHL, UBHL’s shareholders and UBHL’s secured and unsecured creditors. However, adverse results for Diageo in the proceedings referred to above could, absent leave or relief in other proceedings, ultimately result in Diageo losing title to the 6.98% stake in USL acquired from UBHL. Diageo believes, including by reason of its rights under USL’s articles of association to nominate USL’s CEO and CFO and the right to appoint,

through USL, a majority of the directors on the boards of USL's subsidiaries as well as its ability as promoter to nominate for appointment up to two-thirds of USL's directors for so long as the chairperson of USL is an independent director, that it would remain in control of USL and would continue to be able to consolidate USL as a subsidiary for accounting purposes regardless of the outcome of this litigation.

There can be no certainty as to the outcome of the existing or any further related legal proceedings or the time frame within which they would be concluded.

**(c) Continuing matters relating to Dr Vijay Mallya and affiliates**

On 25 February 2016, Diageo and USL each announced that they had entered into arrangements with Dr Mallya under which he had agreed to resign from his position as a director and as chairman of USL and from his positions in USL's subsidiaries.

Diageo's agreement with Dr Mallya (the "**February 2016 Agreement**") provided for a payment of \$75 million (£62 million) to Dr Mallya over a five-year period of which \$40 million (£33 million) was paid on signing of the February 2016 Agreement with the balance being payable in equal instalments of \$7 million (£6 million) a year over five years (2017-2021). All payments were subject to and conditional on Dr Mallya's compliance with the agreement. The February 2016 Agreement also provided for the release of Dr Mallya's personal obligations to indemnify Diageo Holdings Netherlands B.V. (DHN) in respect of its earlier liability (\$141 million (£117 million)) under a backstop guarantee of certain borrowings of Watson Limited ("**Watson**") (a company affiliated with Dr Mallya).

On account of various breaches and other provisions of agreements between Dr Mallya and persons connected with him and Diageo and/ or USL, Diageo did not make the five instalment payments due during the five-year period between 2017 and 2021. In addition, Diageo has also demanded that Dr Mallya repay the \$40 million (£33 million) paid by Diageo in February 2016 and sought compensation for various losses incurred by the relevant members of the Diageo group.

On 16 November 2017, Diageo and other relevant members of the Diageo group commenced claims in the High Court of Justice in England and Wales (the "**English High Court**") against Dr Mallya in relation to these matters. At the same time DHN also commenced claims in the English High Court against Dr Mallya, his son Sidhartha Mallya, Watson and Continental Administration Services Limited ("**CASL**") (a company affiliated with Dr Mallya and understood to hold assets on trust for him and certain persons affiliated with him) for in excess of \$142 million (£117 million) (plus interest) in relation to Watson's liability to DHN in respect of its borrowings referred to above and the breach of associated security documents. Dr Mallya, Sidhartha Mallya and the relevant affiliated companies filed a defence to these claims, and Dr Mallya also filed a counterclaim for payment of the two instalment payments that had by that time been withheld as described above.

Diageo continues to prosecute its claims and to defend the counterclaim. As part of these proceedings, Diageo and the other relevant members of its group filed an application for strike out and/or summary judgement in respect of certain aspects of the defence filed by Dr Mallya and the other defendants, including their defence in relation to Watson and CASL's liability to repay DHN. The application was successful resulting in Watson being ordered to pay approximately \$135 million (£112 million) plus various amounts in respect of interest to DHN, with CASL being held liable as co-surety for 50% of any such amount unpaid by Watson. These amounts were,

contrary to the relevant orders, not paid by the relevant deadlines and Watson and CASL's remaining defences in the proceedings were struck out. Diageo and DHN have accordingly sought asset disclosure and are considering further enforcement steps against Watson and CASL, both in the UK and in other jurisdictions where they are present or hold assets.

A trial of the remaining elements of these claims was due to commence on 21 November 2022. However, on 26 July 2021 Dr Mallya was declared bankrupt by the English High Court pursuant to a bankruptcy petition presented by a consortium of Indian banks. Diageo and the relevant members of its group have informed the Trustee in Bankruptcy of their position as creditors in the bankruptcy and have engaged with the Trustee regarding their claims and the status of the current proceedings. Dr Mallya has applied for permission to appeal the bankruptcy order and a prior order of the English High Court related to the bankruptcy. The consortium of Indian banks has also applied for permission to appeal a prior order of the English High Court related to the bankruptcy. The bankruptcy proceedings are ongoing. In light of the uncertainty posed by the ongoing bankruptcy proceedings the trial has been vacated to allow time for discussions between the parties regarding the future status and management of the proceedings in light of the bankruptcy and pending appeal to take place.

At this stage, it is not possible to assess the extent to which the various proceedings related to these bankruptcy matters will affect the remaining elements of the claims by Diageo and the relevant members of its group.

Upon completion of an initial inquiry in April 2015 into past improper transactions which identified references to certain additional parties and matters, USL carried out an additional inquiry into these transactions (the "**Additional Inquiry**") which was completed in July 2016. The Additional Inquiry, prima facie, identified transactions indicating actual and potential diversion of funds from USL and its Indian and overseas subsidiaries to, in most cases, entities that appeared to be affiliated or associated with Dr Mallya. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of USL or its subsidiaries in the respective prior periods. USL has filed recovery suits against relevant parties identified pursuant to the Additional Inquiry.

Further, at this stage, it is not possible for the management of USL to estimate the financial impact on USL, if any, arising out of potential noncompliance with applicable laws in relation to such fund diversions.

#### **(d) Other matters in relation to USL**

In respect of the Watson backstop guarantee arrangements, the Securities and Exchange Board of India ("**SEBI**") issued a notice to Diageo on 16 June 2016 that if there is any net liability incurred by Diageo (after any recovery under relevant security or other arrangements, which matters remain pending) on account of the Watson backstop guarantee, such liability, if any, would be considered to be part of the price paid for the acquisition of USL shares under the SPA which formed part of the Original USL Transaction and that, in that case, additional equivalent payments would be required to be made to those shareholders (representing 0.04% of the shares in USL) who tendered in the open offer made as part of the Original USL Transaction. Diageo believes that the Watson backstop guarantee arrangements were not part of the price paid or agreed to be paid for any USL shares under the Original USL Transaction and therefore that SEBI's decision was not consistent with applicable law, and Diageo appealed against it before the Securities



Appellate Tribunal, Mumbai (“**SAT**”). On 1 November 2017, SAT issued an order in respect of Diageo’s appeal in which, amongst other things, it observed that the relevant officer at SEBI had neither considered Diageo’s earlier reply nor provided Diageo with an opportunity to be heard, and accordingly directed SEBI to pass a fresh order after giving Diageo an opportunity to be heard. Following SAT’s order, Diageo made its further submissions in the matter, including at a personal hearing before a Deputy General Manager of SEBI. On 26 June 2019, SEBI issued an order reiterating the directions contained in its previous notice dated 16 June 2016. As with the previous SEBI notice, Diageo believes that SEBI’s latest order is not consistent with applicable law and has filed another appeal before the SAT against the order. Diageo’s appeal is currently pending. Diageo is unable to assess if the notices or enquiries referred to above will result in enforcement action or, if this were to transpire, to quantify meaningfully the possible range of loss, if any, to which any such action might give rise to if determined against Diageo or USL.

**(e) USL’s dispute with IDBI Bank Limited**

Prior to the acquisition by Diageo of a controlling interest in USL, USL had prepaid a term loan of INR 6,280 million (£66 million) taken through IDBI Bank Limited (“**IDBI**”), an Indian bank, which was secured on certain fixed assets and brands of USL, as well as by a pledge of certain shares in USL held by the USL Benefit Trust (of which USL is the sole beneficiary). The maturity date of the loan was 31 March 2015. IDBI disputed the prepayment, following which USL filed a writ petition in November 2013 before the High Court of Karnataka (the “**High Court**”) challenging the bank’s actions.

Following the original maturity date of the loan, USL received notices from IDBI seeking to recall the loan, demanding a further sum of INR 459 million (£5 million) on account of the outstanding principal, accrued interest and other amounts, and also threatening to enforce the security in the event that USL did not make these further payments. Pursuant to an application filed by USL before the High Court in the writ proceedings, the High Court directed that, subject to USL depositing such further amount with the bank (which amount was duly deposited by USL), the bank should hold the amount in a suspense account and not deal with any of the secured assets including the shares until disposal of the original writ petition filed by USL before the High Court.

On 27 June 2019, a single judge bench of the High Court issued an order dismissing the writ petition filed by USL, amongst other things, on the basis that the matter involved an issue of breach of contract by USL and was therefore not maintainable in exercise of the court’s writ jurisdiction. USL has since filed an appeal against this order before a division bench of the High Court, which on 30 July 2019 has issued an interim order directing the bank to not deal with any of the secured assets until the next date of hearing. On 13 January 2020, the division bench of the High Court admitted the writ appeal and extended the interim stay. This appeal is currently pending. Based on the assessment of USL’s management supported by external legal opinions, USL continues to believe that it has a strong case on the merits and therefore continues to believe that the secured assets will be released to USL and the aforesaid amount of INR 459 million (£5 million) remains recoverable from IDBI.

**(f) Tax**

The international tax environment has seen increased scrutiny and rapid change over recent years bringing with it greater uncertainty for multinationals. Against this backdrop, Diageo has been monitoring developments and continues to engage transparently with the tax authorities in

the countries where Diageo operates to ensure that the group manages its arrangements on a sustainable basis.

The Diageo Group operates in a large number of markets with complex tax and legislative regimes that are open to subjective interpretation. In the context of these operations, it is possible that tax exposures which have not yet materialised (including those which could arise as a result of tax assessments) may result in losses to the group. In the circumstances where tax authorities have raised assessments, challenging interpretations which may lead to a possible material outflow, these have been included as contingent liabilities. Where the potential tax exposures are known to us and have not been assessed, the group considers disclosure of such matters taking into account their size and nature, relevant regulatory requirements and potential prejudice of the future resolution or assessment thereof.

Diageo has a large number of ongoing tax cases in Brazil and India. Since assessing an accurate value of contingent liabilities in these markets requires a high degree of judgement, contingent liabilities are disclosed on the basis of the current known possible exposure from tax assessment values. While not all of these cases are individually significant, the current aggregate known possible exposure from tax assessment values is up to approximately £545 million for Brazil and up to approximately £131 million for India. The Diageo Group believes that the likelihood that the tax authorities will ultimately prevail is lower than probable but higher than remote. Due to the financial environment in Brazil and in India, the possibility of further tax assessments related to the same matters cannot be ruled out and the judicial processes may take extended periods to conclude. Based on its current assessment, Diageo believes that no provision is required in respect of these issues. Payments were made under protest in India in respect of the periods 1 April 2006 to 31 March 2019 in relation to tax assessments where the risk is considered to be remote or possible. These payments have to be made in order to be able to challenge the assessments and as such have been recognised as a receivable in the group's balance sheet. The total amount of payments under protest recognised as a receivable as at 30 June 2022 is £120 million (corporate tax payments of £108 million and indirect tax payments of £12 million).

In the United States, a lawsuit was filed on 15 April 2019 by the National Association of Manufacturers (“**NAM**”) against the United States Department of the Treasury (“**US Treasury**”) and the United States Customs and Border Protection (“**CBP**”) on behalf of its affected industry members, including Diageo, to invalidate regulations published in February 2019 and to ensure that substitution drawback is permitted in accordance with 19 USC § 1313(j)(2) as amended by the Trade Facilitation and Trade Enforcement Act of 2015, which was enacted on 24 February 2016 (“**TFTEA**”). Substitution drawback permits the refund, including of excise taxes, paid on imported merchandise when sufficiently similar substitute merchandise is exported. The United States Congress passed the TFTEA to, among other things, clarify and broaden the standard for what constitutes substitute merchandise. This change should entitle Diageo to obtain substitution drawback in respect of certain eligible product categories. Despite this change in the law, the US Treasury and CBP issued final regulations in 2019 declaring that substitution drawback is not available for imports when substituted with an export on which no tax was paid. The Court of International Trade issued a judgment in favour of NAM on 18 February 2020, denying the request by the US Treasury and CBP for a stay of payment on 15 May 2020, and on 26 May 2020, ordered the immediate processing of claims. The US Treasury and CBP filed an appeal with the US Court of Appeals for the Federal Circuit in 2021. During the year ended 30 June 2022, the US Court of Appeals dismissed the appeal, confirming the decision of the Court of International Trade. The

deadline for the US Treasury and CBP to seek a review at the US Supreme Court level has passed and, as a result, this matter has been resolved.

**(g) Information request**

Diageo has received an inquiry from the US Securities and Exchange Commission requesting information relating to Diageo's business operations in certain markets and to its policies, procedures and compliance environment. Diageo is responding to this information request but is currently unable to assess whether the inquiry will evolve into any enforcement action or, if this were to transpire, to quantify meaningfully the possible loss or range of loss, if any, to which any such action might give rise.

**(h) Other**

The Diageo Group has extensive international operations and routinely makes judgements on a range of legal, customs and tax matters which are incidental to the group's operations. Some of these judgements are or may become the subject of challenges and involve proceedings, the outcome of which cannot be foreseen. In particular, the group is currently a defendant in various customs proceedings that challenge the declared customs value of products imported by certain Diageo companies. Diageo continues to defend its position vigorously in these proceedings.

Save as disclosed above, neither Diageo, nor any member of the Diageo group, is or has been engaged in, nor (so far as Diageo is aware) is there pending or threatened by or against it, any legal or arbitration proceedings which may have a significant effect on the financial position of the Diageo group.

**7. CORPORATE GOVERNANCE**

During the financial year ended 30 June 2022, Diageo has applied the Principles and complied with the Provisions of the United Kingdom Corporate Governance Code (the "**Code**") (published in July 2018 by the Financial Reporting Council), with the exception of Provision 38 in respect of company pension contributions for incumbent Executive Directors. In this respect, it is noted that:

- The maximum company pension contribution under the 2020 Remuneration Policy is 14% of salary for any new Executive Director appointments.
- Current legacy company contributions for Ivan Menezes and Kathryn Mikells in the year ended 30 June 2022 were each 20% of base salary. The company contribution for Ivan Menezes was reduced from 40% to 30% effective 1 July 2016, and from 30% to 20% effective 1 July 2019.
- It is Diageo's intention to reduce the pension contribution for Ivan Menezes to 14% of salary, in line with the maximum company contribution to new-hire employees in the UK, by 1 January 2023.
- The Chief Financial Officer, Lavanya Chandrashekar, who was appointed on 1 July 2021, receives a pension contribution of 14% of salary.

The board of Diageo has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the board to consider specific issues when the need arises.

The terms of reference of the committees, including their objectives and the authority delegated to them by the board, are available upon request or via Diageo's website and are reviewed at least annually by the relevant committee and the board. All committees have access to independent expert advice.

The Nomination Committee is responsible for succession planning for the Board, maintaining a pipeline of strong candidates for potential nomination as Non-Executive Directors and Executive Directors, while also ensuring robust succession planning and talent strategy for the Executive Committee. It makes recommendations to the board concerning appointments to the board. The members of the committee are the chairman of the board and all independent non-executive directors. The chairman of the committee is Javier Ferrán. The other members are Melissa Bethell, Karen Blackett, Susan Kilsby, Valerie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart and Ireena Vittal. The composition of the Nomination Committee complies with the recommendations of the Code.

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policy for Executive Directors and Executive Committee members, setting, reviewing and approving individual remuneration arrangements for the Chairman, Executive Directors and Executive Committee members, determining arrangements in relation to termination of employment of the Executive Directors and other designated senior executives and ensuring that remuneration outcomes are appropriate in the context of underlying business reviewing workforce pay and related policies and the alignment of incentives with culture. All the members of the Remuneration Committee are independent non-executive directors, namely Melissa Bethell, Karen Blackett, Susan Kilsby, Valerie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart and Ireena Vittal. The chairman of the Remuneration Committee is Susan Kilsby. The composition of the Remuneration Committee complies with the recommendations of the Code.

The role of the Audit Committee is monitoring and reviewing the integrity of Diageo's financial statements and reporting, its internal control and risk management processes, its audit and risk activities, business conduct and integrity, whistleblowing and breach allegation investigations, and appointing and monitoring the performance of the external auditor. All the members of the Audit Committee are independent non-executive directors, namely Melissa Bethell, Karen Blackett, Susan Kilsby, Valerie Chapoulaud-Floquet, Sir John Manzoni, Lady Mendelsohn, Alan Stewart and Ireena Vittal. Alan Stewart is chairman of the Audit Committee. The composition of the Audit Committee complies with the recommendations of the Code.

## **8. DIRECTORS**

The officers of Diageo and their respective business occupations are set out below. The business address of each of the officers is at 16 Great Marlborough Street, London, W1F 7HS.

<b>Name</b>	<b>Business Occupation</b>
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Javier Ferrán	Chairman, Non-Executive Director
Ivan Menezes	Chief Executive, Executive Director
Lavanya Chandrashekar	Chief Financial Officer, Executive Director
Susan Kilsby	Senior Independent Director
Melissa Bethell	Non-Executive Director
Karen Blackett	Non-Executive Director
Valerie Chapoulaud-Floquet	Non-Executive Director
Sir John Manzoni	Non-Executive Director
Lady Nicola Mendelsohn	Non-Executive Director
Alan Stewart	Non-Executive Director
Ireena Vittal	Non-Executive Director
Tom Shropshire	General Counsel & Company Secretary

The principal activities of the following directors performed by them outside the Diageo Group are directorships and memberships of the companies or institutions as set out below:

<b>Name</b>	<b>Company/Institution</b>
Javier Ferrán	International Consolidated Airlines Group, S.A. BlackRock Long Term Private Capital
Ivan Menezes	Tapestry Inc. Kellogg School of Management, Northwestern University Council of the Scotch Whisky Association Movement to Work International Alliance for Responsible Drinking
Lavanya Chandrashekar	None
Susan Kilsby	Unilever PLC Fortune Brands Home & Security, Inc. NHS England The Takeover Panel
Melissa Bethell	Ocean Outdoor plc Atairos Europe Tesco PLC Exor N.V.

	Sadlers Wells
Karen Blackett	WPP plc GroupM UK Portsmouth University Black Equity Organisation Creative UK The MOBO Trust Cabinet Office – HM Government
Valerie Chapoulaud-Floquet	Danone S.A. Nextstage S.C.A. Jacobs Holding AG Sofisport
Sir John Manzoni	SSE plc Atomic Weapons Establishment KBR, Inc.
Lady Nicola Mendelsohn	Meta Platforms Inc. Norwood Mayor's Business Advisory Board Follicular Lymphoma Foundation
Alan Stewart	Burberry Group PLC Reckitt Benckiser Group PLC
Ireena Vittal	Compass Group PLC Godrej Consumer Products Limited Wipro Limited Housing Development Finance Corporation Limited
Tom Shropshire	Steering Committee for The Parker Review Charity Projects Limited (Comic Relief) Comic Relief Limited Bank of England New York University School of Law

At 30 June 2022 the aggregate interests of directors in the ordinary shares of Diageo including their share options and conditional rights to acquire shares, was less than 1% of the total issued share capital of Diageo. There are no existing or potential conflicts of interest between any duties of the directors of Diageo and/or their private interests and other duties. In accordance with Diageo's articles of association, the board has authorised the chairman or the company secretary, as appropriate to receive notifications of conflicts of interest on behalf of the board and to make recommendations as to whether the relevant matters should be authorised by the board.

## PART 6: DIAGEO CAPITAL PLC

### 1. OVERVIEW

The Issuer, a wholly-owned subsidiary of Diageo, was incorporated under the laws of Scotland on 10 August 1964. The Issuer's registered office is at Edinburgh Park, 11 Lochside Place, Edinburgh, EH12 9HA, Scotland with telephone number +44 (0) 131 519 2000.

The issued share capital of the Issuer comprises 200,000 ordinary shares of £1.00 each, all of which are held by Diageo. The Issuer does not know of any arrangements which may at a subsequent date result in a change of control of the Issuer.

The Issuer is a financing vehicle for Diageo and its consolidated subsidiaries. The Issuer has no independent operations, other than holding cash and U.S. government securities from time to time. The Issuer will lend substantially all proceeds of its borrowings to Diageo or to one or more of Diageo's subsidiaries that are operating companies.

### 2. DIRECTORS

The officers of the Issuer and their respective business occupations are set out below. The business address of each of the officers is at 16 Great Marlborough Street, London, W1F 7HS.

Name	Business Occupation
Claire-Louise Jordan	Director
Kara Major	Director
Ian Thrustle	Director
Monika Pais	Director
James Edmunds	Director, Company Secretary

None of the directors hold directorships of companies or institutions outside the Diageo Group.

There are no existing or potential conflicts of interest between any duties of the directors of the Issuer and/or their private interests and other duties. At 30 June 2022 the directors had no interests in the share capital of the Issuer. At 30 June 2022 the aggregate interests of directors in the ordinary shares of Diageo including their share options and conditional rights to acquire shares, was less than 1% of the total issued share capital of Diageo.

## PART 7: UNITED KINGDOM TAXATION

The following summary describes certain UK tax implications of acquiring, holding or disposing of the Notes, but it does not purport to be a comprehensive description of all of the UK tax considerations that may be relevant to a decision to acquire such securities. The summary is based on current UK tax legislation, the current published practice of Her Majesty's Revenue and Customs ("HMRC") and the terms of the UK/U.S. double taxation treaty (the "Treaty"), as appropriate, all of which are subject to change at any time, possibly with retrospective effect. The summary relates only to the position of persons who are tax resident solely in the UK and who are absolute beneficial owners of the Notes and does not deal with the position of certain classes of holders of Notes, such as dealers in securities and those who are treated as non-domiciled and resident in the UK for the purposes of UK tax law. The summary does not apply to certain types of debt securities which may be subject to special rules, such as discounted securities, convertible securities and variable rate securities.

***Please consult your own tax adviser concerning the consequences of acquiring, owning and disposing of these debt securities in your particular circumstances under UK law and the laws of any other taxing jurisdiction.***

### Payments

Payments of principal on the Notes in accordance with the procedures described under paragraph 5.2 ("*Payment and Paying Agents*") of Part 3 ("*Description of the Terms and Conditions of the Notes*") of this Prospectus will not be subject to any deduction or withholding for or on account of UK taxation. Payments of interest on the Notes, in accordance with the described procedure, will not be subject to withholding or deduction for or on account of UK taxation so long as the Notes carry a right to interest and are either listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007 or are admitted to trading on a "multilateral trading facility" operated by a regulated recognised stock exchange within the meaning of Section 987 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. The Notes will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with, the provisions of Part VI of the FSMA) and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are, and remain, so listed, interest on the Notes will be payable without deduction or withholding for or on account of UK tax.

Where the Notes may be redeemed at a premium, then any such element of premium may constitute a payment of interest and may be paid subject to deduction or withholding for or on account of UK tax, unless an exemption applies.

In all other cases, payments of interest will generally be made after deduction of UK income tax at the basic rate, which is currently 20%. Certain holders of debt securities who are resident for tax purposes in the United States will generally be entitled to receive payments free of deductions on account of UK tax under the Treaty and may therefore be able to obtain a direction to that effect from HMRC. Holders of debt securities who are resident for tax purposes in other jurisdictions may also be able to receive payment free of deductions under an appropriate double taxation treaty and may be able to obtain a direction to that effect. However, such a direction will only be issued on prior application to the relevant tax authorities by the holder in question. In each case, if such a direction is not given, the person making the payment will be required to withhold tax, although a holder of debt securities resident for tax purposes in the United States or another



jurisdiction who is entitled to relief may be able to subsequently claim the amount withheld from HMRC.

The interest on the Notes may be chargeable to UK tax by direct assessment even if the interest is paid without withholding or deduction. However, the interest will not generally be assessed to UK tax by direct assessment in the hands of a person who is not resident for tax purposes in the UK unless that person carries on a trade, profession or vocation in the UK through a permanent establishment, branch or agency in the UK in connection with which the interest is received or to which those debt securities are attributable. There are certain exceptions for interest received by certain categories of agents.

### **Guarantee Payments**

If Diageo makes any payments under the guarantees in respect of interest on the Notes (or other amounts due on the Notes, other than payments in respect of principal) such payments may be subject to UK withholding tax at the basic income tax rate (currently 20%) subject to any available relief under an applicable double taxation treaty or to any other exemption which may apply. Such payments by Diageo may not be eligible for the exemptions described in the paragraph entitled "*Payments*" above.

## PART 8: SELLING RESTRICTIONS

### UK

#### *Financial Promotion Order*

This document is being distributed only to, and is directed only at, persons outside the UK or in the UK to persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Order**”) or (ii) who fall within Article 49(2)(a) to (d) of the Order (all such persons being referred to as “**relevant persons**”). This document is directed only at relevant persons in the UK and must not be acted on or relied on in the UK, by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only in the UK, to relevant persons and will be engaged in only with such persons.

#### *Prohibition of Sales to UK Retail Investors*

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

#### *FSMA*

Each underwriter

- (A) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuers or the Guarantors; and
- (B) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

### EEA

#### *Prohibition of Sales to retail investors*

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **People’s Republic of China**

This prospectus may not be circulated in the People’s Republic of China (the “**PRC**”) and does not constitute a public offer of the Notes, whether by sale or subscription, in the PRC. The Notes are not being offered or sold, directly or indirectly, in the PRC to, or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may, directly or indirectly, purchase any of the Notes or any beneficial interest therein without obtaining all prior PRC governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by Diageo and its representatives to observe these restrictions.

### **Hong Kong**

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (“**Companies (Winding Up and Miscellaneous Provisions) Ordinance**”) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“**Securities and Futures Ordinance**”), or (ii) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The Notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the

benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

## **Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA ) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or (b) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer, (3) where the transfer is by operation of law, or (4) as specified in Section 276(7) of the SFA.

### *Singapore Securities and Futures Act Product Classification*

Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, Diageo has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **Canada**

The Notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing

Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **Switzerland**

The Notes will not be offered, sold, advertised or distributed, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the Swiss Financial Services Act ("**FinSA**"), except to professional clients as such term is defined or interpreted under the FinSA ("**Professional Investors**"). The Notes will not be admitted to trading on a trading venue (exchange or multilateral trading facility) in Switzerland, and no key information document pursuant to article 58(1) FinSA (or any equivalent document under the FinSA) has been or will be prepared in relation to any notes and, therefore, any notes with a derivative character within the meaning of article 86(2) of the Swiss Financial Services Ordinance may not be offered or recommended to private clients within the meaning of the FinSA in Switzerland. Offering or marketing material relating to the Notes may not be distributed or otherwise made available in Switzerland, except to Professional Investors.

The Notes do not constitute participations in a collective investment scheme within the meaning of the Swiss Collective Investment Schemes Act ("**CISA**"). Therefore, the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority ("**FINMA**"), and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.

### **Taiwan**

The Notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which could constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the Notes in Taiwan.

## PART 9: GENERAL INFORMATION

### 1. Authorisation

The Issuer and Diageo have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was approved by a resolution of the Board of Directors of the Issuer passed on 19 October 2022, resolutions of the Board of Directors of Diageo passed on 27 July 2022, and approved by joint approval of the Chief Financial Officer and Company Secretary of Diageo on 18 October 2022.

### 2. Listing

The listing of the Notes on the Official List of the FCA and the admission to trading of the Notes on the London Stock Exchange's regulated market are both expected to take effect on or around 15 December 2022.

### 3. Clearing Systems

The Notes have been accepted for clearance through DTC, Clearstream, Luxembourg and Euroclear the ISINs and CUSIP numbers for the Notes are:

	CUSIP	ISIN
2025 Notes	25243Y BF5	US25243YBF51
2027 Notes	25243Y BG3	US25243YBG35
2033 Notes	25243Y BH1	US25243YBH18

### 4. No Significant Change and No Material Adverse Change

There has been no significant change in the financial position of the Diageo Group since 30 June 2022, there has been no significant change in the financial performance of the Diageo Group since 30 June 2022 and, there has been no material adverse change in the prospects of Diageo since 30 June 2022.

There has been no significant change in the financial position of the Issuer since 30 June 2022, there has been no significant change in the financial performance of the Issuer since 30 June 2022 and there has been no material adverse change in the prospects of the Issuer since 30 June 2022.

### 5. Litigation

Save as disclosed on pages 62 to 67 of this Prospectus in respect of the litigation proceedings described in the section entitled "*Legal Proceedings*", the Issuer, Diageo and the Diageo Group are not, nor have been involved in, any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of

which the Issuer or Diageo, as the case may be, are aware) in the 12 months preceding the date of this document which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer, Diageo or Diageo Group.

## 6. Auditors

Diageo and the Issuer have accounting year ends of 30 June. PricewaterhouseCoopers LLP have been appointed as sole auditors of Diageo and the Issuer. The address of PricewaterhouseCoopers LLP is One Embankment Place, London, WC2N 6RH.

The consolidated financial statements of Diageo in respect of the years ended 30 June 2022 and 30 June 2021 were audited, without qualification by PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors. The financial statements of the Issuer in respect of the years ended 30 June 2022 and 30 June 2021 were audited, without qualification by PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors.

No other information referred to in this Prospectus has been audited by PricewaterhouseCoopers LLP.

The Diageo Group accounts are consolidated and prepared in accordance with IFRS. The statutory accounts of the Issuer are prepared in accordance applicable law and UK Generally Accepted Accounting Practice.

## 7. Documents Available for Inspection

For a period of 12 months following the date of this prospectus, the following documents may be inspected on the website set out next to their description below:

- (A) up to date memorandum and articles of association of each of the Obligors at <https://www.gov.uk/get-information-about-a-company>;
- (B) this Prospectus together with any supplements and/or amendments at <https://www.londonstockexchange.com/>;
- (C) the audited annual financial statements (on a consolidated basis and including the auditor's report thereon and notes thereto) of Diageo in respect of the financial years ended 30 June 2022 and 30 June 2021 at <https://www.diageo.com/>; and
- (D) the audited annual financial statements (on an entity basis and including the auditor's report thereon and notes thereto) of the Issuer in respect of the financial years ended 30 June 2022 and 30 June 2021 at <https://www.diageo.com/>.

## 8. Yield

On the basis of their asking price as at 24 October 2022 the yield to maturity of the 2025 Notes, the 2027 Notes and the 2033 Notes as at such date was 5.248%, 5.334% and 5.565% respectively on an annual basis. These historic yields are not an indication of future yields.

**REGISTERED OFFICE OF DIAGEO**

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**LEGAL ADVISER TO THE OBLIGORS AS TO ENGLISH LAW**

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