

LAC & Mexico Supply

Purchasing Guidelines



Purpose and scope

All employees play a role in managing the reputation of Diageo when purchasing goods and services and must seek to deliver maximum commercial value whilst minimizing risk to the company. The LAC & Mexico Supply Purchasing Guidelines align with our [Global Procurement Policy](#) and they formally define the requirements for employees to follow for compliant Purchase order (PO) management, Contracts, Goods Receipting and Supplier Invoice and Payments, mitigating fraud risks, as well as requirements to ensure compliance with regulatory and tax requirements. The LAC & Mexico Supply Purchasing Guidelines also describe the specific rules and procedures to source goods and services, covering the following markets:

- CCA (Caribbean & Central America)
- Colombia
- Miami Hub (LAC Exec, Innovation, etc.)
- Mexico
- Diageo Tequila Business Unit
- South LAC (Peru, Ecuador, Bolivia, Argentina, Chile, Uruguay and Paraguay)
- Venezuela*
- Brazil - Diageo and Ypioca
- Anejos de Altura (AdA) - Zacapa

* please refer to specific conditions applicable only to Venezuela in [Attachment I](#))

Validity

The LAC & Mexico Supply Purchasing Guidelines are valid as of September 1st, 2023, and it will replace all other documents of equivalent content that were previously published.



What is the scope of LAC Procurement Team?



The Procurement Team is responsible for negotiating contracts related to different categories within their operating scope, thus influencing “controllable spend”, in accordance with the definitions established during the annual AOP process and the Procurement Operating Model.

For reference, categories outside the Procurement Team scope at the time of this Purchasing Guidelines publication are duly listed in Attachment II of this document. Procurement direct involvement in negotiations outside Procurement Scope, or the opposite, can be accepted whenever aligned between the Requestor's area and Procurement, based on their own merits and the value added by Procurement involvement

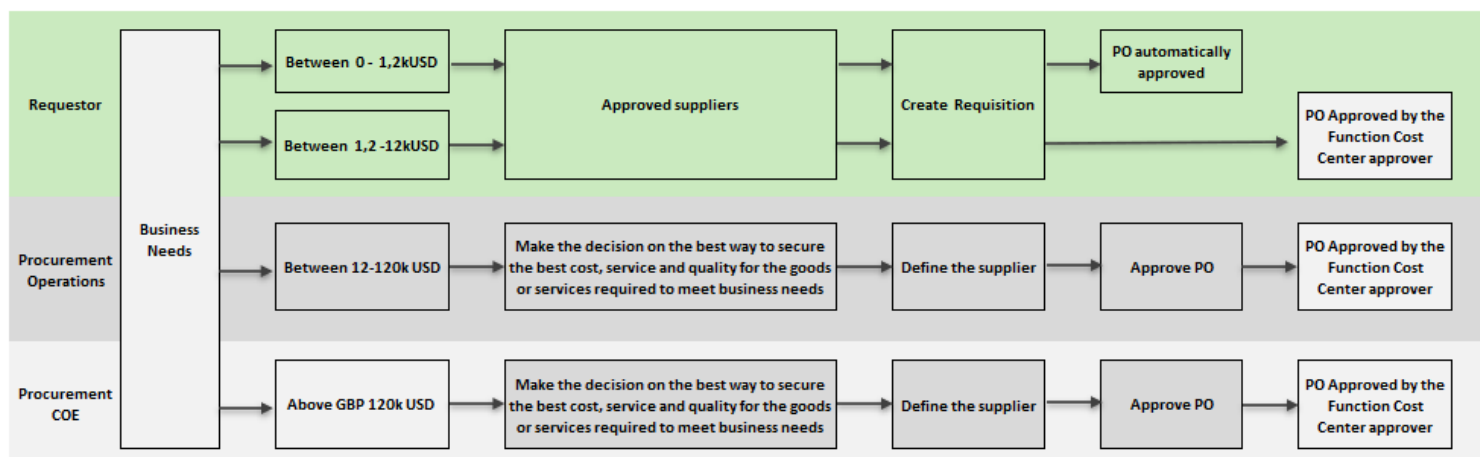
Any purchasing or contracting activities out of procurement scope should be managed between the requestor and the relevant teams and systems.

Please note that Attachment II is periodically reviewed according to our business dynamics and needs. .

Procurement Operating Model

All purchases of goods and services should be budgeted and approved before ordering and receiving the goods or services. In accordance with the delegations outlined in our Group Statement of Authorities (SOA), GBO maintains approval matrixes within our Purchase to Pay (PtP) systems to support complaint purchasing. To access and understand your current PtP approval authorities please contact the [Supplier Service Hub](#) or your market APSME team.

The purchasing process and Procurement teams involved (Procurement Operations or Procurement COE) will vary depending on the budget that is in question as is shown on the Procurement Operating Model chart below. Venezuela has a specific flowchart (Attachment I).



Whenever the spend level allows (12 month rolling spend <12k USD) and a contract is not required based on the risks in the scope, the purchasing process can be performed directly in the Purchasing Systems without Procurement involvement.

If a requestor needs to purchase a product or service and believes none of Diageo's existing approved suppliers in the Purchasing Systems can meet their business needs, they must start a Sourcing process supported by Procurement Operations/ Procurement LAC COE team. Whenever available, Coupa Sourcing tool must be used for the sourcing requests.

Any new Supplier must register through the onboarding process through Supplier Service Hub following the KYBP (Know your business Partner) process or the new TPRM (Third Party Risk Management), for SAP Markets. Procurement team will assess and approve new Supplier Onboarding requests coming from business stakeholders.

Other than compliant buying via Purchase Card (P-Card) or Travel & Entertainment (T&E) credit card, it is a requirement that our suppliers are first risk screened as per the Third Party Risk Management process or KYBP process before we buy goods and services from them.

No commitment under procurement scope should be made to any supplier without approval from Procurement Operations or your Procurement CoE team unless below 12k USD (12 month rolling spend) and with an approved supplier (2.5k USD for Venezuela).

When using Coupa to purchase goods or services, the user must utilize the appropriate Smartform or Catalogue. If this does not happen, requests will be rejected, and users will be asked to raise a request using the correct buying channel. For vendors with fix prices in items or services which are reflected in hosted catalogues in COUPA, it is mandatory to use catalogues to create purchase orders. All POs below 12k USD (2.5k USD for Venezuela) will be regularly monitored. If a Smartform or catalogue does not exist for a particular need, the user should contact Procurement Operations team for guidance.



How to order goods or services on behalf of Diageo

Purchase order (PO) must be created before commitments are made with Suppliers, other than the following circumstances:

- 1) Permitted expenditure on P-Card or T&E Card,
- 2) There is an approved exception in place through our GBO Supplier service HUB for the category of type of goods/ services or for the specific supplier(s)
- 3) Permitted expenditure pursuant approved Diageo employee reimbursement processes. Please contact our FirstPoint HR Helpdesk for Additional Guidance

Please refer to the [P-card Guidelines](#) for additional guidance whether a P-card purchase is appropriated



A PO will be released to the supplier after it is approved by the authorized employee(s) as maintained within our PtP Systems. Approval limits for Purchase Orders are governed under the group Statement of Authorities (SoA). Budget holders are accountable to ensure that Supplier purchases within cost centres do not exceed their allocated budget.

A Retrospective (Retro) PO occurs when a PO is created after the Invoice Date and/or goods or services are delivered. The practice is considered a violation with this Policy and may be subject to Diageo disciplinary action.

No Petty Cash facility is permitted at Diageo.

How to validate receipt of goods or services on behalf of Diageo

Once you have validated that you have received the goods or services from the supplier, on the Delivery date scheduled, utilize PtP system to Goods Receipt (GR) within the same month*. GR Delays can result in non-payment to a supplier. Likewise, GR before goods or services are received causes overstated financials and it is not permitted. GR is not required when Two - Way Match processes are in place or for other approved exceptions.

GR (Goods Receipt) reversals, particularly when attempted in a distinct month from their original creation, are strictly prohibited due to their potential impact on accurate financial reporting and inventory reconciliation. This constitutes a critical concern demanding immediate attention and resolution, as these actions could compromise data integrity and require urgent approval as exception from the FD.

*If you are not able to register the GR within the same month of the planned expense a provision needs to be in place. Please refer to you Market Finance contact to align on the provision procedure applicable.



Supplier invoices need to comply with Diageo invoicing, tax and local legal requirements otherwise they will be rejected, and supplier will be notified. Other than for GBO PO approved exceptions, all supplier invoices received by Diageo must reference an approved PO number.

Purchase Order (PO) Lifecycle Management



PO Requestor should regularly review open POs to either update or close POs or delete PO line values;

POs should be closed once final invoice or credits are recorded and there are no further amendments needed for deliveries or services. POs opened for more than 180 days are subjected to monthly tracking and justification.

For Assistance, please contact our PTP team through Supplier Service Hub.

Payment Terms

Diageo adheres to standard minimum Payment Term requirements for each market or country, and in addition, in some markets, maximum Payment Terms are also in place for certain Small to Medium Enterprises (SME) and other designated organizations.

Standard payment terms are maintained by GBO and reviewed annually with Finance and Procurement.



Any supplier payment terms less than these standards, or in excess of the maximum Payment Terms stipulated must first be approved by the Finance Director (or Delegate), according to Table below, valid at the time of publication of these Guidelines.*

Market	Standard Payment Terms
CCA	90 days
Colombia	90 days: <i>large company</i> 45 days: <i>for applicable small and medium companies under the law¹</i>
South LAC	90 days Chile: 30 days <i>for applicable small and medium companies under the law²</i> Peru: 30 days <i>for applicable micro and small companies under the law³</i>
Brazil (Diageo São Paulo and Ypioca)	90 days
Mexico	90 days
Tequila Business Unit	90 days 30 days: <i>Agave, Agriculture Outsourcing, Land leasing and Agrochemicals)</i>
Zacapa	60 days
Venezuela ⁴	30 days

¹According to the Law 2024/ 2020. Size of the companies need to be certified according Decreto 957 - 2019 from Ministerio de Comercio, Industria y Turismo (Mincit) and Departamento Administrativo Nacional de Estadística (DANE).

²According to the Law N° 20.416 del Ministerio de Economía, Fomento y Turismo.

³Subject to Legal validation and under the law " Ley de Promoción y Formalización de la Micro y Pequeña Empresa"

⁴Venezuela payment terms will be annually reviewed and approved by the Venezuela Financial Head.

** From Feb 6th 2023, Payment term exception has been delegated to the LAC Financial Controllers*

Payment Methods

Payment to suppliers via Bank Transfer is the preferred Payment method.

Exceptions for using Payment Channels, such as direct debit (by exception for approved categories) or check/manual payments, require additional request and approval process. Please contact GBO Supplier Service Hub for supplier payment set up and relevant processes. Typically, direct debits are approved by exception for payments to Government and Tax/Duty authorities, councils and or utility suppliers (water, gas, energy, telecommunication, etc).

Suppliers may request a Down payment. A Down Payment is a sum that Diageo pays upfront when purchasing goods or services.

A downpayment must reference a Purchase order (PO) and the subsequent Supplier Invoice must reference the same PO number.

Note, the Downpayment cannot be the full amount of the PO and multiple downpayments cannot be used to pay for the full amount. Please contact Finance for additional guidance on whether a Down Payment is appropriate.

In exceptional types of products and services, the GBO Online Payment (OLP) process is used for Payments that need to be made without invoices, i.e., statutory payments, sponsorship, taxes, excise duty and loans. Please refer to the [Supplier Service Knowledge Hub](#) for guidance.

Any requests for Special Payments must follow the GBO Supplier Service HUB Process and can be subject to Finance Director (or delegated) approvals. Please refer to Supplier Service HUB - Invoice and Payments Guides to raise any special payment request.



How to access if a contract is needed

It's important to know when you need a separate Contract versus simply buying on Diageo's standard Terms & Conditions of purchase. Contracts are required with any supplier where the annual (12-month rolling) Diageo spend is more than 1.2M* USD (*or market contracting threshold) and may be required where spend is below 1.2M* USD (*or market contracting threshold) when there are additional risks (for example, contracts where personal data may be collected or processed, contracts with direct competitors or government agencies, or contracts which have potential cyber risks, human rights risks or risks to Diageo property or intellectual property, etc.) or local thresholds have been imposed by finance or legal.

Diageo legal templates should be used for all contracts, unless alternatively agreed with the market Legal team. Legal can provide guidance on the appropriate templates, contracting clauses or relevant Addendums/Exhibits.

If the supplier asks to use their own Contract templates or amends Diageo standard Terms & Conditions (T&C's), including payment terms, then the requestor must consult the relevant Legal or Procurement team for support before making any commitment to the supplier.



Contact your local Procurement with any questions related to the local market contracting thresholds. Contact your local Diageo legal with any questions related to additional risk elements.

A Contract Approval Request Summary (CARS) form must be completed for all contracts under procurement scope in accordance with the approval levels set out in the Group Statement of Authorities (SoA), except for:

1) Contract value below Market Contract Threshold, whenever using pre-approved Legal templates (including Letters of agreement and Data Protection addendum) without wording changes.

2) In any other circumstance, Procurement should seek alignment with Legal based on its own merits to define whether a CARS is required or not.

Be mindful that contractual obligations and commitments can be created inadvertently, even though informal communications which are not signed, such as an email. All exchanges of correspondence before delivery of either the Purchase Order or Contract (where applicable) should be marked 'SUBJECT TO CONTRACT' and should not include any content that may be understood as a commitment from Diageo to accept any obligations.

Market	Local Contract Threshold (or the equivalent amount in local currency)
CCA	1.2M USD
México	1.2M USD
Colombia	600k USD
Miami Hub	1.2M USD
SouthLAC	600k USD
PUB	600k USD
Zacapa	600k USD
Venezuela	300k USD



Signing of Contracts is different than following the process of seeking Approval of Contracts (CARS approvals).

The signing of Contracts can only be done by individuals who are legally authorized to do so (i.e., legally authorized Company employees or Authorized Signatures) per the market Power of Attorney list. Consult Legal for further information. The contract should only be sent to the relevant Third Parties (Supplier) to sign after completion of Diageo's internal review and contract approval process.

Violations

It is important to be sure that all requestors are following the principles of the LAC & Mexico Supply Purchasing Guidelines and Global Procurement Policy when purchasing tant to goods or services on behalf of Diageo.

In addition, we expect all of our suppliers to meet our Partnering with Supplier Standard, which we developed to help drive higher standards in our supply chain. It sets out our supplier sustainability and responsibility aspirations, and the minimum standards we expect of our suppliers. As purchasing practices can have a significant affect to our suppliers and the workers in our supply chain, all purchasing should be done in consideration of the Diageo group Human Rights Policy.

Examples of violations include the following:

- *Commitments made before the PO is placed into Diageo purchasing systems;*
- *Retro PO*: A PO created after services have begun or goods received;*
- *Agreement on payment terms that are not aligned with Table 6, without a previous written approval;*
- *Perform a Good Receipt (GR) step before goods/services received;*
- *Deviation on the Contract approval process (CARS) according to SOA;*
- *Agreements Signed not according to the Market POA (Power of Attorney) list;*
- *Commitments with suppliers on behalf of Diageo above 12k USD (2.5k USD for Venezuela) and under the Procurement scope, without Procurement COE or Procurement Operations' involvement.*
- *Split spend with a supplier when creating a PO, trying to evade or avoid approvals.*

**Retro PO management is owned by the STP team, including the related violation reports. Any Retro PO should be previously sent by the user to the Market Finance Director and/or Market functional Director for alignment. Please refer to your market BI (Business Integrity) team to get information on violation templates and specific ways of working applicable for each market.*

Despite previous justification the practice is considered a Violation with the Global Policy and may be subject to Diageo Disciplinary action.



If you see a potential or actual breach of the LAC & Mexico Supply Purchasing Guidelines and Global Procurement Policy or a breach committed by a supplier of our Partnering with Supplier, it is important that you report it or reach out for guidance to either your Line Manager, Diageo Legal team, or Business Integrity Lead. For further support on who to speak to, visit the 'Help, advice and raising concerns' section at the back of Diageo's Code of Conduct.

Repeated violations and non-compliance of this Policy may lead to disciplinary action being taken including revocation of purchasing rights and up to and including termination. If you don't feel comfortable speaking to someone inside the Company, you can use the confidential service, SpeakUp: www.diageospeakup.com.

Updates

The LAC Procurement team is responsible for the contents and maintenance of this document, which will be reviewed and updated when needed to meet new business demands and conditions.

In case of questions on the interpretation of the procedures described herein, or about situations not mentioned in this document, please contact Procurement to discuss about your specific queries.

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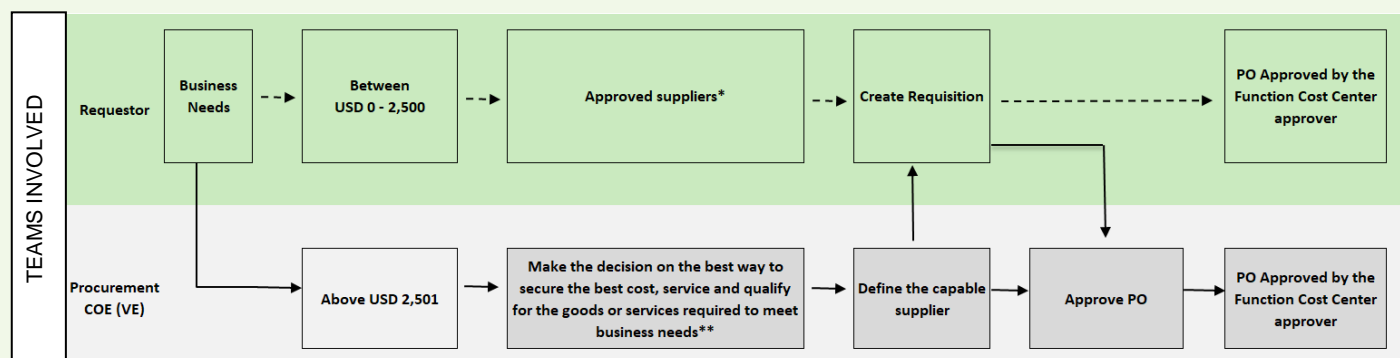
Glossary

Term	Definition
<i>Requestor</i>	Person from any area of Diageo who needs to buy goods and/or services
<i>Purchase Order (PO)</i>	This is a commercial document from Diageo to Supplier to deliver goods and services. It is a document authorizing the purchasing transaction, when accepted by supplier becomes a binding contract between both parties
<i>Approved suppliers</i>	Suppliers who are already live/registered on our purchasing systems (i.e., SAP, Coupa, Datasul, etc.) and that meet our Partnering with Suppliers (PwS) and Know Your Business Partner (KYBP) standard .
<i>GBO</i>	Global Business Operations team including Vendor, Supplier Experience Team and Procurement Operations team
<i>Supplier Service Hub (SSH)</i>	operated by Supplier Experience Team to support the supplier management process (invoice and payments, managing account details, suppliers onboarding processes and supplier data amendment) and to support internal users during the purchase process and vendors with any question related to invoicing / payments
<i>2-Way Match</i>	Where this is in place within PtP Systems, invoices are matched against the PO only
<i>APSME</i>	Accounts Payable Subject Matter Expert – Source To Pay team accountable to support PO end to end cycle

Attachment I

Specific Conditions – VENEZUELA

The purchase of all goods and services will be conducted together with the local Procurement Team, who will provide the necessary support to close the Commercial agreement, ensuring that financial, reputational, and legal risks are appropriately managed. Purchasing process is detailed below:



*If you believe none of Diageo's approved supplier can meet the business need, contact the Procurement team.

** Decision making includes the selection of a qualified supplier, or the activation of a bidding process to make the best purchase decision

Users may submit their requests directly to the capable suppliers, observing that there may be more than one option and that the negotiated commercial conditions may vary. In these cases, it will be necessary to carry out and document comparative analyzes between the capable suppliers together with the Procurement Department to make the best purchasing decision.

In the event that there is no approved supplier for the required good or service, Procurement will activate a bidding process, requesting quotes from suppliers.

The requestor must guarantee the placement of the PO, conduct the follow-up of the delivery/execution of the goods/service, generate the GR (good receipt) once the goods/service have been received, ensure invoice is received and accurate with particular attention to the exchange rates, if applicable. Users should seek Finance support if needed.

In the process to establish an agreement, the responsibilities can be summarized as follows:

Requestor	Responsible for the technical scope and content or a description of the goods and services to be sourced. Defines performance indicators that need to be included in the agreement.
Procurement	Negotiate commercial terms and conditions, after evaluating market offers. Prepare and request approvals using the CARS form, lead the completion of the contract.
Legal	Responsible for the legal content of documents (legal risk mitigation), including all provisions required by Diageo. Review and approve final document. Sign the contract if officially registered as a legal representative of the company.

Attachment II

Categories and subcategories OUT OF SCOPE of LAC Procurement COEs Tequila and LAC

Category	Category Level 1	Category Level 4
MARKETING	Advertising & Promotion	Free Issue
		Consumer Promotions (Except Venezuela)
		Innovation: Brand Design, ID & Packaging (Except Venezuela)
		Influencers (For Venezuela)
		Frozen/Presidential funds
		3rd Party / JV Contributions
INDIRECTS	Indirects	Salaries related (Diageo employee or third party agencies)
		P-card expenses
		Concur expenses
		Memberships and donations
		Tax
		Public Services / Utilities (Office Related)
		Audit and Lawyer Fees ¹
		Litigation
		Public Policy consultancies
		Trainings
		Employee Recognition
		Employee Relocations
		Catering ² : from 0 to 60k USD (except Venezuela); from 0- 2k USD (Venezuela)
		Conference ² : from 0 to 60k USD (except Venezuela); from 0- 2k USD (Venezuela)
Corporate insurances		
SUPPLY	Logistics	Import & Export (Except Venezuela)
		Feiteras (Ypioca)
		Litreiros (Ypioca)
	Manufacturing	Third party Operations - Royalties Contract ³

¹ Lawyer fees should be aligned on their own merits between Procurement and Legal to define the value adding on Procurement involvement in the negotiation.

²For Catering and Conference categories procurement involvement is subjected to the Threshold in the table. Any purchase below the threshold should follow T&E policy and ensure budgeted available. Additionally, whenever a contract is needed, despite of the Amount procurement should be involved.

² Recommendation is to involve Procurement in the construct of the contract and to validate suppliers.