



**Diageo Ireland Retirement Savings Scheme
Report to members to 30 June 2016**

Read this update on what's been happening in the Diageo Ireland Retirement Savings Scheme.

Summary of Scheme's annual report



Welcome to our second report of 2016 which is in respect of the period 1 January to 30 June 2016. This report follows the change to the start of the designated Scheme year from 1 January to 1 July which aligns it with the Company's financial year.

Since our last report, the outcome of the Referendum on the UK's membership of the EU has dominated the news headlines and has unsettled the markets leading to increased volatility. In times of increased uncertainty it is important to remember that saving for retirement is for the long term. 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.

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. Also in this report is information on your choices at retirement. Whilst for some of you it may seem a long way off, the earlier you start to contribute and the higher your contributions, the greater the benefits at retirement.

Scheme's annual report: 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 2016. Pages 4 to 6 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 2016 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 9.

Your future – it's in your hands! 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, the member. Please read this report and, particularly, your individual benefit statement sent to you in September. The benefit statement includes a projection of your retirement income. If it does not meet your expectations, take action such as increasing your contributions. See also page 7 for information about the choices available to you when you retire.

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 9.

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. On this occasion, I would like particularly to express my appreciation for Mary Donovan, who has retired as a Trustee Director; her wise counsel will be missed. I would also welcome Niki Donohoe to the Trustee Board, on the Company's nomination – Niki has been in Diageo Ireland for 10 years and is currently Commercial Effectiveness Director.

Charles Coase

Chairman, Diageo Ireland Pension Trustee Designated Activity Company

Summary of the Scheme's annual report	3
Investment news	4
Benefits at retirement	7
The Trustee and its advisers	8
Where to get further information	9

Summary of Scheme's annual report

138 active members



13 deferred members



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

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%.

Contributions paid to the Scheme during the period to 30 June 2016

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

Type	Amount
Company	€344,952
Member	€227,494
AVCs	€1,685
Total	€574,131

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.

Investment news

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.

Investment options

As a member of the Scheme, you can choose from the range of investments made available by the Trustee. A short summary 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

Do it for me is designed for those who:

- Do not feel comfortable making regular investment decisions.
- Do not want to review their investment selection regularly as they approach retirement.
- Would prefer to select an automated approach that switches their funds for them into less risky funds (like bonds and cash) as they approach retirement.
- Like the “default” investment strategy set by the Trustee as follows:

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	Tax Free Cash Fund <i>First allocation: amount up to 150% of salary</i> 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 AMC on the “Do it for me” option is 0.55%.

or

Investment news

Investment options (continued)

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

Do it myself is designed for those who:

- Want greater control over their pension investments.
- Understand investment decision making and are comfortable with the idea of selecting investment funds.
- Are happy to review their investment approach regularly, taking particular care as they approach retirement.
- Know how they would like to take their benefits at retirement (cash, pension, ARF).

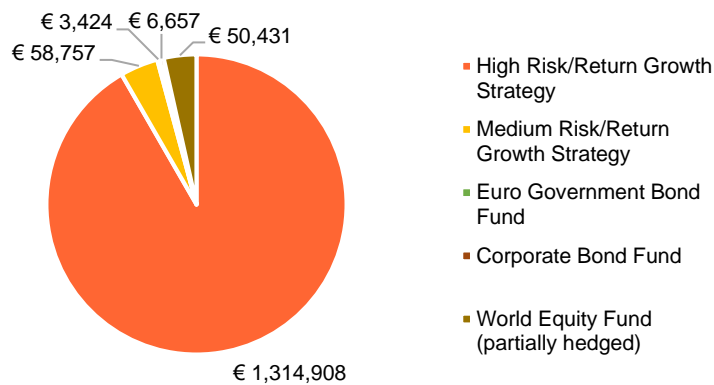
The range of funds available to members under the Do It Myself option are as follows:

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

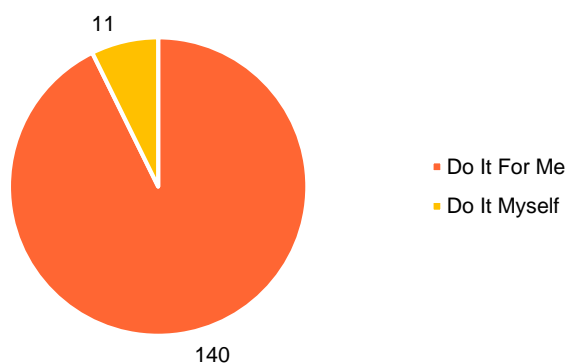
The AMC on all of the above funds is 0.55%.

Summary of investments for the period to 30 June 2016

At 30 June 2016, the total value of the funds under management was €1,434,177, split as follows:



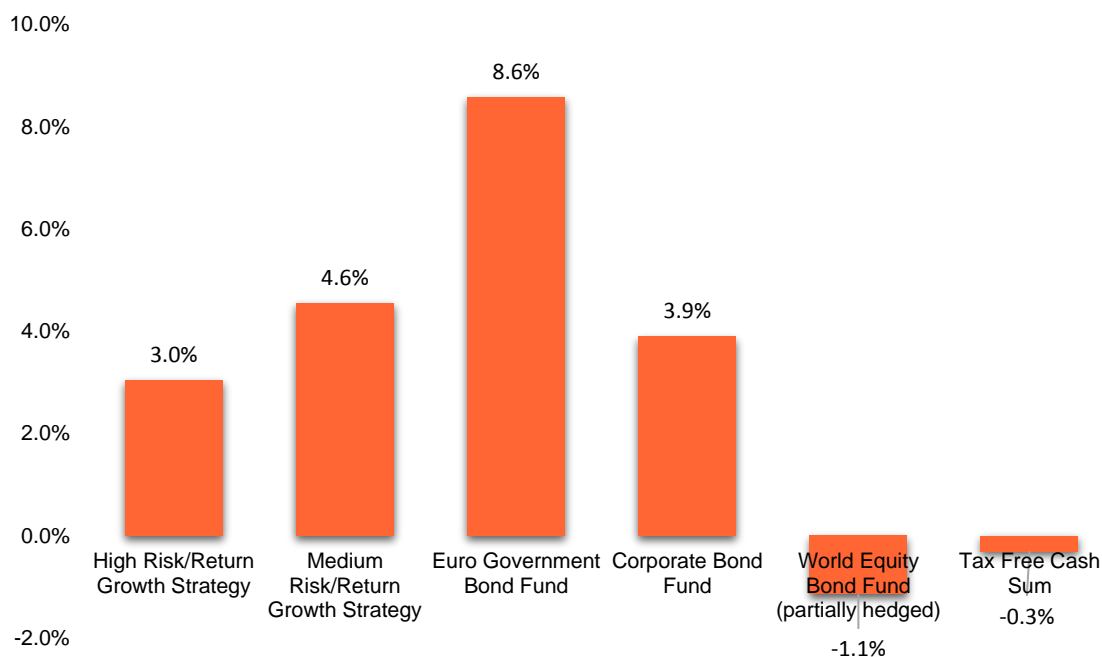
Membership split between “Do It for me” and “Do It Myself”



Investment update

Investment performance

Over the period to 30 June 2016 the performance of the funds was as follows:



Bond markets had a strong period with the Euro Government Bond Fund producing the highest return over the six months to 30 June 2016. Equity markets were down 1.1% over the same six month period.

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. As a result of bonds outperforming equities over the six month period to 30 June 2016, the High Risk/Return Growth Strategy produced a lower return than the Medium Risk/Return Growth Strategy, which is the reverse of what one might expect.

Please note that past performance is no guide to future performance. 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 (an example of which has been the six month period to 30 June 2016).

You can find out more about the funds and their current performance from the factsheets on the pension website at www.mydiageopension.com/ROIDC, then select Investment Options.

Investment switching

If you want to switch your current investments you can do this in one of the following ways:

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

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.

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 may reduce the level of pension you receive.

and, or

3. A cash sum - subject to Revenue limits, some or all 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.

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

Ms Mary Donovan retired as a Trustee Director on 9 September 2016 and was replaced by Niki Donohoe.

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
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.