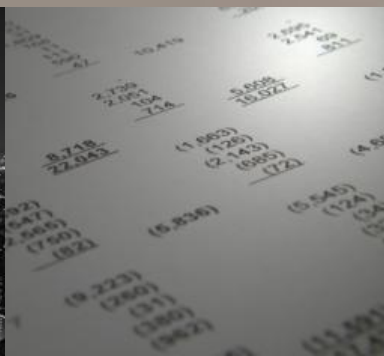


TAX
Global Policy



COMMERCIAL
INTEGRITY

Our policy: We pay tax in accordance with all relevant laws and regulations in the territories in which we operate, creating sustainable shareholder value

Context

Diageo is the world's leading premium drinks company operating in 180 countries and it is our responsibility to run this business efficiently in the long term interests of all our stakeholders. Organising our global operations in this way ensures Diageo is internationally competitive, allowing us to grow the business and make significant investments into brands, production facilities and acquisition of new companies, in particular in emerging markets.

Our approach to tax seeks to enable and support this strategy and also balance the various interests of our stakeholders including shareholders, governments, employees and the communities in which we operate.

We support the adoption of international best practices and governance standards in fiscal and other policies in those countries. We believe that a fair and effective tax system is in the interests of tax-payers and the society at large and can contribute to the fight against poverty and corruption.

Our growth ambition is that emerging markets will account for 50% of our business in 2015. We recognise the importance of our social and economic impacts to the communities where we operate and our total economic contribution, including tax can be a significant element of wealth creation. Our tax contributions include excise remittances, import duties, corporate income tax, VAT, payroll and other taxes we pay or collect on behalf of governments. Our economic contribution also includes jobs, investments, buying goods and services, dividends, knowledge and skill transfers.

We manage and report our tax affairs in a manner which ensures compliance with all fiscal obligations and is consistent with international best practice guidelines, such as international accounting standards and the OECD Guidelines for Multinational Enterprises.

Our commitment

Diageo pays tax in accordance with all relevant laws and regulations in the territories in which we operate.

Our approach is focused on six key principles:

1. Diageo is committed to the effective, balanced and active management of our tax affairs to deliver our business strategy and to create sustainable shareholder value
2. Diageo pursues open working relationships with all Tax Authorities and as part of this aim, Diageo adheres to a policy of disclosure to relevant Tax Authorities in respect of all tax matters
3. Diageo conducts its business on sound commercial principles and, in doing so, takes account of all relevant costs, including tax

Q I have become aware of a potential error in a tax return that may have resulted in a significant underpayment of tax in my market. What should I do?

A Our key principles require we pay tax in accordance with all the relevant laws, and that we pursue open working relationships with all tax authorities. You should raise the potential issue with your line manager and Group Tax, or the appropriate Speak Up mechanism, so that it can be investigated and confirmed whether there is an error, and if so, the best way of disclosing it to the tax authority and putting in place new controls to ensure similar errors do not occur again.

4. Our tax management activities only take place in countries where Diageo has commercial substance
5. Transactions between Diageo subsidiaries are conducted on an arms-length basis in accordance with appropriate transfer pricing rules and OECD principles. This ensures that the group's global profits are properly allocated to the jurisdictions in which those profits are generated
6. Where appropriate, Diageo will express views on the formulation of tax laws either directly or through trade associations or similar bodies

Scope of this Policy

For the purposes of this document, tax is defined as all financial charges or levies (direct and indirect) including excise remittances, import duties, corporate income tax, VAT, payroll and other taxes applied by a Tax Authority

This Policy applies to all Directors and employees who are involved in or whose actions impact the management of Diageo's tax affairs. In particular, this includes:

- The Directors and Executive Committee of Diageo plc and its subsidiaries
- All members of the Global Tax team
- GDBS to the extent that it has responsibilities for managing tax matters
- All territory Finance Directors and their reports that have responsibilities for managing tax matters
- All Supply Finance Directors, Supply Chain Directors and their reports that have responsibilities for managing tax matters
- All General Managers / Country Directors
- Corporate Relations Directors and Public Affairs Managers



GOVERNANCE

The Board of Diageo plc approves the Group's Tax Policy, tax strategy and monitors compliance. It delegates authority to execute against this policy framework to the Group CEO, who sub-delegates this authority to the Finance Committee of Diageo plc. From an operational perspective, the Finance Committee, made up of senior management with relevant expertise (including the CEO and CFO), is considered to be the supervisory body for all Group tax activities.

GUIDELINES

If this Policy applies to you, these are the principles you should follow:

- Make sure that Diageo complies with all relevant laws and regulations
- Consider the context of this Policy and balance the interests of all stakeholders in making tax decisions and conducting tax affairs
- Undertake appropriate training or consult experts to ensure you understand the relevant tax laws and regulations that apply to you in your job
- Ensure that Diageo's systems, processes and controls enable you to fulfil Diageo's tax obligations
- Engage the Global Tax team and Corporate Relations when tax issues arise in the territories in which Diageo operates
- Act in a truthful and co-operative manner when dealing with all tax authorities in order to establish open working relationships
- Understand and abide by the Group Media Policy at all times
- Supply to any tax authority information that is complete and accurate, in a timely manner
- Manage records in line with Diageo's Information Management and Security Policy and maintain and disclose documentary evidence in accordance with regulatory and legal requirements
- Seek to understand the tax implications of any major changes to the business and reflect all financial implications accurately in the accounting records, in line with the relevant accounting rules
- Manage Diageo's tax affairs in compliance with the Code of Business Conduct and communicate any suspected instances of non-compliance with this Policy to an appropriate person (i.e. line manager / Global Compliance and Ethics team / Speak Up helpline).
- Instruct any external organisations performing tax services on behalf of Diageo to act in accordance with the principles set out in this Policy so that they are able to discharge their obligations in a manner that is consistent with the Policy

Responsibility

The Global Head of Tax will ensure that appropriate procedures and guidelines are established to support the key principles above.

For the avoidance of doubt, accountability for compliance with this Policy remains with Diageo employees. You are all individually responsible for making sure that you comply with this Policy in addition to Diageo's Code of Business Conduct and all laws, regulations and industry standards.

If you manage people, you are expected to ensure that the individuals who report to you receive the guidance, resources and training they need to enable them to do their jobs in compliance with this Policy.

Monitoring

Any breach of this Policy is also considered to be a breach of the Diageo Code of Business Conduct and should be reported promptly through one of the routes described in the Code. The relevant line manager must also always be informed of any such non-compliance.

You can also discuss concerns or make a confidential report using SpeakUp.

Breaches of this Policy will be dealt with in accordance with the Diageo internal investigations Policy and local disciplinary policies, as permitted by law.

Contacts and further information

More detail on accountability for tax is contained in the Diageo Academy. For further information and support related to this Policy, please contact a member of the Global Tax team or your Line Manager.

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The Global Compliance & Ethics team manages the Diageo Compliance & Ethics programme and is available to provide help and guidance on all issues relating to the Code and Diageo policies.

This Policy was last reviewed & updated in May 2013