

Black cladding



What is black cladding?

Black cladding can mean different things to different people and can therefore be subjective and nuanced depending on how an individual defines an Indigenous business.

Supply Nation considers 'black cladding' to be the practice of a non-Indigenous business entity or individual shareholder in the business taking unfair advantage of an Indigenous business entity or individual shareholder for the purpose of gaining access to otherwise inaccessible Indigenous procurement policies or contracts. This involves practices and arrangements that result in the disadvantage or detriment to the Indigenous business or individual shareholder, or that do not represent a genuine demonstrated level of equitable partnership and benefit.

What is an Indigenous business?

Any business that is 50% or more owned by an Aboriginal and/or Torres Strait Islander person/s meets the definition of an Indigenous business under the Indigenous Procurement Policy (IPP) and state-based policies.

Note: in 2023 the Northern Territory government adopted a definition of majority Indigenous owned, managed and controlled for contracts led by the Territory government.

Supply Nation recognises two levels of Indigenous ownership:

Registered Suppliers = 50% or more Indigenous owned (current definition under the Federal Government IPP)

Certified Suppliers = 51% or more Indigenous owned, managed and controlled (Supply Nation recognises this additional definition)

Supply Nation classifies some businesses as Indigenous Joint Ventures (IJVs)

Registered IJV Suppliers = 50% or more Indigenous owned with 50% or more management involvement and 50% or more contribution to control-related decision making (IPP requirements from 1 July 2019)

Certified IJV Suppliers = 51% or more Indigenous owned, managed and controlled (Supply Nation recognises this additional definition and IPP requirement from 1 July 2019)

The Indigenous party in any business should receive benefits commensurate with their level of ownership. Supply Nation undertakes checks to ensure business arrangements are equitable, and the Indigenous party is protected. However, these checks only take place for Certified Suppliers and IJVs. Registered Suppliers only need to meet the minimum 50% Indigenous ownership (specified by the IPP), this is checked at least annually, and whenever Supply Nation is made aware of an ownership change.

What does Supply Nation do if we receive notification that a business may be 'black clad'?

Supply Nation will follow the investigation process as outlined in its [Supplier Terms and Conditions](#) and [Code of Conduct](#). If a business is found to be 'black clad', Supply Nation will take the relevant actions outlined in the Supplier Terms and Conditions and Code of Conduct.

In the case of serious fraud or criminality, Supply Nation has the capacity to consider legal proceedings and referrals to police and/or other relevant statutory authorities.

What does Supply Nation do to mitigate the risk of black cladding?

We exist to support procurement from verified Indigenous businesses. Supply Nation actively guards against black cladding through our rigorous, five-step verification process, that includes annual and spot audits. Procurement teams must also follow their own due diligence to ensure their suppliers are meeting the definitions and standards of their organisation. This gives legitimate, verified Indigenous enterprises the best chance of succeeding in the sector and mitigates the risk of 'black clad' businesses on our directory.

How to report suspected black cladding?

If you suspect a business is 'black clad', please complete this online form: supplynation.org.au/lodge-a-complaint.

What is not black cladding?

While Supply Nation has a clear working understanding of black cladding, we acknowledge that this is not the only perspective in the sector. Our approach to investigating whether or not a business is black clad is aligned to our definition and our verification and audit processes.

Here is a list of common examples or potential scenarios and Supply Nation's approach:

Scenario	Supply Nation's approach
An Indigenous business loses out on an opportunity to a genuine Registered or Certified Joint Venture operating under the Indigenous Procurement Policy (IPP) requirements.	An Indigenous Joint Venture that has satisfied Supply Nation registration or certification requirements is an Indigenous business and eligible under the IPP because it recognises critical business decisions are made by Indigenous Australians.
Any arrangement that has at least 50% Indigenous ownership.	Supply Nation is funded to maintain the National Indigenous Australians Agency (NIAA)'s definition of an Indigenous business as one that is at least 50% owned by an Aboriginal and/or Torres Strait Islander person/s. If the business is registered with Supply Nation, it has satisfied that requirement which recognises Indigenous businesses can enter into structures that work for them. Certified Suppliers and IJVs meet additional requirements around management involvement and decision making.
An Indigenous business that does not employ a prescribed number of Indigenous employees.	Indigenous employment is not part of Supply Nation's or NIAA's definition of an Indigenous business. There are no requirements that Indigenous businesses operate any differently from other businesses in Australia. However, the evidence shows that Indigenous businesses are far more likely to invest and employ in their communities.
An Indigenous business represented in public or at meetings by non-Indigenous owners / representatives.	Businesses may have non-Indigenous employees representing them in public or at meetings. There are no requirements that Indigenous businesses must be represented publicly by Indigenous peoples. Under the NIAA definition of a Registered Indigenous business, there are no obligations for Indigenous people to be involved in the day-to-day management of the organisation. Under Supply Nation's definition of a Certified Indigenous business (51% or more Indigenous owned, managed and controlled), Indigenous people must be involved in the day-to-day management of the organisation. Under IJV requirements in the IPP, Indigenous people are required to be involved in the day-to-day management of the business.
An Indigenous owned business works with a capability partner supplier to access their resources through a commercial arrangement that benefits the Indigenous business.	Many (Indigenous or non-Indigenous) businesses have commercial relationships in place with other suppliers (Indigenous or non-Indigenous) to deliver their products or services. If a business is registered or certified with Supply Nation, then they have met or exceeded the requirements of 50% ownership. There are no requirements that Indigenous businesses operate any differently from other businesses in Australia.

Scenario	Supply Nation's approach
An Indigenous business that is not 100% owned by an Indigenous person.	<p>The current definition of an Indigenous business under the Federal Government Indigenous Procurement Policy (IPP) is one that is at least 50% owned by an Aboriginal and/or Torres Strait Islander person/s.</p> <p>This allows for equal partnerships with non-Indigenous business owners and allows Indigenous entrepreneurs to enter into business structures that work for them, and for example, access capital and capability as they grow.</p> <p>There are many ways in which Indigenous people may choose to run their business. Ultimately, it's up to the business owner to consider how and if they want to align their business to any of the existing definitions of an Indigenous business and balance this with their broader business aspirations.</p> <p>If the business is registered with Supply Nation, it has satisfied that requirement.</p>
An Indigenous business owner that does not 'look' Indigenous.	<p>It is immaterial that a business owner does not meet an expectation of how an Indigenous person should look.</p> <p>The checks that Supply Nation complete include confirming the Indigenous heritage of the business owner as per the three-part legal definition (descent, self-identification and community recognition).</p> <p>We require a Confirmation of Aboriginality (CoA) document from a recognised Aboriginal organisation, or a Statutory Declaration from the individual that includes two referees from recognised Aboriginal organisations. All documents and organisations are checked thoroughly.</p>
An Indigenous business without a shopfront or physical presence in a particular state or region.	<p>How a business chooses to situate itself in terms of physical presence in a state has no bearing on its status as an Indigenous business.</p>
An Indigenous business that does not procure product/s from other Indigenous businesses.	<p>While Supply Nation encourages all businesses to procure from Indigenous businesses, there is no expectation or requirement that Indigenous businesses procure from other Indigenous businesses.</p> <p>If a business is registered or certified with Supply Nation, then they have met or exceeded the requirements of 50% ownership.</p> <p>There are no requirements that the business operate any differently from other businesses in Australia.</p>
An Indigenous business that does not provide a percentage of profits back to community.	<p>While many Indigenous businesses provide support to community in some form, they are not required to do so. Some Indigenous businesses are social enterprises, but the majority are not and should not be expected to 'give back'.</p>