



**Diageo Ireland Retirement Savings Scheme
Report to members to 30 June 2017**

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

Summary of the Scheme's annual report



Welcome to our annual report which is in respect of the period 1 July 2016 to 30 June 2017.

This report provides you with a summary of the Scheme's Annual Report and the performance of the Scheme's investment choices for the period.

As you can see on page 7, we have seen strong investment returns in our three most popular fund choices. The Trustee will continue to monitor the range of investment choices it has made available to ensure they continue to meet the varying investment needs and attitudes to risk of Scheme members.

As we had over 100 members at the beginning of this period we are now required to produce full audited accounts under the Pensions Act and the report of the Independent Auditor is included in the Scheme's annual report. A copy of this can be found on the pension website, details of which are on page 10.

Summary of the Scheme: The Scheme is established under a Trust and is governed by its Trust Deed and Rules. It is a defined contribution scheme which is a separate legal entity from Diageo Ireland and has the approval of the Office of the Revenue Commissioners. The Scheme has been registered with the Pensions Authority. The benefits payable from the Scheme are determined by the level of contributions paid into the Scheme and by the investment returns achieved on them. Page 3 of this report provides details of the contributions paid into the Scheme during the period to 30 June 2017. Pages 5 to 7 provide a summary of the different investment choices in the Scheme and their respective performance over the period. All funds are invested with Irish Life. The full annual report for the period to 30 June 2017 is available on the pension website at www.mydiageopension.com or by request to the Diageo Pensions Team whose contact details are shown on page 10.

Saving enough for your retirement? In a defined contribution pension scheme, 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 August includes a projection of your retirement income. If it does not meet your expectations, take action such as increasing your contributions. Included on page 4 of this report is information regarding the tax relief you receive on the pension contributions you save; it may cost less than you think. In addition, the Pensions Team wrote to you recently regarding increasing your contributions or paying additional voluntary contributions. Please take the time to think about whether or not your current contributions are sufficient to meet your needs in retirement – and make use of the support available to you (see page 8 for more 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 Diageo Pensions Team, whose contact details are shown on page 10.

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

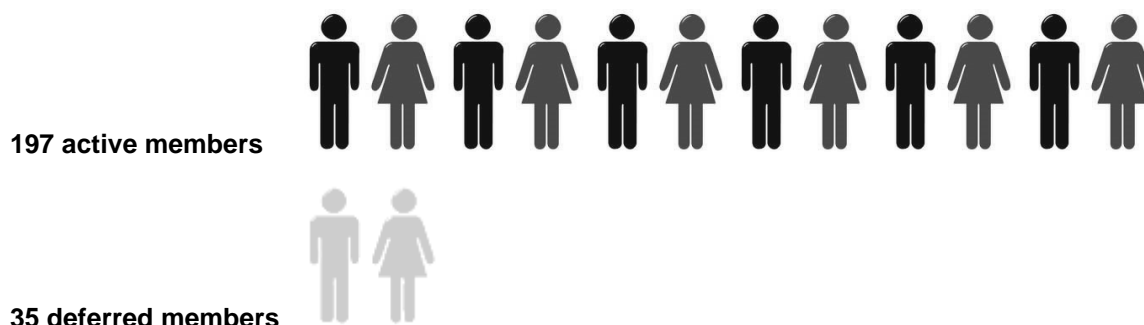
Charles Coase
Chairman, Diageo Ireland Pension Trustee Designated Activity Company

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Summary of the Scheme's annual report

Scheme membership

At the end of the Scheme year, 30 June 2017, the total membership was made up as follows:



Active members: those members who are employed by the Company and for whom contributions are being received.

Deferred members: those members who left the Scheme but retain benefits in the Scheme until retirement age.

Contributions paid to the Scheme during the period to 30 June 2017

During the period, the following contributions were paid into the Scheme:

Type	Amount
Company	€934,502
Member	€623,048
AVCs	€53,498
Total	€1,611,048

In addition, €47,891 was paid to cover the cost of providing the death in service lump sum benefits.

The cost of the administration service provided by Irish Life is paid by members from the Annual Management Charge (AMC) applied to their pension accounts; all other expenses of running the Scheme, 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 Scheme you can contribute between 5% and 8% of your Pensionable Pay. The more you choose to contribute to the Scheme, up to 8%, the more the Company will contribute as shown in the table below. You will receive tax relief on all of your contributions up to certain Revenue limits.

Member	Company	Total
5%	7.5%	12.5%
6%	9%	15%
7%	10.5%	17.5%
8%	12%	20%

What if I wish to contribute more than 8%?

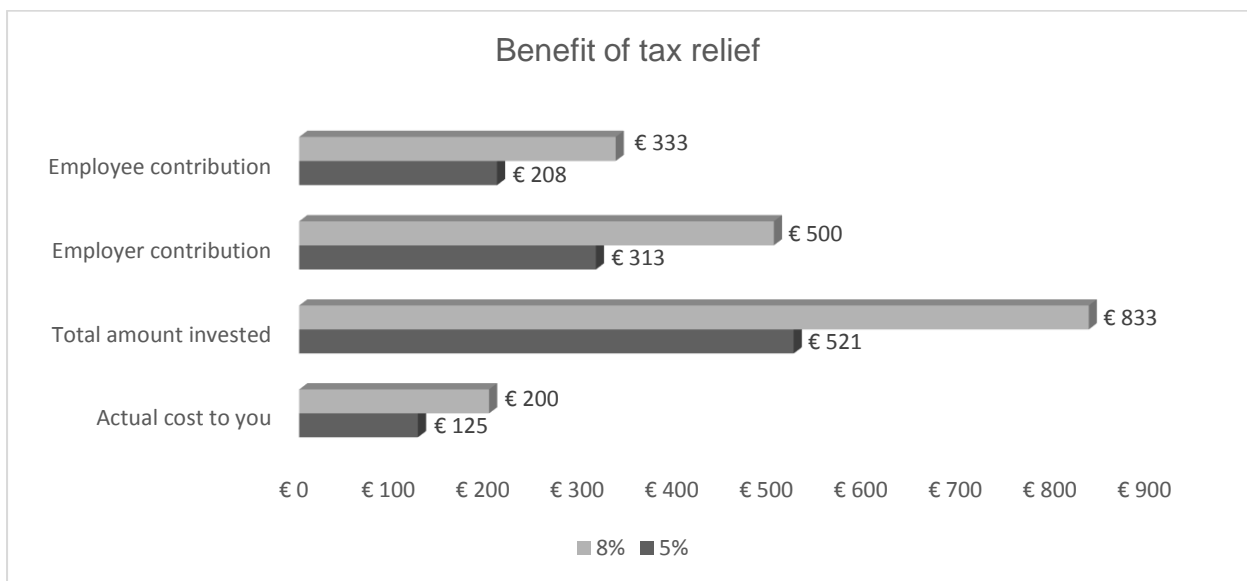
You can pay Additional Voluntary Contributions (AVCs) into your pension account subject to Revenue limits, which are based on age. Full details can be found in the member booklet. Please note that the Company will not pay more than 12%.

Tax relief on your contributions

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 scheme 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.

The graph below illustrates the benefit of tax relief for a member who earns €50,000 a year (excluding bonus).



The example highlights that the more you choose to contribute, the more you benefit from increased employer contributions and greater tax relief.

For the minimum monthly contribution of 5%, the net cost of a monthly contribution of €208 is actually €125. Diageo would pay an employer contribution of €313 (7.5%), which means that a total of €521 a month would be invested at a net cost of just €125.

For the maximum monthly contribution of 8%, the net cost of a monthly contribution of €333 is actually €200. Diageo would pay an employer contribution of €500 (12%), which means that a total of €833 a month would be invested at a net cost of just €200.

If this member increased their employee contribution from 5% to 8%, the net cost of an additional monthly contribution of €125 is actually €75. Diageo would also pay an additional employer contribution of €187, which means that an additional €312 a month would be invested at an additional net cost of just €75.

This example assumes that the member is paying the top rate of tax, which would be the case for someone earning €50,000 a year. Lower tax relief will apply for members paying the lower rate of tax.

You do not only benefit from tax relief on your pension contributions. Your investment returns that you earn on your pension account are also free from income and capital gains tax. This means that you do not pay any tax on any profit made from your investment choices.

Investment news and update

Investment Committee

The Trustee has appointed an Investment Committee and set its terms of reference. Assisted by the Scheme's professional investment advisers, Willis Towers Watson, the Investment Committee is responsible for advising the Trustee on investment strategy and for appointing and supervising investment managers.

The Investment Committee meets every six months, reviews the performance of the Scheme's investments and deals with all other investment related issues.

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 Scheme 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 Scheme against the benchmark for best practice as set out in the guidelines produced by the Irish Association of Pension Funds.

In light of market expectations for lower investment returns and an increased likelihood of falls in fund values over the next five years, the Trustee has, following guidance from the Plan's investment advisers, reviewed the High, Medium and Low Risk/Return growth strategies. The most significant changes were a reduction in the allocation to Eurozone government bonds and an increase in the allocation to equities and cash. Alongside the higher allocation to equities, two risk management tools have been introduced:

- a "dynamic share to cash" model which aims to move funds from equities to cash in times of extreme market stress (and subsequently back again); and
- an allocation to global low volatility equities, which exhibit lower risk than the typical equity market.

These changes were implemented automatically within the High, Medium and Low Risk/Return growth strategies in early April 2017. Members funds remained fully invested throughout the period and there were no transaction costs incurred in implementing these changes.

Investment options

As a member of the Scheme, 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 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	Between 6 and 20	Medium Risk/Return Growth Strategy
Consolidation Phase	Less than 6 years	Empower Tax Free Cash Fund <i>First allocation: amount up to 150% of salary</i> Empower Pension For Life Fund <i>Second allocation: amount to fund a pension of up to 25% of salary</i> Low Risk/Return Growth Strategy <i>Third allocation: all remaining funds</i>

The Annual Management Charge (AMC) on the "Do it for me" option is 0.55%, including the charge for administration of the Scheme.

Investment news and update

Investment options (continued)

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

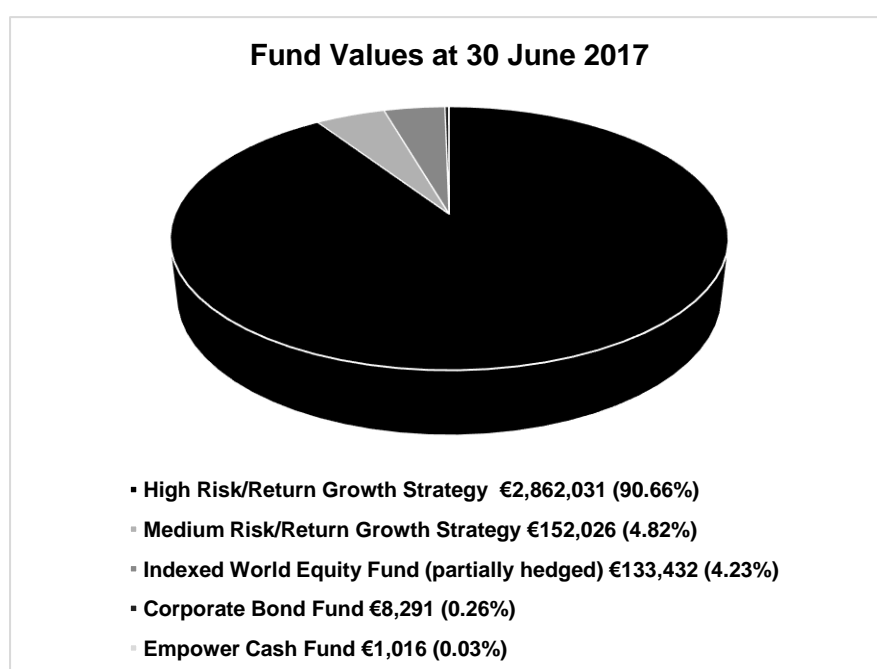
The range of funds available to members under the Do It Myself option is as follows:

Investment Fund
High Risk/Return Growth Strategy
Medium Risk/Return Growth Strategy
Empower Cash Fund
Euro Government Bond Fund
Corporate Bond Fund
Indexed World Equity Fund (partially hedged)

The AMC on all of the above funds is 0.55%.

Summary of investments for the period to 30 June 2017

At 30 June 2017, the total value of the funds under management was €3,156,796, split as follows:



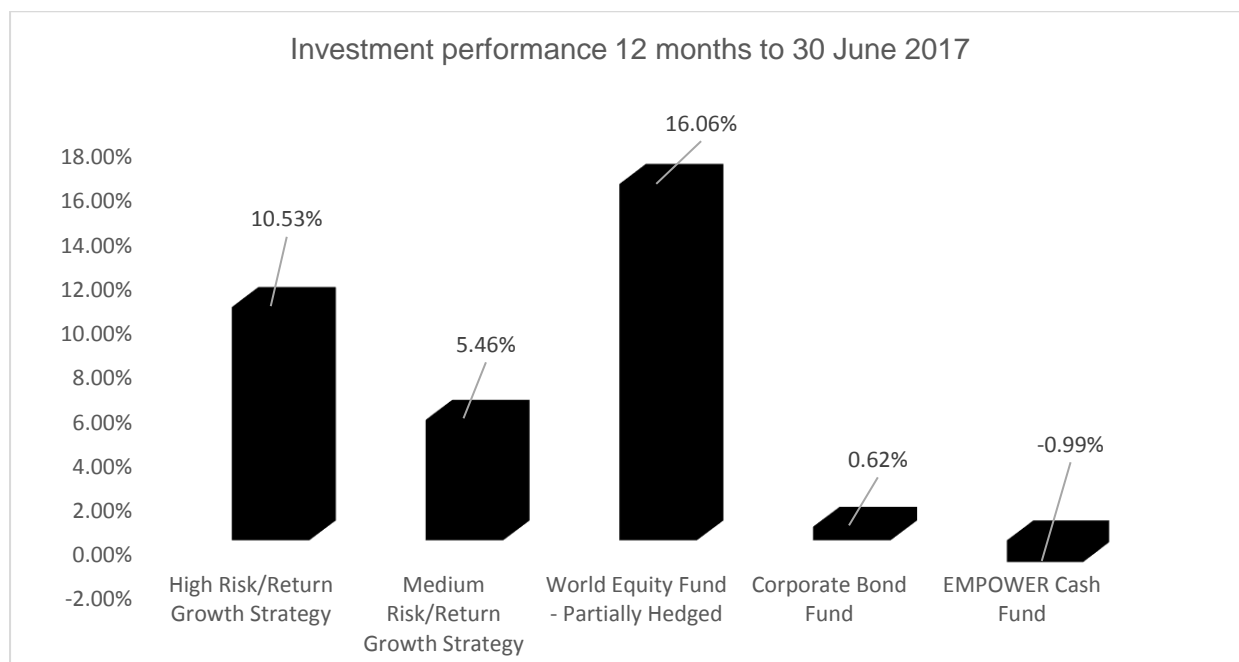
Membership split between “Do It for me” and “Do It Myself”



Investment news and update

Investment performance

Over the period to 30 June 2017 the performance of the funds was as follows:



The High Risk/Return Growth Strategy has a higher allocation to equities and a lower allocation to bonds than the Medium Risk/Return Growth Strategy with the aim of earning higher returns over the long term.

After experiencing sharp falls immediately following the UK vote to leave the EU in June 2016, equity markets recovered within a few weeks as central bank policy responses eased a lot of investor's fears over uncertainty. This led to the higher risk funds that have greater exposure to equities having a strong 12 month period with the World Equity Fund - partially hedged producing the highest return over the twelve months to 30 June 2017.

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 shorter term fluctuations.

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-ireland-retirement-savings-scheme/member-information-dirss> then select Investment Options.

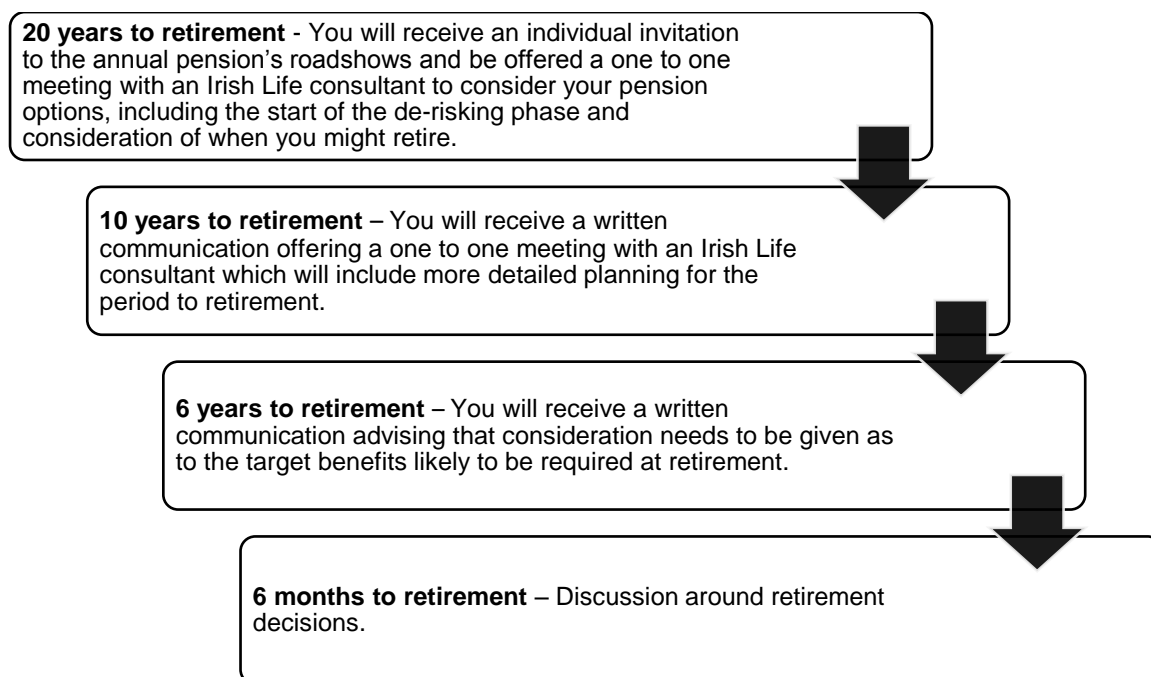
Investment switching

You can change your current and/or your future investments at any time during your membership of the Scheme in one of the following ways:

- Online at www.pensionplanetinteractive.ie or
- By completing an Investment switch form, available from the pension website, and returning it to Irish Life.

Scheme communications

The Trustee wants you to get the most from your membership of the Scheme and has developed a communications programme which is designed to prepare you for retirement



Pension roadshows are held at St James Gate by Irish Life in September each year. If you no longer work for the Company, you can contact Irish Life direct whose contact details are shown on page 10.

There are three further regular communications which are issued each year:

Annual benefit statements are issued around August. They provide details of the balance of your retirement account at the end of the Scheme year on 30 June and also projections of what your retirement account could amount to at normal retirement age.

Member annual review is issued once the Scheme accounts are approved by the Trustee. This provides a summary of the Scheme's finances and is normally issued in early December.

Contribution reminder communications are issued to active members in October, to highlight the benefits of paying higher contributions.

The Trustee and its advisers

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



Charles Coase
(Chairman)



Paul Armstrong



Niki Donohoe



Kieran Gowing



John Hyland



Tony Maher



Charles Smith

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

Sponsoring Employer

Diageo Ireland, referred to in this report as the “Company”.

Where to get further information

Registered Administrators

Diageo Ireland Retirement Savings Scheme
c/o Irish Life – Corporate Business
Lower Abbey Street
Dublin 1

Email: code@irishlife.ie

Tel: 01 704 2847

Irish Life www.irishlifecorporatebusiness.ie
Pension Planet
www.pensionplanetinteractive.ie

Diageo Pensions Team

Edinburgh Park
5 Lochside Way
Edinburgh
EH12 9DT

Email: pensions@diageo.com

Tel: 01 471 4422

Pension website: www.mydiageopension.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.

Pension Planet Interactive

Pension Planet Interactive is an online access tool that is easy to use and offers comprehensive information and can be accessed at www.pensionplanetinteractive.ie. As a member, Pension Planet Interactive helps you stay up to date with your individual pension plan and plan for retirement. In addition there is a “My Pension” app, which is an easy-to-use smartphone app designed to help you with your retirement planning. This app is your individual pension calculator on the go, which offers you a wealth of information about your pension plan and investment details. Find out more on the Irish Life Pension App website, where you can view guides and a demo video of the App, www.mypensionapp.ie

Personal details

It is very important that we hold your correct personal data on our records. If you are a member of the Scheme 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 from the pension website.

Use of personal data

In providing services, including preparing this review, the Trustee and its advisers require access to personal data about members and their dependants. The Data Protection Act governs how the Trustee and its advisers use and store personal data. Members can find out more information about how their personal information is used from the Data Protection Commissioner’s website at www.dataprotection.ie.