



SCOPE OF CITI SUBCONTRACTING PROGRAM

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Subcontracting Program

Citi has a long history of advocating Minority and Women Business Enterprises (M/WBE) business development. Over time, the Citi Supplier Diversity department has evolved to meet the needs of a number of different businesses now considered Diverse Suppliers. A Citi Diverse Supplier is a Minority, Woman, Disabled, or Disabled Veteran Business Enterprise or a Veteran Owned Small Business. Diverse Supplier Business Development is linked to **Citi's** Global Diversity Strategy and is considered a strategic business asset.

In our efforts to strive for continuous improvement in our Diverse Supplier initiatives, we have implemented a Second Tier Program. This program is a process of encouraging our First Tier suppliers help to expand minority, woman, veteran, and physically challenged business opportunities by establishing Supplier Diversity Programs of their own. The overall purpose of this program is to expand the Diverse Supplier content of services that we offer to our customers in the marketplace while expanding and broadening the available opportunities for Diverse Suppliers.

The second tier program functions in conjunction with our continued efforts to expand and grow our direct Diverse Supplier procurement in our First Tier Supplier Diversity Program.

Citi prime contractors may participate in the program by subcontracting to Second Tier Suppliers.

Purpose

The purpose of the **Supplier Diversity Subcontracting Program** is to provide and enhance opportunities for minority, woman, physically challenged, and disabled veteran enterprises, as well as veteran owned small businesses so that they can participate in the **Citi** procurement process through prime contractors doing business with **Citi**.

Authority and Background: Public Law 95-507

Public Law 95-507 requires the development of programs to increase participation of small and minority-owned business enterprises in procurement contracts from federal government prime contractors.

- Establishes the Office of Small and Disadvantaged Business Utilization in every Agency having procurement powers.
- Establishes the 8(a) program.
- Establishes Preferential Procurement Goals for participation by small businesses, small disadvantaged firms, 8(a) and small women-owned concerns in Federal contracting programs. The goals are forwarded to the Small Business Administration on an annual fiscal year basis for approval or negotiation.



Language of the Subcontracting Program

Subcontract: Any agreement or arrangement between a contractor and any party or person (in which the parties do not have an employer/employee relationship):

- For the furnishing of products or services for the use of real or personal property, including lease arrangements, which, in whole or in part, is necessary to the performance of any one or more contracts: or
- Under which any portion of the contractor's obligation under any one or more contracts is performed, undertaken or assumed.

First Tier Supplier: A Diverse Supplier that works directly for **Citi** and is paid by **Citi**.

Second Tier Supplier: A Diverse Supplier that is used by a Prime (or first tier) supplier to **Citi** in support of its core business.

Second Tier Direct Activity: Activities and expenditures in which a prime supplier utilizes Diverse Suppliers to support a **Citi** project directly. In addition, if Diverse Supplier payments can be tracked to a specific contract or purchase order, we will accept the Diverse Supplier's portion of the Cost of Goods (COG) sold for products and services purchased by Citi.

| How Second Tier Direct Works: a \$100 Per Unit Product or Service Shipped/Invoiced | | | |
|--|---|--------------------------------|-----------------------------------|
| Diverse Supplier | Diverse Supplier's cost factor in Product per Unit | Citi's Total Unit Order | Diverse Supplier Total COG |
| ABC Company | \$40 | 10,000 | \$400,000 |
| Therefore, of the \$1,000,000 total Citi order, \$400,000 will be credited toward Diversity Spend with Diverse Suppliers | | | |

Second Tier Indirect Activity: Activities and expenditures in which Citi prime suppliers may use Diverse Suppliers in support of its overall activities. Indirect diverse spend can be calculated two ways:

- **Second Tier Indirect Activity A:** Through a percentage allocation and subsequent dollar amount allocated toward Citi Diversity Spend by a prime supplier based upon the prime supplier's Diversity Spend,

| How Second Tier Indirect A Works: Prime Supplier utilizes Diverse Suppliers in support of its corporate objectives | | | |
|---|---------------------------------|---|---|
| Prime Supplier (PS) Designates goals for its SDProgram | Citi uses Prime Supplier | PS earmarks dollar amount or percentage of its business to Diverse Suppliers | Citi SDP tracks PS participation for Diversity Spend |
| | | | |

- or **Second Tier Indirect Activity B (Professional Services):** Through the use of diverse employees working in professional services, (i.e. advertising, marketing, legal, etc) with the prime supplier on Citi matters.

| How Second Tier Indirect B Works: Prime Supplier of Professional Services | |
|--|--|
| Prime Supplier Tracks Diversity Spend two ways: | |
| 1. Identify all diverse (see above) professionals that work on Citi projects/matters. Calculate billable expenditures and report data to Citi. (A voluntary report by PS) 2. Identify and report all subcontracted expenditures on Diverse-owned firms that have worked on Citi projects/matters. | Citi SDP captures for Diversity Spend |



Defining a Citi Diverse Supplier

A **Diverse Supplier** is a Citi supplier that can be categorized as one of the following:

Minority Business Enterprise (MBE)

A for profit enterprise presently located in the United States or its trust territories, and is at least 51% owned by African Americans, Hispanic Americans, Native Americans, Asian Indian Americans and Asian Pacific Americans. Individual(s) must be involved in the day-to-day management of the business.

- *African Americans* are U.S. citizens whose origins are in any Black racial groups of Africa.
- *Hispanic Americans* are U.S. citizens whose origins are in South America, Central America, Mexico, Cuba, the Dominican Republic, Puerto Rico, or the Iberian Peninsula, including Portugal.
- *Native Americans* are American Indians, Eskimos, Aleuts, and Native Hawaiians.
- *Asian Pacific Americans* are U.S. citizens whose origins are in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territory of the Pacific Islands (Republic of Palau), the Northern Mariana Islands, Laos, Kampuchea (Cambodia), Taiwan, Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Republic of the Marshall Islands, or the Federated States of Micronesia.
- *Asian Indian Americans* are U.S. citizens whose origins are in India, Pakistan, Bangladesh, Sri Lanka, Bhutan, or Nepal.

Woman Business Enterprise (WBE)

A for profit enterprise presently located in the United States or its trust territories, and is at least 51% owned, controlled, and operated by a woman or women of US citizenship. Individual(s) must be involved in the day-to-day management of the business.

Disabled Business Enterprise (DBE)

A for profit enterprise presently located in the United States or its trust territories, and is at least 51% owned by an individual(s) of US citizenship with a permanent physical or mental impairment which substantially limits one or more of such persons' major life activities. Individual(s) must be involved in the day-to-day management of the business.

Veteran-Owned Business Enterprise/Service Disabled Veteran-Owned Enterprise (VET/SDV)

A for profit enterprise presently located in the United States or its trust territories, and is at least 51% owned by an individual(s) who have performed active service in one of the United States armed services, and were honorably discharged. The term "service-disabled" means that such disability was incurred or aggravated in line of duty in the active military, naval or air-service. Individual(s) must be involved in the day-to-day management of the business.

Small Business Enterprise (SBE)

A small business (as defined pursuant to Section 3 of the Small Business Act) presently located in the United States or its trust territories. The Small Business Act states that a small business concern is "one that is independently owned and operated and which is not dominant in its field of operation." The law also states that in determining what constitutes a small business, the definition will vary from industry to industry to reflect industry differences accurately.