

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

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FORM 11-K

Washington, DC

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period _____ to _____

Commission File Number 001-10691

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

DIAGEO PLC
Lakeside Drive
Park Royal
London NW10 7HQ
England

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Financial Statements and Supplemental Schedule

December 31, 2019 and 2018

(With Report of Independent Registered Public Accounting Firm Thereon)

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Table of Contents

	Page
Report of Independent Registered Public Accounting Firm	1
Statements of Net Assets Available for Benefits	2
Statement of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4 - 11
Supplemental Schedule	
Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year) as of December 31, 2019	12
Signatures	13
Exhibits	14 - 15

Other schedules required by Section 103(c)(5) of the Employee Retirement Income Security Act of 1974, as amended (ERISA) have not been included as the information is not applicable.



Report of Independent Registered Public Accounting Firm

To the Administrator and Plan Participants of Diageo North America, Inc. Savings Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of Diageo North America, Inc. Savings Plan (the "Plan") as of December 31, 2019 and 2018 and the related statement of changes in net assets available for benefits for the year ended December 31, 2019, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2019 and 2018, and the changes in net assets available for benefits for the year ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2019 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ PricewaterhouseCoopers LLP

Stamford, CT
June 25, 2020

We have served as the Plan's auditor since 2016.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Statements of Net Assets Available for Benefits

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Plan's interest in the Diageo North America, Inc. Master Trust, at fair value	\$ 312,868,693	\$ 271,015,498
Notes receivable from participants	<u>1,556,322</u>	<u>1,572,928</u>
Net assets available for benefits	<u>\$ 314,425,015</u>	<u>\$ 272,588,426</u>

See accompanying notes to financial statements.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2019

Additions to net assets attributed to:

Interest on notes receivable from participants	\$ 77,141
Participant contributions	14,451,845
Rollover contributions	2,901,088
Plan's interest in the Diageo North America, Inc. Master Trust investment gain	<u>57,222,153</u>
Total additions	<u>74,652,227</u>

Deductions from net assets attributed to:

Benefits paid to participants	32,627,004
Administrative fees	<u>188,634</u>

Total deductions	<u>32,815,638</u>
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Net increase	41,836,589
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Net assets available for benefits:

Beginning of year	<u>272,588,426</u>
End of year	<u>\$ 314,425,015</u>

See accompanying notes to financial statements.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Notes to Financial Statements

December 31, 2019 and 2018

(1) Plan Description

The following description of the Diageo North America, Inc. Savings Plan (the “Plan”) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

(a) General

The Plan is a defined contribution plan sponsored by Diageo North America, Inc. (the “Company”, “Diageo” or “Plan Sponsor”). It is intended that the Plan and its Trust be qualified and exempt under Sections 401(a) and 501(a) of the Internal Revenue Code of 1986 (the “Code”), as amended from time to time, and meet the requirements of Section 401(k) of the Code. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

(b) Eligibility

Employees of the Company, as defined in the Plan document, are immediately eligible to participate as soon as they have attained the age of 21.

(c) Contributions

Participants may contribute annually from 1% up to 50% of their salary either pre-tax, after-tax, or both, as defined in the Plan document. Participants direct the investment of their contribution into various investment options offered by the Plan. The Plan currently offers 1 money market fund, 25 mutual funds, 14 commingled trusts, and a company stock fund invested in American Depository Receipt (“ADR”) shares of Diageo plc as investment options for participants. The Plan provides for automatic deferrals of 3% for newly eligible employees unless they affirmatively elect not to participate.

All employees who are eligible to contribute under the Plan, and who have attained age 50 or older before the close of the Plan year, are eligible to make catch-up contributions in accordance with Code Section 414(v). Participants may also contribute amounts representing distributions from other qualified retirement plans.

Effective January 1, 2003, the Plan terminated Company contributions. Nonvested Company contributions are used to pay Plan expenses.

(d) Participant Accounts

Each participant’s account is credited with the participant’s contributions, an allocation of the Plan’s investment earnings or losses, and charged with administrative expenses. Allocations are based on participant earnings or account balances, as defined by the Plan document. The participant is entitled to their vested account balance upon termination, death, retirement, or disability under the Company’s Long-Term Disability Plan.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Notes to Financial Statements

December 31, 2019 and 2018

(e) Vesting

Participants are immediately vested in their contributions plus actual earnings or losses thereon.

(f) Notes Receivable from Participants

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to \$50,000 less the highest outstanding loan balance in the last 12 months or 50% of their account balance, whichever is less. Participants may only have one loan outstanding at any time. The loans are secured by the balance in the participant's account and bear interest at rates equal to the Prime Rate published in the Wall Street Journal at the time the loan is originated. Principal and interest are paid ratably through payroll deductions. The loans are payable over a period not to exceed 5 years, or 20 years for loans taken for a primary residence.

(g) Payment of Benefits

Distributions from the Plan are eligible to be paid upon retirement, attainment of age 59½, hardship, termination of employment, death, or disability under the Company's Long-Term Disability Plan.

If a participant's account balance is greater than \$5,000 and the participant is eligible for retirement or "early retirement" (i.e., age 50 or older with five or more years of service), the participant may leave the account in the Plan until age 70 ½ and then may elect to receive a lump sum distribution, a rollover to another qualified plan (or Individual Retirement Account ("IRA")), or quarterly or annual installments over a period elected by the participant not to exceed the participant's life expectancy (or the life expectancy of a designated beneficiary). Beginning in 2020, a participant may leave the account in the Plan until age 72.

If a participant's account balance is greater than \$5,000 and the participant is not eligible for retirement, the participant may leave the account in the Plan until the later of age 65, the 10th anniversary of Plan participation, or the date they are terminated. Distributions for participants who are not eligible for retirement are paid in a lump sum.

If a terminated participant's account balance is greater than \$1,000 but not more than \$5,000, the amount will be distributed to the participant as soon as practicable. If the participant does not elect to receive the distribution as a lump sum or a direct rollover to an eligible retirement plan or IRA chosen by the participant, the Plan Sponsor will pay the distribution as a direct rollover to an IRA designated by the Plan Sponsor.

If the participant's account balance is \$1,000 or less, the distribution is made from the Plan in a lump sum cash distribution.

Upon the death of a participant, the designated beneficiary, or the participant's estate if no beneficiary is designated, is entitled to 100% of the participant's account.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Notes to Financial Statements

December 31, 2019 and 2018

(h) *Forfeited Accounts*

Forfeitures of approximately \$12,700 of nonvested Company contributions for participants were allocated to participant accounts during 2019. Unallocated forfeitures as of December 31, 2019 and 2018, amounted to \$6,228 and \$9,140, respectively.

(2) *Summary of Significant Accounting Policies*

(a) *Basis of Accounting*

The financial statements of the Plan are prepared in compliance with the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under ERISA and under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

(b) *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) *Notes Receivable from Participants*

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as benefits paid based upon the terms of the Plan document.

(d) *Administrative Expenses*

Expenses reasonably incurred in the administration of the Plan are paid by the Plan. Certain costs of establishing and administering the Plan have been paid by the Plan Sponsor and, accordingly, are not included as administrative expenses of the Plan.

(e) *Benefit Payments*

Benefit payments to participants are recorded when paid.

(f) *Recent Accounting Pronouncements*

In February 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-06, *Plan Accounting: Defined Benefit Pension Plans (Topic 960) Defined Contribution Pension Plans (Topic 962) Health and Welfare Benefit Plans (Topic 965), Employee Benefit Plan Master Trust Reporting*. This update changes reporting and disclosure requirements for plans with master trusts and eliminates redundant disclosures for plans with 401(h) accounts. This update is effective for the fiscal periods beginning after December 15, 2018. Upon adoption, the amendments shall be applied retrospectively to all periods presented. The Plan adopted this update for the 2019 plan year, and prior year disclosures in Note 4 have been revised to reflect the retrospective application.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Notes to Financial Statements

December 31, 2019 and 2018

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements relating to fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Plan early adopted this update for the 2019 plan year, and disclosures in Note 4 have been revised to reflect the application.

(3) Investment in Master Trust

The Plan's investments are held in the Diageo North America, Inc. Master Trust ("Master Trust"), which was established for the Plan and another Company sponsored defined contribution plan. Each defined contribution plan has a divided interest in the Master Trust. The assets of the Master Trust are held by Fidelity Management Trust Company, (the "Trustee"). Investment income (loss) and administrative expenses relating to the Master Trust are allocated to the individual defined contribution plans based upon balances invested by each plan.

(4) Master Trust Financial Information

The Plan's specific interest in the Master Trust is credited or charged for contributions, transfers and benefit payments relating to its participants. Net appreciation (depreciation) in fair value of investments and income from investments are allocated to the Plan based on the Plan's specific interest in the net assets of the Master Trust.

The following table presents the fair values of investments and other assets and liabilities of the Master Trust, and the Plan's interest in the Master Trust, as of December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Master Trust	Plan's Interest	Master Trust	Plan's Interest
	Balances	in Master	Balances	in Master
		Trust Balances		Trust Balances
Investments at fair value:				
Mutual funds	\$ 286,414,223	\$ 275,626,129	\$ 138,285,710	\$ 135,420,701
Commingled trusts	14,638,598	14,100,902	120,830,510	114,431,137
Diageo common stock	17,164,698	16,932,758	14,141,615	13,870,094
Money market	6,375,384	6,208,904	7,682,112	7,293,566
Master Trust Net Assets,				
at fair value	\$ 324,592,903	\$ 312,868,693	\$ 280,939,947	\$ 271,015,498

Investment income (loss) of the Master Trust for the year ended December 31, 2019 is as follows:

Investment income (loss):

Net Appreciation in fair value of investments	\$ 49,381,428
Interest and dividends	9,766,342
Total investment income (loss)	\$ 59,147,770

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Notes to Financial Statements

December 31, 2019 and 2018

(5) Master Trust Investment Valuation and Income Recognition

Investments in the Master Trust are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Master Trust follows the fair value measurement guidance presented by GAAP for financial and nonfinancial assets and liabilities. This guidance defines fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Mutual funds: These investments are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

Commingled trusts: Valued at fair value as reported by the Trustee based on the NAV of the fund as a practical expedient.

Money market: Valued at the NAV of shares held by the Master Trust at year end.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Notes to Financial Statements

December 31, 2019 and 2018

Diageo common stock fund: Represents a unitized employer stock fund and it is comprised of the Company's ADRs and a short term cash component valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets at fair value as of:

<u>Master Trust assets at fair value as of December 31, 2019</u>		
	<u>Level 1</u>	<u>Total</u>
Mutual funds	\$ 286,414,223	\$ 286,414,223
Money market	6,375,384	6,375,384
Diageo common stock	17,164,698	17,164,698
Commingled trusts (a)	<u>-</u>	<u>14,638,598</u>
	<u>\$ 309,954,305</u>	<u>\$ 324,592,903</u>
<u>Master Trust assets at fair value as of December 31, 2018</u>		
	<u>Level 1</u>	<u>Total</u>
Mutual funds	\$ 138,285,710	\$ 138,285,710
Money market	7,682,112	7,682,112
Diageo common stock	14,141,615	14,141,615
Commingled trusts (a)	<u>-</u>	<u>120,830,510</u>
	<u>\$ 160,109,437</u>	<u>\$ 280,939,947</u>

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts included in the Master Trust Fund (Note 4).

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Net appreciation (depreciation) in fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Notes to Financial Statements

December 31, 2019 and 2018

The Plan evaluated the significance of transfers between levels based on the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2019 and 2018, there were no transfers in or out of Level 3.

(6) Risks and Uncertainties

The Plan invests in various investment securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these securities, it is at least reasonably possible that changes in their values will occur in the near term and that such changes could materially affect participants' accounts balances and the amounts reported in the statements of net assets available for benefits.

(7) Related-Party Transactions

Certain Plan investments that include mutual funds, a money market fund, and commingled trusts are managed by Fidelity Management & Research through the Master Trust. Fidelity Management & Research is related to the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees incurred from related parties by the Plan amounted to \$188,634 for the year ended December 31, 2019.

The Plan's investments include ADR shares of Diageo plc through the Master Trust. Diageo plc is the parent company of the Plan Sponsor and, therefore, these transactions qualify as party-in-interest transactions. During 2019, these investments earned dividends of \$344,400, realized gains of \$365,700 and unrealized gains of \$2,253,000. During 2019, purchases of the ADR shares of Diageo plc were approximately \$2,545,000 and sales of \$2,491,000.

Notes receivable from participants also qualify as party-in-interest transactions.

(8) Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan, subject to the provisions of ERISA.

(9) Tax Status

The Internal Revenue Service ("IRS") has determined and informed the Company by a letter dated October 14, 2014 that the Plan and related trust are designed in accordance with applicable sections of the Code. Although the Plan has been amended since receiving the determination letter, the Plan Sponsor and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Sponsor has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Notes to Financial Statements

December 31, 2019 and 2018

(10) Subsequent Events

On December 20, 2019, the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) was signed into law and became effective on January 1, 2020. The following is a summary of the provisions of the SECURE Act that the Plan is affording its participants:

The SECURE Act increases the starting age for required minimum distributions from 70 to 72 with the change being effective beginning in 2020 for those who had not reached age 70½ by December 31, 2019.

In March 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic. As a result, global financial markets have experienced, and may continue to experience, significant volatility resulting from the spread of COVID-19. The extent of the impact of COVID-19 on the Plan's net assets available for benefits and contributions will depend on future developments, including the duration and continued spread of the outbreak.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act allows retirement plan participants to have greater access to their savings if they are impacted by the coronavirus, as defined in the CARES Act. The following is a summary of the main provisions:

- Qualified individuals are permitted through December 31, 2020 to take a distribution in an amount up to \$100,000 without imposition of the 10% early distribution penalty, and this distribution is not subject to the 20% tax withholding rate. Additionally, individuals taking this distribution have the option to have the distribution income taxed over three years with the ability to recontribute up to the full amount of the distribution within three years and not be subject to tax as a result.

DIAGEO NORTH AMERICA, INC. SAVINGS PLAN

Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)

December 31, 2019

Identity of issue	Description of investment including maturity date and rate of interest	Cost	Current value
Plan's interest in the Master Trust	Plan's interest in the Diageo North America, Inc. Master Trust	**	<u><u>\$312,868,693</u></u>
* Participant Loans	Loans to participants with interest rates ranging from 3.25% to 9.50% and maturity dates ranging from 2020 to 2039	**	<u><u>\$ 1,556,322</u></u>

* Represents a party-in-interest


** Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Employee Benefits Administration Committee of Diageo North America, Inc. has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Diageo North America, Inc. Savings Plan

Date: June 25, 2020

By:  _____

Name: William Lockhart

Title: Rewards Director

EXHIBITS

The following Exhibit is being filed with this Annual Report on Form 11-K:

Exhibit

Number

Exhibit

23	Consent of Independent Registered Public Accounting Firm
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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-182315) of Diageo plc of our report dated June 25, 2020 relating to the financial statements and supplemental schedule of Diageo North America, Inc. Savings Plan, which appears in this Form 11-K.

/s/ PricewaterhouseCoopers LLP
Stamford, CT
June 25, 2020