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Diageo Lifestyle Plan

Rules effective from 1 January 2018

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The Diageo Lifestyle Plan

These Rules of the **Diageo Lifestyle Plan** were made as a deed on 19th December 2017 **between**:

(1) **Diageo plc**; and

(2) **Diageo Pension Trust Limited**.

They alter the existing Rules of the Plan by replacing them with effect from 1 January 2018.

The current Rules of the Plan were made by Deed dated 9 March 2015, effective from 6 April 2015. Rule 23 (Changing the Rules) says the Company may change the Rules at any time and, subject to Section 67 to 67I of the Pensions Act 1995 (the subsisting rights provisions) may do so retrospectively. Rule 23 also says that the Company will tell the Trustee about any changes and that changes to the Rules must be made or confirmed by deed.

In exercise of its powers under Rule 23 of the current Rules, the Company amends the current Rules by replacing them with these Rules with effect from 1 January 2018. The benefits for Members who left Service before 1 January 2018 (and the benefits payable on their deaths) will be as described in the provisions of the Plan in force previously from time to time. However, Rule 5.2 (form of benefits), Rule 8 (right to transfer or buy-out), Rule 12.1 (securing pensions with an Insurance Company) Rule 15.3 (Lump sums instead of small pensions) and Rule 16.2 (Transfers to other pension schemes and arrangements) will apply in place of any corresponding previous provisions of the Plan.

It is not intended that these Rules should adversely affect any subsisting right of any Member or any survivor of a Member at the date of this deed. These Rules shall therefore have effect only insofar as they are consistent with this intention. Any benefit payable to or in respect of a Member under the Plan will therefore be at least equal to the amount that would have been payable if the Member had left Service on the date of this deed. For this purpose, "**subsisting right**" means the same as in Sections 67A to 67I of the Pensions Act 1995.

Diageo plc is the principal employer in relation to the Plan.

Diageo Pension Trust Limited is the first trustee of the Plan.

1 Meaning of words used

"**Benefit Year**" means a complete 12 month period ending on 31 December.

"**Company**" means Diageo plc.

"**Employee**" means any employee or director of an Employer, except a non-executive director.

"**Employer**" means an employer participating in the Plan.

"**Immediate Dependant**" means a Member's spouse, civil partner, unmarried partner of either sex, or dependant child at the date of the Member's death, or any person with an interest in the Member's estate (but not including the Crown, the Duchy of Lancaster or the Duke of Cornwall), where:

(a) Spouse has its normal meaning of husband or wife or legally recognised same-sex spouse.

(b) Unmarried partner of either sex means anyone whose relationship with the Member at the date of the Member's death closely resembled marriage, which includes a legally recognised same-sex marriage, or a civil partnership.

(c) Civil partner means a partner registered under the Civil Partnership Act 2004.

(d) Dependant child means a child of the Member, a step child (but only if financially dependent on the Member), a child legally adopted by the Member and any other child who, in the opinion of the Trustees, is dependent on the Member.

The Trustee's decision as to whether someone is another person's Immediate Dependant will be final.

"**Incapacity**" means physical or mental incapacity which in the opinion of the Company satisfies the following conditions:

(a) the Trustees have received evidence from a registered medical practitioner nominated by the Company that the Member is (and will continue to be) incapable of carrying on the Member's occupation because of physical or mental impairment; and

(b) the Member has in fact ceased to carry on his or her occupation.

"**Insurance Company**" means a person permitted by the Financial Services and Markets Act 2000 to effect or carry out contracts of long term insurance.

"**Member**" means a person who has joined the Plan.

"**New Employee**" means a person who becomes an Employee of an Employer on or after 1 January 2018.

"**Normal Pension Date**" means a Member's 65th birthday.

"**Pensionable Pay**" means, with effect from 1 January 2014, the Member's basic salary from the Employers plus any regular emoluments specifically stated to be pensionable in the Member's contract of employment or as otherwise determined by the Company, subject to an overall maximum amount of £160,000 a year (or such other amount as the Company shall determine from time to time and notify to Members and the Trustees).

(Note: Before 1 January 2014, and since 1 April 2011, the overall maximum amount was £200,000 a year, and before 1 April 2011, there was no prescribed maximum amount in the Rules.)

For the purposes of calculating benefits under Rule 5.5.2 (Incapacity retirement), Rule 6.1.2 (Benefits on death in Service) (including any annualised amount of Pensionable Pay under Rule 6.1), and Rule 7.6.2 and Rule 7.6.4 (Periods of Service treated separately), a Member's Pensionable Pay shall not be subject to the overall maximum amount.

"**Plan**" means the Diageo Lifestyle Plan.

"**Preservation Laws**" means the laws on preservation of benefit in Chapter I of Part IV of the Pension Schemes Act 1993.

"**Registered Pension Scheme**" means a pension scheme registered with HM Revenue and Customs in accordance with Section 153 of the Finance Act 2004.

"**Retirement Account**" means a Member's Retirement Account as described in Rule 4 (Member's Retirement Account).

"**Revaluation Laws**" means the laws on revaluation of accrued benefits in Chapter II of Part IV of the Pensions Schemes Act 1993.

"**Service**" means employment with the Employers.

"**Transfer Value Laws**" means the laws on transfer values in Chapter IV and V of Part IV of the Pension Schemes Act 1993.

"**Trustees**" means the trustee or trustees for the time being of the Plan.

2 Joining the Plan

2.1 Joining for retirement benefits

Subject to Rule 2.4, any Employee whose terms of employment say that he or she will be entitled to join the Plan for retirement benefits may join the Plan as described below.

Applications to join the Plan must be made in the form required by the Company. An Employee entitled to join the Plan will join on the first day of the month after his or her completed application is received by the Trustees.

An Employee who does not join the Plan at the first opportunity may join later only with the specific permission of the Company and on such terms as the Company determines. An Employee who has not made an application to join the Plan within the first 3 months of starting Service will be considered to have not taken the first opportunity to join.

The Company may however allow an Employee to join the Plan (including an Employee not otherwise be eligible to join) on such different terms as it may decide.

2.2 Joining for death-in-Service benefits only

If an Employee who has joined the Plan for death-in-Service benefits only dies in Service, the Trustees will provide a lump sum death in Service benefit equal to the Member's Pensionable Pay over the 12 months ending on the last day of the previous Benefit Year. If the Member was not in Service for the whole or any of that period the Trustees will calculate an annualised amount of Pensionable Pay on a basis they consider reasonable. The Trustees will pay the lump sum death benefit in accordance with Rule 6.3 (payment of lump sum death benefits).

2.3 Evidence of health

The Trustees may require any Employee to provide evidence of good health and other information.

In spite of Rules 2.1 and 2.2, an Employee will not qualify for death-in-Service benefits under Rule 2.2 (joining for death-in-service benefits only) or 6.1 (benefits on death in Service) until the Trustees are satisfied that the Employee is in good health (or have confirmed that they do not require the Employee to provide evidence of good health) and have received any other information that they require.

2.4 Closure to new joiners

Unless the Company decides otherwise after consultation with the Trustee, no New Employee shall be eligible to join the Plan for retirement benefits under Rule 2.1 or for death-in-Service benefits only under Rule 2.2 on or after 1 January 2018.

3 Contributions to the Plan

3.1 Contributions by Employers

Each Employer must contribute to the Plan in respect of Members who are or have been employed by it. The Company will decide the amount of each Employer's contributions, and the dates on which they must be paid.

However, if and to the extent required by Part 3 of the Pensions Act 2004 (scheme funding), the Company will agree these matters with the Trustees.

3.2 Basic contributions by Members

Each Member in Service must contribute to the Plan at a rate of Pensionable Pay determined by the Company and notified to the Trustees and Member from time to time. The Employer will deduct each Member's contributions from the Member's earnings and pay them to the Trustees.

3.3 Members who participate in salary sacrifice for pension contributions

Members who participate in salary sacrifice for pension contributions accept a reduction in their basic salary in return for non-contributory membership of the Plan. The reduction is equal to the basic contributions that the Member would otherwise be required to pay under Rule 3.2 (Basic contributions by Members) or Rule 9 (Members away from work). Members who participate in salary sacrifice for pension contributions are not required to pay contributions under Rule 3.2.

To ensure that a Member's benefits are not affected:

3.3.1 the Member's basic salary at any date and for any period while the Member participates in salary sacrifice for pension contributions will include the amount by which that basic salary is reduced under salary sacrifice for pension contributions;

3.3.2 when calculating any benefit under the Plan, Members will be treated as having paid contributions equal to those they would have paid if they had not participated in salary sacrifice for pension contributions. However, this does not apply to any refund of contributions for an early leaver under Rule 7.2.

3.4 Members who participate in other salary sacrifice arrangements

3.4.1 Members who participate in any salary sacrifice arrangements of their Employer (other than for pension contributions) accept a reduction in their basic salary in return for other benefits. If the Employer so directs, this reduction will be ignored for the purpose of calculating the Member's contributions to the Plan under Rule 3.2 (Basic contributions by Members) or Rule 9 (Members away from work) and any benefits payable to or in respect of the Member under the Plan.

4 Member's Retirement Account

4.1 Value of Member's benefits

The value of the benefits provided for, and in respect of, each Member under the Plan will be determined by reference to the amount of the Member's Retirement Account.

4.2 Credits to Retirement Account

The Trustees will credit to each Member's Retirement Account, in respect of each pay period during which the Member is in Service, 25% of his or her Pensionable Pay or such other amount as is determined by the Company and notified to the Trustees and Member from time to time.

4.3 Revaluation of Retirement Account at end of Benefit Year

The amount of the Retirement Account will be increased each year during which the Member is in Service on the last day of the Benefit Year by an amount equal to the Revaluation Credit.

"**Revaluation Credit**" is the sum of the RPI Revaluation Credit and CPI Revaluation Credit.

"**RPI Revaluation Credit**" is the credit which is applied in respect of that part of the Member's Retirement Account which relates to Service completed before 1 July 2012 and is calculated as the difference between the amount of the Retirement Account at the start of the same Benefit Year relating to such Service and the same amount increased by the lower of:

(a) the percentage increase in the retail prices index over the previous 12 month period ending on 30 September in that Benefit Year (or over such other period determined by the Company); and

(b) 5%.

"**CPI Revaluation Credit**" is the credit which is applied in respect of that part of the Member's Retirement Account which relates to Service completed after 30 June 2012 and is calculated as the difference between the amount of the Retirement Account at the start of the same Benefit Year relating to such Service and the same amount increased by the lower of:

(a) the percentage increase in the consumer prices index over the previous 12 month period ending on 30 September in that Benefit Year (or over such other period determined by the Company); and

(b) 5%.

Credits made to the Retirement Account during the relevant Benefit Year will not be included in the revaluation.

5 Member's retirement benefits

5.1 Date when benefits start

The Trustees will use a Member's Retirement Account to provide retirement benefits for the Member on the Member's Normal Pension Date.

Unless the Company has consented to a Member retiring late in accordance with Rule 5.6 (late retirement), the amount of the Retirement Account will not be revalued under Rule 4.3 (revaluation of Retirement Account at end of Benefit Year) after Normal Pension Date.

5.2 Form of benefits

The Trustees will use all of a Member's Retirement Account in any one or more of the following forms:

5.2.1 the Member may request that all or part of the Member's Retirement Account be taken as a "pension commencement lump sum", subject to Rule 5.3 (maximum lump sum); and/or

5.2.2 the Member may request that all or part of the Member's Retirement Account be used to secure benefits through an insurance policy or annuity contract with an Insurance Company of his or her choice; and/or

5.2.3 the Member may request that all or part of the Member's Retirement Account be transferred to an Insurance Company of his or her choice to provide a "drawdown pension" under Part 4 of the Finance Act 2004; and/or

5.2.4 the Member may request that all or part of the Member's Retirement Account be taken as an "uncrystallised funds pension lump sum" under Part 4 of the Finance Act 2004.

Any insurance policy or annuity contract from an Insurance Company will be purchased in accordance with Rule 12 (securing pensions with an Insurance Company).

5.3 Maximum lump sum

Subject to any restrictions the Trustees may determine, a Member will normally be able to choose a lump sum under Rule 5.2.1 of any amount up to the maximum permitted as a "pension commencement lump sum" under Part 4 of the Finance Act 2004.

5.4 Early retirement

The Company may allow a Member who leaves Service after reaching age 55 and before Normal Pension Date to choose to receive his or her retirement benefits on leaving. The amount of the Retirement Account will be reduced for early payment on a basis determined by the Company.

The Trustees will use a Member's Retirement Account to provide benefits in accordance with Rule 5.2 (form of benefits).

However, the Trustees must be reasonably satisfied that the benefits for a Member who retires early under this Rule are at least equal in value to the benefits to which the Member would otherwise have become entitled on leaving Service.

In respect of a Member who leaves Service solely because of Incapacity this Rule will not apply and Rule 5.5 (Incapacity retirement) will apply instead.

5.5 Incapacity retirement

The Company may allow a Member who leaves Service before Normal Pension Date solely because of Incapacity to receive his or her retirement benefits on leaving. The Retirement Account will be calculated as the higher of:

5.5.1 its amount immediately before the date of leaving, (i.e. without reduction for early payment); and

5.5.2 6 times the Member's Pensionable Pay over the 12 months ending on the last day of the previous Benefit Year.

However, if Rule 7.6 (periods of Service treated separately) applies, the Member's Retirement Account will be calculated as described in that Rule.

If the Member was not in Service for the whole of the last Benefit Year, the Trustees will calculate an annualised amount of Pensionable Pay on a basis they consider reasonable.

The Trustees will use a Member's Retirement Account to provide benefits in accordance with Rule 5.2 (form of benefits).

The Trustees must be reasonably satisfied that the benefits for a Member who retires early under this Rule are at least equal in value to the benefits to which the Member would otherwise have become entitled on leaving Service.

5.6 Late retirement

The Company will allow a Member who stays in Service after Normal Pension Date to continue to accrue benefits under the Plan after that date. The amount of the Retirement Account at the date of leaving (or age 75 if earlier) will be calculated in accordance with Rule 4 (Member's Retirement Account).

The Trustees will use a Member's Retirement Account to provide benefits in accordance with Rule 5.2 (form of benefits).

The Trustees must be reasonably satisfied that the benefits (including death benefits) for a Member who retires under this Rule are at least equal in value to the benefits to which the Member would otherwise have become entitled on leaving Service.

5.7 Additional flexibility

The Member may, with the consent of the Company, request the Trustees to provide retirement benefits:

5.7.1 before the Member has left Service (but after reaching age 55); or

5.7.2 in respect of a proportion of the Member's Retirement Account with the remaining proportion being used at a later date; or

5.7.3 a combination of the two.

The extent to which a Member may make such a request and any conditions applying to the benefits provided will be as determined by the Company.

6 Benefits on Member's death

6.1 Benefits on death in Service

If a Member dies in Service his or her Retirement Account will be calculated as the higher of:

6.1.1 its amount immediately before the date of death (i.e. without reduction for early payment); and

6.1.2 6 times the Member's Pensionable Pay over the 12 months ending on the last day of the previous Benefit Year;

provided that the amount of the Member's Retirement Account payable under Rule 6.3 will be restricted so as not to give rise to a lifetime allowance charge in respect of the Member, where the Company notifies the Member and Trustee of this restriction in writing before the Member's death, In applying this restriction, any benefits accrued by the Member under any other pension scheme or arrangement (except another registered pension scheme of an Employer or of another employer in the Company's group) will be ignored, unless otherwise agreed in writing between the Company and the Member.

However, if Rule 7.6 (periods of Service treated separately) applies, the Member's Retirement Account will be calculated as described in that Rule.

Furthermore, no lump sum death benefit will be paid if the Member dies after reaching age 75. If the Member was not in Service for the whole of the last Benefit Year the Trustees will calculate an annualised amount of Pensionable Pay on a basis they consider reasonable.

The Trustees will use a Member's Retirement Account to pay a lump sum as described in Rule 6.3 (payment of lump sum death benefits).

6.2 Benefits on death after leaving Service

If a Member dies after leaving Service and still has preserved benefits under the Plan, the Trustees will use the Member's Retirement Account to pay a lump sum as described in Rule 6.3 (payment of lump sum death benefits). The Retirement Account will be calculated as if the Revaluation Laws applied to the period between the date the Member left Service and the date of death. There will also be no reduction to the Member's Retirement Account for early payment.

6.3 Payment of lump sum death benefits

The Trustees may pay any lump sum death benefit to one or more of the Immediate Dependants or any person nominated by the Member in writing to the Trustees. If the Trustees decide to pay the benefit to more than one person, they will pay it in such shares as they decide.

The Trustees may use all or part of the amount payable for the benefit of one or more of the Immediate Dependants (or nominated persons), instead of paying it direct to the Immediate Dependants concerned.

So long as only the Immediate Dependants (or nominated persons) can become entitled to the benefit, the Trustees may:

6.3.1 direct that all or part of the lump sum be held by themselves or other trustees on such trusts (including discretionary trusts) and with such powers and provisions (including powers of selection and variation) as the Trustees see fit; or

6.3.2 pay all or part of the lump sum to the trustees of any other existing trust.

To the extent that the lump sum death benefit is not otherwise paid to an Immediate Dependant (or nominated persons), the Trustees may at their discretion pay to the appropriate person or body a contribution (not exceeding the said sum) towards the funeral expenses incurred in respect of the deceased Member.

If the Trustees do not pay the lump sum death benefit to an Immediate Dependant (or nominated persons), it will be paid to the Member's estate, taking account of any contribution towards funeral expenses that may be paid in accordance with the preceding paragraph. However, if there are no Immediate Dependants or persons with an interest in the Member's estate apart from the Crown, the Duchy of Lancaster or Duke of Cornwall, the benefit will cease to be payable.

If the Trustees cannot pay the benefit within 2 years beginning with the earlier of the day on which the Member's death was first known to the Trustees and the day on which the Trustees could first reasonably be expected to have known of it, the Trustees will transfer it to a separate account outside the Plan and pay it under this Rule as soon as possible afterwards.

Alternatively, the Trustees may pay the benefit after 2 years beginning with the earlier of the day on which the Member's death was first known to the Trustees and the day on which the Trustees could reasonably have been expected to know of it (although such payment may result in the recipient and/or the Plan becoming liable for a tax charge). In the event of the Plan becoming liable for a tax charge, such charge may be recovered under Rule 13.1 (Recovery of tax and other charges).

6.4 Additional flexibility

It may be that the value of benefits payable under Rules 6.1 or 6.2 is such that a lifetime allowance charge would arise under Part 4 of the Finance Act 2004. If so, with the consent of the Company, the Trustees may instead reduce the benefit otherwise payable under those Rules by such amount as they may determine. They may then use the balance of the Retirement Account to secure a pension in the name of one or more of the Member's Immediate Dependants or any person nominated in writing to the Trustees, subject to the pension to that person not being "unauthorised" by virtue of Section 160 of the Finance Act 2004. Any pension will be secured as described in Rule 12 (securing pensions with an Insurance Company) as if the relevant Immediate Dependant or nominated person was the Member.

7 Early leavers

7.1 Preserved benefits

A Member who leaves Service without becoming entitled to immediate benefits will remain entitled to benefits under the Plan, if he or she satisfies the preservation requirements (see Rule 7.3), or otherwise if the Company directs.

The Trustees will provide retirement benefits for the Member, as described in Rule 5 (Member's retirement benefits), on the Member's Normal Pension Date. The Member's Retirement Account will be increased from the date of leaving to the date of payment by the percentage required by the Revaluation Laws.

If the Member dies before starting to receive benefits under the Plan, death benefits will be provided as described in Rule 6.2 (benefits on death after leaving Service).

7.2 Refund of contributions or transfer payment

A Member who leaves Service without becoming entitled to immediate or preserved benefits will receive a refund of his or her own contributions (if any), without interest, less tax.

The Company may require the Trustees to use the balance of the Member's Retirement Account to meet any liability of the Employers to contribute to the Plan.

However if a Member satisfies the cash transfer sum requirements and so chooses, the Trustees will provide a cash transfer sum in accordance with Chapter 5 of Part IV of the Pension Schemes Act 1993 (early leavers: cash transfer sums and contribution refunds) instead of a refund of the Member's own contributions.

7.3 Preservation

A Member satisfies the preservation requirements if:

7.3.1 the Member leaves Service with at least two years' Qualifying Service; or

7.3.2 a transfer payment in respect of the Member's rights under a personal pension scheme has been made to the Plan; or

7.3.3 the Member is still entitled to benefits under the Plan from a previous period of Service.

"**Qualifying Service**" means continuous Service after joining the Plan and employment that qualified the Member for retirement benefits under any occupational pension scheme from which a transfer payment has been made in respect of the Member either direct to the Plan, or to an insurance policy or annuity contract and subsequently to the Plan. When calculating continuous Service for this purpose, a break between leaving Service and rejoining the Plan will be ignored (but will not count as Service), if it does not exceed one month or is due to a trade dispute.

7.4 Early payment

If the Company agrees, a Member entitled to a preserved benefit may choose to start to receive retirement benefits before Normal Pension Date (but not before age 55 unless the Member satisfies the test of Incapacity). The Retirement Account will be calculated as described in Rule 7.1 (preserved benefits), but will then be reduced for early payment on a basis determined by the Company.

If the Member satisfies the test of Incapacity, the Company may waive the early payment reduction.

The Trustees will use a Member's Retirement Account to provide benefits in accordance with Rule 5.2 (form of benefits).

The Trustees must be reasonably satisfied that the benefits (including death benefits) for a Member who chooses an early pension are at least equal in value to the benefits that would otherwise have been provided for the Member under the Plan.

7.5 Late Payment

If the Company agrees, a Member entitled to a preserved benefit may choose to start to receive retirement benefits after Normal Pension Date (but not after age 75). The Retirement Account will be calculated as described in Rule 7.1 (preserved benefits), but will then be increased for late payment on a basis determined by the Company.

7.6 Periods of Service treated separately

If the Member leaves Service and later returns, the Member will not be treated as in Service for the purposes of the Plan unless he or she rejoins the Plan. If the Member rejoins the Plan, the Member's benefits for each period will be calculated separately unless the Company agrees otherwise.

However, if the Member dies in Service, his or her Retirement Account under Rule 6.1 (benefits on death in Service) will be calculated as the higher of:

7.6.1 the aggregate of:

(i) the amount of the Member's Retirement Account immediately before the date of death in respect of the latest period of Service (i.e. without reduction for early payment); and

(ii) the amount of the Member's Retirement Account otherwise payable under Rule 6.2 (benefits on death after leaving Service) in respect of any other periods of Service; and

7.6.2 6 times the Member's Pensionable Pay over the 12 months ending on the last day of the previous Benefit Year;

provided that the restriction under Rule 6.1 shall apply under this Rule 7.6 in the same way as under Rule 6.1.

No other benefit will be payable under Rule 6.2 (benefits on death after leaving Service).

Furthermore, if the Member leaves Service under Rule 5.5 (Incapacity retirement), his or her Retirement Account under that Rule will be calculated as the higher of:

7.6.3 the aggregate of:

(i) the amount of the Member's Retirement Account immediately before the date of leaving in respect of the latest period of Service (i.e. without reduction for early payment); and

(ii) the amount of the Member's Retirement Account otherwise payable under Rule 7.4 (early payment) in respect of any other period of Service; and

7.6.4 6 times the Member's Pensionable Pay over the 12 months ending on the last day of the previous Benefit Year;

provided that the restriction under Rule 6.1 shall apply under this Rule 7.6 in the same way as under Rule 6.1.

No other benefit will be payable under Rule 7.4 (early payment).

8 Right to transfer or buy-out

A Member who leaves Service entitled to preserved benefits can require the Trustees at any time to use his or her Retirement Account so that benefits in respect of the Member will be provided instead under another pension scheme or arrangement or by an Insurance Company, in accordance with Rule 16.2 (transfers to other pension schemes and arrangements) and, where applicable, subject to the Transfer Value Laws.

9 Members away from work

9.1 General rule

Members who are away from work will normally be treated as having left Service if they stop receiving contractual pay from the Employers. The Company may, however, agree to treat any Member who is away from work or on secondment as still in Service for so long as they think fit.

The Company may agree special terms to apply to any Member's contributions and benefits for any period during which the Member is away from work. Any agreed special terms will be notified to the Member.

9.2 Family leave

In this Rule 9.2, the terms in bold mean the same as in the Employment Rights Act 1996.

Statutory family leave

A Member will be treated as still in Service during any period of "**ordinary maternity leave**", "**ordinary adoption leave**" or "**paternity leave**".

A Member who receives pay from his or her Employer for these periods must pay contributions on the pay received. A Member who does not receive any pay does not have to pay contributions. The Member's Retirement Account for these periods will, in any event, be calculated as if the Member had worked normally and received the normal pay for doing so.

Additional paid family leave

A Member will also be treated as still in Service during any other period for which the Member receives pay from his or her Employer and which (for the purposes of Schedule 5 to the Social Security Act 1989) is a period of maternity leave, adoption leave, paternity leave or shared parental leave, or absence from work for other family reasons.

In each case, the Member must pay contributions on the pay received. In the case of paid maternity, paternity, adoption and shared parental leave, the Member's benefits will be calculated as if he or she had worked normally and received the normal pay for doing so. In the case of any other period of paid family leave, the Member's benefits will be based on the pay received, unless the Company agrees other terms that are no less favourable to the Member.

Additional unpaid family leave

The Company may agree to treat a Member as still in Service, for some or all purposes of the Plan, during any period of additional unpaid maternity leave, adoption leave, parental leave, shared parental leave or absence from work for other family reasons. If this is agreed, the Company will also agree terms to apply to the Member's contributions (if any) and benefits for the period.

If a Member is not treated as still in Service during any period of unpaid leave, the Member will be treated as having left Service.

10 Ceasing to be eligible

A Member in Service will cease to be eligible if his or her terms of employment are varied so that he or she is no longer eligible for membership.

A Member who ceases to be eligible will be treated as having left Service.

11 Opting out

A Member may opt out of the Plan at any time by giving one month's notice to the Company and the Trustees. The Member will be treated as having left Service on the day the notice expires. However, the Member will be included in the Plan for death in Service benefits as described in Rule 2.2 (joining for death in Service benefits only) until the earlier of:

(a) the Member actually leaving Service;

(b) the Member's retirement benefits starting in accordance with Rule 7 (early leavers); and

(c) the Member joining another pension arrangement established by the Company.

A Member who opts out of the Plan will be asked to complete a disclaimer in the terms required by the Company.

A Member who opts out of the Plan may rejoin only with the specific permission of the Company and on such terms as the Company determines. The Member may be required to provide evidence of health.

12 Securing pensions with an Insurance Company

12.1 Securing pensions with an Insurance Company

Except in respect of any of the options chosen by the Member under Rule 5.2.1 and/or Rule 5.2.4 (form of benefits), the Trustees will use the Member's Retirement Account to buy an insurance policy (which includes a policy providing a "drawdown pension") or annuity contract from an Insurance Company chosen by the Member. The amount of the pension or benefits payable on his or her death will depend on the rates quoted by the Insurance Company and any expenses will be deductible from the Retirement Account.

The policy or contract will be bought in the name of the Member or other person entitled to the benefit.

The policy or contract must comply with any legislative requirements (including any requirements of Section 51 of the Pensions Act 1995) and must not prejudice the Plan's status as a Registered Pension Scheme.

12.2 Member's choice of Insurance Company

The Member must notify the Trustees in writing of the Insurance Company or Companies he or she has chosen under Rule 12.1 and provide any information required to complete the purchase. The Trustees will have no liability in respect of the Insurance Company or policy or contract chosen and following the purchase, the Trustees will have no further obligation to the Member or any other person in respect of the Member's Retirement Account.

13 General rules about benefits

13.1 Recovery of tax and other charges

The Trustees will deduct from any payment under the Plan any tax for which they may be liable in respect of it.

The Trustees may reduce any benefit in respect of which a lifetime allowance charge arises, so as fully to reflect the amount of tax payable in respect of it under Section 215 of the Finance Act 2004 (amount of charge). The Trustees will decide the amount of the reduction after considering actuarial advice.

The Trustee may also, with the consent of the Member, deduct any annual allowance charge under section 227 of the Finance Act 2004 (Annual Allowance Charge) from the benefits payable from the Plan or reduce any benefit under the Plan so as to fully reflect the amount of any annual allowance charge. The Trustee will decide the amount of the reduction after considering actuarial advice.

13.2 Evidence of health

If any benefits under the Plan are insured, they will be subject to any restrictions imposed by the person with whom they are insured. This means that these benefits may not be paid if the Trustees are unable to obtain insurance for any Member or Members.

The Trustees may decide that benefits will also be limited for any Member who fails to provide evidence of good health satisfactory to the Trustees (or any insurer), or whose death or incapacity results from a cause specified in a notice to Members.

13.3 Benefits not assignable

Benefits under the Plan are subject to restrictions imposed by Sections 91 to 93 of the Pensions Act 1995 (assignment and forfeiture, etc). These restrictions are intended generally to ensure that benefits are paid only to the person entitled under these Rules, rather than to any other person. The restrictions prevent benefits from being assigned, commuted, surrendered, charged, or forfeited, except in specified circumstances.

However, there are exceptions to the restrictions imposed by Sections 91 to 93. To the extent permitted by those exceptions:

13.3.1 an Employer may require the Trustees to reduce or forfeit a person's benefits if the person owes money to the Employer and the debt arises from a criminal, negligent or fraudulent act or omission (in which case the Trustees will pay the Employer an amount equal to the debt or, if less, the value of the person's benefits);

13.3.2 the Trustees may reduce or forfeit a person's benefits if the person owes money to the Plan;

13.3.3 the Trustees may forfeit any benefits that are payable in respect of a Member to a person who is convicted of the Member's murder or manslaughter, or any other offence of which unlawful killing of the Member is an element (including aiding, abetting, counselling or procuring the Member's death); and

13.3.4 the Trustees will forfeit any benefit if the person entitled to the benefit does not claim it within six years of the date on which it becomes due.

13.4 Beneficiary who is incapable

If the Trustees consider that any person cannot look after his or her affairs (because of illness, mental disorder, age or otherwise), they may use any amounts due to that person for his or her benefit, or may pay them to some other person to do so. The Trustees may also make, for the person concerned, any choice which that person has under the Plan.

13.5 Registered Pension Scheme

The Plan is a Registered Pension Scheme.

The Trustees and Company will comply with all requirements necessary for the Plan to remain a Registered Pension Scheme. The benefits paid from and the contributions to the Plan will be restricted to those which can be made or paid without prejudicing the Plan's Registered Pension Scheme status.

If (without this Rule) the Trustees would be required to make a payment under the Plan that would be "unauthorised" by virtue of Section 160 of the Finance Act 2004 (payments by registered pension schemes), the payment will be treated as discretionary and will not be made unless the Trustees and Company agree otherwise (which they need not do).

This Rule overrides all other provisions of the Plan.

13.6 Members with "fixed protection" for tax purposes

This Rule applies to a Member if, for the purposes of Part 4 of the Finance Act 2004, the Member is entitled to "fixed protection", so that the Member's lifetime allowance may be greater than the standard lifetime allowance.

"**Fixed protection**" for this purpose means any of "fixed protection", "fixed protection 2014" or "fixed protection 2016", under the Finance Act 2011, the Finance Act 2013, and (subject to its being enacted on terms that are materially the same as those in the current Bill) the Finance Act 2016 respectively.

The Member's benefits, and any increase in the value of the member's rights under the Plan, will be limited (if and so far as necessary) so that there is no "benefit accrual" (as defined in the relevant Finance Act) in relation to the Member.

However, this limit will not apply to any Member who gives notice to the Trustee that he does not wish for his benefits, or any increase in the value of his benefits, to be so limited.

If this paragraph applies to limit a Member's benefits under the Plan, any death benefits that are calculated by reference to the Member's benefits will be calculated by reference to the Member's benefits as so limited.

14 Pension sharing on divorce

14.1 Compliance with pension sharing orders

It may be that an order or other provision under Section 28(1) of the Welfare Reform and Pensions Act 1999 or equivalent Northern Ireland laws (activation of pension sharing) requires all or part of a Member's benefits to be transferred to the Member's former spouse or civil partner. If this happens, the Trustees will discharge their liability to the former spouse or civil partner in accordance with the requirements of the Welfare Reform and Pensions Act 1999. The Trustees may recover charges in respect of pension sharing costs, as allowed by the Act.

14.2 Benefits under the Plan

If the Trustees provide benefits for the former spouse or civil partner under the Plan, those benefits will be provided separately from any other benefits to which the former spouse or civil partner is entitled under the Plan. The Trustees will provide the former spouse or civil partner with written details of the benefits that will be provided.

14.3 Death of former spouse or civil partner before a transfer payment is made

It may be that the Trustees intend to discharge their liability to the former spouse or civil partner by making a transfer payment to another pension arrangement, but the former spouse or civil partner dies before the payment is made. If this happens, the Trustees will provide benefits under Rule 6.2, as if the former spouse or civil partner were a Member with preserved benefits who dies before retirement.

It may be that the whole of the intended transfer payment cannot be used to provide benefits in respect of the former spouse or civil partner. If so, the Company may require the Trustees to use the balance of the Member's Retirement Account to meet any liability of the Employers to contribute to the Plan.

15 Discretionary benefits

15.1 Discretionary benefits

If the Company so directs the Trustees will provide:

(a) increased or additional benefits in respect of any Member;

(b) benefits for any Member different, or on different terms, from those set out elsewhere in the Rules; or

(c) benefits in respect of any Employee or former Employee or Immediate Dependant of a former Employee (or for any other person for whom the Company wishes the Plan to provide benefits).

Any benefits provided under this Rule will be consistent with the Preservation and Transfer Value Laws and must be authorised for the purposes of Part 4 of the Finance Act 2004.

15.2 Serious ill-health lump sums

It may be that the Trustees receive evidence from a registered medical practitioner that a Member is expected to live for less than one year. If this happens before the Member starts to receive benefits from the Plan, the Trustees may allow the Member to give up all of his or her benefits under the Plan (including death benefits) in return for a lump sum. However, this will be allowed only if payment of a "serious ill health lump sum" is permitted under Part 4 of the Finance Act 2004.

The Trustees will calculate the lump sum on a basis agreed with the Company, after considering actuarial advice.

15.3 Lump sums instead of small pensions

It may be that the value of a person's benefits under the Plan (including any death benefits) is so small that the Trustee could pay a trivial commutation lump sum or a trivial commutation lump sum death benefit instead of those benefits. If so, the person may choose a trivial commutation lump sum instead of those benefits, or the Trustee may decide in any event to pay a trivial commutation lump sum instead of those benefits. However, the Trustee may pay the trivial commutation lump sum only if it would be authorised for the purposes of Part 4 of the Finance Act 2004. The Trustees will calculate the trivial commutation lump sum on a basis agreed with the Company, after considering actuarial advice.

16 Transfers and buy-outs

16.1 Transfers from other pension schemes and arrangements

If the Company agrees, the Trustees may accept a transfer of assets or surrender value in respect of any person from another pension scheme or arrangement.

The Trustees will use the assets or surrender value to provide such benefits in respect of the person concerned as they decide are appropriate after considering advice from an actuary. The benefits will comply with the Preservation, Revaluation and Transfer Value Laws, any contracting out requirements under Part III of the Pension Schemes Act 1993, and must be consistent with the Plan's tax status as a Registered Pension Scheme.

16.2 Transfers to other pension schemes and arrangements

Instead of providing benefits under the Plan in respect of any person, the Trustees may, including at the request of the person concerned, transfer assets to another pension scheme or arrangement or to an Insurance Company, so that benefits in respect of the person concerned will be provided under the other scheme or arrangement or by the Insurance Company. If the Company agrees, the Trustees may transfer assets in respect of part only of a person's benefits under the Plan.

The transfer must comply with the Preservation Laws. It must also be a "recognised transfer" under Section 169 of the Finance Act 2004 (recognised transfers).

The Trustees will decide the amount of the transfer payment after considering advice from an actuary. However, the amount will not exceed the value of the benefits that would otherwise have been provided under the Plan in respect of the person concerned, unless the Company agrees to the transfer of a larger amount.

However, if a Member leaves Service entitled to preserved benefits under Rule 7.1 (preserved benefits) the amount transferred will not be less than twice the Member's contributions to the Plan under Rule 3.2 (basic contributions by Members), without interest.

17 Assets of the Plan

17.1 Assets held on trust

The Trustees will hold all the contributions and other assets which they receive and the property representing them and all the income on trust for the purposes of the Plan.

17.2 Management of assets

For the purposes of the Plan, the Trustees may, in any part of the world, alone or together with others:

17.2.1 acquire and dispose of any property (tangible or intangible, movable or immovable), whether or not it produces income;

17.2.2 enter into any contract or incur any obligation;

17.2.3 lend or borrow money or other property for any purpose (including acquiring assets);

17.2.4 grant any mortgage or charge over or give any right of recourse against any or all of the assets of the Plan;

17.2.5 form and finance any company;

17.2.6 carry on and finance any business;

17.2.7 insure assets of the Plan for any amount against any risk;

17.2.8 keep assets in nominee names;

17.2.9 pool assets with other occupational pension schemes in common investment funds;

17.2.10 exercise their powers under Section 34(1) of the Pensions Act 1995 (power of investment and delegation) to make an investment of any other kind as if they were absolutely entitled to the assets of the Plan.

The Trustees will exercise these powers in accordance with Sections 36 and 40 of the Pensions Act 1995 (choosing investments and restriction on employer-related investments).

The Trustees may insure their liability to provide death-in-service benefits under Rule 6.1 (benefits on death in Service) with an Insurance Company.

17.3 Plan expenses and trustee liabilities

The Trustees will pay the expenses of the Plan from the Plan's assets. This includes all expenses and liabilities incurred by a trustee or former trustee through acting as a trustee of the Plan. However, no amount may be paid from the Plan's assets to reimburse a trustee or former trustee for:

17.3.1 expenses or liabilities incurred through wilful wrongdoing (or negligence in the case of a paid trustee) or which are covered by insurance under Rule 18.6 (trustee insurance); or

17.3.2 fines or penalties of the kind mentioned in Section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties).

17.4 Accounts and actuarial valuations

The Trustees will prepare accounts of the Plan and have them audited.

The Trustees will obtain actuarial valuations of the Plan at intervals of not more than three years, and (if so required by the Pensions Act 2004) an actuarial report for any year in which they do not obtain a valuation. The valuations must comply with any legislative requirements and any relevant requirements of HM Revenue and Customs.

It may be that an actuarial valuation of the Plan shows that the value of the Plan's assets exceeds the value of its liabilities. If this happens, the Company may direct the Trustees, with the prior written agreement of HM Revenue and Customs, and after satisfying the requirements of Section 37 of the Pensions Act 1995 (payment of surplus to employer), to pay all or part of the surplus (less tax) to the Employers, in such proportions as the Company directs.

17.5 Participation in common investment funds

If the Trustees decide to pool assets with other occupational pension schemes in common investment funds, they may exercise their powers under Rule 18.2 (exercise of powers) to delegate investment functions to the trustee or administrator of the common investment fund. The functions that may be delegated include:

17.5.1 the Trustees' powers under Rule 17.2 (management of assets);

17.5.2 any discretion to make any decision about investments;

17.5.3 the power to delegate investment functions on behalf of the Trustees to a fund manager in accordance with Section 34 of the Pensions Act 1995 (power of investment and delegation);

17.5.4 the duty to be satisfied that the fund manager has appropriate knowledge and experience and is carrying out his or her work competently and in accordance with Section 36 of the Pensions Act 1995 (choosing investments); and

17.5.5 the power to appoint any professional advisers under Section 47 of the Pensions Act 1995 (professional advisers).

18 Trustees

18.1 Appointment and removal

The Company may appoint new or additional trustees or a body corporate as sole trustee. The Company may also remove trustees.

These powers will be exercised by deed. They may be exercised without giving any reason and without any limit on the number of trustees. However, they may not be exercised in any way that conflicts with any arrangements made under Sections 241 to 243 of the Pensions Act 2004 (requirement for member nominated trustees and directors).

Any trustee may resign from office by deed after giving one month's notice to the Company and the other trustees.

18.2 Exercise of powers

The Trustees may act by majority vote and may delegate powers, duties or discretions to any person and on any terms (including terms that allow the delegate to sub-delegate).

18.3 Trustee charges

A trustee who carries on a profession or business may charge for services provided to the Plan on a basis agreed with the Company, as also may a company or firm in which a trustee is interested. These charges will be treated as expenses of the Plan and paid as described in Rule 17.3 (Plan expenses and trustee liabilities).

18.4 Limit of liability

A trustee will not be liable for any breach of trust except wilful wrongdoing (but a paid trustee will also be liable for negligence).

Note: This Rule is subject to Section 33 of the Pensions Act 1995 (investment powers: duty of care). Section 33 limits the extent to which liability for breach of any obligation to take care or exercise skill in the performance of any investment functions can be excluded or restricted.

18.5 Indemnity and protection from loss

The Employers will jointly and severally indemnify each trustee and former trustee (except a paid trustee) and in the case of a corporate trustee, a director or former director of such corporate trustee, against any expenses and liabilities which are incurred through acting as a trustee of the Plan but which cannot, for any reason, be met from the Plan's assets. However, this does not apply to any expenses or liabilities which are incurred through wilful wrongdoing or covered by insurance under Rule 18.6 (trustee insurance).

18.6 Trustee insurance

If the Company agrees, the Trustees may insure the Plan against any loss caused by them or any of their delegates. The Trustees may also insure themselves against liability for breach of trust not involving wilful wrongdoing. The premiums may be paid from the Plan's assets except:

18.6.1 in the case of a paid trustee; or

18.6.2 if the insurance covers fines or penalties of a kind mentioned in Section 256 of the Pensions Act 2004 (no indemnification for fines or civil penalties).

If the Trustees are insured, they will waive the protection of Rule 18.4 (limit of liability).

18.7 Corporate trustee

Where there is a corporate trustee, none of the officers and employees of the corporate trustee will be liable for any breach of trust other than wilful wrongdoing and the Trustees may insure the Plan against any loss caused by those officers and employees and pay the premiums from the Plan's assets. This Rule does not apply, however, if the corporate trustee is a paid trustee.

19 Participating employers

19.1 Inclusion in the Plan

The Company may allow any employer to participate in the Plan.

An employer wishing to participate in the Plan must agree by deed to comply with the Rules.

19.2 Ceasing to participate

An Employer may cease to participate in the Plan at any time by written notice to the Trustees, and will cease to participate if required to do so by the Company.

When an employer ceases to participate in the Plan, any Members who are then in employment with that employer will become entitled to benefits as if they had then left Service.

For the purposes of Section 75 and 75A of the Pensions Act 1995 and Regulation 6(2)(b) of the Occupational Pension Schemes (Employer Debt) Regulations 2005, the Company may determine how any debt arising under those Sections is apportioned amongst the Employers. The amount of any debt due from the employer ceasing to participate will be the amount notified to it.

20 New principal employer

The Trustees may allow another employer or holding company to take over the role of the Company in relation to the Plan. This requires the agreement of the Company, however, unless it has been dissolved.

21 Termination of the Plan

21.1 Time of termination

The Company may terminate the Plan at any time by written notice to the Trustees.

The Trustees will terminate the Plan if the Company goes into liquidation, unless another employer or a holding company agrees to take over the role of the Company in relation to the Plan.

21.2 Effect of termination

Any Members who are in Service when the Plan terminates will be treated as having left Service.

After the Plan terminates, the Trustees will continue to provide benefits in accordance with the Rules. However, no further contributions will become payable unless required by Part 3 of the Pensions Act 2004 (scheme funding).

21.3 Reopening the Plan

At any time before the winding up of the Plan, the Company (or any new principal employer) may reopen the Plan, so that Employees can again start qualifying for benefits.

22 Winding up the Plan

22.1 Time of winding up

The Trustees will wind up the Plan at any time if so directed by the Company.

If the Company has gone into liquidation (and no employer or holding company has taken over the role of the Company in relation to the Plan) the Trustees may decide to wind up the Plan at any time after the Plan is terminated.

The Trustees will continue to provide benefits in accordance with the Rules, and Rule 23 (changing the Rules) will continue to apply, until the Plan has been wound up and all the benefits secured. If the Company is dissolved before the winding up is completed, the Trustees may exercise any powers given to the Company, unless another employer or a holding company has taken over the role of the principal employer in relation to the Plan.

22.2 Use of assets

When the winding up starts, the Trustees will set aside sufficient assets to pay the expenses of the Plan until the winding up has been completed. The Trustees will then use the rest of the Plan's assets as described in Rules 22.3 to 22.6 below.

22.3 Securing benefits with insurance policies and annuity contracts

The Trustees will buy an insurance policy or annuity contract in the name of each person entitled to benefits under the Plan, except those for whom they pay a lump sum under Rule 22.4 (winding up lump sums) or make a transfer under Rule 22.5 (transfers to other pension schemes and arrangements). If the Trustees have bought suitable policies or contracts before the winding-up starts, they may transfer them into the names of people entitled to benefits.

The policies and contracts will comply with the Preservation and Revaluation Laws and must be consistent with the Plan's tax status as a Registered Pension Scheme.

22.4 Winding up lump sums

When winding up the Plan, the Trustees may pay an immediate lump sum instead of providing other benefits, if payment of a "winding up lump sum" is permitted under Part 4 of the Finance Act 2004. The Trustees will pay the lump sum to the person in whose name they would otherwise have bought an insurance policy or annuity contract.

22.5 Transfers to other pension schemes and arrangements

When winding up the Plan, the Trustees may make transfer payments in accordance with Rule 16.2 (transfers to other pension schemes and arrangements) in respect of all or any of the people entitled to benefits under the Plan, instead of buying insurance policies or annuity contracts.

22.6 Surplus assets

If any assets of the Plan remain after all benefits have been provided in full, the Trustees will pay them to the Company or, if the Company has been dissolved, to the other Employers in such shares as the Trustees decide. The requirements of Section 76 of the Pensions Act 1995 (excess assets on winding up) must be satisfied before any payment is made to the Employers.

22.7 Insufficient assets

If the assets are insufficient to provide all benefits in full, the assets will be used first in accordance with Section 73 of the Pensions Act 1995 (preferential liabilities on winding-up).

Any assets then remaining will be used to satisfy any remaining liabilities of the Plan to any extent, and in any order of priority, as the Trustees consider appropriate.

23 Changing the Rules

The Company may change these Rules at any time and, subject to Section 67 to 67I of the Pensions Act 1995 (the subsisting rights provisions), may do so retrospectively.

The Company will tell the Trustees about any changes.

Changes to the Rules must be made or confirmed by deed.

24 Governing law

English law governs the Plan and its administration.

The common seal of **Diageo plc**
was put on this deed in the presence of:

Director

JAVIER TERRÁN

Secretary

DAVID HARLOCK

The common seal of **Diageo Pension Trust Limited**
was put on this deed in the presence of:

Director

C WETHCLE, TRUSTEE

Director

D HIGGINBOTTOM,
TRUSTEE DIRECTOR