

# Supplier Diversity Implementation Strategy

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|  |    |
|--|----|
| 1. Introduction .....                              | 2  |
| 2. The Business Case.....                          | 2  |
| 3. Approach .....                                  | 2  |
| 4. Objectives .....                                | 4  |
| 4.1 Attracting Diverse Suppliers.....              | 4  |
| 4.2 TfL’s Equality and Inclusion Commitments ..... | 5  |
| 4.3 Legal Robustness .....                         | 5  |
| 5. Implementation .....                            | 6  |
| 6. Key deliverables and timings .....              | 6  |
| 7. Governance Structure.....                       | 8  |
| 8. Roles and Responsibilities.....                 | 8  |
| 9. Communication and Engagement.....               | 10 |
| 10. Performance Measurement and Management.....    | 11 |
| 11. Process for Review .....                       | 11 |
| 12. Document Owner and Contact Details.....        | 12 |

## **1. Introduction**

Supplier Diversity is a relatively new concept within the procurement arena. It seeks to develop a supply chain that reflects the diverse nature of the local and business communities in which the organisation operates. The intention is that as a local London business, TfL's supply chain should support the London community and economy. As London is a diverse city, TfL's Supply base should reflect a similar level of diversity.

The Mayor's vision for the GLA Group is to be an equalities champion and leader. The GLA Group will promote equality and the eradication of discrimination, ensuring that its workforce and supply chain reflects the diverse population of London. TfL is the largest procurer of Goods, Works and Services within the GLA Group, with a spend of £5 billion per annum, and will be expected to take a leading role.

Much progress has already been made. An inspection of the GLA Group in March 2003 by the Audit Commission gave the GLA two stars, the highest score of an Audit Commission report into equalities in the public sector.

## **2. The Business Case**

As well contributing the Mayor's vision for the GLA Group, there is mounting evidence that significant business value can be derived from encouraging a diverse supply chain. These include, amongst others, enhanced creativity and flexibility of solutions and the development of offerings more attuned to the needs of a diverse workforce and customer base. Over the long term it can also lead to the creation of a more competitive marketplace.

Furthermore, if positioned within an overall Corporate Social Responsibility framework there are opportunities for reputational benefits that can lead to the creation of brand value. This can be considered particularly relevant to TfL because of its role as a public organisation. Not only does TfL provide a public service, it does so in a way that enhances local businesses and, in turn, the local London economy.

## **3. Approach**

TfL will deliver its Supplier Diversity vision by executing the following strategies:

- Innovating a variety of tendering and contract packaging options which attract "Diverse Suppliers" to bid for TfL's business;
- Integrating our own business processes and systems to capture relevant data and monitor improvements in supplier diversity;

- Optimising the use of technology to publicise relevant information to “Diverse Suppliers” to reduce their costs of selling to TfL;
- Hosting supplier forums to communicate with “Diverse Suppliers” who sell Goods, Works or Services in the sectors where TfL spends its money;
- Influencing our strategic suppliers to engage with “Diverse Suppliers” in their supply chains via a Supplier Relationship Management Programme;
- Harnessing best practice on Supplier Diversity from global organisations implementing similar programmes to maintain a continuous improvement philosophy.

By working in partnership with the GLA and LDA, TfL will seek to open up market opportunities for historically excluded or disadvantaged small and medium enterprises (SMEs), minority business communities, and women- and disabled-owned businesses. It will also encourage its suppliers to develop diverse workforces that are representative of the communities it serves, and monitor their development.

## 4. Objectives

The supplier diversity programme aims to:

- Attract diverse suppliers from Small and Medium Enterprises (SMEs), Black, Asian and Minority (BAME) Suppliers and other Diverse Suppliers (e.g. owned by disabled people) to bid for work.
- Be consistent with TfL's overall Equality and Inclusion commitments where possible.
- Maintain legal robustness whilst conducting our procurement activities and meet out Best Value duties.

### 4.1 Attracting Diverse Suppliers

TfL has developed its own "Diverse Supplier" definitions, which are available on Source.

There are a number of options to make TfL contracts accessible to Diverse Suppliers, as outlined overleaf.

| Packaging contracts  | Advertising contracts  | Documentation and procedures   |
|--|--|--|
| <ul style="list-style-type: none"> <li>• Not every size/type of contract is appropriate for Supplier Diversity</li> <li>• Larger Suppliers could be encouraged to consider Diverse Suppliers through contract requirements and conditions</li> </ul> | <ul style="list-style-type: none"> <li>• How and where contracts are advertised could affect the type of Suppliers who respond, so advertising contracts where diverse suppliers seek work could be a benefit</li> </ul>         | <ul style="list-style-type: none"> <li>• The tender/contract documents and procedures should be reviewed to ensure simplicity and accessibility;</li> <li>• Requirements to develop supply chain diversity should be noted</li> </ul>                        |
| Approved supplier lists  | Following up diverse suppliers   | Other  |
| <ul style="list-style-type: none"> <li>• Lists should be reviewed to ensure they offer opportunity for smaller suppliers to be included</li> </ul>   | <ul style="list-style-type: none"> <li>• Follow-up with smaller firms provides an opportunity to understand their experience of bidding for TfL contracts and will help make the process easier for diverse suppliers</li> </ul> | <ul style="list-style-type: none"> <li>• Apply proportional evaluation criteria to diverse suppliers</li> <li>• Development of Supplier Forums to raise awareness with current and potential Diverse Suppliers with alignment to TfL requirements</li> </ul> |

## 4.2 TfL's Equality and Inclusion Commitments

Transport for London's (TfL) Business Plan and vision is underpinned by an equality policy statement which commits TfL to:

- Promote equality of opportunity
- Promote good relations between different groups/communities
- Eliminate unlawful discrimination
- Provide accessible transport for all

The policy covers not only the diversity of our own workforce but ensures that the diversity considerations are promoted in everything from product design to customer communication. In order to meet our overall equality and inclusion objectives, it is appropriate that this be extended to procurement activities.

TfL will welcome applications from suitably skilled suppliers of all sizes who can meet the requirement, regardless of gender, ethnicity, sexual orientation, faith, disability or age of supplier workforce/ownership.

## 4.3 Legal Robustness

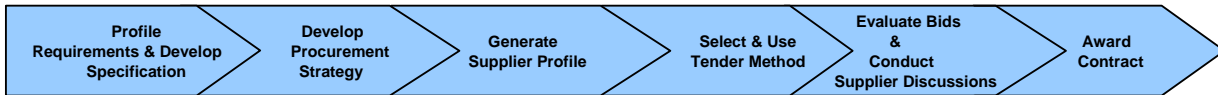
TfL's procurement process is governed by the European Union Regulations. The challenge is to balance the supplier diversity requirements within the constraints of European procurement law. Procurement law prohibits TfL from setting quotas and targets.

Suppliers cannot be told that a certain percentage of a workforce must reflect the diversity of London, as this would be discriminatory to other member states. EU procurement law requires the process to be transparent, fair and objective and it is prohibited to take into account matters that are not relevant to the subject of the contract.

TfL must also meet its statutory obligations as a Best Value Authority and be mindful that it does not impose any requirements on contractors, such as positive discrimination, that would cause them to breach employment law.

## 5 Implementation

TfL will explore the solutions to implement Supplier Diversity in discussion with the local Procurement teams and Major Programmes. Delivery is through incorporation of the requirements in the procurement cycle:



In order to expedite the process, contract requirements relating to Supplier Diversity will be developed and tested concurrently.

Implementation will commence in areas of largest impact - major projects and sizeable contracts - as well as smaller contracts where Supplier Diversity has been identified as a key theme. Whilst this means that in a number of cases first tier suppliers may not be diverse suppliers, they should be encouraged to adopt a similar view to equality and inclusion within their own workforce and to sub-contract work to diverse suppliers as appropriate.

## 6 Key deliverables and timings

### *Development*

A number of deliverables will be prepared to assist implementation across TfL. Whilst these will be developed and rolled out progressively, the full suite of documents will include:

- A Supplier Diversity Policy Statement providing a high level overview of the aims of the initiative
- A Supplier Diversity Policy outlining the terms and conditions of the initiative and its predicted outcomes
- Supplier Diversity Strategy
- Supplier Diversity Implementation plans
- TfL Diverse Supplier Definitions to clearly outline the terms of classification for diverse suppliers
- A Supplier Diversity Toolkit comprising of:
  - Application Guidance
  - Definitions
  - Official Journal of the European Union (OJEU) text
  - Pre-Qualification Questionnaire (PQQ) framework

- Invitation to Tender (ITT) text
- Evaluation Criteria
- Contract Conditions text
- Data Monitoring Form
- An ongoing process for implementation including measurement, target setting and governance process

*Application and Implementation*

Testing will take two main forms:

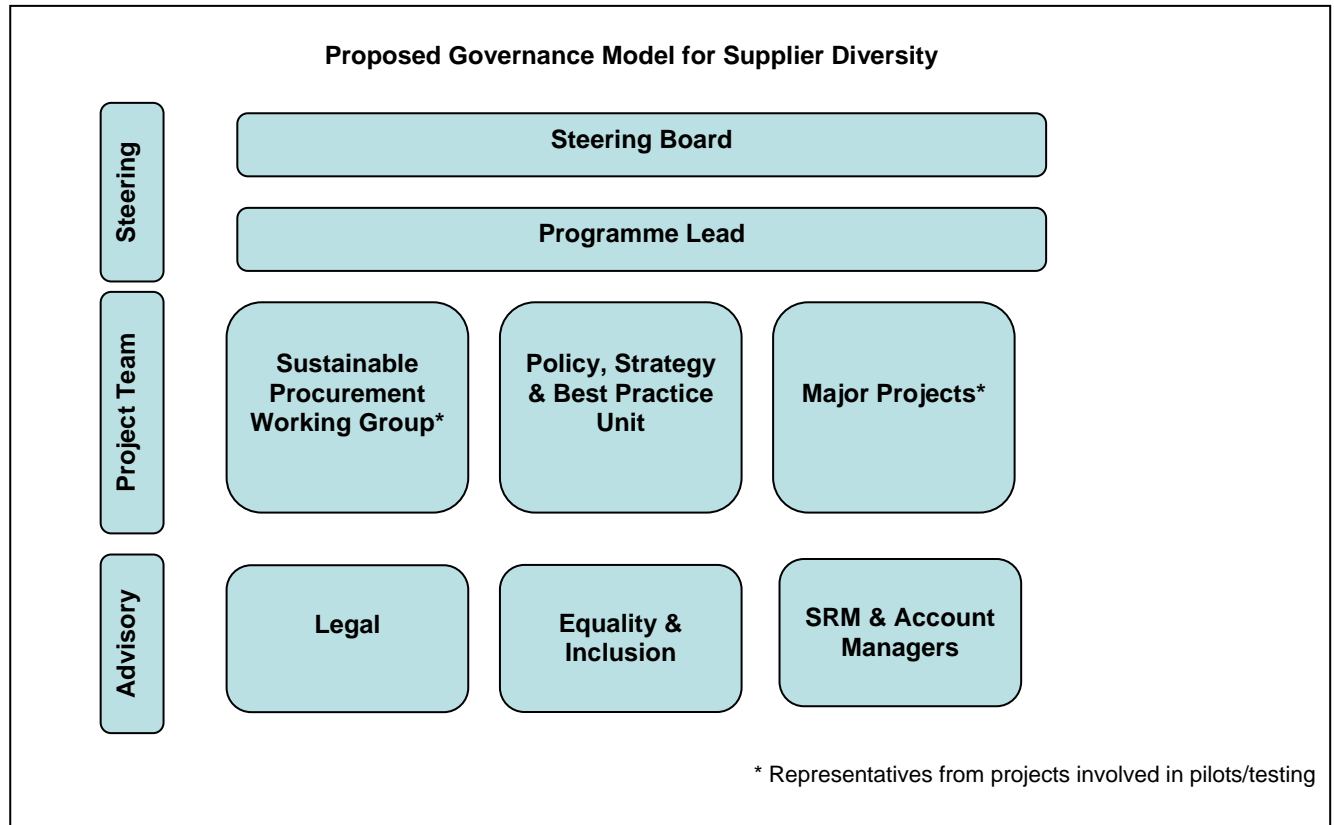
a) Testing through high value, high status major projects. A number of projects have already been identified for implementation.

|                                       |                               |
|---------------------------------------|-------------------------------|
| East London Line (Rail)               | End 2006                      |
| Terms Maintenance Contracts (Streets) | Early 2007                    |
| Thames Gateway Bridge                 | Information not yet available |

b) Testing in smaller, appropriately selected procurements where Supplier Diversity plays a key theme. These contracts will be identified on an ongoing basis with the procurement teams. Supplier diversity requirements will be included as appropriate.

## 7 Governance Structure

A governance model for the programme is outlined below. The model aims to provide clear roles and responsibilities for the project team and their advisors.



## 8 Roles and Responsibilities

### Steering Board

- Overall monitoring and guidance
- Endorsement of the approach and guidelines
- Assist in the identification of project risks
- Resourcing and budget allocation
- Thought leadership and idea generation
- Identification of projects and relevant pilot contracts

### Programme Lead

- Managing timelines and deliverables
- Risk management and escalation of issues
- Thought leadership and idea generation
- Engagement of necessary stakeholders
- Primary liaison with external bodies, in particular, the GLA and LDA

- Communication of progress to external bodies

#### Project Team Members

- Develop policy and related documents, tools and templates
- Monitor implementation
- Engage and advise procurement and project managers
- Communication of programme to internal stakeholders
- participate in the tender review process as appropriate

#### Sustainable Procurement Working Group

- Help to develop documents
- Review and comment on materials in a timely fashion
- Develop and carry out activities as directed by programme lead
- Communicate progress within their local procurement team
- Report progress to the Project Team
- Include Project Team Members in the tender review process
- Summarise and provide details of key findings which can be used to refine the policy
- Implement Supplier Diversity criteria in appropriate tenders

#### Legal

- Provide final approval on the legality of policy, tender and contract documentation
- Advise on the legality of the content of tools and templates
- Review new ideas against current legal environment
- Update programme lead on legislative changes

#### Equality and Inclusion

- Advise changes to legislation and highlight impacts
- Review and comment on documents in a timely fashion
- Monitor compliance and report back to programme lead

#### Supplier Relationship and Account Managers

- Facilitate embedding of objectives with existing suppliers
- Maintain a database of equality and inclusion information on key suppliers
- Monitoring of suppliers compliance
- Target setting

## 9 Communication and Engagement

### *Communication with Suppliers*

A communication and education programme for suppliers will significantly enhance the success of the overall programme. Documents must be presented in a way that is not easy for to diverse suppliers to understand. For example, policy documents and forms should not be overly onerous to understand or complete. In addition communication may be developed specifically for diverse suppliers. This could be delivered online, via the creation of a brochure specifically targeted to diverse suppliers, as well as by briefings and ongoing dialogue with relevant professional bodies, associations and publications. Another possibility is the development of a supplier forum, as outlined below.

### *Supplier forums*

A business case will be developed for supplier forums. The aim is to encourage and educate diverse suppliers within a number of TfL's key spend categories. The event will seek to raise awareness of TfL's policies, routes and methods of supplier engagement, forthcoming programmes and tenders, and to generate discussion on ways to enhance access to contracting opportunities and chances of winning work.

### *Engagement of relevant internal and external departments*

Consultation will occur with internal departments, and external bodies with an interest in Supplier Diversity, in order to develop the programme, as outlined below.

| Internally:  | Externally:  |
|--|--|
| Legal – advising on legal robustness<br>E&I – aligning and advising<br>Procurement Teams<br>Major Project Teams<br>Press Office – assisting communications | GLA – Steer and direction from Mayoral policy<br>LDA – procurement ready diverse suppliers/networks<br>Media – publicise our successes and seek best practice<br>Other interested stakeholders |

## **10 Performance Measurement and Management**

Initially, targets should be developed for the implementation of the programme. This could include such measures as the number of contracts or proportion of spend to incorporate Supplier Diversity requirements.

Over the longer term the Supplier Diversity programme will be measured and supported by the SAP Management Information system. Linked to the diverse supplier definitions, development changes to SAP will ensure capture and reporting, in line with GLA requirements, of the following information:

- SME suppliers
- BAME suppliers
- Suppliers from under represented or protected groups in terms of gender, disability, sexual orientation and age other minority groups.
- Suppliers demonstrating a diverse workforce composition

## **11 Process for Review**

The Supplier Diversity programme will be developed in alignment with a number of key documents:

- TfL Business Plan
- TfL Group Procurement Policy
- TfL Group Risk Management Policy
- GLA Older People's Strategy 2005
- Race Equality Scheme 2005-2008
- GLA Faith Equality Scheme 2005
- GLA Disability Equality Scheme 2005
- GLA Gender Equality Scheme 2003
- UK National Procurement Strategy for Local Government
- Asylum and Immigration Act 1996
- Disability Discrimination Act 1995
- Employment Equality (Age) Regulations 2006
- Employment Equality (Religion or Belief) Regulations 2003
- Employment Equality (Sexual Orientation) Regulations 2003
- Employment Relations Act 1999
- Employment Rights Act 1996
- Equality Bill 2006
- Equal Pay Act 1970 & 1986
- European Race Directive (2000/43/EC)
- Human Rights Act 1998

- Part-time Workers Regulations 2000
- Race Relations (Amendment) Act 2000
- Race Relations Act 1976
- Sex Discrimination Act 1975 & 1986
- Working Time Directive 1993
- Working Time Regulations 1998

It is important that changes in these documents are reflected in TfL's Supplier Diversity programme.

In addition, since the development of the programme is occurring concurrently with testing, the outcome of initial pilots may result in further changes in implementation. It is therefore important that regular reviews are undertaken of the Supplier Diversity programme at defined points during the pilot phase. Close relationships should also be maintained with relevant stakeholders to ensure that any changes in the key documents, to which the programme is aligned, are reflected appropriately.

Once the pilot process has been completed the policy should be reviewed no less than once a year. Responsibility for this review will sit with the authors of the policy unless otherwise arranged.

## **12 Document Owner and Contact Details**

For further information please contact John Gall, Programme Office – Policy & Strategy, Group Services, Transport for London via email: [johngall@tfl.gov.uk](mailto:johngall@tfl.gov.uk)