

3 March 2022

Response to Prompt Payment Code Removal in the UK

Diageo is fully committed to ensuring all our suppliers are paid to terms. We are continually working to improve our payment practices, with an acute focus on the small-to-medium suppliers (SMEs) within our supply chain.

In the UK, we segment our suppliers into two groups: 'small-to-medium suppliers', with less than 250 employees (SMEs); and 'larger suppliers', which includes multi-national companies with larger revenues and workforces. All of our SME suppliers are on 60-day standard payment terms, with our larger suppliers on contracts involving different payment terms, each mutually agreed on a case-by-case basis.

The way in which the UK Payment Practice Reporting data is consolidated on the Duty to Report platform does not allow for SME suppliers to be differentiated from larger suppliers. When the payment of our larger suppliers' invoices is consolidated with our SME payment data and reported as a single average figure, it does not provide an accurate picture of how we are meeting our contractual obligations. For example, in our January 2022 submission, 97% of our SMEs and 93% of all suppliers were paid to terms.

As the original intent of the Prompt Payment Code was a focus on SME suppliers, we firmly believe this is where our focus should be. When we originally joined the Prompt Payment Code, there was an exemption for longer terms with larger suppliers. This was no doubt in recognition of the commercial reality that these are standard practice for longer-term contracts agreed between larger companies. Indeed, Diageo was considered compliant with the code until changes were made to remove this important exemption for larger suppliers.

We are clear that we are honouring the commercial commitments we have agreed with our supply partners.

Over recent years, we have taken a number of actions to continue to improve payment practices and this is reflected in our data.

- We have segmented our supplier base of 2,816 suppliers in order to better support SMEs. Today, we have 1,147 SME suppliers and 1,669 larger suppliers in the UK
- We have brought forward payment runs to ensure funds are cleared with SMEs within 60 days
- We have introduced the Diageo Supplier Service Hub, which provides suppliers with self-service access to track invoices and payments, with a dedicated supplier team available to address queries
- We continue to analyse the root cause of any late payments, including process errors caused by us or our suppliers
- All of our suppliers, small or large, have access to preferential supplier financing options that leverage our global credit rating

While Diageo is no longer a member of the Prompt Payment Code, we will continue to work hard to ensure all our suppliers are paid to agreed terms, with an acute focus on SMEs.

ENDS

Enquiries:
press@diageo.com



About Diageo

Diageo is a global leader in beverage alcohol with an outstanding collection of brands including Johnnie Walker, Crown Royal, J&B, Buchanan's and Windsor whiskies, Smirnoff, Cîroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness.

Diageo is a global company whose products are sold in more than 180 countries around the world. The company is listed on both the London Stock Exchange (DGE) and the New York Stock Exchange (DEO). For more information about Diageo, our people, our brands, and performance, visit us at www.diageo.com. Visit Diageo's global responsible drinking resource, www.DRINKiQ.com, for information, initiatives and ways to share best practice.

Celebrating life, every day, everywhere.