

DIAGEO

DELTIP FACTSHEET

Through the Diageo Executive Long Term Incentive Plan (DELTIP) we aim to invest in and retain talent by recognising and rewarding expected future contribution to business performance. DELTIP also encourages our leaders to act like owners and deliver sustainable share price growth for the benefit of all shareholders.

What is it?

Under this plan, Diageo has discretion to grant you an award over shares in Diageo plc. Awards are normally made in September after the announcement of our financial results.

Who is it for?

Annual DELTIP awards are normally made to L3 and above employees, except in a few countries where awards may also be made to L4 employees. Exceptional DELTIP awards may be made on a one-off basis to other employees in certain circumstances.

How is it calculated?

The size of your DELTIP award will depend on your base salary, your target opportunity and an individual modifier referred to as your 'Stock Factor'. Your target opportunity is expressed as a percentage of your base salary and is set

according to your job level and country of employment, based on what is considered competitive against the local external market. Your Stock Factor is expressed as a percentage of your target opportunity and reflects the business' view on your expected future contribution to Diageo's performance.

If you choose to receive (part of) your award in share options, a conversion rate will be applied to calculate the size of your award. This is because RSUs have a higher intrinsic value at grant than options, since there is no price to pay to receive the shares – at Diageo, 1 RSU is deemed equal in value to 5 options.

1.5x

Stock Factors can range from 0% to 150%, which means that you can be awarded up to 1.5x your target opportunity. If you're unsure of what your target opportunity is, please check your contract of employment, the compensation tab on Workday or ask your line manager.

A KEY FEATURE OF DELTIP IS THAT YOU MAY BE OFFERED AWARDS OF BOTH:

RESTRICTED STOCK UNITS (RSUs)

(the right to receive shares in Diageo in the future, at no cost to you)

1

&/OR

SHARE OPTIONS

(the right to buy shares in Diageo in the future at a fixed price)

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One RSU is equivalent to five options; an RSU has a higher intrinsic value because you receive the *whole* value of the share under an RSU award but only the *gain* in share price between the grant and exercise dates for share options. The 1:5 conversion ratio is subject to annual review and may change. Normally, there will be no performance conditions attached to share options or RSUs.

It's your choice

If possible in your country of employment, you will be offered the choice to receive your award as:

100% RSUs

OR

50% RSUs

OR

0% RSUs

0% SHARE OPTIONS

50% SHARE OPTIONS

100% SHARE OPTIONS

In some cases it is necessary to grant "phantom" awards, which are hypothetical RSUs (see overleaf for further information). You will be asked to complete your choice online through www.mydiageoshares.com ahead of the award date.

What happens after the award has been made?

GRANT

VESTING

OPTION EXERCISE PERIOD

Year 1

Year 2

Year 3

Year 4

Year 5

Year 6

Year 7

Year 8

Year 9

Year 3 – Your award would normally vest three years after you receive it. This is the point at which you may exercise your right to buy shares (using your share options) and at which any RSUs are converted into shares that you own outright.

Providing you remain employed within the Diageo business, you may exercise share options at any time within the seven year period following the vesting date.

If you do not exercise your share options within those seven years, you will lose your right to buy the shares.

Once RSUs vest, you can choose to hold onto them, in which case you will benefit from dividends and any future share price growth, or you can sell them immediately.

How does it work in practice?

This illustration shows how we calculate DELTIP awards and the potential value if you elected to take your award as a combination of share options and RSUs:

Your salary	£120,000
Your target opportunity (expressed in RSUs)	16% of salary
Your target opportunity (expressed in share options)	80% of salary
Your choice selection	50% RSUs : 50% options
Your stock factor	100%

Option price (calculated as the average of the Diageo closing share prices for the three trading days prior to the grant date)	£20
Number of RSUs awarded	$(16\% \times £120,000 \times 50\%) \div £20 = 480$
Number of options awarded	$(80\% \times £120,000 \times 50\%) \div £20 = 2,400$

The value of the award on grant is the same whether you elect to receive your award in RSUs or options. If you choose to receive RSUs the number of units granted will be lower than the number of equivalent options based on the 1 RSU to 5 options ratio at Diageo. The actual value of the award on the vesting date will depend on the share price at that time, which may be higher or lower than at grant.

Share price at date of exercise/vesting	£25
Gain on exercise of share options	$(£25 - £20) \times 2,400 = £12,000$

There is no obligation for you to exercise your share options. However, if you do, and you retain (rather than sell) the shares, you'll then become a shareholder and have the right to receive dividends.

Gain on RSUs on vesting	$(480 \times £25) = £12,000$
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You'll be entitled to receive dividends once your award vests and the shares are transferred to you. You can either retain the shares or sell them immediately.

Whether your share options/RSUs are granted over ADSs (\$) or ordinary shares (£), the share options/RSUs will operate in exactly the same way. Any reference to shares applies equally to ordinary shares and ADSs.

What is a phantom DELTIP award?

A phantom DELTIP award mirrors a conventional award but you don't get the opportunity to acquire shares. They are typically granted in countries where legal and tax restrictions make it impossible or impractical to make share awards to employees.

Diageo will make an award of hypothetical RSUs that increase or decrease in price in line with share price movements.

When phantom RSUs vest, the hypothetical stock will be settled in cash and you will not receive any shares. The proceeds of a phantom award will be subject to income tax and social security deductions in the normal way.

If Phantom DELTIP awards apply to you, we'll notify you separately.

What is the Emerging Talent Retention Plan?

Diageo makes a small number of exceptional DELTIP awards each year to employees who generally are not eligible to receive an annual DELTIP award.

These awards are used to recognise and retain employees who are seen as critical contributors to business performance with the potential to deliver significant value in the future.

Emerging Talent Retention Plan awards are made in RSUs in March and have the same vesting period as annual DELTIP awards. At the end of the 3 year vesting period you can choose to retain the shares and have the same rights to dividends as other shareholders or you can sell the shares and benefit from any share price gain.

Awards are fixed at 10% of salary and there is no stock factor recommendation from the line manager or target opportunity applied to the calculation of these awards.

What about tax?

Depending on the tax laws in your country, there may be a tax liability on vesting. The company will usually arrange the sale of enough shares to meet your tax liability, if required. For more information, go to the legal and tax guidance, which can be found at www.mydiageoshares.com

What happens if I leave the Diageo group?

Please refer to the **Executive Leavers** page for further information.

Data Privacy Diageo is committed to maintaining the security and confidentiality of your personal data in accordance with applicable privacy legislation and our Privacy Notice, details of which can be found on www.MyDiageoshares.com. By completing and submitting a share plan application or agreeing to the Sharestore terms and conditions, you are deemed to be requesting Diageo to collect, use and disclose your personal data for the purpose of managing your Plan and/or Sharestore participation and for such other purposes as may be necessary. For more information on your rights and how Diageo will use and protect your personal data, please consult the Global and Europe Data Protection Policy on the Data Privacy Mosaic site. Please note you have the right to object to the processing of your information in certain circumstances. You can exercise any of these rights by contacting diageoshareplans@diageo.com.

This guide is for information only. DELTIP awards are made under the Rules of the Diageo 2014 Long Term Incentive Plan (the Plan). Please refer to the 'Country Specific Information Supplement' for legal information relating to how the Plan works in your jurisdiction. In some countries, it is not possible – for legal/tax reasons – to make share awards to employees, who may instead be offered a 'phantom DELTIP award'. In the event of any conflict between this guide and the Plan Rules, the Plan Rules will be the authoritative source of information. Diageo has the final authority in relation to the operation and payout of the Plan, and its decision is final. This guide does not provide any advice on the merits of receiving a particular type of award or of buying or selling shares (which no employee or officer of Diageo, its subsidiaries or associated companies is permitted to give by law). The value of shares may rise or fall and past performance is not an indication of performance in the future.