

Statement of Investment Policy Principles (SIPP)

Diageo Retirement Savings Plan (the Scheme)

1. Background

This statement summarises the Trustee's investment policy and how it is implemented.

This statement has been produced after consultation with our professional investment advisers and meets the requirements of Section 59 (1)(B) of the Pensions Act.

It will be reviewed every three years or whenever there is a change in the investment principles. The Trustee will monitor compliance with this statement.

A copy of this SIPP has been provided to the participating employers.

2. Investment Objectives

The primary investment objectives of the Scheme are:

- To provide members with an appropriate range of funds for investment, having regard to the varying nature and duration of members' liabilities generally under the Scheme.
- To enable members to make appropriate investment choices through the provision of appropriate information on the funds available.
- To provide for proper investment of the resources of the Scheme in accordance with relevant legislation and the rules of the Scheme.

3. Governance

The Trustee of the Scheme is responsible for the investment of the assets. They set the investment objectives and strategy. The Trustee takes advice from professional advisers when deciding on the appropriate strategy. The strategy and objectives are regularly reviewed by the Trustee.

4. Measuring Risk

As the Scheme is defined contribution in nature, the Trustee has determined a range of investment fund options to provide members with a sufficient range of investments to enable the members generally to invest taking account of the varying nature and duration of members' liabilities.

The Trustee has considered the following sources of risk:

- The risk of achieving insufficient capital growth over time leading to an overall return which is lower than inflation.
- The risk of a significant fall in the value of a member's retirement fund due to investment market volatility as a member approaches retirement.
- The risk that changes in interest rates result in a change in the cost of annuities that is not reflected in the change in the value of the member's retirement fund.

- The risk that the chosen investment managers do not meet their investment objectives, or deviate from their intended risk profile.
- The risk that members invest in inappropriate funds as a result of uninformed decisions or lack of understanding.
- The risk that Environmental, Social and Governance (ESG) factors adversely affect the sustainability of the investment options and/or the risk-adjusted returns available to members.

These risks are assessed by regular review of the investment manager and of the funds offered by the Trustee having regard to the changing needs and profile of the Scheme's membership as a whole.

5. Managing Risk

The Trustee has chosen investment options so that the risks identified in the previous section are kept to an acceptable level. Risk management measures include:

- A sufficient range of asset classes in order to allow members access to the main asset classes and enable them to select choices across the risk/return spectrum.
- Regular reviews of comparative fund performance information are carried out by the Trustee.
- Appropriate and sufficient information is offered to members by the Trustee so as to assist members to make informed decisions on investment choices.
- Investments are, for the most part, limited to marketable securities traded on regulated markets.
- The Trustee delegates the management of Environmental, Social and Governance factors within each fund to the investment manager. ESG factors will be reviewed and considered by the Trustee as part of each triennial investment review.

6. Investment Options

Having regard to the varying nature and duration of the members' liabilities generally under the Scheme and the policies noted above, the Trustee offers the current investment options to members:

Fund	Objective	Description
High Risk/Return Growth Strategy	Aims to deliver long-term returns of inflation+3% p.a.	This fund invests in a mix of assets like bonds, shares and property. As a high risk growth strategy, the fund will have high exposure to equities.
Medium Risk/Return Growth Strategy	Aims to deliver long-term returns of inflation+2% p.a.	This fund invests in a mix of assets like bonds, shares and property. As a medium risk growth strategy, the fund will have a relatively high exposure to equities.

Empower Cash Fund	Aims to deliver a return in line with interest rates on short-term cash deposits.	This fund invests in a mix of Euro denominated cash deposits, short-dated bonds and other cash like instruments.
Indexed World Equity Fund (Partially Hedged)	To track the performance of a 60%/40% MSCI World Equity/MSCI World Equity (Euro Hedged) Index	The fund invests fully in global equities
Corporate Bond Fund	To track the performance of the Bank of America Merrill Lynch EMU Large Cap Corporate Index	The fund invests in Euro-denominated investment grade large cap corporate bonds
Euro Government Bond Fund	To track the performance of the Merrill Lynch EMU Government Index (> 5 Year)	The fund aims to broadly follow long-term changes in annuity prices by investing fully in medium-dated Eurozone securities

The default strategy invests fully in the High/Risk Return Growth Strategy until 20 years before retirement. At this point there is a gradual switch so that six years from retirement members are fully invested in the Medium Risk/Return Growth Strategy. Over the last six years, assets are gradually switched into funds that match the benefits that a member is likely to take at retirement i.e. cash, pension / ARF depending on a member's individual circumstances.

All funds are currently passively managed by Irish Life Investment Managers (ILIM).

7. Sustainable investment

The Trustee recognises the importance of ESG related factors in determining investment policy for the Scheme. The Trustee delegates activities associated with the integration of ESG principles to the investment manager as part of their day-to-day fund management activities. It is the Trustee's intention to undertake the following actions in relation to ESG:

- Monitor the activities of its investment manager on a regular basis
- Take advice from the appointed investment consultant regarding industry best practice in terms of stewardship, namely exercising of voting rights and engagement, with a view to being suitably equipped to assess the activities of the Scheme's investment manager in this area.
- Take ESG factors into account when periodically reviewing investment strategy.

The Trustee is committed to ensuring that the Scheme is an active, long-term asset owner.

8. Shareholders Rights Directive Policies

8.1 Engagement Policy

The Trustee engages an asset manager through which they invest scheme assets. A range of funds managed by this asset manager are made available to members for investment. All funds made available to members are pooled/unitised funds managed by this external manager.

The fund manager exercises shareholder voting rights on behalf of investors in accordance with their own voting policies. When the Trustee engages a new manager, part of the procurement and assessment process involves enquiring how they exercise voting rights and stewardship obligations attached to the investments and considering the response in accordance with their own corporate governance policies.

The scheme investment manager monitors investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance on behalf of the Trustee. The investment manager reports on at least an annual basis to the Trustee on such matters. Due to the collective nature of the investments undertaken by the Trustee, the Trustee does not: enter into direct dialogue with investee companies or their relevant stakeholders; exercise voting or other rights attached to shares; or engage with other shareholders. Due to the nature of a pension scheme, shareholder engagement is integrated into the Trustee's investment strategy indirectly through the engagement with investment managers. The Trustee manages any actual or potential conflicts of interest in relation to its engagement responsibilities with its own and the relevant asset manager's conflict of interest policies.

8.2 Annual update on engagement policy

In line with its engagement policy and this SIPP the Trustee does not directly exercise any voting rights during the year. The investment manager engaged by the Trustee exercises those votes in accordance with their own voting policies through proxy systems (and advisors where applicable) rather than directly on behalf of the Trustee. Such information as is publicly available in relation to how the investment manager casts votes can be found at the investment manager's website.

8.3 Investment strategy and arrangements with asset managers

The overall investment objective of the Trustee is to provide members with a range of funds for investment, having regard to the varying nature and duration of members' liabilities and optimise the level of investment return appropriate to the Scheme's long term objectives achieved by the Scheme's assets subject to taking an acceptable level of risk, through adopting a prudent, carefully planned and well-executed investment policy. It is on this basis that the Trustee appoints investment managers. In turn, the Trustee expects the appointed investment manager to make investment decisions with the objective of preserving and enhancing long-term shareholder value.

In general, the Trustee's contractual relations with fund managers are open ended (subject to termination provisions which are negotiated as part of the appointment terms) in order to build long term partnerships with asset managers. The asset manager's report is usually considered by the Trustee on a quarterly basis. Through this assessment and as a result of the terms of the contractual arrangement with the asset manager, the asset manager is incentivised to

make investment decisions based on the medium to long-term financial and non-financial performance of their investee companies and engage with them, where appropriate, to improve their performance in the medium to long term. Any such engagement is subject to the asset manager’s own internal corporate governance policies and best practice. The evaluation of the asset manager and in general, the remuneration for asset management services is in line with the long-term nature of pension scheme investments and takes into account the long-term performance of the asset manager.

The Trustee engages separate investment advisers to review the performance of the manager against benchmark expectations, including where available the extent of portfolio turnover, as part of its regular asset management monitoring and the impact on the overall performance of the assets under management during the reporting period. When selecting a new fund manager or new fund option the Trustee enquires as to the expected turnover for any given fund. Where relevant, for a particular fund option, as part of the regular manager review process, the Trustee monitors levels of turnover to ensure they remain in line with expectations for that particular mandate.

9. Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) related disclosures

Asset managers are required to publish information on how they consider the principal adverse impacts of investment decisions on sustainability factors. To the extent that information is publicly available, such information as to how the asset manager considers sustainability risks when making investment decisions is available on their website.

A review of remuneration policies (for example the long-term nature of them and how they incentive key asset management personnel) is included in the appointed investment adviser’s independent research and review of appointed investment managers.

Signed on behalf of the Trustee of the Diageo Retirement Saving Plan



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