EMERGING TALENT RETENTION PLAN (ETRP) FACTSHEET

Through the Emerging Talent Retention Plan (ETRP) we aim to invest in and retain key talent and critical performers by recognising and rewarding expected future contribution to business performance.

What is the Emerging Talent Retention Plan (ETRP)?

Diageo makes a small number of Emerging Talent Retention Plan awards each year to employees at Level 4 and Level 5 who generally are not eligible to receive an annual DELTIP award. These exceptional awards are used to retain and reward employees who we believe will make a significant individual impact that will enable Diageo's future performance.

Under the plan, Diageo has discretion to grant you an award over shares in Diageo plc. Awards are normally made in March and have a 3 year vesting period, just like DELTIP awards. The shares will vest three years after the grant date if the recipient is still employed by Diageo at that time.

There is no stock factor recommendation from the line manager or target opportunity which is applicable for the calculation of these awards. Awards are granted to the value of 10% of salary.

How is it calculated?

The size of your Emerging Talent Retention Plan award will generally be equal to 10% of your base salary. As shares in Diageo plc are granted in ADSs ($) or Ordinary shares (£), a conversion rate will be applied to your salary to calculate the size of your award.

What happens after the award has been made?

Year 3 – Your award would normally vest three years after you receive it. This is the point at which **your** RSUs are converted into shares that you own outright.

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.

How does it work in practice?

This illustration shows how we calculate Emerging Talent Retention Plan awards:

Your salary	**£40,000**
Quantum (expressed in RSUs)	**10% of salary**
Share price at grant	**£30**
Number of RSUs awarded	**(10% x £40,000) ÷ £30 = 133 units**

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 vest	**£35**
Value of RSUs on vesting	**(133 x £35) = £4,655**

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 RSUs are granted **in** ADSs ($) or ordinary shares (£), the RSUs will operate in exactly the same way. Any reference to shares applies equally to ordinary shares and ADSs.

What is a phantom ERTP award?

A phantom ETRP 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 Emerging Talent Retention Plan awards apply to you, we'll notify you separately.