

# ACR Aboriginal Programs Project Program Template

<b>Program Area:</b>	3.0	Business Development
<b>Sub Program:</b>	3.1	Providing Business Opportunities
<b>Template:</b>	3.1.5 Business Based Relationships with Aboriginal Communities	
<b>Sponsor(s):</b>	<i>Tolko Industries Ltd.</i>	

## 1. Objective

To establish business-based relationships with Aboriginal groups focused on development of timber harvesting capacity; to provide an opportunity for Aboriginal-based businesses to invest and partner in forest-based businesses complementary to Tolko's core business; and to proactively engage Aboriginal groups in the human resources and skills training associated with existing and new business ventures.

## 2. Description

Tolko's Aboriginal policy commits the company to working with Aboriginal communities and individuals on the basis of mutual understanding, respect and trust, as well as recognition of and sensitivity to the different cultural values and rights of each community in which Tolko operates.

The key principles that guide the development of business-based relationships are:

- Ensure effective communication and consultation on forest management activities that involve Aboriginal areas of interest
- Provide employment and contract opportunities to Aboriginal people consistent with Tolko's Equal Employment Opportunity policy
- Conduct business in a manner that will be supportive of ventures that make sound business sense and are operated for the mutual benefit of all parties
- Establish and maintain a consultative process to identify opportunities and address or resolve any conflicts that may arise

The approach used by Tolko is to enter into a memorandum of understanding (MOU) with interested Aboriginal communities in proximity to Tolko's operations. These MOUs set out a basis for the parties to work together and develop business-based relationships focused on timber harvesting and forest management opportunities. In particular, Tolko has entered into harvesting contracts with Aboriginal communities by committing timber volumes sufficient to support a viable harvesting operation (typically a total volume of 100,000-150,000 m<sup>3</sup>/year from all sources). The contract is on commercial terms and can be used to secure bank financing. One condition is that the harvesting operation must employ Aboriginal people and cannot simply be sub-contracted out to another party. In some cases where the Aboriginal party has lacked

sufficient equity, Tolko has provided start-up financial assistance, which is structured as a repayable loan. The company also provides in-kind services in forest management and operational planning at no cost to the Aboriginal venture, and supports training initiatives for Aboriginal people in these areas.

### **3. Timeframe for Results**

The length of the MOU varies depending on the situation, but generally it is a five-year agreement with renewal provisions subject to performance. All agreements contain default clauses that allow for termination in the event of non-performance. Tolko provides the business opportunity but the Aboriginal contractor must meet the terms and conditions which are negotiated on a commercial basis.

### **4. Measurable Criteria**

- Number of Aboriginal people employed
- Success of Aboriginal venture
- Aboriginal engagement is a key performance indicator (KPI) for Tolko managers

### **5. Budget**

Tolko has used repayable loans to assist in start-up of Aboriginal harvesting ventures where the Aboriginal party has lacked sufficient equity. The company also provides in-kind services in forest management and operational training at no cost to Aboriginal partners. No identifiable budget exists as these costs are internalized.

### **6. Partners and Sponsors**

Tolko Industries Ltd. is the sole sponsor. Key partners include First Nations (Little Red River Cree, Tallcree, Dene Tha, Whitefish, Meadow Lake Tribal Council, Agency Chiefs Tribal Council, La Ronge Band) and Métis communities in Alberta and Saskatchewan (Gift Lake, Peavine, East Prairie, North West Communities).

### **7. Experience with the Program**

Tolko has entered into a number of business-based timber harvesting and related contracts with Aboriginal parties. The company sees these initiatives as having been successful in providing business opportunities and building relationships with Aboriginal communities even though some are no longer active. Contracts include:

#### **High Prairie Division (since 1995)**

- Gift Lake Métis Settlement harvests approximately 150,000 m<sup>3</sup>/year for Tolko and sells approximately 40,000 m<sup>3</sup>/year to Tolko.
- Peavine Métis Settlement harvests approximately 145,000 m<sup>3</sup>/year for Tolko and sells approximately 20,000 m<sup>3</sup>/year to Tolko.
- Whitefish Lake First Nation harvests approximately 125,000 m<sup>3</sup>/year for Tolko. Alberta's first joint DTA was between Whitefish Lake First Nation and Tolko.
- Sturgeon Lake First Nation sells 10,000 m<sup>3</sup>/year to Tolko.

- Driftpile First Nation sells 5,000 m<sup>3</sup>/year to Tolko.

#### High Level Division (since 2001)

- Dene Tha First Nation harvests and delivers approximately 45,000 m<sup>3</sup>/year, currently has a one-year agreement to develop all Forest Management Plans for the F14 Forest Management Unit; formal commitment to develop a joint Detailed Forest Management Plan for F14; training staff of the Dene Tha First Nation in the area of GPS/map development; corporate sponsor of the Alberta's Future Leaders Program.
- Little Red River Cree Nation/Tallcree First Nation harvests and delivers approximately 186,000 m<sup>3</sup>/year to Tolko; Tolko continues to support the Special Management Area, which overlaps a portion of the FMA; First Nations members were involved in various aspects of development of the Detailed Forest Management Plan; donated funds and forestry-related books/supplies to schools for various traditional use and educational seminars/field trips; supported training initiatives including paying for the operational training of ten Little Red River Cree Nation members.

#### Meadow Lake, Saskatchewan (since 2002)

- Meadow Lake OSB Partnership includes two Aboriginal shareholders (Meadow Lake Tribal Council and North West Communities) whose interest could increase over time to 10% each; emphasis on partnership for other business opportunities (e.g. harvesting, short wood processing, loading, hauling).
- North West Communities (Métis) entered into a Forest Management Services Agreement and a Timber Supply Agreement for a timber volume allocated to the North West Communities La Ronge Band; entered into a Timber Supply Agreement with Kitsaki Management.
- Meadow Lake Tribal Council entered into an employment training program for OSB operations involving the Tolko High Prairie mill.
- Island Lake and Makwa First Nations signed MOUs providing timber harvesting opportunities.

### 8. General Applicability

This program may be of interest to companies in the forest products business as well as non-forestry companies that want to participate in supporting Aboriginal business ventures.

### 9. Additional Information or Support

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