

DIAGEO

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DIAGEO PLC 2017 IRISH SHARE OWNERSHIP PLAN

THE *flexible way*
TO SHAPE YOUR
BONUS...



IRISH PROFITSHARE AND SALARY FOREGONE

This booklet provides information for employees of Diageo Ireland, R&A Baileys & Co (or of any other Diageo plc group company which becomes a participating employer) in Ireland on the Diageo plc 2017 Irish Share Ownership Plan (the “Plan”).

1. WHAT IS THE PLAN?

The Plan is a Revenue Commissioners’ approved plan which allows you to receive shares in a tax efficient way. It allows you to use all or part of your annual performance bonus, linked together with salary foregone, to acquire Diageo plc shares (subject to certain limits imposed by the Revenue Commissioners). No Income Tax will be payable on the amount of bonus or salary foregone used to acquire shares if the shares are held for three years. The plan is subject to legislative and Revenue Commissioners’ requirements (please see further information on the limits below).

2. WHO CAN PARTICIPATE?

To be eligible to receive an award you must be:

- chargeable to Income Tax under the PAYE system;
- have worked for a participating company (Diageo Ireland, R&A Baileys & Co) for a period of not less than one month in the financial year;
- have completed a contract of participation; and
- remain a current employee from 30 June up to and including the award date.

3. HOW DO I JOIN?

To join the plan you need to complete a contract of participation. You will also need to complete your online choice confirming the percentage (25%, 50%, 75% or 100%) of the annual “Profitshare” bonus that you may be awarded and that you wish to put towards the acquisition of Diageo plc shares through participation in the Plan (referred to in this booklet as “Profitshares”). In the absence of you making an alternative choice, the default percentage is 25% if you have not previously made a choice. You will be invited to make your choice after the publication of the annual results.

In future years you will automatically be included in any annual appropriation with this choice (or, in the absence of making an alternative choice, the default percentage) unless you give notice of either a decision not to participate or of a decision to participate at a different percentage level.

If you wish to increase your level of participation in the Plan through availing of its “salary foregone” element, you need to complete a salary foregone application.

4. WHAT IS SALARY FOREGONE?

Salary foregone (also known as salary sacrifice) allows you to forego an element of your pay to acquire additional Diageo plc shares. Full Income Tax relief is allowed on the amount of salary foregone. Salary foregone is a supplementary part of the Plan and you must benefit from Profitshares in order to receive shares under salary foregone. If the amount of your salary foregone savings in any year exceeds the value of your Profitshares, you will receive a refund of your excess savings through payroll.

5. HOW DO I FOREGO SALARY?

You will receive an invitation to participate in salary foregone once each year with a choice to forego an amount from pensionable pay over a number of months (usually six months).



6. CAN I FOREGO AND SAVE?

Participants will be notified of the amount they are entitled to save. There are certain limits, in particular:

- the amount contributed must not exceed the value of your Profitshares in any tax year;
- the amount you contribute must not exceed 7.5% of eligible pay; and
- the total amount, together with the value of Profitshares appropriated must not exceed the overall limit of €12,700 in any tax year.

If the amount you save in any year results in you exceeding any of the above limits, your excess savings will be refunded.

7. WHEN DOES THE ANNUAL AWARD TAKE PLACE?

Your award of Profitshares and any salary foregone shares will normally be made in September. When the award is made, you will receive a notification directing you to your mydiageoshares portal account where the details of your award can be confirmed.

8. HOW MANY SHARES WILL I BE ALLOCATED?

The number of Profitshares allocated to you is calculated as the number of shares that can be purchased with the amount of any annual Profitshare bonus you have chosen to put in.



Plus

Any balance from your Irish Profitshare bonus that you don't use to acquire Diageo shares you will receive in cash.

You can amend your choice each year.

All employee bonus will be calculated using the same formula and target %, linked to the global Diageo 100 multiple, regardless of the area of the business in which they work. The formula is subject to a maximum of 10%. If applicable, you will receive salary foregone shares purchased from your salary deductions. It is subject to the statutory maximum of €12,700 and the amount of salary foregone must not exceed the value of your Profitshare award.

Please note that if you have not completed a full year's service, your entitlement to any award will be pro-rated for your period of service in the year.

9. WHY DIDN'T I GET AN ALLOCATION?

You may not have received an award for one of the following reasons:

- if employed by an employment agency rather than by Diageo Ireland or R&A Baileys & Co;

- if employed by another company within the Diageo plc group that does not participate in the Plan; or
- where the required period of qualifying service is not met (i.e. you have not been employed for at least one month in the financial year).

If you have a query on your eligibility, please contact FirstPoint.

10. WHAT HAPPENS ON THE RELEASE DATE?

Your shares are held in trust for three years. On the third anniversary your shares will be released from the trust into your name. You will receive a communication with more information shortly before the release date.

11. HOW MANY SHARES DO I HAVE?

You can view details of your award by logging onto your mydiageoshares portal account on www.mydiageoshares.com.

12. ARE MY SHARES SUBJECT TO ANY INCOME TAX?

The value of shares appropriated will not be subject to Income Tax on appropriation but will be subject to Universal Social Charge ("USC") and employee Pay Related Social Insurance ("PRSI"). If you remain a current employee you may not sell or transfer your shares within two years of the award date.

If you choose to sell or transfer your shares after two years but before three years you will have an Income Tax liability. If you hold your shares for three years or more there is no Income Tax liability when you sell them although you may have a Capital Gains Tax ("CGT") liability. If you are leaving the company, your tax position may change. **Please refer to leavers information on www.mydiageoshares.com**

13. DO I HAVE TO KEEP MY SHARES OR CAN I SELL THEM IMMEDIATELY?

You need to hold your shares for a minimum of two years. Shares cannot be sold or transferred before this. If you leave the company (in some circumstances) or if you reach State pensionable age (age 66), you may be able to sell your shares earlier. **Please refer to leavers information on www.mydiageoshares.com**

14. CAN I TRANSFER MY SHARES TO ANOTHER PERSON?

Shares may only be transferred after the expiry of two years from the appropriation date. If you

transfer shares between year two and year three after the appropriation date, you will have an Income Tax liability. After three years you can transfer your shares and there is no Income Tax liability. In either case, you may have a Capital Gains Tax liability. Please note that you cannot transfer your shares to anyone who is under 18 years of age. If you leave the company (in some circumstances) or if you reach State pensionable age (age 66), you may be able to transfer your shares earlier. **For more details please refer to www.mydiageoshares.com.**

15. DO I GET DIVIDENDS ON MY SHARES?

Yes, the shares allocated are ordinary shares in Diageo plc. Dividends are paid on any shares that you hold on the dividend record date. Dividends are normally paid twice a year, in April and October.

16. WHAT HAPPENS TO MY SHARES IF I LEAVE DIAGEO?

Any shares held in trust will automatically transfer to you on release date, which is the third anniversary of the award date.

17. HOW CAN I SELL MY SHARES BEFORE THE RELEASE DATE?

As the shares are held in trust, any sale needs to be arranged through the Diageo Share Plans Team. **For further information email Diageoshareplans@diageo.com.**

18. HOW CAN I SELL MY INCOME TAX FREE SHARES?

For shares held in a share certificate your shares may be sold through a stockbroker or bank. **Further information on selling certificated shares is available from the Registrar at www.diageoregistrars.com**



19. CAN I GET DOCUMENTATION IN RELATION TO THE PLAN OTHER THAN THROUGH THE MYDIAGEOSHARES PORTAL OR ELECTRONICALLY?

Documentation in relation to the Plan is available in paper format if a participant does not want to receive it electronically. A participant can opt out of receiving electronic communications by making such a request in writing to the Diageo Share Plans Team.

20. WHAT ABOUT TAX?

- Current Income Tax rates: standard rate 20%; higher rate 40%
- Current CGT rate: 33%
- Current CGT annual allowance per individual is €1,270
- Current employee PRSI rate: 4%
- Current USC rate: up to 8%

20.1 Income Tax

The value of shares appropriated will not be subject to Income Tax on appropriation but will be subject to USC and employee PRSI. Shares allocated under the Plan are held in trust for a period of three years.

- If you instruct the sale/transfer of these shares before the expiry of three years after their allocation, Income Tax is payable by you at the highest rate applicable to your total earnings. This is calculated on the value of the shares at the time of allocation (or the sales proceeds if less).
- Special Rules apply in the case of the sale/transfer of these shares before the expiry of three years where the holder leaves the company because of injury, disability or redundancy or reaches State Pensionable Age (age 66).

- If you do not instruct the sale/transfer of these shares before the expiry of three years after their allocation to you, they will be transferred out of the Trust to you with no Income Tax consequences.

20.2 CGT

A CGT liability may arise where you dispose of shares which are transferred to you out of trust from the Plan at any time. This is calculated on the difference between the sale proceeds and the value of the shares allocated to you under the Plan at the time of their allocation (not when they are transferred out of the trust).

20.3 Dividends

Income Tax is payable in Ireland by Irish resident shareholders on any dividend income received. This applies whether the shares are still held for you in trust (under the Plan) or whether they have come out of trust. Income Tax is calculated at the highest rate applicable to your total earnings on the amount of the dividend actually received by you.

20.4 Notes

The tax position summarised above applies in respect of Diageo plc shares held by a Plan participant only and assumes that in any given tax year, such a participant is resident in Ireland for taxation purposes.

While every effort has been made to ensure that the summary is accurate, it is not a definitive interpretation of the tax legislation and no warranty express or implied is given as to its accuracy. You should seek your own independent financial and taxation advice before making any decisions in relation to your shareholding in Diageo plc which might have taxation consequences for you.



Disclaimer

Diageo is committed to maintaining the security and confidentiality of your personal data in accordance with applicable privacy legislation and our Privacy Notice, details of which can be found on mydiageoshares.com. By completing and submitting a share plan application, you are deemed to be requesting Diageo to collect, use and disclose your personal data for the purpose of managing your Plan and for such other purposes as may be necessary. You represent that you have all necessary authority and/or have obtained all necessary consents from any other individuals about whom you have provided personal data to Diageo in order to enable us to collect, use and disclose such personal data for the purposes described above.

For more information on your rights and how Diageo will use and protect your personal data, please go to the Europe Data Protection policy which is contained on the Data Privacy page on Mosaic <https://diageo.sharepoint.com/sites/ce/psg/Policies/ci/Pages/Data-privacy.aspx>

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