

(5) Net sale of own shares comprised receipts from employees on the exercise of share options of £51 million (2022 – £32 million) less purchase of own shares for the future settlement of obligations under the employee share option schemes of £22 million (2022 – £14 million).

(6) In the year ended 30 June 2023, the group issued bonds of \$2,000 million (£1,788 million – net of discount and fee) and €500 million (£441 million – net of discount and fee), and repaid bonds of \$1,650 million (£1,340 million). In the year ended 30 June 2022, the group issued bonds of €1,650 million (£1,371 million – net of discount and fee) and £892 million (including £8 million discount and fee), and repaid bonds of €900 million (£769 million) and \$1,000 million (£752 million).

(7) On 24 March 2023, Diageo completed the purchase of an additional 14.97% of the share capital of East African Breweries PLC (EABL). This increased Diageo's controlling shareholding position in EABL from 50.03% to 65.00%.

(8) In the year ended 30 June 2023, the net movements in other borrowings principally arose from the increase in commercial paper, collateral and bank loan balances offset by cash outflows of foreign currency swaps and forwards and repayment of lease liabilities. In the year ended 30 June 2022, the net movements in other borrowings principally arose from cash movements of foreign currency swaps and forwards partially offset by the repayment of lease liabilities.

(9) In the year ended 30 June 2023, exchange gains arising on net borrowings of £159 million were primarily driven by favourable exchange movements on US dollar and euro denominated borrowings and unfavourable exchange movements on cash and cash equivalents, foreign currency swaps and forwards. In the year ended 30 June 2022, exchange losses arising on net borrowings of £334 million were primarily driven by adverse exchange movements on US dollar denominated borrowings, partially offset by favourable movement on euro denominated borrowings, cash and cash equivalents, foreign currency swaps and forwards.

(10) In the year ended 30 June 2023, other non-cash items were principally in respect of additional leases entered into during the year partially offset by fair value movements of interest rate hedging instruments. In the year ended 30 June 2022, other non-cash items were principally in respect of additional leases entered into during the year.

Movements in equity

	2023 £ million	2022 £ million
Equity at the beginning of the year	9,514	8,431
Adjustment to 2021 closing equity in respect of hyperinflation in Turkey (1)	–	251
Adjusted equity at the beginning of the year	9,514	8,682
Profit for the year	3,766	3,338
Exchange adjustments (2)	(686)	799
Remeasurement of post employment benefit plans net of taxation	(469)	497
Purchase of shares of non-controlling interests (3)	(146)	–
Hyperinflation adjustments net of taxation (1)	143	291
Associates' transactions with non-controlling interests	(7)	–
Dividend to non-controlling interests	(97)	(72)
Equity dividend paid	(1,762)	(1,718)
Share buyback programme (4)	(1,273)	(2,310)
Other reserve movements	309	7
Equity at the end of the year	9,292	9,514

(1) See pages 181 and 232-239 for details of hyperinflation adjustments.

(2) Exchange movements in the year ended 30 June 2023 primarily arose from exchange loss driven by the Turkish lira, the Indian rupee and the Chinese yuan, partially offset by gains in Mexican peso and US dollar. Exchange movements in the year ended 30 June 2022 primarily arose from exchange gains driven by the US dollar and the Indian rupee, partially offset by Turkish lira.

(3) On 24 March 2023, Diageo completed the purchase of an additional 14.97% of the share capital of East African Breweries PLC (EABL). This increased Diageo's controlling shareholding position in EABL from 50.03% to 65.00%.

(4) See page 55 for details of Diageo's return of capital programmes.

Post employment benefit plans

The net surplus of the group’s post employment benefit plans decreased by £564 million from £1,151 million at 30 June 2022 to £587 million at 30 June 2023. The decrease in net surplus was predominantly attributable to the unfavourable change in the market value of assets held by the post employment benefit plans in the UK which was partially offset by the favourable change in the discount rate assumptions in the UK due to the increase in returns from ‘AA’ rated corporate bonds used to calculate the discount rates on the liabilities of the post employment benefit plans (from 3.8% to 5.2%). The net operating profit charge before exceptional items increased by £36 million from £39 million for the year ended 30 June 2022 to £75 million for the year ended 30 June 2023.

During the year ended 30 June 2023, following a remeasurement of the Diageo Lifestyle Plan, Diageo made a £16 million one-off deficit contribution to satisfy minimum funding requirement.

Total cash contributions by the group to all post employment benefit plans in the year ending 30 June 2024 are estimated to be approximately £75 million (\$95 million).

'Society 2030: Spirit of Progress' – putting positive societal impact at the heart of our business strategy

We are a successful global business, building and nurturing some of the world’s most recognised brands. A fundamental part of our success is being responsible. That is about making sure we are inclusive and sustainable, and acknowledging that our impact and influence extend beyond our own operations. It is also about being accountable and transparent – which is why we report our non-financial performance in this section.

Responding to the issues that matter

‘Society 2030: Spirit of Progress’ is our global programme addressing the most material⁽¹⁾ issues facing our company, people, brands, suppliers and communities. Its ambitions are embedded in our business strategy, and it aims to make a positive impact on people and the planet everywhere we live, work, source and sell.

The programme builds on our earlier progress on environmental, social and governance (ESG) issues. At the heart of ‘Society 2030: Spirit of Progress’ are three priorities:

- Promote positive drinking – changing the way the world drinks, for the better.
- Champion inclusion and diversity – creating an inclusive and diverse culture for a better business.
- Pioneer grain-to-glass sustainability – preserving the natural resources we all depend on.

We have set 25 targets across a range of ESG issues that matter to our business, to the communities we work with, to society as a whole and to the planet. We’ve mapped these targets to the objectives and timeline of the UN’s 2030 Sustainable Development Goals. While we have made significant progress against many of our targets, there is still much to do. In some cases, we set our targets with the expectation that we'd need innovation to reach them, and we still do. We also regularly review our material issues to make sure the 'Society 2030: Spirit of Progress' plan is still fit for purpose to address the issues most material to our business and our impact on people and the planet. While we made no changes to our plan or targets in fiscal 23, we will continue to assess them and expect to refine and possibly reframe our approach to material issues in fiscal 24.

This section of the Annual Report sets out our progress against our targets in fiscal 23, and our future plans. It contains reporting on other aspects of our non-financial performance, as part of our continuing drive to be transparent and accountable. This includes reporting on how we are addressing climate change risk against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It also includes information about our approach to human rights, business integrity, our people and health and safety, all of which are fundamental to our long-term success as a responsible business.

A better world, a better business

By working towards our goals, we are doing the right thing by contributing to a better society and a healthier planet. We believe we are also making ourselves a better, more competitive business, and one that is more resilient for the long term.

(1) Our latest materiality assessment is included in our ESG Reporting Index.

More specifically, ‘Society 2030: Spirit of Progress’ helps us to:

- Manage our risks from climate change, and spot opportunities to innovate.
- Attract the best, most diverse talent.
- Make our supply chains more resilient.
- Enhance our reputation with our investors, consumers and other stakeholders.
- Strengthen our brands.

Governance

Both the Board and the Executive Committee oversee our ‘Society 2030: Spirit of Progress’ plan. The Board conducts regular reviews of our most material issues, our strategy to address those issues and our targets used to measure our strategy in action. Our Chief Executive, Debra Crew, is ultimately accountable for overall performance against ESG targets, while responsibility for the component parts of 'Society 2030: Spirit of Progress' is shared between members of our Executive Committee. At the local and market level, our regional presidents and general managers have frontline responsibility, supported by our Global Spirit of Progress Director and team. The markets are also supported by Executive Committee members representing global functions.

Linking performance to remuneration

Five of our targets are key performance indicators for our business as a whole, which is why they are also linked to our senior leaders’ long-term incentive plans. The goals in our long-term incentive plans include:

- Number of people who confirm changed attitudes to the dangers of underage drinking after participating in a Diageo-supported education programme.
- Inclusion and diversity (one measure of the percentage of female leaders globally and another measure of the percentage of ethnically diverse leaders globally).
- Improvement in water efficiency.
- Reduction in greenhouse gas emissions in our direct operations (Scope 1 & 2).

This represents all three strategic priorities of our ‘Society 2030: Spirit of Progress’ ambition, and reflects our vision to make a positive impact on the environment and society.

Reporting transparently

We define our targets carefully, along with clear non-financial reporting boundaries and methodologies for each. For more details, see pages 242-262. The reporting of non-financial information is evolving quickly. We are committed to continuously evaluating and improving our approach as well as responding to changes in regulation.