

A high-angle, nighttime photograph of the Los Angeles skyline. The city is densely packed with lights from buildings, streets, and cars. The sky is a deep blue, and the city lights create a vibrant, glowing effect. The text is overlaid on the upper left portion of the image.

GROUP POLICY Sustainable Procurement Policy

Contents

1	Purpose.....	2
2	Scope.....	2
3	Policy Statement.....	2
4	Sustainable Procurement Principles.....	3
4.1	Business Ethics and Governance	3
4.2	Labour and Human Rights.....	3
4.3	Supply Chain Management and Due Diligence.....	3
4.4	Environment.....	4
5	Supplier Requirements	4
6	Sustainable Procurement Process.....	4
6.1	Pre-screening and Selection.....	4
6.2	Supplier Segmentation and Assessment	4
6.3	Contracting.....	5
6.4	Validity and Monitoring	5
6.5	Escalation and Non-Participation	5
7	Supplier Engagement and Development.....	5
8	Targets and Performance Monitoring	6
8.1	Quantitative Targets.....	6
9	Governance and Responsibilities	6
9.1	Responsibilities.....	6
9.2	Supplier Obligations	7
10	Reporting and Transparency.....	7
10.1	Responsibilities.....	7
11	Speaking Up & Whistleblowing.....	8
12	Associated Policies	8
13	Contacts	9

Document Control

Policy owner:	Group Sustainability Director
Published / effective from:	June 2026
Review frequency:	Annual
Next review date:	May 2027

Version:

1.0

1 Purpose

Diploma PLC (“Diploma”) is committed to building a supply chain that is responsible, resilient and aligned with our values. This means giving genuine weight to environmental, social and ethical factors alongside price, quality and reliability when we make procurement decisions as a core part of how we do business.

This policy sets out how we approach sustainable procurement across the Diploma Group. It describes our principles, processes and expectations for suppliers, and sits alongside the Diploma Supplier Code of Conduct, which sets out the specific standards we ask suppliers to meet.

Working with suppliers who share our commitment to responsible business helps us:

- Identify and manage ESG risks in our supply chain before they become problems
- Stay ahead of evolving legal and regulatory requirements
- Build stronger, longer-term supplier relationships based on shared values
- Contribute to better social and environmental outcomes in the communities and markets we operate in
- Meet the expectations of our customers, investors and other stakeholders who increasingly care about supply chain responsibility

2 Scope

This policy applies to:

- All Diploma Group companies and operating businesses
- All employees involved in procurement and supplier management
- All suppliers, contractors, and third-party business partners

It covers all procurement activities, including sourcing, selection, contracting, and ongoing supplier management.

The principles and supplier standards in this policy apply to all suppliers. All suppliers are subject to a risk-based screening process, with the depth of assessment and engagement prioritised according to assessed risk, as described in Section 6.

We recognise that as a decentralised group, implementation will vary across businesses. This policy sets the direction and minimum expectations; local businesses are responsible for applying them in a way that fits their context.

3 Policy Statement

Diploma operates as a decentralised group of specialist businesses. Each business is responsible for putting this policy into practice within its own operations and supplier relationships, supported by Group-wide frameworks, tools and oversight provided by the Group Sustainability function.

We aim to embed sustainability thinking into procurement decisions at each stage of the supplier lifecycle – from initial screening and selection, through contracting and onboarding, to ongoing performance management. We see this as a shared journey with our suppliers, not a box-ticking exercise, and we recognise that many of our suppliers – particularly smaller ones – may be at different stages of maturity. Our approach is collaborative and proportionate to risk.

This policy is aligned with internationally recognised frameworks, including:

- OECD Guidelines for Multinational Enterprises
- UN Global Compact
- UN Sustainable Development Goals

4 Sustainable Procurement Principles

Our sustainable procurement approach is built around four areas. These reflect the topics most material to our supply chain and are consistent with the frameworks we reference in this policy.

4.1 Business Ethics and Governance

- Compliance with anti-corruption, anti-bribery and anti-money laundering legislation
- Ethical business practices and transparency
- Data protection and information security
- Sanctions and trade compliance
- Whistleblowing and grievance mechanisms
- Compliance with laws and regulations

4.2 Labour and Human Rights

We expect all suppliers to treat their workers with dignity and respect, in line with the standards set out in our Human Rights Policy and Supplier Code of Conduct. Our focus areas include:

- Prohibition of forced labour, modern slavery and child labour, in line with Diploma's Human Rights Policy and Modern Slavery Statement
- Fair wages and lawful conditions of employment
- Freedom of association and collective bargaining
- Health and safety in the workplace
- Non-discrimination, equal opportunity and respect for human dignity

4.3 Supply Chain Management and Due Diligence

- Responsible management of second-tier and extended supply chains
- Supplier risk assessments and due diligence
- Contractual enforcement of sustainability requirements
- Audit and verification of supplier compliance

4.4 Environment

We consider environmental performance an important factor in how we select and manage suppliers. Key areas of focus include:

- Climate change and greenhouse gas (GHG) emissions across supply chain operations (Scope 1, 2 and 3)
- Energy efficiency and conservation of natural resources
- Waste reduction, recycling and circular economy practices
- Water management and pollution prevention
- Sustainable sourcing of commodities and materials
- Compliance with environmental regulations and permits

5 Supplier Requirements

All suppliers are required to comply with the Diploma Supplier Code of Conduct, which sets out our minimum expectations on ethical conduct, labour practices, environmental management and governance.

Suppliers are expected to:

- Apply these standards within their own operations and across their supply chains
- Be transparent and cooperative when we carry out assessments or due diligence
- Take steps to address any risks or gaps identified, and keep us informed of progress

6 Sustainable Procurement Process

We take a practical, risk-based approach to managing sustainability across our supplier base. We focus our efforts where it matters most — on suppliers in higher-risk geographies, categories, or spend tiers, rather than applying the same level of scrutiny to every supplier. Higher risk is defined in our internal Supplier Risk Framework, which classifies geographies and categories based on factors such as labour rights standards, environmental regulation, the prevalence of modern slavery, and political stability. This classification is reviewed annually and informs how we prioritise supplier engagement.

6.1 Pre-screening and Selection

All suppliers within scope are screened using recognised, externally developed supplier risk-rating tools, which assess each supplier against environmental, labour and human rights, ethics, and sustainable procurement risk, taking account of country and sector. This screening produces a risk rating that determines the level of assessment required for each supplier, ensuring our engagement is directed where supply chain risk is greatest.

6.2 Supplier Segmentation and Assessment

Suppliers are segmented by spend and criticality to determine the appropriate assessment route:

- Key suppliers, defined as those accounting for the top 50% of spend, are prioritised for a full, independent third-party sustainability assessment covering environmental, social, ethical, and procurement performance.
- Remaining suppliers are invited to complete an assessment based on their risk rating and business priority, using either a full assessment or a shorter screening questionnaire as a minimum standard.

6.3 Contracting

Sustainability expectations are embedded into supplier relationships through our contracting process. All suppliers are asked to acknowledge and comply with the Diploma Supplier Code of Conduct, and for strategic and higher-risk suppliers, sustainability requirements are incorporated into contract terms where practicable. We reserve the right to request further information or to commission audits where concerns arise, so that compliance can be verified throughout the relationship.

6.4 Validity and Monitoring

Supplier assessments are considered valid where they are current (within the last 12 months), free of critical red flags, and cover the relevant operations. Expired or incomplete assessments trigger a reassessment request. Coverage is monitored through a key performance indicator, the proportion of key suppliers with valid assessments, and assessment outcomes are factored into sourcing, onboarding, and contract renewal decisions, so that sustainability performance has a direct bearing on the commercial relationship.

6.5 Escalation and Non-Participation

Where a supplier declines to participate, we follow a documented escalation process, including a minimum of three follow-ups and internal escalation for review. Continued non-participation by a higher-risk or strategically significant supplier is escalated for a decision on the future of the relationship. Any exceptions are documented and approved at Group level.

7 Supplier Engagement and Development

We work collaboratively with key suppliers to understand their sustainability performance and encourage continuous improvement over time. Where suppliers demonstrate strong environmental or social practices, we recognise this as part of the value they bring to the relationship.

Our current focus is on ensuring key suppliers are aligned with the Diploma Supplier Code of Conduct and assessed through recognised, externally developed sustainability assessment tools. We are progressively extending this coverage to a broader part of our supplier base. Operational guidance for businesses, including the assessment tools and step-by-step process to follow, is set out in the Diploma Supplier Assessment Framework.

As our programme develops, we intend to explore additional ways to support suppliers in improving their sustainability performance, including through access to relevant guidance and learning resources.

8 Targets and Performance Monitoring

Diploma tracks a number of meaningful metrics to monitor progress on sustainable procurement. These focus on the areas where we have the most direct influence: supplier alignment to our standards, assessment coverage, team capability and supply chain emissions.

Targets and baselines are reviewed annually and updated as our programme develops. Where we fall short, we review the reasons and adjust our approach accordingly.

8.1 Quantitative Targets

Diploma commits to achieving the following measurable targets in sustainable procurement:

Target	2026 Baseline	2030 Target	Measurement
Key Supplier Code of Conduct Alignment	59% of key suppliers aligned	75%	% of key suppliers with signed or acknowledged Supplier Code of Conduct
Key suppliers subject to ESG due diligence and risk assessment	10 % of key suppliers assessed through IQ Plus, EcoVadis, Vitals or equivalent tools	75%	% of key suppliers assessed through approved ESG due diligence processes
Supply Chain GHG Emissions Reduction	Baseline year 2022	30% of Scope 3	Annual measurement of supply chain emissions; progress reported in Annual Report

9 Governance and Responsibilities

Diploma has established clear governance structures and responsibilities to support the effective implementation of this policy across the Group.

9.1 Responsibilities

The Group Sustainability Director owns this policy and the Group-wide sustainable procurement framework, sets minimum standards and reporting requirements, and is available to support businesses in putting this into practice.

Local business leaders and procurement teams are best placed to implement this policy within their own context. They are responsible for managing supplier relationships day to day and for raising any material issues to the Group where appropriate.

All employees involved in procurement play a role in making this work. We ask them to adhere to the principles in this policy when making sourcing decisions and to speak up if they have concerns about a supplier or a practice that doesn't feel right.

9.2 Supplier Obligations

Suppliers are expected to engage with us in good faith on sustainability, providing honest information when requested, maintaining appropriate records, and being open about their own supply chains. Where we carry out ESG assessments or due diligence, we expect suppliers to cooperate to make those processes effective.

Suppliers are also expected to share these expectations with their own subcontractors and supply chain partners, recognising that many of the risks we are trying to manage sit further down the chain.

Where a supplier falls short of our expectations, our starting point is to understand why and to work toward a practical solution together. We reserve the right to take further action where concerns are serious or remain unaddressed.

10 Reporting and Transparency

This policy is communicated internally and externally to support consistent understanding and implementation across the Group. Building awareness and capability among those who manage supplier relationships is important to delivering Diploma's sustainable procurement objectives.

The Group Sustainability Director reports quarterly to the DVR Steering Committee on progress against sustainability objectives, targets and key supply chain initiatives, including significant risks, issues and developments. Relevant sustainability and procurement KPIs are reviewed regularly with businesses to support accountability, performance monitoring and continuous improvement.

Externally, Diploma reports on its sustainable procurement performance through its Annual Report and sustainability disclosures, including progress against the targets set out in this policy.

10.1 Responsibilities

Diploma will:

- Share this policy with all relevant employees and communicate any meaningful updates
- Provide role-appropriate training on sustainable procurement to procurement and category management staff, covering environmental risks, labour and human rights, and applying the Supplier Code of Conduct in practice, with completion tracked and coverage reviewed annually
- Embed sustainable procurement expectations within relevant role descriptions and capability frameworks over time
- Share this policy and the Supplier Code of Conduct with suppliers as part of onboarding and ongoing engagement, and ask suppliers to acknowledge their commitment to the Code, keeping records of those acknowledgements

- Be open with suppliers about how we assess and monitor performance, and report on our sustainable procurement performance through our annual sustainability disclosures, including progress against the targets set out in this policy

Communication and training activities are proportionate to the scale and nature of each business's operations and are embedded within onboarding, compliance and professional development programmes.

11 Speaking Up & Whistleblowing

Diploma is committed to maintaining an open, transparent, and accountable approach to managing supply chain risks.

We encourage suppliers and their employees to raise concerns about any behaviour that may be unethical, illegal, or in breach of this policy or the Supplier Code of Conduct.

Concerns can be reported through the Diploma Confidential Hotline (managed by Safecall) or directly to the Group Sustainability Team.

Suppliers are expected to:

- Provide appropriate channels for workers to raise concerns confidentially and without fear of retaliation
- Promote a culture where concerns are listened to and addressed promptly
- Inform workers that they may also raise concerns directly with Diploma through independent reporting channels

If you become aware of or suspect any serious misconduct connected to a Diploma business or its supply chain, such as modern slavery, bribery, unsafe working conditions, or discrimination, you are encouraged to report it without delay.

Concerns can be raised via the confidential hotline operated by Safecall, an independent third party available 24/7:

- **Freephone:** visit safecall.co.uk to find local numbers
- **Online:** safecall.co.uk/file-a-report
- **Email:** diploma@safecall.co.uk

Safecall reports are handled in confidence. Calls are not recorded. All concerns raised in good faith are protected under this policy. Retaliation will not be tolerated.

12 Associated Policies

This Sustainable Procurement Policy should be read in conjunction with the following Diploma Group policies and documents:

- Diploma Supplier Code of Conduct
- Diploma Human Rights Policy and Modern Slavery Statement
- Diploma Environment Policy
- Diploma Anti-Bribery and Corruption Policy
- Diploma Anti-Facilitation of Tax Evasion Policy
- Diploma Health and Safety Policy

- Diploma Whistleblowing Policy
- Diploma Data Protection and Information Security Policy

All Group policies are available at: <https://www.diplomaplc.com/policies-and-standards/>

13 Contacts

If you have a question about this policy or a concern related to environmental matters, you are encouraged to speak with your local manager or contact:

- **Group Sustainability Director:** Phil.Pratt@diplomapl.com
- **Group Sustainability Team:** Sustainability@diplomapl.com