Additional Voluntary Contributions (AVCs)

AVCs are a simple and effective way to provide benefits in addition to your benefit from the DPS. As the name suggests, AVCs are contributions that you choose to pay voluntarily on top of any contributions you are required to pay to the DPS.

The principal provider for the AVC arrangement under the DPS is Prudential and is available to active members who had an existing AVC account prior to 1 January 2007.

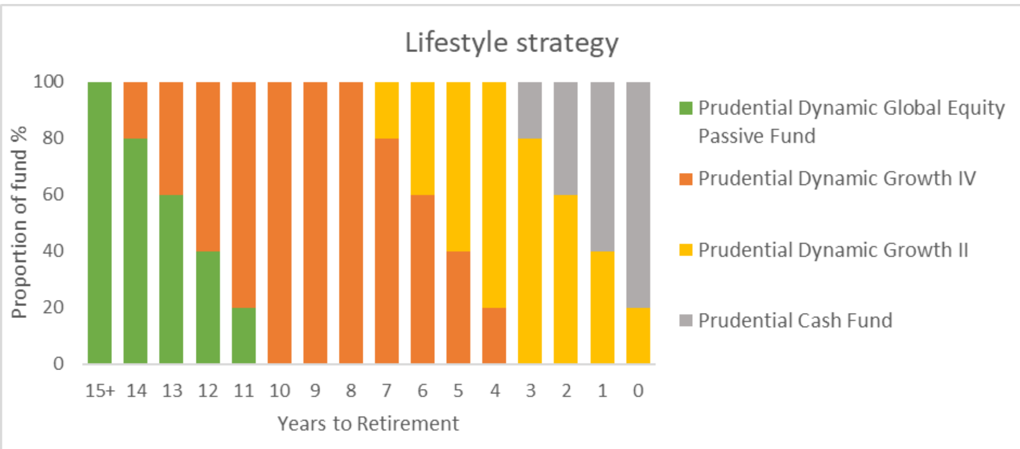
For members who did *not* have AVC accounts prior to 1 January 2007, you have the option to make additional pension provision outside of the DPS by paying AVCs to the Diageo Pension Plan (DPP) - the Company's defined contribution plan - which is administered by Scottish Widows. This option is also available to DPS members who already have an AVC account with Prudential as part of their DPS membership. On retirement, your DPP fund balance will provide benefits outside of the DPS. Please see the DPP section on the pensions website: https://www.mydiageopension.com for more information. You can elect to start paying AVCs to the DPP via the *My Diageo Benefits Hub*.

Funds available

The Trustee of the DPS regularly reviews the range of funds available to members. The current options available and the corresponding annual management charges are shown below.

Fund	Annual management charge (AMC) %
Prudential All Stocks Corporate Bond Fund	0.75
Prudential Cash Fund	0.55
Prudential Dynamic Global Equity Passive Fund	0.64
Prudential Dynamic Growth II Fund	0.72
Prudential Dynamic Growth IV Fund	0.72
Prudential Fixed Interest Fund	0.75
Prudential Index-Linked Fund	0.75
Prudential UK Equity Passive Fund	0.65
LGIM Ethical Global Equity Index Fund	0.95
Lifestyle strategy option	Ranges from 0.55 to 0.72

The Lifestyle strategy is an investment option for members looking to target a cash-based investment strategy at retirement. It combines the Prudential Dynamic Global Equity Passive Fund, the Prudential Dynamic Growth II and IV Funds and Prudential Cash Fund. It begins to switch your money gradually into lower risk assets when you reach 15 years from your selected retirement age as shown in the chart below. The investment strategy at retirement is 20% in the Prudential Dynamic Growth II Fund and 80% in the Prudential Cash Fund.



If you elect the Lifestyle strategy option:

- this assumes that the AVC funds will be taken as cash at retirement. Please ensure you are satisfied with this assumption when deciding your investment selection.
- 100% of your contributions and any existing investments must be invested in this option i.e. you cannot, for example, elect a split of 50% Lifestyle and 50% Prudential All Stocks Corporate Bond Fund.

The Cash Fund provides lower returns in return for lower volatility. This can be a high-risk investment for younger people as returns may not exceed inflation. Furthermore, given current market conditions, this may not be appropriate as a long-term investment if the AMC is higher than the gross return which would result in an overall negative net return.

You can view factsheets for the above funds *(Prudential Workplace Pensions Series 3)* at http://www.fundslibrary.co.uk/FundsLibrary.BrandedTools/PruConsumer/FundCentral/WorkplacePension or by following this path https://www.pru.co.uk > Funds > Fund prices and factsheets.

How do AVCs work?

You choose how to invest the money and the accumulated value of the fund you have built up will be used to provide additional pension benefits at retirement. At retirement the accumulated value of your account is used to secure benefits for you and your dependants.

Unlike your DPS benefits, where your pension is based on your pay and service, AVCs are set up on a defined contribution, or money purchase basis. This means that your contributions are invested in your name in an account.

The main points to bear in mind are:

- The DPS AVC arrangement gives you flexibility and choice in saving for your retirement whilst you are an active member of the DPS.
- You decide how much you want to pay, subject to certain limits. You can increase, decrease or stop payments at any time. You can also make one-off payments.
- Like your DPS contributions, AVCs are taken from your pay before tax is levied and so qualify for tax relief at your highest rate of income tax.
- You choose how you want your contributions invested from a range of investment options.
- The investment returns on your contributions are largely free of tax.
- The value of your AVC fund can go down as well as up.
- You'll receive a statement each year to show you how your AVC fund(s) are performing.
- AVCs through Prudential are part of the DPS and are only available to active members of the DPS who paid AVCs prior to 1 January 2007.
- For other active members, you can make additional pension provision outside of the DPS by paying AVCs to the DPP administered by Scottish Widows.
- If you leave the DPS, you must stop paying AVCs to Prudential.
- If you pay AVCs to DPP, you must stop paying them if you leave the Company.

Contributing

If you do not currently pay AVCs but did so prior to 1 January 2007, you can restart paying AVCs to Prudential at any time by completing the *Changing your AVCs* form and returning it to Capita.

You choose how much to pay. The maximum amount of AVCs you can pay to Prudential is 15% of your earnings (subject to the DPS specific earnings cap) less your DPS contributions. There is no minimum contribution required.

You can pay AVCs to Scottish Widows (DPP) up to 100% of your earnings in any tax year less payments you make to this or any other pension plan, subject to HM Revenue & Customs limits.

There is no minimum contribution required.

You can stop, restart, vary your contributions or make a lump sum payment at any time by contacting Capita (to stop) or by completing the *Changing your AVCs* form. You should do this at least one month before the effective date of the change.

These forms are available on this site or by contacting Capita. You can find the details online within the *Contact Us section*.

What will I get?

When you retire, the benefits you receive from your AVCs will depend on:

- how much you've paid in AVCs;
- the investment return achieved;
- your age when you retire;
- how you take your benefits;
- how much a pension costs if you take a pension;
- whether you provide an additional pension for your spouse in the event of your death; and
- whether you include inflationary increases on your AVC pension.

From April 2015, when you retire you can use the value of your AVC's to provide you with benefits to suit your needs and lifestyle. The benefits can be provided as:

- a cash lump sum;
- a pension from either the DPS or from an insurance company;
- flexi-access drawdown; or
- a combination of the above.

Cash lump sum
If you elect to receive a tax-free cash sum on retirement, you can take as much as possible from your AVC fund and any remainder can be taken by giving up part of your DPS pension.

Pension
Your AVC fund can be used to provide additional pension entitlement from the DPS. Alternatively, you can buy an annuity (pension) from an insurance company to suit your needs. The amount of pension you can expect to receive from an insurance company will depend on a number of factors including:

- The terms of the annuity you wish to buy;
- Your health and whether you smoke or not;
- The value of your AVC fund at the date of your retirement;
- The level of any increases to apply to your annuity in retirement;
- Whether you want to provide for a dependants pension following your death;
- Whether payment of your annuity is guaranteed for a number of years in the event of you dying soon after retiring; and
- The cost of buying an annuity when you retire.

Flexi-access drawdown
Flexi-access drawdown allows you to take a cash lump sum and/or an income without buying an annuity.

- You can drawdown your retirement income when you need it;
- Easy to pass your pension fund to your dependant;
- Take as much or as little as cash at any time with up to 25% available tax free; and
- Keep your pension fund invested for potential growth.

Open market option
As an alternative to the options outlined above, you also have the option of transferring your AVC fund to a new pension provider. This option may be of interest to someone who wishes to consider

withdrawing their AVC fund in stages so as to manage their tax liability. You can also consider using your AVC fund to purchase an annuity (pension) from an insurance company of your choice. This is known as an open market option.

Signpost to Guidance

If you have general requests for information or guidance concerning your pension arrangements you may contact Money Helper (comprising what was previously known as The Pensions Advisory Service) at:

Money Helper Telephone: 0800 011 3797

Website: https://www.moneyhelper.org.uk/en/pensions-and-retirement

Under Money Helper is Pension Wise where individuals are entitled to 45 minutes of guidance via a website, over the phone or face to face:

- tailored guidance to explain what options you have and help you think about how to make the best use of your pension savings;
- information about the tax implications of different options and other important things you should think about; and
- tips on getting the best deal, including how to shop around.

To receive free, impartial guidance from the government, go to www.pensionwise.gov.uk or Telephone: 0800 138 3944.

In addition to the guidance provided by Pension Wise you may want to consider taking independent financial advice.

Moving/switching funds

You can change the fund(s) that future AVCs are paid to at any time and without charge by completing the *Changing your AVCs* form available on this site or by contacting Capita. You can find their details online within the *Contact Us* section.

You can also change the way in which existing AVCs are invested by completing the *Switching your AVC funds* form available on this site or by contacting Capita.

For guidance on the appropriate funds for your circumstances we recommend that you seek independent financial advice. You can obtain a list of registered advisers from the Financial Conduct Authority website at https://register.fca.org.uk.

What if I leave or die?

If you leave the Company, you won't be able to pay any more AVCs. Your AVCs will then be treated as follows:

- If you're entitled to a deferred pension, your AVCs will remain invested until you retire. You'll also be able to switch your existing AVCs to another fund at any time prior to retirement.
- If you elect to transfer your DPS benefits, your AVC fund will also be transferred. Any transfer value will include your AVC fund value.
- You can transfer your AVC fund away to another pension arrangement separately to your DPS benefits.

If you die before retirement, the full value of your AVC fund at the date of your death will be paid to your dependants as a tax-free lump sum.