

DIPLOMA PLC

# Diploma PLC Supply Chain Policy



**Delivering Value Responsibly**



October 2021

## **Diploma PLC Supply Chain Policy**

### **Culture**

As a distributor, our supply chain is critical to our success and we value the long-term, quality relationships that we build with our suppliers. Strong partnerships with suppliers help us to consistently deliver value and make a difference to our customers, our colleagues, and our communities. We hope too that we play a part in helping them to fulfil their purpose.

Whilst consistently delivering value, we seek to do so in a responsible way. We want our supply chain to be ethical, resilient and underpin the value we deliver to our customers. We want to work with suppliers who have similar aims so that by working together we can achieve our collective social and environmental goals.

Our values are continuous improvement, accountability and respect and our suppliers should play their part in helping us to uphold our values. Similarly, we should seek to understand their values and how we might contribute.

We will be successful in achieving our supply chain goals by creating the right culture in how we partner and collaborate with our suppliers. To support creating a positive culture we should adhere to agreed standards, we should hold ourselves accountable against meaningful KPIs and we should follow good governance practices. This policy sets out our ambitions on culture, standards, governance and reporting. It should be used in conjunction with Supplier Code which is written to share directly with suppliers or inform your local supplier code.

### **Supply chain standards**

Each business is responsible for developing procedures and frameworks to suit its specific circumstances. However, all businesses should comply with the standards and requirements of this policy as a minimum.

- Supply chain management should be integral to business strategy and intrinsically linked with delivering consistent value to customers.
- Make the supply chain management proportionate and structured - focus on the biggest opportunities to increase value creation to our customers by improving supply chain practices; a structured and proportionate approach helps us to maintain the overall resilience of our supply chain.
- Manage suppliers to ensure that they comply with or exceed local legislative requirements, regulations, and codes of practice regarding human rights, labour laws and workers' rights, as well as applicable international requirements.
- Undertake regular risk assessments within the supply chain and put measures in place to manage those risks.
- Make environmental, social and governance considerations an essential part of supply chain management.

### **Governance**

#### **Ambition**

During 2022 we would like each business to identify its own opportunities to improve supply chain management in a way that is locally meaningful and relevant. As a minimum each business is being asked to identify its key suppliers (most already do this

once a year as part of the supplier concentration review at year-end). Having identified key suppliers, we would like them to agree to a supplier code. This can be the Diploma Supplier Code or your business' equivalent supplier code. This will act as a partnership charter and give us confidence that we are aligned with our key suppliers and working with them to achieve our goal of having an ethical, resilient supply chain that underpins the value we deliver to our customers.

### Identifying key suppliers

Key suppliers can be categorised according to your business' needs but should account for at least 50% of your annual supplier spend and include any supplier that is:

1. A high-volume or high-spend supplier
2. A critical component supplier (or similar)
3. A non-substitutional supplier (or similar)

### Supplier Code

The Supplier Code outlines the importance of our supplier partnerships and aligning on our goals. Businesses are free to create their own supplier code, however we ask that it reflects the same standards and ambitions as the Diploma Supplier Code. Our goal is that by the end of FY23 all our key suppliers have agreed to a supplier code.

Presenting the Supplier Code is a good opportunity for constructive dialogue with our key suppliers to identify opportunities to improve social, environmental, or broader aspects of supply chain management. It may be better to take a little more time to have meaningful conversations and stimulate action, rather than just 'ticking a box'.

### Strategic supply chain management - creating value whilst managing risk

Over the next few years our ambition is for each business to improve their strategic supply chain management by building their supply chain competence.

They should develop a mechanism for reviewing suppliers against a broad range of commercial, operational and ESG factors. This will help to identify opportunities for continuous improvement by improving value creation and managing risk.

## **Supply chain reporting**

To help us manage towards our goals we will have some supply chain reporting in place.

### Business reporting requirements

Each business should have an internal reporting process in place that allows you to manage supply chain performance.

### Group reporting requirements

Businesses already report their total number of suppliers and total key suppliers once a year as part of the supplier concentration review at year-end. In addition, we are asking businesses to report the number of key suppliers agreed to the Supplier Code on a quarterly basis. This information should be included in both the Local Management Pack (from Hyperion) and accompanying commentary.

Twice a year, businesses will be asked to formally review progress on their supply chain management and compliance with their Sector CEO. This feedback will be incorporated into the biannual *Delivering Value Responsibly* governance meeting.