



DIAGEO
PENSIONS

DIAGEO RETIREMENT SAVINGS PLAN REPORT TO MEMBERS TO 30 JUNE 2020

Read this update on what has been happening in the Diageo Retirement Savings Plan

CHAIRMAN'S REPORT



Welcome to our annual report which is in respect of the period 1 July 2019 to 30 June 2020.

We are in extraordinary times. Since the advent of the covid-19 virus, we have all been learning how to live and work in unusual circumstances. We have seen increased levels of volatility in the financial markets, with commentators expecting the virus to have a significant adverse impact on the economy of most countries and on the business and prospects of nearly all companies, including Diageo.

Whilst there were significant falls in equity markets in February and March, markets have recovered much of these losses. However, with the ongoing uncertainty of the covid-19 virus, the US Presidential election (at the time of writing) and Brexit, markets remain volatile. Against this backdrop of short-term uncertainty, you should remember that saving for your retirement is a long-term journey in which, hopefully, the current volatility will appear as short-term blips.

A little closer to home, I am delighted to announce that the Plan received the Pensions Quality Standard from the Irish Association of Pension Funds (IAPF). The standard recognises pension schemes that attain high standards in areas of contributions, communication and governance.

As usual, this report provides you with a summary of the Plan's annual report and the performance of the Plan's investment choices for the year together with reminders on other topics that should help you plan for your retirement.

Summary of the Plan

The Plan is established under a Trust and is governed by its Trust Deed and Rules. It is a defined contribution (DC) plan which is a separate legal entity from the Diageo Ireland Holdings group. The Plan has the approval of the Revenue Commissioners and has been registered with the Pensions Authority. The benefits payable from the Plan are determined by the level of contributions paid into the Plan and by the investment returns achieved on them. Page 3 of this report provides details of the contributions paid into the Plan during the period to 30 June 2020. Pages 5 to 7 provide a summary of the different investment choices in the Plan and their respective performance over the period. All funds are invested with Irish Life. The full annual report for the period to 30 June 2020 is available on the pension website at <https://www.mydiageopension.com/scheme/diageo-retirement-savings-plan> or by request to the Registered Administrator; Irish Life whose contact details are shown on page 11.

Are you saving enough for your retirement?

In a DC pension plan, the responsibility for determining whether or not you are likely to achieve the income in retirement that you hope for lies with you. Your

individual benefit statement sent to you in September includes a projection of your retirement income. If it does not meet your expectations, then you need to take action! It is likely that you will need to increase your contributions – which may cost less than you think: take a look at page 4. There is also some handy technology available from the Plan's administrator, Irish Life, which enables you to monitor your retirement account and ensure you are on track to achieve the retirement income you desire – see page 9 for details.

I hope that you find this report interesting and easy to understand. The Trustee welcomes any feedback you may have; please address any comments or questions to the Registered Administrator; Irish Life, whose contact details are shown on page 11.

Finally, I would like to thank my fellow Trustee Directors and all our advisers for their dedication and work for the Plan and you, its members, throughout the year.

Charles Coase, Chairman, Diageo Retirement Savings Plan Pension Trustee Designated Activity Company

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SUMMARY OF THE PLAN'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Members

At the end of the year, 30 June 2020, the total membership comprised **364 active members** (that is, members who are employed by the Company and for whom contributions are being received) and **164 deferred members** (members who have left the Plan but retain benefits in the Plan until retirement age).

Summary of Plan accounts

Over the year, the assets of the Plan increased from €11.0 million at 1 July 2019 to €13.6 million at 30 June 2020. Contributions from members, including AVCs and transfers-in, were €1.4m and those from the Company were €2.0 million. Benefits paid from the Plan and payments to and on account of members amounted to €0.3 million. The market value of investments decreased by €0.5 million.

Costs

The cost of the administration service provided by Irish Life is paid by members from the Annual Management Charge applied to retirement accounts; all other expenses of running the Plan, such as those for the investment and legal advisers and the services of the Diageo Pensions Team, are paid by the Company.

Contribution rates

As a member of the Plan your contribution rate is matched by the Company. The contribution rates can be found in the member booklet for your section of the Plan which is available on the Plan website at:

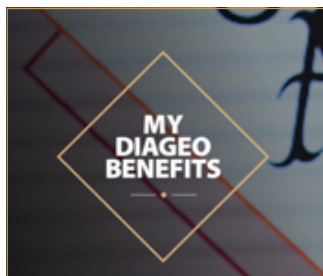
<https://www.mydiageopension.com/scheme/diageo-retirement-savings-plan>

Remember that you will receive tax relief on all your contributions up to certain Revenue limits, which are based on age – see further on the next page.

What if I wish to contribute more than the Plan contribution rate available?

You can pay Additional Voluntary Contributions (AVCs) into your retirement account - and these will also attract tax relief subject to the Revenue limits. You can pay AVCs as a regular monthly deduction from salary or as a single one-off payment. It's a great way to enhance your retirement income.

Diageo Benefits HUB



Visit the Diageo Benefits Hub and select an anytime event to amend your contribution level or to make a single one-off payment.

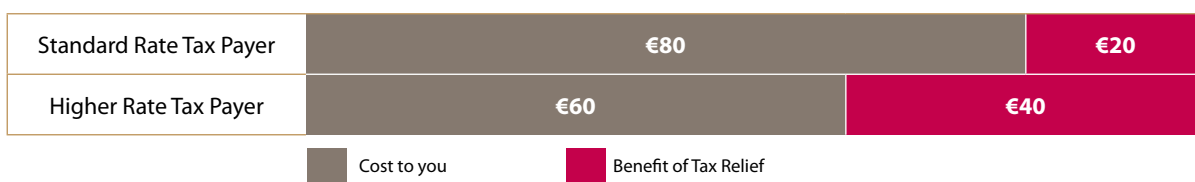
MAXIMISING YOUR INCOME IN RETIREMENT

When you make the decision to contribute to a pension, you generally view this as a long-term commitment which will benefit you in retirement. There is also a more immediate benefit to plan membership which is often overlooked: tax relief on pension contributions. Your pension contributions are deducted from your salary before tax, so you receive immediate tax relief up to your highest rate of tax up to a limit that corresponds to your age. Additionally, up to certain limits, the Company makes contributions.

So, the net cost to you of increasing your contributions might be less than you think – and the benefits considerably higher. No other savings arrangement will give you these benefits.

The chart below illustrates the actual cost to you of a €100 contribution.

The benefit of tax relief on a contribution of €100



Tax relief on your pension contributions is not the only tax benefit: the investment returns on your retirement account are also free from income and capital gains tax. This means that you do not pay any tax on any gains arising on your investment choices.

Maximum pension contributions that benefit from tax relief

Broadly speaking, the maximum amount that you can contribute to a pension in a given year is determined by your age and your income. The table below illustrates the maximum pension contribution for individuals as a percentage of total taxable earnings (for tax relief purposes, earnings are capped at €115,000).

Age	Under age 30	Age 30 to 39 years	Age 40 to 49 years	Age 50 to 54 years	Age 55 to 59 years	Age 60+
Maximum Pension Contributions as % of total taxable earnings	15%	20%	25%	30%	35%	40%

Contribution rate – employer matching

As a member of the Plan your contribution rate is matched by the Company – the employer contribution is dependent on your section of the Plan. Generally, the higher your own contribution, the higher the Company contribution up to certain limits. In the case of members in the Guinness Storehouse section, your length of service with the Company is also a determining factor. You are encouraged to review your contribution rate to ensure you are receiving the most from the Company. The matching contribution rates from the Company can be found in the member booklet for your section of the Plan which is available on the Plan website at: <https://www.mydiageopension.com/scheme/diageo-retirement-savings-plan>

INVESTMENT NEWS AND UPDATE

Investment strategy

The Trustee's overall objective is to make available a range of investment options which are likely to meet the varying investment needs and risk tolerances of Plan members. The returns on the investment funds and the fees charged on the funds under management are reviewed regularly by the Trustee. In addition, the Trustee measures the Plan against the benchmark for best practice as set out in the guidelines issued by the Irish Association of Pension Funds.

Investment strategy review

The Trustee recently conducted a review of the fund options, including the "Do it for me" investment strategy, to ensure that these remain appropriate to meet members' likely retirement needs and attitude to risk. After taking advice from our professional investment adviser, we have concluded that the current fund options remain appropriate. However, to reflect current market outlook and give members a realistic expectation of what you might achieve from the growth strategies going forward, the long-term risk and return targets for these funds have been amended, as shown in the table below:

	From		To	
	Target risk (volatility)	Target return (p.a. gross)	Target risk (volatility)	Target return (p.a. gross)
High	<2/3 equity rate	Inflation +4-6%	<80% equity risk	Inflation +3% p.a.
Medium	<1/2 equity rate	Inflation +2-4%	<60% equity risk	Inflation +2% p.a.
Low	<1/3 equity rate	Inflation +0-2%	<40% equity risk	Inflation +1% p.a.

The lower targets provide a realistic expectation of long-term returns and reflect the increasing cost of saving for retirement. If investment returns are expected to be lower, members will need to consider increasing your contributions to achieve the same target savings in your Pension Account at retirement.

The Annual Management Charge (AMC)

The AMC is the fee for investment and administration service provided by Irish Life. As part of the investment strategy review, the Trustee has negotiated with Irish Life a reduction in the AMC from 0.55% to 0.45%.

Whilst a reduction of 0.1% may not sound like a lot, the impact of this reduction in charges could mean an increase in a member's Pension Account of €13,000 at normal retirement age of 65 (or an additional 1.7% of their fund at that stage). This is based on a new entrant at age 32 paying 15.8% of salary to age 65 using the assumptions applied in the annual benefit statement projection which includes a gross projected return of around 4.0% over the member's working lifetime (taking into account the de-risking in the lifestyle strategy).

Investment options

As a member of the Plan, you can choose from the range of investments made available by the Trustee. A short summary of the "Do it for me" and "Do it myself" options is provided below - full details can be found in the investment guide which is available on the pension website.

"Do It For Me" which means you delegate your investment choices to the Trustee

Phase	Period to Retirement	Investment Fund
Growth Phase	More than 20 years	High Risk/Return Growth Strategy
Transition Phase	From 20 to 6 years	Medium Risk/Return Growth Strategy
Consolidation Phase	Less than 6 years	<p>Empower Cash Fund Allocation - amount up to 150% of salary with the balance (intended to fund a pension) invested in the Empower Pension For Life Fund</p> <p>OR</p> <p>Allocation amount up to 25% of pension account with the balance (intended to drawdown) invested in the Low Risk/Return Growth Strategy</p> <p>The allocation depends on which method provides a higher cash option on retirement</p>

INVESTMENT NEWS AND UPDATE

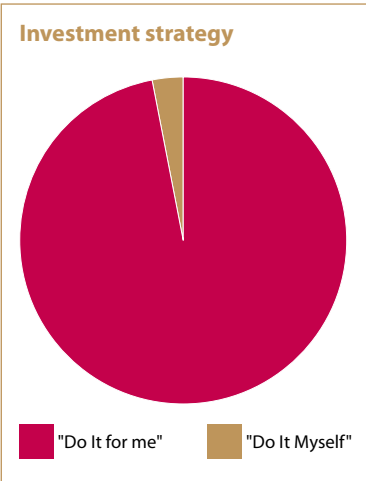
The Annual Management Charge (AMC) on the "Do it for me" option is now 0.45%, including the charge for administration of the Plan.

"Do It Myself" which allows you to take control of your investment choices

The range of funds available to members under the Do It Myself option is as follows:

Investment Fund	
Indexed World Equity Fund (partially hedged)	The AMC on all these funds is now 0.45%.
High Risk/Return Growth Strategy	
Medium Risk/Return Growth Strategy	
Corporate Bond Fund	
Euro Government Bond Fund	
Empower Cash Fund	

Membership split between "Do It for me" and "Do It Myself" investment strategies



Currently, 97% of members are invested in the "Do It For Me" investment strategy with 3% invested in "Do It Myself".

"Do It For Me"

This option will invest your money into higher risk funds the further away from retirement you are and as you near retirement this option automatically switches your investments to less risky funds in order to protect the value built up in your Pension Account.

"Do It Myself"

You need to be actively involved with this option by regularly reviewing your funds, particularly as you approach retirement. If you have many years before retirement you should consider investing in funds which are expected to deliver long-term growth and as you near retirement you should consider investing in funds which are expected to have less volatility. If you choose this option, these investment changes will not happen automatically, you will need to make the changes.

Summary of investments for the year ended 30 June 2020

At 30 June 2020, the total value of the funds under management was €13.6 million with over 87% of the total invested in the High Risk/Return Growth Strategy.

The High Risk/Return Growth Strategy and Medium Risk/Return Growth Strategy are known as blended funds, which means they have a mix of investment classes which can help reduce the level of volatility and risks associated from investing in only one asset class.

The High Risk/Return Growth Strategy holds 55% in World Equities, 20% in Minimum Volatility Equities and 5% in Emerging Market Equities, together with 5% in Irish Property, 12% in Euro Corporate Bonds and 3% in Emerging Market Bonds. The Medium Risk/Return Growth Strategy has a lower allocation to equities and a higher allocation to bonds than the High Risk/Return Growth Strategy.

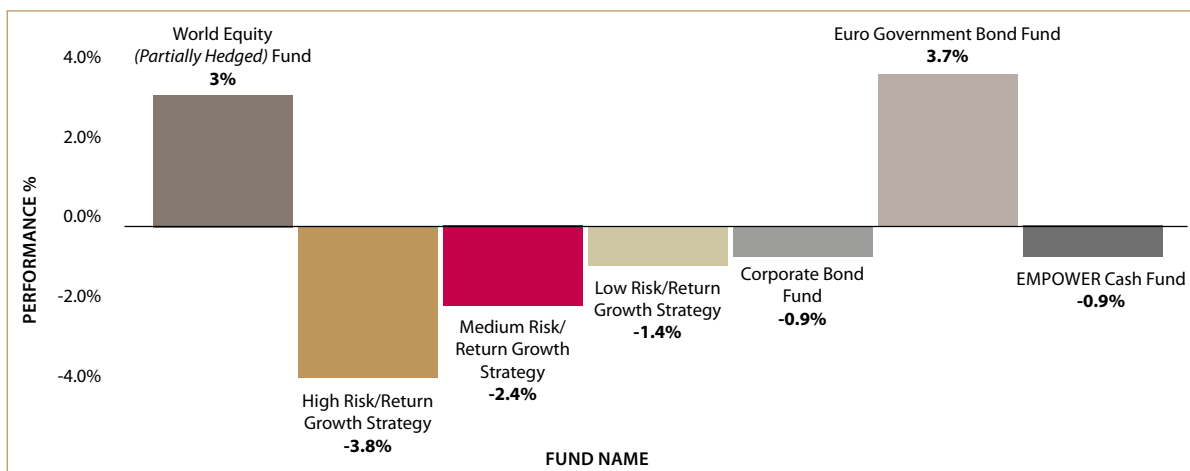
Over the long term, equities are expected to outperform bonds but with a higher level of risk (i.e. ups and downs). Therefore, over the long term, the High Risk/Return Growth Strategy is expected to produce higher returns than the Medium Risk/Return Growth Strategy, albeit with greater fluctuations over the shorter term.

The Trustees have the power to amend the asset allocations from time to time.

INVESTMENT NEWS AND UPDATE

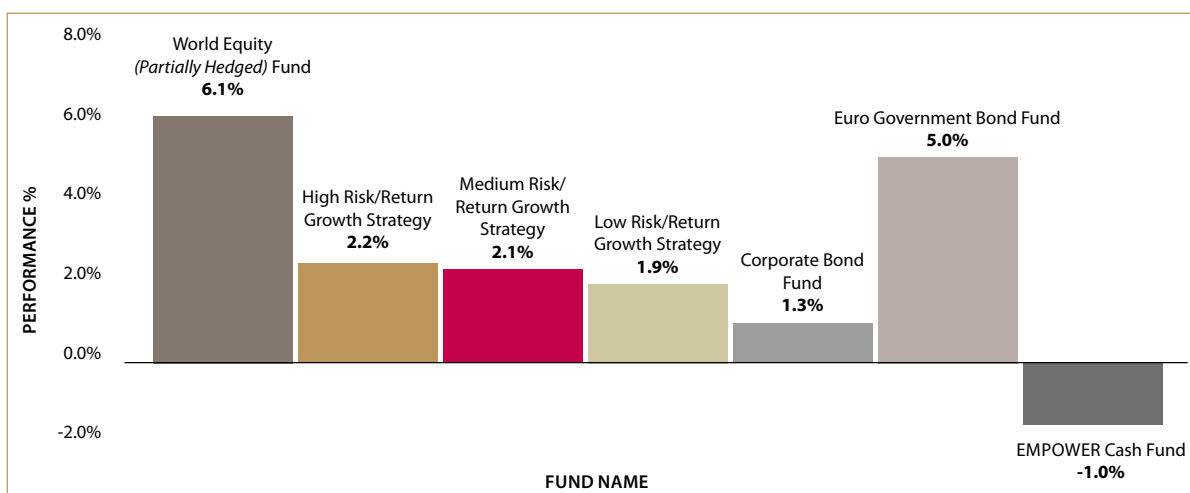
Investment performance

Over the year ended 30 June 2020 the performance of the funds was as follows:



Despite a rally in equities in 2019 due to accommodative policies adopted by Governments around the world, the covid-19 outbreak led to a significant correction in equities in the first quarter of 2020. Equity markets have rallied from the March lows and have recouped the majority of the losses experienced through February and March. For the year ended 30 June 2020, World Equities delivered a return of 3.6% (before charges). Eurozone Government bond yields have declined over the past twelve months with yields making all-time lows in March due to the ongoing low levels of inflation, increasing concerns over the economic outlook and the expectation of additional policy accommodation by central banks. As a result, Euro Government bonds have posted returns of 4.3% (before charges) – but over the longer term such bonds are not expected to outperform equities or the High Risk/Return Growth Strategy.

Over the three years ended 30 June 2020 the performance of the funds was as follows:



Please note that past performance is not a reliable guide to future performance. Funds with a higher risk tend to have a high level of volatility and therefore are most suitable for longer term investment.

You can find out more about the funds and their current performance from the factsheets on the pension website at <https://www.mydiageopension.com/scheme/diageo-retirement-savings-plan> then select your section of the Plan and go to Investment Options.

Investment switching

You can change your current and/or your future investments at any time during your membership of the Plan online at www.pensionplanetinteractive.ie or by completing an Investment switch form, available on the pension website, and returning it to Irish Life.

PLAN NEWS AND RETIREMENT INFORMATION



Pensions Quality Standard

In September 2020, the Plan was awarded the Pensions Quality Standard (PQS) award from the Irish Association of Pension Funds (IAPF).

The PQS recognises those defined contribution pension schemes that attain a high standard of contributions, communication and governance.

Benefits at retirement – your benefits at retirement will depend on the value of your pension account.

You can retire from the age of 50 after leaving employment, however retiring before Normal Retirement Date would mean that your pension account and entitlements would be less than if you remained in the Scheme until your Normal Retirement Date.

Your pension account includes the value of your contributions, any AVCs, the Company's contributions and any transfer values which may have been received from a previous employer. The money which has built up in your pension account may be used to provide a combination of the following benefits as outlined below.

Benefits at Retirement

1. A pension payable for life (also known as an "annuity"). The amount of your pension will depend on:
 - the age at which you retire,
 - how much of your Pension Account you choose to use to purchase a pension and the cost of buying a pension when you retire.

The maximum pension you can receive is two-thirds of Salary if you have completed at least 10 years of service at your Normal Retirement Date.

And, or

2. A pension for your Dependants payable in the event of your death - this is a pension for your spouse, child or other Dependants if you die after retiring.

If you choose this option, it will reduce the level of pension you receive.

And, or

3. A cash sum - subject to Revenue limits, some or all of which may be tax free.

And, or

4. Investment in an Approved Retirement Fund (ARF)/Approved Minimum Retirement Fund (AMRF) – you may have the option to invest in a post-retirement investment product which would allow you to continue attracting investment returns and allow flexibility in how much income you draw, and when.

Retirement planning

Please remember to include pensions from previous employers when planning for your retirement. If you have worked for Diageo previously in Ireland and/or the UK, you may have a pension in one of Diageo's other pension arrangements.

Ireland	UK
<p>Grand Metropolitan Irish Pension Fund Administered by Capita</p> <p>Guinness Ireland Group Pension Scheme Administered by Capita</p>	<p>Diageo Pension Scheme Administered by Capita</p> <p>Diageo Lifestyle Plan Administered by Capita</p> <p>Diageo Pension Plan Administered by Scottish Widows</p>
<p>Contact details for Capita & Scottish Widows can be found at https://www.mydiageopension.com/</p>	

MEMBER SUPPORT - TECHNOLOGY

Technology and communications

The Trustee wants you to get the most from your membership of the Plan and would encourage you to consider the technology options available with Irish Life. It has never been easier to monitor your pension savings and check if you are on track for the income you hope to achieve in retirement!

Irish Life has an app available to download: **Irish Life EMPOWER**. Alternatively, you can access your account from a desktop by using **Pension Planet Interactive (PPI)**.



Irish Life EMPOWER

Irish Life EMPOWER is an app designed to help you plan for your retirement. It's an individual pension calculator on the go and lets you take control of your pension. This app will also help you to stay up to date with the progress of your pension. It also offers lots of useful information about the Plan and your investment choices and details.

You can download the app for free from the Apple Store or the Google Play Store.

Further details can be found at: https://www.irishlifecorporatebusiness.ie/Irish_Life_EMPOWER_App

Pension Planet Interactive (PPI)

Pension Planet Interactive (PPI) is the central pension information tool from Irish Life Corporate Business. PPI helps you to stay up to date with your individual pension and plan for retirement. PPI is easy to use and offers you a wealth of information and features. You can view your contributions, your current pension fund value and your investment choices. You can also make fund switches and utilise the budget planner which helps to analyse current outgoings and compare to your projected pension at retirement.

You can register for PPI at: <https://www.pensionplanetinteractive.ie/ppi/login/land.action>



Roadshows

In addition to technology offerings, Irish Life also present roadshows onsite for active members with the next set of roadshows planned for 2021. Announcements will be made nearer the time. If you no longer work for the Company, you can contact Irish Life directly (see page 10 for contact details).

THE TRUSTEE AND ITS ADVISERS

The Trustee of the Plan is Diageo Retirement Savings Plan Pension Trustee Designated Activity Company. The Board of the Trustee comprises seven Trustee Directors who have responsibility for ensuring that the Plan is run in accordance with its Trust Deed and Rules.



Charles Coase (Chairman)



Darren Byrne



Stephen Delaney



Alan Donnelly



Gavin Dunne



Emma Fowler



Edwina Maher

Charles Coase is a professional pension trustee. The other Trustee Directors are drawn from each of the Plan's participating employers.

Trustee Secretary	
Aedin Kenealy	
Advisers to the Trustee	
Consultant & Investment adviser	Willis Towers Watson (Ireland) Limited
Registered administrator	Irish Life – Corporate Business
Investment manager	Irish Life Investment Managers
Legal adviser	Arthur Cox
Registered Auditors	Ernst & Young
Guidance	Diageo Pensions Team
Participating Employers	
Diageo Ireland, R&A Bailey & Co, and Guinness Storehouse Limited referred to in this report as the “Company”	

WHERE TO GET FURTHER INFORMATION

Registered Administrators

Diageo Retirement Savings Plan
Irish Life – Corporate Business
Lower Abbey Street
Dublin 1

Email: happytohelp@irishlife.ie

Telephone: 01 704 2000

Irish Life: www.irishlifecorporatebusiness.ie

Pension Planet: www.pensionplanetinteractive.ie

Plan website: <https://www.mydiageopension.com/scheme/diageo-retirement-savings-plan>

Current employees

If you have a query regarding deductions from your salary that you cannot resolve via the Diageo Benefits Hub, please email: dcpensions@diageo.com

Irish Life website

You can find further useful information about your pension and saving for retirement on the Irish Life website www.irishlifecorporatebusiness.ie. There is a dedicated section for members, containing a lot of useful information to help you understand how pensions work, how much needs to be saved for retirement and how benefits can be claimed at retirement. It also includes member education videos, FAQs, information about investment options and fund performance to keep you up to date with the returns on your pension savings. The investment centre is full of features such as a comparison tool to track and compare funds, weekly and monthly updates and investment video commentary on latest market developments.

Personal details

It is very important that we hold your correct personal data on our records. If you are a member of the Plan employed by Diageo, please keep Workday up to date with changes to your personal details. If you are a deferred member, please notify Irish Life of any changes in your circumstances.

Keep in touch (deferred members)

It is important that you notify Irish Life of any change of address, even after you leave the Company, so that they can ensure that you receive your benefits when they become due.

Expression of wish

It is important that you complete, and keep up to date, your Expression of Wish form. The Trustee will take into account any wish you may have expressed in the event of any death benefits becoming payable although these are not binding. This form is available on the pension website and through the Diageo Benefits Hub.

