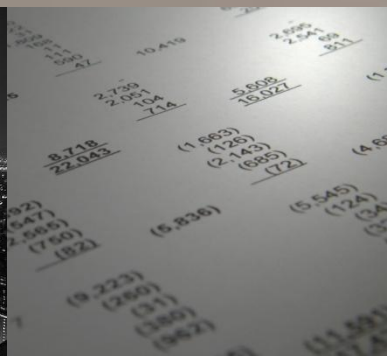


TAX
Global Policy



COMMERCIAL
INTEGRITY

We are committed to paying tax in accordance with all relevant laws and regulations in the territories in which we operate

Our commitment

Diageo's aim is to manage our tax affairs in a manner which ensures compliance with all fiscal obligations and which maximises shareholder value.

Our approach is focused on three key principles:

1. We are committed to paying tax in accordance with all relevant laws and regulations in the territories in which we operate.
2. We are committed to the effective, sustainable and active management of our tax affairs in support of outstanding business performance in the territories in which we operate and, as with all other aspects of our business, to maximise shareholder value.
3. We actively endeavour to develop and sustain good and honest working relationships with Tax Authorities and to encourage the representation of our 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 applied by a Tax Authority and covers both direct and indirect taxes.

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

- All members of the Global Tax team
- All territory Finance Directors and their reports that have responsibilities for managing tax matters
- GDBS in relation to territories where the relevant tax activities have been migrated
- All other employees responsible for managing tax matters



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 that we pay tax in accordance with all the relevant laws, and that we sustain good and honest relationships with tax authorities. You should raise the potential issue with your line manager or a team leader in the Global Tax team 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 of putting in place additional controls to ensure similar errors cannot occur again.

Context

Consistent with our role as a socially responsible organisation, Diageo's aim is to manage our tax affairs in a manner which ensures compliance with all fiscal obligations and which maximises shareholder value.

Principles

If this Policy applies to you, these are the principles you should follow, either directly, when you are personally responsible, or when you are not, by providing assistance to your line manager or the Global Tax team.

- Make sure that Diageo acts responsibly in relation to its tax affairs and complies with all relevant laws and regulations
- Undertake appropriate training or consult experts to ensure you understand the relevant tax laws and regulations that apply to you in your job
- Provide adequate capability to ensure compliance with the Policy and review capability levels on an ongoing basis
- Ensure that Diageo's systems, processes and controls enable us to discharge our tax obligations
- Give due regard to Diageo's reputation and our other commitments in relation to our role in society as a corporate citizen
- Seek to manage our tax affairs in support of outstanding business performance to maximise shareholder value, always in compliance with the Code of Business Conduct and any relevant tax laws and regulations
- Engage the Global Tax team when tax issues arise in the territories in which we operate
- Act in a truthful and co-operative manner when dealing with tax authorities in order to establish a good and honest working relationship
- Supply to any tax authority information that is complete, accurate and not misleading
- 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
- Communicate any suspected instances of non-compliance with this Policy to an appropriate person (i.e. line manager / Global Compliance and Ethics team), in line with the Code of Business Conduct. For the avoidance of doubt, the relevant line manager should always be informed of any such suspected non-compliance
- 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

Q I've noticed a lot of stories in the media about tax avoidance recently. What's the truth about how Diageo pays tax?

A Diageo and the sale of our brands generate significant tax revenues for governments around the world. Diageo pays all of the taxes that we are obliged to pay in accordance with all relevant laws and regulations in the more than 180 markets where we operate. Tax is one element among many that Diageo takes into consideration in any business decision. Diageo's positive contribution to the communities in which we operate includes, inter alia, paying local taxes, generating employment, and implementing award-winning corporate social responsibility programmes.

How does this apply to me?

- We should follow the principles outlined in this Policy and any laws and regulations that apply
- We should act in a truthful and co-operative manner when dealing with tax authorities in order to establish a good and honest working relationship
- We should ensure that information supplied to any tax authority is complete, accurate and not misleading
- We should actively manage our tax affairs in support of outstanding business performance in the territories in which we operate and, as with all other aspects of our business, maximise shareholder value
- We should ensure that records are managed in line with Diageo's Information Management & Security programme. Documentary evidence should be maintained and disclosed in accordance with regulatory and legal requirements
- We should ensure that any suspected instances of non-compliance with this Policy are communicated to an appropriate person

Responsibility

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

Responsibility for ensuring compliance with local tax laws and regulations (including the calculation of tax liabilities and the timely payment of any such liabilities) depends on the nature of the tax (corporate tax, sales tax, customs duties, payroll tax etc), and on whether the relevant activities have been migrated to DBS Budapest.

More detail on accountability for tax is contained in the Finance Accountability Framework but, for the avoidance of doubt, responsibility for compliance with this Policy remains with Diageo employees and cannot be delegated to third parties (e.g. Deloitte in respect of corporate tax). We are all individually responsible for making sure that we 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 Finance Accountability Framework. For further information and support related to this Policy, please contact a member of the Global Tax team.

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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 July 2011.