

JOINT VENTURE CERTIFICATION CRITERIA

4th October 2016

APPLICABLE DEFINITION OF A JOINT VENTURE

Supply Nation will use the below definition to classify if a business applying for Certification is to be classed as a Joint Venture.

For certification purposes, Supply Nation defines a Joint Venture as being “a commercially independent incorporated entity that consists of two or more businesses pooling their resources and expertise formed to carry on a single or ongoing for-profit business activity”

CERTIFICATION CRITERIA FOR A JOINT VENTURE

For a JV to be certified by Supply Nation, Supply Nation **will** apply the following primary criteria:

1. A Joint Venture relationship **must** result in the creation of an independently incorporated company that is registered with ASIC;
2. The JV **must** have an approved registration on Supply Nation's Indigenous Business Direct;
3. The JV **must** be at least fifty-one percent (51%) owned by an Indigenous Australian(s), either through direct Individual shareholding or cumulative shareholding through a parent or holding company.

E.g **Individual Ownership:**

- a) Indigenous Australian Applicants own at least fifty-one percent (51%) of a JV individually, or;

E.g **Cumulative Ownership:**

- b) Indigenous Australian Applicants own one hundred percent (100%) of a holding/parent company, which owns at least fifty-one percent (51%) of a JV, or;
- c) Indigenous Australian Applicants own ninety-five percent (95%) of a holding/parent company, which in turn owns at least fifty-five percent (55%) of a JV.

In this case, the cumulative ownership of the JV by Indigenous Australian Applicants is fifty-two percent (52%) [ninety-five percent (95%) of the fifty-five percent (55%)].

In essence, to meet cumulative ownership requirements, the more a holding/parent company owns of a JV, the less the holding/parent company needs to be Indigenous Owned in it's own right until the cumulative Indigenous ownership percentage of the JV drops under fifty-one percent (51%).

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CERTIFICATION CRITERIA FOR A JOINT VENTURE (CONTINUED)

4. The JV **must** be led / managed by a Principal Executive Officer who is an Indigenous Australian;
Alternatively the JV can delegate various areas of the management, policymaking, or daily operations to other participants in the business regardless of whether these participants are Indigenous, however such delegations of authority must be revocable by Indigenous interests, and the Indigenous Interests must retain the power to hire and fire any person to whom such authority is delegated.
5. The key business decisions regarding the JV's finances, operations, personnel and strategy **must** be made by an Indigenous Australian(s);
6. The JV **must** be For profit in that the JV is able to distribute its equity to its Shareholders;
7. The JV **must** be trading as a business in its own right - with a minimum annual revenue of \$50,000.00 and a demonstrated recent history of trade (ideally, at least 6 months trade history);
8. The JV **must** be located in Australia, and;
9. The JV **must** be able to demonstrate Commercial Independence.

DEFINITION OF COMMERCIALY INDEPENDENT

In determining if a JV is Commercially Independent, Supply Nation **will** apply the following definition:

“To be Commercially Independent, a JV must reflect a collaboration of the JV parties resources, skills and assets and not totally or fundamentally depend on non-commercial relationships and use of resources (e.g. equipment, personnel, facilities, financial or bonding support) with another non-Indigenous enterprise or enterprises to deliver its core service offering(s).”

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DEMONSTRATION OF COMMERCIAL INDEPENDENCE

In determining if a JV is Commercially Independent, Supply Nation **will** require the JV to demonstrate that it:

1. Is a separate Incorporated Commercial Entity;
2. Has Indigenous control at the executive and board level with either of the following:
 - a) a separate Board of Directors where a majority vote is exercised by Indigenous directors and/or Indigenous Chair;
 - b) an Indigenous MD; or a non-Executive Management Structure that reports to a higher Indigenous held position (eg: CEO or Chair).
3. Has clear Delegations of Authority and Power;
4. Has a Constitution that reflects the Indigenous control and management of the JV;
5. Has a Joint Venture Agreement or Shareholders Agreement that reflects the Indigenous control and management of the JV;
6. Commercially sources and acquires their resources:
7. Has a Shared Services Agreement with its non-Indigenous partners if accessing resources from said partner;
8. Has internal associated costing and cost centre allocations;
9. Has independent procurement powers outside of a parent/partner entity;
10. Has an independent brand identity and control over its branding;
11. Has independent billing and financial controls with independent client engagement authority;
12. Ensures that the Indigenous member of the JV is responsible for a clearly defined portion of the work to be performed with its own forces.

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DOCUMENTRY PROOFS REQUIRED TO DEMONSTRATE COMPLIANCE

To Certify a JV as “Indigenous Owned, Managed, Controlled and Commercially Independent”, the JV **MUST** provide to Supply Nation the following documentation:

1. A Certification Application;
2. Confirmation of Aboriginality or Torres Strait Islander Heritage Documents for its Indigenous Owners, and Executive Management in positions of Management and Control, including Board Members;
3. Copies of the businesses current Insurance documentation, including its Professional Indemnity, Product Liability and Workers Compensation Policy Certificates;
4. A Profit and Loss Statement or Financial Record demonstrating an Annual Revenue of greater than \$50,000.00 and detailing it’s internal associated cost of sales arrangements and cost centre allocations;
5. A copy of the businesses current and up-to-date Company Constitution;
6. A copy of the businesses Joint Venture Agreement or Shareholders Agreement which clearly outlines profit distribution, delegations of authority and power, clearly defined work portioning levels and the businesses trade/branding and procurement permissions or restrictions;
7. A copy of a Shared Services Agreement or Commercial Agreement with its non-Indigenous partners defining the arrangement for the JV accessing the partners resources;

CONTINUED COMPLIANCE

To ensure that a JV continues to maintain its adherence to the Certification Criteria, it is the responsibility of the JV to advise Supply Nation of any changes to shareholdings, management positions or key agreements which may shift the JV relationship to outside that of the Certification Criteria.

If a situation changes where the company is no longer Indigenous owned, managed, controlled or commercially independent, or the JV does not advise Supply Nation of any changes to the shareholdings, management positions or key agreements, Certification of the JV may be revoked in line with Supply Nations standard Certification Policies and Procedures.

SUPPLY NATION DISCRETIONARY POWERS

Supply Nation reserves the right to either reject applications or seek further information from a Joint Venture on a “case by case” basis.