



**Diageo Ireland Retirement Savings Scheme  
Report to members to 30 June 2018**

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

# Chairman's Report



Welcome to our annual report which is in respect of the period 1 July 2017 to 30 June 2018.

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 6, we have seen positive 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.

**Scheme changes:** This will be the final annual report for the Diageo Ireland Retirement Savings Scheme (DIRSS) in its current form. You will be aware from recent communications that the Scheme is being joined by two other very similar pension schemes in the Diageo Ireland Holdings group, these are the R&A Bailey Retirement Savings Scheme (RABRSS) and the Guinness Storehouse Pension Plan (GSPP). From 1 January 2019, the Scheme will be renamed as the **Diageo Retirement Savings Plan** and members of the RABRSS and GSPP will become members from this date.

**New Trustee Board:** As part of this development, the existing members of the Trustee board will stand down in the New Year and I would take this opportunity to thank them all for their service. Reflecting the nature of the new scheme, I will be joined on the new board by six other Trustee Directors who come from each of the three businesses within the Diageo Ireland Holdings group. Information regarding the merged Scheme and the new board can be found on page 8.

**Summary of the Scheme:** As at 30 June 2018, there were 290 members in the Scheme and the net assets of the Scheme had grown to €5.4 million. Page 3 of this report provides a summary of the Scheme's accounts. Pages 5 to 6 provide further information on the different investment choices in the Scheme and their respective performance over the year. The full annual report for the year ended 30 June 2018 is available on the pension website at [www.mydiageopension.com](http://www.mydiageopension.com) or by request to the Diageo Pensions Team whose contact details are shown on page 10.

**Are you 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 or you would like to target a higher income in retirement, take action such as increasing your contributions. Once you take account of tax relief on your pension contributions and the additional contributions paid by the Company; it may cost less than you think!

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.

Charles Coase  
Chairman, Diageo Ireland Pension Trustee Designated Activity Company

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# Summary of the Scheme's annual report for the year ended 30 June 2018

## Introduction

The Scheme is established under a Trust and is governed by its Trust Deed and Rules; it is a separate legal entity from Diageo Ireland. The Scheme has the approval of the Office of the Revenue Commissioners and has been registered with the Pensions Authority. It is a defined contribution (DC) pension scheme: 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. The Trustee has appointed Irish Life as both Administrator and Investment Manager for the Scheme.

## Scheme Membership

At the end of the Scheme year, 30 June 2018, the total membership comprised **225 active members** (that is, members who are employed by the Company and for whom contributions are being received) and **65 deferred members** (members who have left the Scheme but retain benefits in the Scheme until retirement age).

## Summary of Scheme Accounts

Over the year, the net assets of the Scheme increased from €3.2 million at 1 July 2017 to €5.4 million at 30 June 2018. Contributions from members, including AVCs, were €0.8m and those from the Company were €1.1 million. Transfers into the Scheme, net of payments on account of leavers, were €0.1 million. The market value of investments increased by €0.2 million.

The cost of the administration service provided by Irish Life is paid by members from the Annual Management Charge 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.

Information on the Scheme's investments is set out on page 5 to 6.

## Contribution Rates

If you are an active 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.

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

If you wish to contribute more than 8%, you can pay Additional Voluntary Contributions (AVCs) into your pension account but the Company will not pay more than 12%. You will receive tax relief on all of your contributions up to certain Revenue limits (see below).

## Maximum pension contributions that can 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, subject to a limit on earnings of €115,000, as set out in the following table:

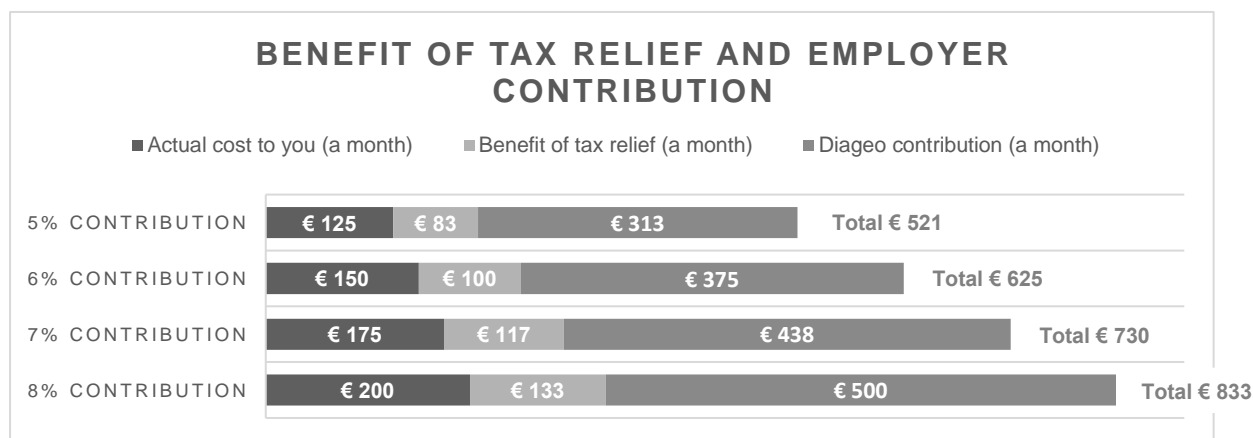
Age	Maximum Pension Contributions as % of total taxable earnings
Under age 30	15%
30 to 39 years	20%
40 to 49 years	25%
50 to 54 years	30%
55 to 59 years	35%
60 and over	40%

## 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 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. And, 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 benefit of tax relief and the company contributions 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 greater tax relief and increased employer contributions.

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.

Based on this example, if you were to increase your contribution from 5% to 8%, the additional net monthly cost to you would be €75. This additional cost attracts:

- additional tax relief of €50 a month, and
- additional contributions from Diageo of €187 a month.

**At a cost to you of €75 a month an additional €237 is received from Diageo and in the form of tax relief. You are therefore benefiting from an additional €312 a month into your pension account.**

If you feel you cannot afford the jump from 5% to 8% then there are the intermediate contribution levels of 6% and 7% available.

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 gains made from your investment choices.

**Finally, to maximise your income in retirement, start early!** Contributions are an important part of securing your income in retirement, but so too are the gains to be made on your savings through investment returns. The earlier you start, the higher these returns are likely to be – given the effect of compounding returns over the longer period to your retirement.

The messages on this page apply to all members of the Scheme. However, only active members can pay contributions into the Scheme. **If you are an active member and wish to increase your contributions please contact [dcpensions@diageo.com](mailto:dcpensions@diageo.com)**. If you are a deferred member, you cannot make contributions to this Scheme, but should still give consideration to your income in retirement and take action if needed through the pension scheme of your current employer or through personal pension arrangements.

# Investment Update

## Investment Committee

The Trustee has appointed an Investment Committee and set its terms of reference. Assisted by the Scheme's professional investment adviser, 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.

## 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 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>

### "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
Indexed Corporate Bond Fund
World Equity Fund (Partially Hedged) Fund

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

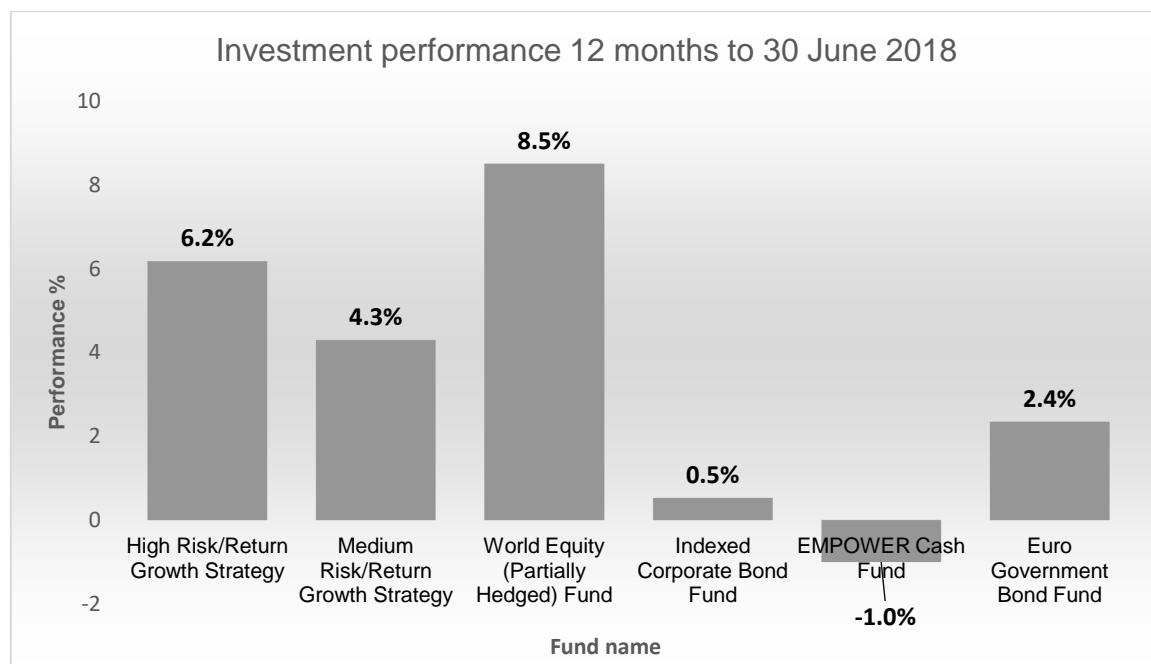
As at 30 June 2018, 94% of members had selected the "Do it for me" option and 6% had selected the "Do it myself" option. Some 91% of all investments were in the High Risk/Return growth strategy, with 4% in the Medium Risk/Return growth strategy and 4% in the World Equity Fund.



# Investment Update

## Investment performance

Over the year to 30 June 2018 the performance of the Scheme's funds, net of charges, was as follows:



Equity markets produced positive returns over the year as a whole despite the continued uncertainty caused by Brexit and the potential disruption from a possible trade war between the US and China. The Irish property market has also generated positive returns with activity close to record levels. Core Eurozone bond yields have traded at relatively low levels due to concerns over the global growth outlook despite the accommodative monetary policy of the Eurozone Central Bank to support markets.

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 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.

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](http://www.pensionplanetinteractive.ie) or
- By completing an Investment switch form, available from the pension website, and returning it to Irish Life.

# Scheme news and member support

## General Data Protection Regulation

On 25 May 2018 the General Data Protection Regulation (GDPR) came into law. This marks a change to European privacy laws for the collection and processing of personal information. While many aspects of GDPR are similar to current legislation, it strengthens the law and introduces a number of new obligations on the Trustee.

The Trustee has a detailed privacy notice in place providing members with more details about how your information is used for the proper administration of the Scheme. The privacy notice is available on the Scheme's website at:

<http://www.mydiageopension.com/scheme/irish-defined-contribution-schemes/diageo-ireland-retirement-savings-scheme>

## Member support

To support members so that you gain the most from your membership of the Scheme, the Trustee arranges Pension roadshows at St James' Gate each year where Irish Life are on site to assist with your pension queries. In addition, a number of communications are issued during the year.

- **Pension roadshows** the next roadshow is due to be held in early 2019. 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).
- **Annual benefit statements** are issued around August. They provide details of the balance of your pension account at the end of the Scheme year on 30 June and also projections of what your pension 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 accounts and investments and is normally issued in early December.
- **Contribution reminder** communications are issued to active members each year to highlight the benefits of paying higher contributions.

## Your new Scheme and Trustee

The DIRSS and RABRSS are both relatively new schemes introduced from 1 January 2015, Guinness Storehouse Pension Plan was established in 2001 for employees of the Storehouse.

### How the merger will work

Members of RABRSS and GSPP will become members of the merged Diageo Retirement Savings Plan (DRSP) from January 2019. The members' pension accounts built up in RABRSS and GSPP will be transferred to the DRSP soon after this date. Each existing scheme will be a section within the DRSP.

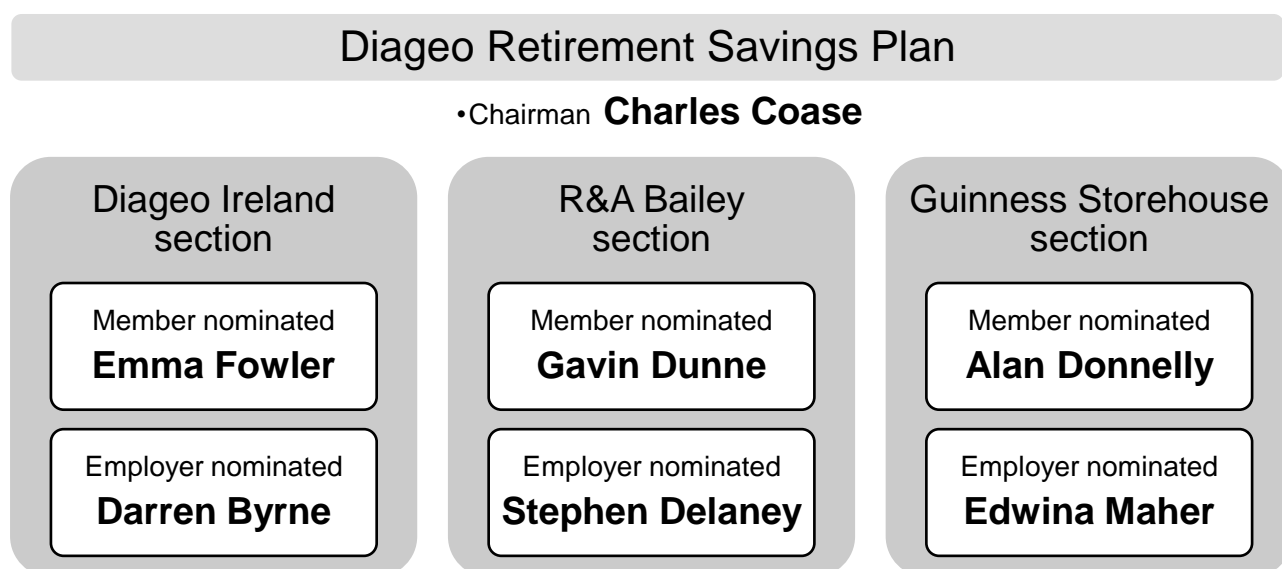
**Please note that members are not required to take any action as a result of the merger of the Schemes. There will be no impact on members' contribution rates or members funds.**

### Election Result - Member Nominated Trustee Director for Diageo Ireland

The election to fill the vacancy for the Member Nominated Trustee Director (MND) on the Trustee Board of the DRSP recently closed. The successful candidate was Emma Fowler.

### The new Trustee Board for the Diageo Retirement Savings Plan

The new Board will comprise of seven Directors. There is a Company and Employee nominated Director from each employer participating in the Diageo Retirement Savings Plan. Charles Coase, an independent professional trustee, will remain in role as Chairman, with the other members of the new Board as set out below.



The new appointees to the Board will be formally appointed at the beginning of 2019, at which point the existing Board will stand down.



## The Trustee and its advisers

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



Charles Coase  
(Chairman)



Niki Donohoe



Joan Hodgins



Kieran Gowing



Tony Maher



Charles Smith

During the year, Paul Armstrong and John Hyland retired from the Board and Joan Hodgins (HR Director, Diageo Europe) was appointed to the Board.

### 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](mailto:code@irishlife.ie)

Tel: 01 704 2847

Irish Life [www.irishlifecorporatebusiness.ie](http://www.irishlifecorporatebusiness.ie)  
Pension Planet  
[www.pensionplanetinteractive.ie](http://www.pensionplanetinteractive.ie)

### Diageo Pensions Team

Edinburgh Park  
5 Lochside Way  
Edinburgh  
EH12 9DT

Email: [dcpensions@diageo.com](mailto:dcpensions@diageo.com)

Pension website: [www.mydiageopension.com](http://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](http://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](http://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](http://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 on the pension website.