Scheme Guide (Lifestyle section)

Welcome to the Scheme Guide.

Here you can find more detail on how the Scheme works, what happens if you leave, are absent or retire, who benefits if you die and other key information.

What does it cost?

As a member you will contribute 6% of your Pensionable Pay to the Scheme. Diageo will pay whatever is required to meet the balance of the cost of the benefits provided under the Scheme. Pensionable Pay is your basic salary plus any regular emoluments specifically stated to be pensionable in your contract of employment or as otherwise determined by the Company. From 1 January 2014 Pensionable Pay was capped at £160,000 (previously capped at £200,000 from 1 April 2011) for the purposes of calculating your contributions and the credit to your Retirement Account.

How do I pay my pension contributions?

Pension contributions not deducted through the Salary Exchange for Pensions arrangement are automatically deducted from your Pensionable Pay before tax is deducted. This means you will get tax relief on your contributions at the highest rate appropriate to your pay.

What is Salary Exchange?

Salary Exchange gives you and Diageo an opportunity to save money by the way your pension contributions are paid to the Scheme. Whilst contributions deducted from your Pensionable Pay attract income tax relief you will still pay National Insurance (NI) on this part of your pay. Under Salary Exchange, Diageo pays your pension contributions to the Scheme by reducing your salary by the amount of your pension contributions. This means that you pay reduced tax and both you and Diageo pay lower NI contributions.

What happens if I'm absent?

Statutory family leave

During paid family leave, your contributions will continue to be payable on the pay you actually receive. In the case of paid maternity leave, paid paternity leave and any period of paid adoption leave, your benefits will be calculated as if you had worked normally and received your normal pay for doing so.

Additional unpaid family leave

During additional unpaid family leave the Company may agree to treat you as still in service for some or all purposes of the Scheme. If this is agreed, the Company will also agree the terms to apply to your contributions (if any) and benefits for the period.

If you are not treated as still in service during any period of unpaid leave or do not return at the end of your family leave, you will be treated as having left service at the time you stopped contributing.

Temporary absences

If you are away from work, you will normally be treated as having left service if you stop receiving contractual pay. The Company may however, agree to treat you as still in service for so long as they see fit if you are away from work or on secondment.

How does the Scheme work?

As a member of the Scheme you will have a Retirement Account. The benefits provided under the Scheme will be determined by reference to the amount in your Retirement Account.

You will receive a credit in your Retirement Account of 25% of your Pensionable Pay for each pay period you are in service and a member of the Scheme.

Whilst you are in Service, provided you have not reached age 65 i.e. your Normal Pension Date, your Retirement Account will be increased each 31 December as follows:

- any credits to your Retirement Account up to 30 June 2012 will increase in the future in line with the rise in the Retail Prices Index (RPI), up to a maximum of 5% a year;
- any credits to your Retirement Account from 1 July 2012 will be increased in line with the rise in the Consumer Prices Index (CPI), up to a maximum of 5% a year.

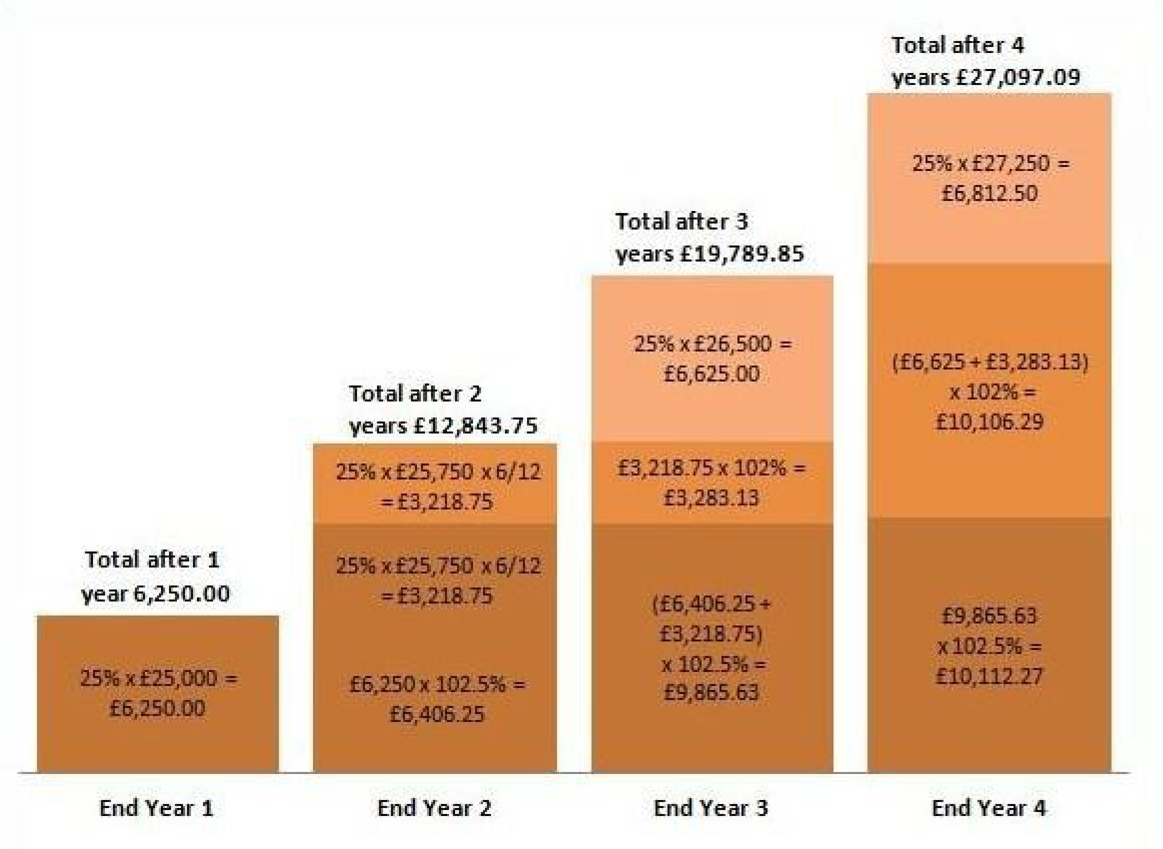
The increases will be applied to the value of your Retirement Account at the previous 1 January as shown in the examples below.

Example 1:

A member joins the Scheme on 1 January 2013 with an initial Pensionable Pay of £20,000 which we have assumed will increase each year by £600. The member's Retirement Account is calculated as follows (for the purposes of this example we have assumed that CPI is 2% each year).

Example 2:

A member joined the Scheme on 1 January 2011 with an initial Pensionable Pay of £25,000 which we have assumed will increase each year by £750. Any credits to the Retirement Account up to 30 June 2012 will increase in line with the RPI up to 5%. Any credits to the Retirement Account from 1 July 2012 will increase in line with the CPI up to 5%. For this example, we have assumed CPI to be 2% per annum and RPI to be 2.5% per annum.



What happens when I retire?

When you retire you can use the value of your Retirement Account to provide you with benefits to suit your needs and lifestyle. The benefits can be provided as

- a cash lump sum (you can take up to 25% of the value of your Retirement Account as a tax-free lump sum with any more cash being taxable at your marginal rate of income tax);
- an annuity (a pension) from an insurance company;
- flexi-access drawdown (allowing you to take a cash lump sum and/or an income without buying an annuity); or
- a combination of the above

The Trustee has appointed an independent retirement service provider (Willis Towers Watson) who will explain the options available so that you can make an informed decision. Diageo will pay the cost of providing you with access to this service. Please be aware that if your needs are complex and you are referred to one of the specialist advisers you may have to pay part of the total fee. This will be explained in more detail if this is applicable to your personal circumstances.

What happens if I leave?

If you leave Diageo before retirement, e.g. to take another job elsewhere, you will have the following options:

With less than 3 months membership

You will be given a refund of your contributions you have made, less tax at 20% (no refund will be available in respect of any period you took part in Salary Exchange for Pensions).

With more than 3 months but less than 2 years membership

You will be given the option to either:

1. take a refund of the contributions you have made, less tax at 20% (no refund will be available in respect of any period you took part in Salary Exchange for Pensions); or
2. transfer your benefits to another suitable pension arrangement.

Your transfer value is likely to be less than the notional value of your Retirement Account, but not less than your own contributions.

With more than 2 years' membership

You will be given the option to either:

1. leave your benefits in the Scheme until retirement
2. transfer your benefits to another suitable pension arrangement
3. If you are age 55 or over, you may apply to receive your retirement benefits early.

Your transfer value is likely to be less than the notional value of your Retirement Account, but not less than twice your own contributions.

Deferred benefits

Your deferred benefits will become due for payment from age 65.

If you leave your benefits in the Scheme, your Retirement Account will be increased each January between the date you leave the Scheme and the date of payment as follows:

- any credits to your Retirement Account up to 30 June 2012 will increase in the future in line with the rise in the Retail Prices Index (RPI), up to a maximum of 5% a year;
- any credits to your Retirement Account from 1 July 2012 will be increased in line with the rise in the Consumer Prices Index (CPI), up to a maximum of 5% a year.

The increases are applied to the balance of your Retirement Account at the previous 1 January.

Early payment

If Diageo agrees, you may choose to receive your retirement benefits early from age 55. The Retirement Account will be reduced to reflect that the benefit is being paid early.

Late payment

If Diageo agrees, you may choose to receive your retirement benefits after age 65 (but not after age 75). The Retirement account will be increased to reflect that the benefit is being paid late.

Who benefits if I die?

The Scheme provides you with peace of mind by providing benefits for your family if you die.

Any lump sum benefits payable on your death are payable at the discretion of the Trustee. Because of this, they're not subject to inheritance tax. The Trustee will, however, take account of your wishes and it's therefore important to complete an Expression of Wish form. This can be done online under the *Expression of Wish section*.

Death in service

If you die as an active member, a lump sum will be payable calculated as the higher of:

1. the amount of your Retirement Account immediately before your date of death; and
2. 6 times your Pensionable Pay over the 12 months ending on the previous 31 December before your date of death

The benefits payable will be paid to one or more of your immediate dependants or to a person(s) you have nominated in writing to the Trustee. Your immediate dependant is your husband or wife, civil partner or a dependent child at the date of your death.

Death in deferment

If you die as a deferred member, a lump sum equal to the value of your Retirement Account at the date of death, including increases between the date you left Diageo and your death will be paid.

The benefits payable will be paid to one or more of your immediate dependants or to a person(s) you have nominated in writing to the Trustee. Your immediate dependant is your husband or wife, civil partner or a dependent child at the date of your death.

Death in retirement

If you die following your retirement, the benefits payable will depend on the terms of the annuity you bought at retirement.

Registration and allowances

The Scheme is registered with HMRC under Section 153 of the Finance Act 2004. Under current legislation, this gives members and the Company certain important tax exemptions and ensures that investment income is largely tax-free. As a member of the Scheme and any other pension schemes, you are responsible for the tax consequences of your membership, you should therefore note the following:

- Since 6 April 2006, only certain benefits are "authorised" by the Finance Act 2004. If unauthorised benefits are paid by a pension scheme, both the scheme and the recipient will be liable for additional tax. It is generally expected that the benefits payable by the Scheme will be authorised, but in rare cases some benefits may be classed as unauthorised. In such cases, the Trustee is not required to pay the benefit. There may be adverse tax consequences if you invest (or it could be construed that you had invested) part or your entire tax-free cash sum from a pension scheme, into another pension scheme, this is often called 'recycling' tax-free cash sums. If you are concerned about this issue you should seek professional independent financial advice.
- If you have obtained one of the forms of pension protection from HMRC (Enhanced, Primary, Fixed 2012, 2014 or 2016, Individual 2014 or 2016), you should bring this to the attention of the Pensions Team and seek financial advice before continuing in the Scheme.
- Your total pension benefits from all sources are subject to a Lifetime Allowance tax threshold. The Lifetime Allowance for the following tax years is:

  2023/24 £1,073,100 (equivalent to a pension of £53,655 a year)[1]
  2022/23 £1,073,100
  2021/22 £1,073,100
  2020/21 £1,073,100
  2019/20 £1,054,700
  2018/19 £1,030,000
  2017/18 £1,000,000
  2016/17 £1,000,000
  2015/16 £1,250,000
  2014/15 £1,250,000
  2013/14 £1,500,000
  2012/13 £1,500,000
  2011/12 £1,800,000

  [1] The government has removed the lifetime allowance charge from 6 April 2023. The government plans to abolish the lifetime allowance in a future Finance Bill. Please see notes below for more information on this area.

- If the value of your benefits exceeds the Lifetime Allowance they will be subject to additional tax. Before we pay retirement benefits from the Scheme, you will need to provide details of how much of the Lifetime Allowance you have already used up within other pension arrangements. Benefits over the Lifetime Allowance can be taken as a cash sum subject to a Lifetime Allowance tax charge of 55% or as additional pension which will be subject to a Lifetime Allowance tax charge of 25% plus your normal marginal income tax rate.

- If the value of your pension benefits is close to (or above) the Lifetime Allowance, the amount of the tax-free cash you can take at retirement may be restricted. Different rules apply if you have one of the pension protections. Other events can also have an impact; e.g. a Pension Sharing Order following divorce or a period of time working overseas. Please tell the Pensions Team if you believe special circumstances may apply to you.

- There are no restrictions on the number of pension arrangements that you can be a member of at any one time. For example, if you wish, you can contribute to a personal pension (including a stakeholder pension) at the same time as paying contributions to the Scheme. You may generally obtain tax relief on pension contributions (to all schemes) up to the greater of 100% of your earnings or £3,600. However, each year, the pension benefits you earn in all pension schemes are subject to an Annual Allowance (AA) tax threshold.

- The pension benefits you earn in the Scheme are measured over the year to 5 April (called the ‘Pension Input Period’). If, in one year, the total of the value of the pension benefits you earn in the Scheme, plus any contributions you pay to another pension scheme, exceed the Annual Allowance, you will generally be subject to an Annual Allowance tax charge. It is possible to carry forward any unused Annual Allowance from the previous 3 years. Exemptions to the Annual Allowance tax charge also exist such as in the event of serious illhealth retirement. If you incur an Annual Allowance tax charge you may have the option of asking the Scheme to pay the tax charge on your behalf in return for a reduction in your benefits from the Scheme. The Pensions Team will provide full details of the available options in the event you incur an Annual Allowance tax charge under the Scheme.

- From 6 April 2016, the AA tax threshold is tapered for members who have a ‘threshold income’ of over £200,000 and an ‘adjusted income’ of £260,000. The rate of reduction in the annual allowance is by £1 for every £2 that the adjusted income exceeds £150,000, up to a maximum reduction of £50,000. The Annual Allowance for the following tax years is:

  2023/24 £60,000
  2022/23 £40,000
  2021/22 £40,000
  2020/21 £40,000

2019/20 £40,000
2018/19 £40,000
2017/18 £40,000
2016/17 £40,000
2015/16 £40,000
2014/15 £40,000
2013/14 £50,000
2012/13 £50,000
2011/12 £50,000

- From 6 April 2015 individuals who meet certain criteria have been able to flexibly access pension savings in a money purchase arrangement (MPA) (including Additional Voluntary Contributions within defined benefit schemes such as DPS). If you flexibly access these arrangements, you will be subject to a money purchase annual allowance of £10,000 in respect of your money purchase pension savings. Accessing money purchase arrangements flexibly is referred to as a 'trigger event'. Examples of a trigger event are:
    - An Uncrystallised Fund Pension Lump Sum – where funds are withdrawn from a MPA and up to 25% is tax free;
    - Funds taken from a flexi-access drawdown arrangement;
    - Funds taken in excess of the cap in a capped drawdown arrangement;
    - Conversion of capped drawdown arrangement to a flexi-access drawdown arrangement and income taken;
    - Purchase of a flexible annuity;
    - Payment of pension from a MPA in which there are less than 12 pensioners; and
    - A standalone lump sum (from a MPA) if you have Primary Protection.

If you have received any of the above benefits since 6 April 2015 please let the Pensions Team know as this may impact figures we provide.

Running the Plan

The Scheme is set up and run under a Trust Deed and Rules.

The Scheme is managed by a trustee company, Diageo Pension Trust Limited, whose directors are responsible for running the Scheme in the best interests of all the members.

The Scheme assets are held entirely separate from those of the Company and can only be used for the benefit of members and their dependants. The Trustee manages the Scheme's investments in accordance with the Trust Deed and Rules and the legislative requirements and it's Statement of Investment Principles. A copy of the Rules and the Statement of Investment Principles can be found online under *Plan Information.*

Changing or closing the Scheme

The Trust Deed and Rules contain provisions for amending, closing or winding up the Scheme.

The Company may terminate the Scheme at any time by giving written notice to the Trustee. In addition, the Company may make changes to the Scheme subject to a per of consultation with members and certain legislative restrictions.

Your benefits are not assignable

Your Scheme benefits are strictly personal and cannot be assigned to any other perso or used as security for a loan. Any attempt to do so may result in loss of benefits. Please note however, that should you divorce, the court has certain powers to allocate a proportion of your Scheme benefits to your ex-spouse. Regulation of the Scheme

The Pensions Regulator

The Pensions Regulator is the regulator of work-based pension schemes in the UK. Its objectives are to:

- protect the benefits of members of work-based pension schemes;
- to reduce the risk of situations arising which might lead to calls on the Pension Protection Fund; and
- to raise the standards of administration of work-based schemes.

The Pensions Regulator is based at:

Napier House
Trafalgar Place
Brighton
BN1 4DW

The Pension Protection Fund

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit schemes if their employer becomes insolvent and there are insufficient assets in the scheme to cover PPF levels of compensation. Broadly speaking the PPF protects pensions in payment where the member is already over normal retirement age at the insolvency event (but with reduced pension increases); and 90% of benefits payable to members who were below this age at the insolvency event, up to a cap. The cap varies according to a scheme's normal retirement age.

The PPF is funded by levies on pension schemes. The levy consists of a number of components; the two main ones are the risk-based levy and the scheme-based levy. The majority of the levy comes from the risk-based element. This focuses on the funding level of the scheme and the strength of the employer.

The Pension Tracing Service

Details of the Plan have been forwarded to the Pension Tracing Service. If in the future you should wish to contact the Pension Tracing Service to trace any previous pension rights you can write to:

The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193
From outside the UK: +44 (0)191 215 4491

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 in relation to 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 online under *Scheme Information.*

Keeping you informed

Each year, whilst you are an active member of the Scheme, you will be provided with a personal statement of benefits, which will illustrate the current value of your main Scheme benefits.

Solving problems

Any queries about the Scheme and your benefits should be referred to the Pensions Team , who will always try to provide a prompt and accurate response.

If however, you are not satisfied with the response you receive, the Scheme has an internal disputes resolution procedure to resolve any disputes between the Scheme and its members and beneficiaries. You can obtain a copy of the procedure from the Pensions Team. You can find the details online within the *Contacts* section.

You may also apply to Money Helper for assistance at any time. Money Helper is available to help members and other beneficiaries who have pension queries or other difficulties, which they have not managed to resolve with their scheme's trustees or administrators. Money Helper is a Government funded body and will allocate a professional adviser to liaise with the Scheme on your behalf.

Money Helper
Holborn Street
120 Holborne
London
EC1N 2TD

Telephone: 0800 011 3797
From outside the UK: +44 (0)207 932 5780
Email: pensions.enquiries@moneyhelper.org.uk

You may also approach the Pensions Ombudsman to decide a matter involving your membership of the Scheme. He can investigate and determine complaints or disputes fact or law in relation to an occupational pension scheme which are referred to him within his jurisdiction under the Pensions Act 1993.

10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk