



## TfL Supplier Diversity Definitions

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## 1. Document Outline

### 1.1 Background

Encouraging a diverse base of supplier forms a part of the GLA Group Responsible Procurement Policy. The TfL Supplier Diversity Definitions ensure consistency across Supplier Diversity activities across TfL. These definitions form a basis for the TfL Supplier Diversity Policy and act as a basis for alignment in the measurement of diverse suppliers.

### 1.2 Version Control

<b>Version Date</b>	<b>Author</b>	<b>Notes</b>
26 February 2010	C Cottam	Turnover/Balance Sheet Amendment
02 February 2009	C Cottam	SME definition update
31 January 2008	J Gall	Ownership categorisation
8 <sup>th</sup> May 2006	J Gall	EU definitions
19 <sup>th</sup> October 2005	J Gall	Updates/clarifications

## **2. Diverse Suppliers**

For the purposes of TfL's Procurement Supplier Diversity Programme, "**Diverse Suppliers**" comprise the following four subsets:

- 2.1** Small and Medium Enterprises (SMEs)
- 2.2** Black, Asian and Minority Ethnic (BAME) businesses
- 2.3** Suppliers from other under-represented or protected groups
- 2.4** Suppliers demonstrating a diverse workforce composition

The more detailed explanations of the four above subsets are given in the sections below.

### 3. **Small and Medium Enterprises (SMEs)**

**3.1 A Small Enterprise<sup>5</sup>** is a business which has both the following:

i) 0-49 Full Time Equivalent employees<sup>1</sup>;

AND EITHER

ii) Turnover<sup>2</sup> per annum of no more than £5.6 million net (or £6.72 million gross); in the last financial year;  
OR

iii) Balance sheet total<sup>4</sup> of no more than £2.8 million net (£3.36 million gross).

**3.2 A Medium Enterprise<sup>5</sup>** is a business which has both the following:

i) 50-249 Full Time Equivalent employees<sup>1</sup>;

AND EITHER

ii) Turnover<sup>2</sup> per annum of no more than £22.8 million net (or £27.36 million gross) in the last financial year;  
OR

iii) Balance sheet total<sup>4</sup> of no more than £11.4 million net (or £13.68 million gross).

**3.3 A Large Enterprise<sup>5</sup>** is a business which has both the following:

i) 250 and over Full Time Equivalent employees<sup>1</sup>;

AND EITHER

ii) Turnover<sup>2</sup> per annum over £22.8 million net (or £27.36 million gross) in the last financial year;  
OR

iii) Balance sheet total<sup>4</sup> of over £11.4 million net (or £13.68 gross).

<sup>1</sup> Full Time equivalent employees is defined in Section 7.1

<sup>2</sup> Turnover is defined in Section 7.3

<sup>4</sup> Balance Sheet Total is defined in Section 7.5

<sup>5</sup> Further explanation is outlined in Section 7.7 (Definition of Size) & 7.8 (Ownership Categorisation)

#### 4. **Black, Asian and Minority Ethnic (BAME) owned businesses**

A Black, Asian and Minority Ethnic (BAME) owned business is a business which is 51% or more owned by members of one or more Black, Asian or Minority ethnic groups.

Minority ethnic groups are all people including those who have classified themselves as members of ethnic groups other than 'White British'.

The minority ethnic classification groups used by TfL for monitoring purposes are:

<u>Ethnic group</u>	<u>Racial origin</u>
White	Irish Any other White background
Mixed	White & Black Caribbean White & Black African White & Asian Any other Mixed background
Asian or Asian British	Indian Pakistani Bangladeshi Any other Asian background
Black or Black British	Caribbean African Any other Black background
Chinese or other Ethnic Group	Chinese Any other Ethnic Group

## **5. *Suppliers from other under-represented groups or protected groups***

**5.1** A Supplier from an under-represented group is one which is 51% or more owned by members of one or more of the following groups (where not covered by previous definitions):

5.1.1 Women (gender)

5.1.2 Disabled people with physical and sensory impairments, learning difficulties and mental health requirements;

5.1.3 Lesbians, Gay men, Bisexual and Transgender people (sexual orientation); and

5.1.4 Older people (aged 60 or over), young people (aged 24 or under) (age)

**5.2** A Supplier from a protected group is one which is 51% or more owned by members of a group for which protection is provided by anti-discriminatory legislation and which is not already covered by the above (such as religious, faith or belief groups, or alternatively, ownership by a social enterprise or a voluntary/community organisation).

**6. *Suppliers demonstrating a diverse workforce composition***

This relates to Full Time Equivalent employees in the supplier's workforce who may be from one or more minority ethnic groups, and/or under-represented groups and/or protected groups as listed in II and III above.

## **7. Other Definitions & Information**

### **7.1 Full-Time Equivalent Employees**

Where employee numbers are used, these refer to Full-Time Equivalents (FTEs) expressed in **Annual Work Units** (see below). Staff headcount should include full-time, part-time and seasonal staff and includes the following:

- Employees
- Persons working for the enterprise being subordinated to it and considered to be employees under national law
- Owner managers
- Partners engaged in regular activity in the enterprise and benefiting from financial advantages from the enterprise.

Full-time workers are expressed as hours worked per week. TfL refer to standard UK hours of work as full time workers – i.e. those who work 35 hours a week and 52 weeks a year (including annual leave).

### **7.2 Annual Work Units**

Refer to anyone who worked, over the past year, full-time within your enterprise, or on its behalf, during the entire reference year counts as one unit. You treat part-time staff, seasonal workers and those who did not work the full year as fractions of one unit.

### **7.3 Turnover**

Turnover is in line with that defined in the Companies Act 1985:

The amounts derived from the provision of goods and services falling within the company's ordinary activities, after deduction of:

- i) trade discounts
- ii) value added tax

Please refer to Section 7.8 regarding ownership categorisation to understand how to interpret ownership, where an enterprise is part of a parent organisation.

### **7.4 Financial Year**

Financial Year relates to 1<sup>st</sup> April – 31<sup>st</sup> March or any other 12 month period as defined by the company.

All data must be relating to the last approved accounting period and calculated on an annual basis. In the case of newly-established enterprises whose accounts have not yet been approved, the data to apply shall be derived from a reliable estimate made in the course of the financial year.

## 7.5 Balance Sheet Total

The annual balance sheet total refers to the value of your company's main assets.

## 7.6 Ownership

Individual or those in named control holding capital or voting rights - either through private or shared ownership - of any given business entity.

## 7.7 Definition of Size

Where headcount and turnover and/or balance sheet conditions apply to different size definitions, headcount acts as the more predominant aspect, in defining size.

An organisation does not need to satisfy both turnover and balance sheet total, only one of the conditions and may exceed one of them without losing its status. This is illustrated by an organisation which has 30 employees, a turnover of £12 million and a balance sheet total of £10 million. The number of employees figure would class the organisation as a small organisation, however the turnover and balance sheet total define the organisation as medium. In this case, the headcount would be used to define the classification of the organisation. This organisation would be classed as a small organisation.

To illustrate this, the following scenarios have been mapped for the different characteristics of supplier diversity definitions (based on information from the Department for Trade & Industry (*now Department for Business Enterprise & Regulatory Reform*)):

		Turnover/Balance Sheet Total		
		£5.6m net(up to)/ £2.8m net (up to )	£22.8m net(up to/incl.)/ £11.4m net (up to/incl.)	£22.8m net(over)/ £11.4m net (over)
Employees	0-49	✓	<i>Employees more predominant</i>	<i>Employees more predominant</i>
	50-249	<i>Employees more predominant</i>	✓	<i>Employees more predominant</i>
	250+	<i>Employees more predominant</i>	<i>Employees more predominant</i>	✓

## 7.8 Ownership Categorisation

### EU Commission Definition on Enterprise Ownership Categorisation

The European Commission's Guidance published in 2005 "The New SME Definition: User Guide and Model Declaration"<sup>6</sup>, outlines parameters for

defining an organisation's ownership categorisation and whether an organisation is autonomous, partner or linked.

### 7.8.1 Autonomous

This is the most common category of ownership.

An organisation is autonomous if:

- It is totally independent, i.e. there is no participation in other enterprises and no enterprise has a participation.
- It has a holding of less than 25% of the capital or voting rights (whichever is the higher) in one or more other enterprises and/or outsiders do not have a stake of 25% or more of the capital or voting rights (whichever is the higher) in your enterprise.

If an organisation is autonomous, it means that it is not a partner or linked to another enterprise

### 7.8.2 Partner

An enterprise is a partner enterprise if:

- It has a holding equal to or greater than 25%, of the capital or voting rights in another enterprise and/or another enterprise has a holding equal to or greater than 25% in the other.

It is not linked to another enterprise. This means, among other things, that voting rights in the other enterprise (or vice versa) do not exceed 50%.

### 7.8.3 Linked

Enterprises formed as a **group** through the direct or indirect control of the majority of voting rights. An enterprise owned by another or through the ability to exercise a **dominant influence** on another enterprise.

Two or more enterprises are linked when they have any of the following relationships:

- One enterprise holds a majority of the shareholders' or members' voting rights in another.
- One enterprise is entitled to appoint or remove a majority of the administrative, management or supervisory body of another.
- A contract between the enterprises, or a provision in the memorandum or articles of association of one of the enterprises, enables one to exercise a dominant influence over the other.
- One enterprise is able, by agreement, to exercise sole control over a majority of shareholders' or members' voting rights in another.

<sup>6</sup>Refer directly to the EU Commission Definitions for more guidance:  
[http://ec.europa.eu/enterprise/enterprise\\_policy/sme\\_definition/sme\\_user\\_guide.pdf](http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/sme_user_guide.pdf)

**8. Document Owner & Contact Details**

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