

INDIGENOUS ENGAGEMENT AND ESG REPORT



Canada's upstream oil and natural gas industry has a long history of interaction with Indigenous peoples and the industry has made great strides toward learning, developing relationships, and sharing benefits from resource development. The industry has made much progress to date, and looks forward to further strengthening of relationships.

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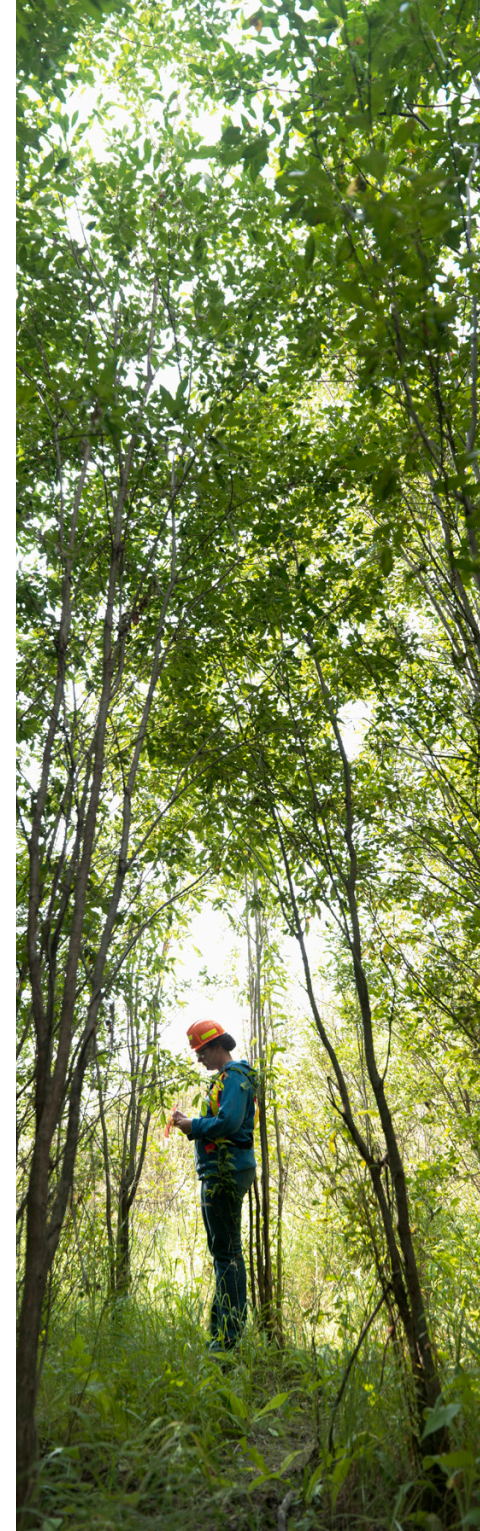
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INTRODUCTION

When it comes to engagement with Indigenous communities, Canada's natural gas and oil industry strives to be flexible and responsive to community needs and to be a positive local presence. The upstream energy sector and Indigenous peoples are finding new ways to work together, growing resource development in a sustainable and mutually beneficial manner.

Engagement and participation come in many forms — there is no 'one size fits all.' Proponents of large, long-term projects may commit significant financial, human and other resources to working with Indigenous communities. For smaller companies or short-term projects, the same level of engagement and resources may not be required or feasible. Although Indigenous peoples are often portrayed as uniformly opposed to resource development, they in fact have a range of different perspectives including many who seek to build sustainable and prosperous community futures by participating in the opportunities that oil and natural gas development creates.

The oil and natural gas industry is committed to meaningful dialogue and developing respectful relationships with Indigenous communities. These relationships aim to create mutual benefits from resource development and a strong shared future where Indigenous communities build pathways to prosperity. This supports positive steps toward overall reconciliation. Further information on Indigenous engagement with the upstream industry is shared in CAPP's 2018 [report](#) *Toward a Shared Future: Canada's Indigenous Peoples and the Oil and Natural Gas Industry*.



The [Truth and Reconciliation Commission's Calls to Action](#) articulate commitments to advance meaningful relationships with Indigenous peoples. Long before the Commission's report was issued, the upstream oil and natural gas sector was working to improve relations with Indigenous peoples and communities. The industry has decades of experience in this regard, with demonstrable, positive, mutually beneficial results.

Positive relationships with Indigenous peoples are an integral part of the industry's overall environmental, social, and governance (ESG) objectives. On behalf of industry, CAPP seeks to convey ESG performance in a manner that expands upon existing reporting frameworks such as the [Sustainability Accounting Standards Board](#) and the [Global Reporting Initiative](#), including additional context describing the depth and nature of the relationships with Indigenous communities and resulting outcomes.



MEANINGFUL CONSULTATION AND ENGAGEMENT



As the business community becomes more intentional in reporting on its performance, including ESG performance, industry practices around meaningful and ongoing engagement with Indigenous communities have proven their value in new ways.

For industry, it makes good business sense to work with neighbours, including local Indigenous employees and contractors with connections to the area. This is also integral to resource development contributing to local prosperity, supporting self-determination and long-term mutual benefit.

The meaningful participation of Indigenous peoples in decisions that impact them, their rights and communities is part of a practice that has evolved in Canada over the past 40 years in keeping with Crown responsibilities under Section 35 of the Constitution. Industry has supported the Crown in fulfilling its duties and over the years, there have been important lessons in how to approach this work, guided by principles established by the Canadian courts.

More recently, with Canada's support of the United Nations Declaration on the Rights of Indigenous Peoples and the 2021 adoption of the United Nations Declaration on the Rights of Indigenous Peoples Act, the concept

of free, prior, and informed consent (FPIC) has emerged to describe these practices. In CAPP's *Discussion Paper on Implementing the United Nations Declaration on the Rights of Indigenous Peoples in Canada* (2016), FPIC is understood as follows:

"... FPIC provides Indigenous communities with rights of increasing participation and protection depending on the degree of impact on the exercise of Aboriginal and Treaty rights. This reflects the guidance of the Supreme Court requiring the Crown to balance the interests of Indigenous peoples with the interests of broader society.

"... decisions by Indigenous communities are made freely and without coercion, in advance of regulatory project decisions, and with appropriate information and consultation about the project or decision."

CAPP supports this articulation of FPIC and the applications of principles enshrined in Canada's Constitution and law.



Cenovus hires and sources locally, including Indigenous businesses like Pimee Well Servicing which is operated by a partnership of six First Nations



IRC president and CEO Stephen Buffalo joins CAPP president and CEO Tim McMillan to sign a memorandum of understanding to work together on areas of mutual interest.

FPIC is understood to be a process, not an outcome. The oil and natural gas industry recognizes the significant role that engaging and consulting meaningfully with Indigenous communities holds in responsible resource development. Such engagement and consultation actions may include:

- Ensuring consistency in approach and skills development to thoughtfully engage with Indigenous communities through corporate Indigenous relations guidelines and policies for employees, managers and contractors.
- Engaging early to develop an understanding of the rights, cultural practices, priorities, concerns, opportunities and areas of importance for local Indigenous communities. Early engagement allows time to build the foundations for long-term, respectful relationships.
- Supporting, as may be required, various aspects of the consultation process; maintaining community capacity to consult on proposed projects or activities.
- Considering and incorporating Indigenous Knowledge, perspectives, and values where feasible to inform project planning, impact assessments, mitigation measures, end land-use goals, and environmental management initiatives.
- Continuing dialogue throughout the lifecycle of a major project or asset to enable Indigenous community participation.



Successful Engagement

Clear expectations, respect and balance are key when it comes to engagement between the industry and Indigenous peoples, and the extent of engagement must be fit-for-purpose. Engaging early allows a timely and thorough discussion of risks and opportunities among parties.

Canada's oil and natural gas industry is a leader in developing a broad range of principles and initiatives to enhance Indigenous participation in all parts of the sector. Many companies have unique targets, made public through sustainability and ESG reports. The extent and scope of participation, relationships, opportunities, and other initiatives is specific to each situation.



Elements of strong ESG performance on Indigenous engagement stem from a commitment at all levels of an organization to operate in a manner that respects the history, rights and cultures of Indigenous peoples, such as:

- Indigenous awareness training for staff and contractors.
- Understanding of the Traditional Territories where the industry operates.
- Developing and supporting a workplace culture of inclusion.
- Recruiting, progressing and retaining Indigenous employees, through programs for mentorship and development, and opportunities for advancement into all levels of an organization.
- Establishing policies, practices, and accountability measures to ensure zero tolerance for harassment and discrimination.
- Ensuring accountability at all levels of the organization, up to and including corporate boards, for implementation of Indigenous relations policies and programs.



INDUSTRY IN ACTION



There are hundreds of examples of economic and mutual benefit interactions with Indigenous communities. A few examples are:

- Cedar LNG project: In November 2020, the Council of Haisla Nation near Kitimat on Canada's West Coast voted to approve a partnership agreement for the Cedar LNG project with Pacific Traverse Energy (PTE), a Vancouver-based energy infrastructure development company, and Delfin Midstream, an LNG export development company specializing in low-cost floating LNG technology. With Haisla Nation holding the majority investment stake, Cedar LNG will be the first majority Indigenous-owned LNG export facility in Canada.
- PETRONAS Canada road maintenance: Extreme temperatures, rain and snow, and heavy vehicle traffic are hard on unpaved roads leading to various PETRONAS Canada facilities in northeastern B.C. As part of an ongoing effort to support local Indigenous businesses, PETRONAS Canada signed road maintenance agreements with two First Nations in the area, enabling First Nation-owned companies to borrow necessary capital to buy a grader, creating year-round work that supports jobs and income within remote Indigenous communities.
- Suncor East Tank Farm: In 2017, Fort McKay First Nation and Mikisew Cree First Nation acquired a combined 49% equity interest in Suncor's East Tank Farm, a strategic infrastructure project, for \$503 million. These investments provide both communities with stable, predictable, long-term funding to enable further growth.
- Birchcliff Energy Ltd. is focused, wherever possible, on hiring local employees and using local contractors, including contractors that are partnered with or owned by members of the Indigenous communities in the company's areas of operation in the Peace River Arch of Alberta. In 2020, Birchcliff awarded contracts worth approximately \$1.75 million to Indigenous service providers to support a broad range of operations, including water management, site preparation activities, safety equipment rentals, medic services, drilling equipment rentals and environmental and remediation services.
- Tamarack Valley Energy has a long history of working alongside First Nations communities with a focus on education and entrepreneurship, building successful business partnerships between Tamarack Valley and the Blood Tribe (Kainai) of southern Alberta. In 2018, Tamarack Valley CEO Brian Schmidt was appointed an Honorary Chief and serves as an advisor to multiple Indigenous organizations and initiatives, including as a volunteer teacher of courses aimed at helping First Nations realize optimal value from the resources on their lands. He also helped establish a royalty trust framework, First Nations financial risk management and a government-funded reclamation program for oil and natural gas sites on First Nation lands.

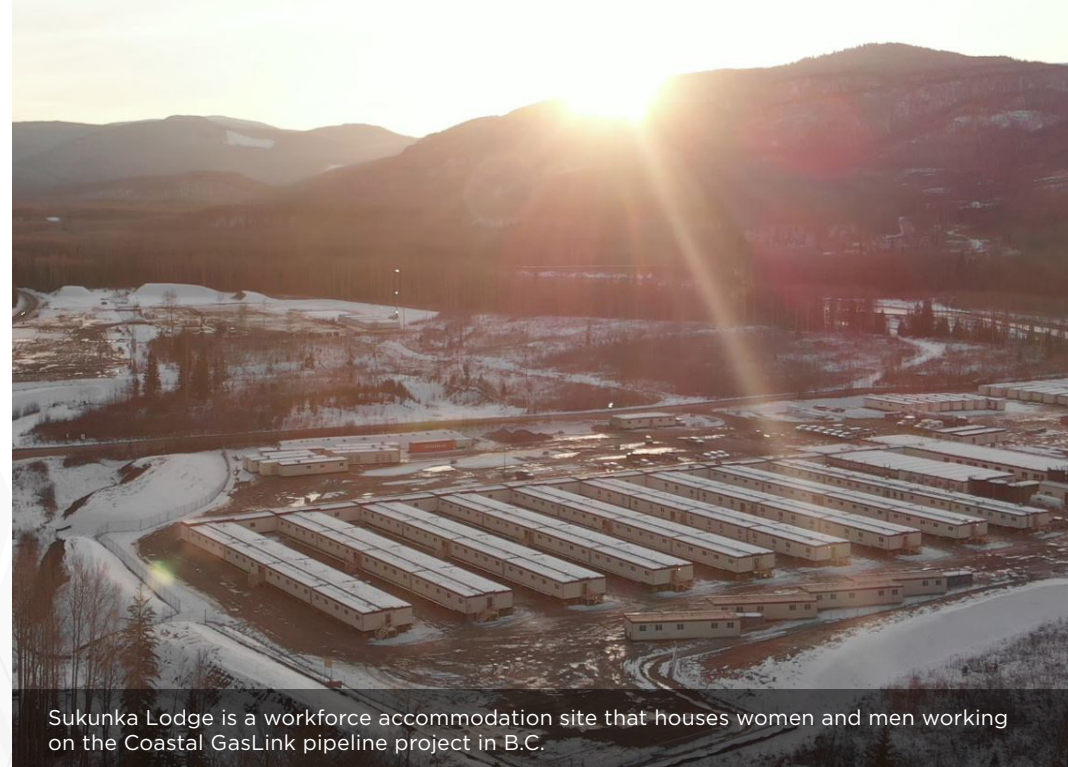


PETRONAS Canada road maintenance agreements enabled First Nation-owned companies to purchase a grader and create year-round jobs and income.

Offering economic opportunity has not been the only area of partnership and collaboration with Indigenous communities. There is also considerable mutual value in initiatives such as education, scholarships, training programs and other models that best fit the locally identified priorities established by Indigenous communities and individual companies. There are numerous examples, including:

- Indigenous Safety and Offshore Engagement Training: Building on successful safety culture seminars involving offshore operators and all 13 Nova Scotia Mi'kmaq communities in 2018, similar sessions were held in 2020 in St John's, NL, to discuss community safety issues and strategies, develop awareness about industry safety, and set groundwork for offshore supply chain opportunities.
- Imperial Oil employment and training programs:
 - The Indigenous Internship Program provides local Indigenous people hands-on practical experience at Imperial's Cold Lake, Alberta operation. Program participants are provided training and mentorship, and supported by the Imperial Indigenous Network.
 - Imperial's Northern Development Program is a one- to two-year training program open to qualified Sahtu beneficiaries who are interested in long-term career opportunities at the company's Norman Wells operation in the Northwest Territories.
 - In 2019, Imperial launched an Indigenous Student Employment Program, to provide Indigenous post-secondary students with the opportunity to develop their professional skills through paid work-term experience as they continue their formal education.
 - Since 2007, Imperial has awarded more than \$1 million in scholarships for Indigenous post-secondary students through its partnership with Indspire's Building Brighter Futures program.
- Pimee Well Servicing: Operating in the Cold Lake region of Alberta, this Indigenous-owned and operated company has been providing employment opportunities for local Indigenous peoples since 1984, including a strong commitment to career development, workforce training and safety. Pimee provides services to several companies in the Cold Lake region including Imperial and Cenovus.
- ARC Resources has partnered with Indspire (a national Indigenous registered charity that invests in the education of Indigenous peoples) to provide scholarships to Indigenous youth enrolled in post-secondary education. This partnership is designed to support individuals from communities in and around ARC's operations in Alberta and B.C., with the ultimate goal for these individuals to gain employment in the energy sector. To further enhance relationships with Indigenous communities in the vicinity of its operations, ARC has also funded traditional knowledge studies to help plan the company's development activities in a way that allows communities to practice traditional cultural pursuits.
- Repsol Oil & Gas Canada's Indigenous Award Program is designed to acknowledge and support the efforts of Indigenous post-secondary students from Treaty 6, 7, and 8 communities and from Métis communities in Alberta. The awards are available to Alberta First Nations and Métis peoples who are enrolled in or have applied to a technical school, college or university in any program. The award may go toward the cost of tuition, books or supplies to a maximum of \$2,000 per academic year. Selection criteria include the applicant's career aspirations and demonstrated community involvement.

- In January 2020, Cenovus Energy announced its intent to build housing in northern Alberta, helping alleviate an ongoing shortfall of adequate housing that faces Indigenous communities in the region. Cenovus will commit \$10 million annually for five years to build new homes in six First Nations and Métis communities closest to the company's Christina Lake and Foster Creek oil sands projects, with the potential to extend the project for a further five years.
- The Coastal GasLink pipeline will link natural gas supplies in northeastern B.C. to the new LNG Canada liquefied natural gas (LNG) plant near Kitimat on the B.C. West Coast. Given the project's remote route, accommodations are needed at several locations to temporarily house the thousands of men and women building the pipeline. All workforce accommodations along the route will be managed by Indigenous-partnered businesses. The first of these, Sukunka Lodge, saw Coastal GasLink partner with the West Moberly First Nations to build and operate the facility. The lodge is located about 40 kilometres south of Chetwynd, B.C. The lodge, which opened in 2020, accommodates up to 700 workers and offers numerous amenities. Revenues from operating the lodge will support a number of initiatives of the West Moberly First Nations.



Sukunka Lodge is a workforce accommodation site that houses women and men working on the Coastal GasLink pipeline project in B.C.



Home built in Cold Lake First Nations through Cenovus Energy's program to address lack of housing in Indigenous communities near its operations.

For more stories and examples, visit the Indigenous Relations Explore page on [CAPP.ca](https://www.capp.ca)



INDIGENOUS PARTICIPATION IN THE INDUSTRY



In its **report**, *Pathways to Indigenous Economic Self-determination*, released in May 2021, the Macdonald-Laurier Institute (MLI) noted “...the past 20 years have seen Indigenous communities gain significantly more influence in and benefits from the resource development sector. From impact and benefits agreements to equity ownership deals, Indigenous workers, businesses and nations have become heavily involved in that industry, earning billions in procurement contracts, royalties and revenue sharing each year.”

Supply chain / procurement

Many operators within the natural gas and oil industry are committed to supporting the development and growth of Indigenous businesses, including through procurement and supply chain opportunities. Corporate strategies may focus on actions such as:

- Prioritizing the local procurement of goods and services from Indigenous businesses and contractors.
- Having dedicated employees who provide guidance on procurement policies and procedures.
- Engaging Indigenous suppliers in competitive bid processes.
- Supporting programs focused on growing Indigenous capacity and business knowledge, ensuring Indigenous entrepreneurs can be competitive on their own terms.

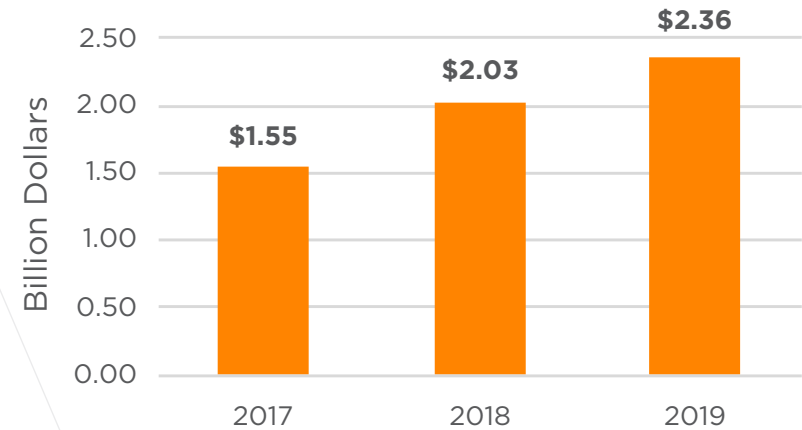
Across the entire upstream industry, procurement from Indigenous businesses has grown steadily as a percentage of total capital expenditure and in 2020 accounted for about 11% of the industry's total spend.



Oil Sands

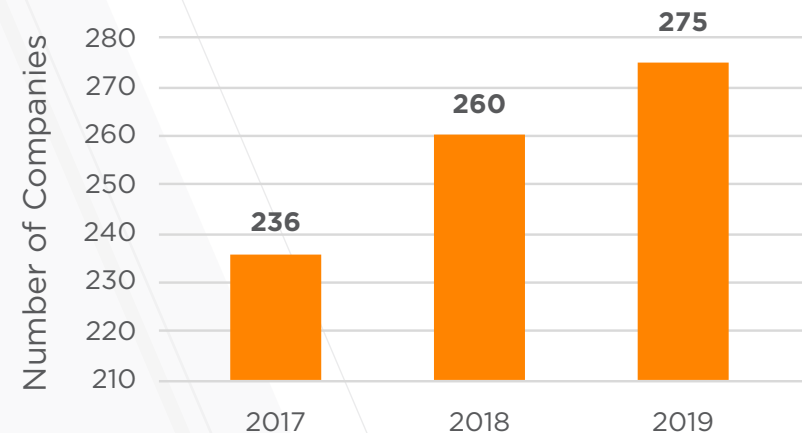
The oil sands industry is a leader in procuring goods and services from Indigenous suppliers. CAPP collects data from oil sands producers regarding such procurement practices. Indigenous-supplied goods and services for oil sands operations include construction, camp operations and catering, equipment services, transportation, environmental services, drilling, engineering services, and retail. CAPP defines Indigenous procurement as monies spent on goods and services from Indigenous-owned suppliers. An Indigenous supplier is defined as any business wholly or partly owned by an Indigenous person or community from which a company procures goods or services.

INDIGENOUS SUPPLY CHAIN SPENDING



Data collected in 2020 shows the significant role of Indigenous suppliers to the oil sands industry. CAPP's research indicates the oil sands sector spent about \$2.4 billion on procurement from Indigenous businesses in 2019.

INDIGENOUS SUPPLIERS



The number of Indigenous suppliers to the oil sands is also increasing. While the majority are located in Alberta, the industry procures goods and services from Indigenous suppliers across Canada.

Conventional natural gas and oil

In 2021, CAPP surveyed its conventional¹ oil and natural gas producer members asking for total procurement of supplies and services, procurement from Indigenous-owned companies or joint ventures, as well as spending on Indigenous community investment and consultation.

¹ Conventional natural gas and oil – in this report, 'conventional' production includes all non-oil sands forms of production, including hydraulic fracturing. Of CAPP members producing conventional oil or natural gas in the Western Canada Sedimentary Basin, 65% responded to CAPP's request for information on Indigenous procurement, community investment and consultation support.

Conventional - Indigenous Supply Chain Spending Across Canada

	2017	2018	2019	2019 vs 2017
INDIGENOUS PROCUREMENT	\$262.8 MILLION	\$251.6 MILLION	\$278.6 MILLION	+6%

Procurement from Indigenous companies by the conventional production subsector of the industry grew 6% in the period from 2017 to 2019. The share of total conventional industry procurement spending directed to Indigenous-owned companies or joint ventures increased from 2.1% to 4.1%.

COMMUNITY INVESTMENT, AGREEMENTS,
CONSULTATION SUPPORT

Community Investment

Community investment is an important aspect of industry's relationship with Indigenous communities. Through community investment, companies can support social and cultural priorities, or help to meet infrastructure needs. Community investment can come in many forms: sponsoring local sports teams, funding cultural events, or building facilities. The industry contributes to a wide variety of social, cultural and economic priorities as identified by Indigenous communities, including:

- Education programs and scholarships.
- Employment and training initiatives.
- Community-directed Traditional Land Use studies.
- In-kind investment procurement and other business purchases.
- Physical infrastructure needs.
- Social and cultural practices and programs.



From 2017 to 2019, industry’s Indigenous community investment spending in the oil sands region rose from \$21 million to \$32 million. Funding helped support such initiatives as community activities, in-kind investments and contributions to community infrastructure.

CAPP’s 2020 research shows oil sands producers are continuing their commitment to engagement in the communities where they operate, increasing the total amount of community investment and other funding. Beyond procurement, consultation capacity funding, and community investment, there may be other types of funding a company makes to Indigenous communities.

Community investment on the conventional side of the industry is lower due to the nature of conventional natural gas and oil development, which is generally not as regionally concentrated as oil sands development.

Oil Sands and Conventional - Community Investment

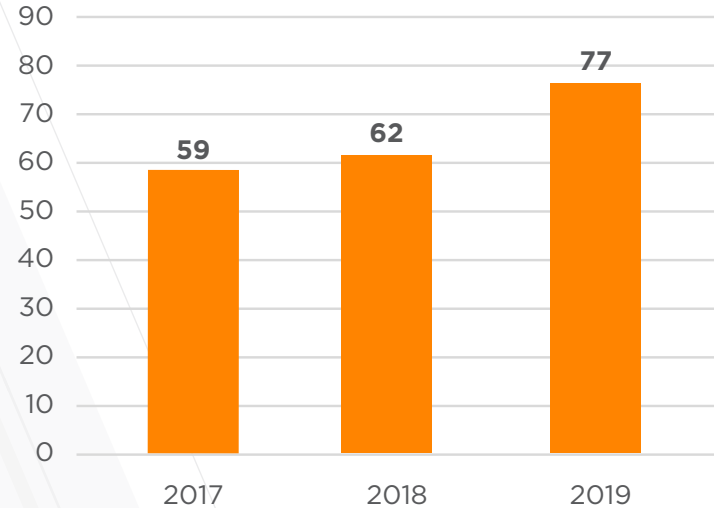
COMMUNITY INVESTMENT	2019	GROWTH FROM 2017
OIL SANDS	\$32 MILLION	49%
CONVENTIONAL	\$2.5 MILLION	8%

Agreements

Agreements are tools that can be used to define important relationships between energy development project proponents and Indigenous communities. Historically, agreements between industry and Indigenous communities have ranged from short-term business contracts to longer-term agreements describing discussion forums and meeting frequencies over the life of a project. Many agreements take a wider view, potentially including the consultation process, mitigation of impacts, procurement, employment, dispute resolution, community investment and capacity funding.

Every community, company, and project is different, thus every industry-Indigenous agreement is different. Companies and communities work to understand one another's needs and priorities, and agreements are tailored to the unique circumstances. CAPP data, collected from oil sands producers regarding agreements, shows the number of agreements increased by more than 20% between 2017 and 2019.

**Oil Sands -
Number of Local / Regional Agreements**





Consultation Support

In each jurisdiction where the Crown duty to consult is required, a process has been established where the Crown provides the basic funding needed for an Indigenous community to participate in the consultation process. Depending on the scope of the project, proponents may provide additional funding to support a more thorough consultation process regarding the potential impacts and benefits of development. Supplemental funding, where appropriate, enables effective Indigenous community participation in the consultation process.

There is no standardized measure for consultation funding, because several factors are taken into consideration such as the size of the proposed project, the project location and its potential impacts. Therefore the scope of consultation support spending varies across the sector, most notably between larger, long-term oil sands projects and potentially shorter-term conventional activities.

Oil sands industry spending on consultation funding rose from \$15 million in 2017 to \$28 million in 2019.

On the conventional side of the industry, funding models are different and often unique to each company or situation; therefore the number of agreements and consultation support spending are less than for the oil sands industry. For conventional producers, the cumulative spend on community consultation was \$11.2 million from 2017 to 2019.

WORKFORCE PARTICIPATION

Overall the natural gas and oil industry seeks to draw talent from different backgrounds. Many companies have specific aspirations such as building workforces that reflect the population in the areas where they operate, or programs aimed specifically at increasing workforce participation by Indigenous peoples. Many operators are leaders in this space, including:

- In July 2020, Imperial was awarded the Canadian Centre for Diversity and Inclusion (CCDI) Employer Initiative of the Year (Western Canada) for its benefits-focused Indigenous business performance in the Athabasca region of Alberta. Imperial's workforce development program is meant to achieve a workforce that is representative of the regional population and the company works to advance participation of Indigenous peoples in energy development.
- Suncor Energy's *Report on Sustainability 2020* states: "Beyond commitments outlined in the policies, we also have agreements with Indigenous communities near our operations. These agreements address how we work together on a range of matters from project consultation to realizing the benefits of commercial and business opportunities, as well as supporting skills/employment and training programs."
- Goals and targets stated in ARC Resources' 2020 ESG report include: "Create a formal recruitment strategy to build an inclusive workforce with a focus on increasing gender, race, and Indigenous heritage diversity in roles currently underrepresented, including management and field operations."
- Cenovus' 2019 ESG report states: "Indigenous peoples impacted by our activities should benefit from employment opportunities with our company and our contractors."
- Canadian Natural's 2020 Report to Stakeholder's states: "In some of the communities where we have extensive operations, we have identified opportunities to establish long-term agreements to formalize our working relationships with Indigenous communities. These agreements promote relationship building and mutual benefit through economic and community development."
- Shell Canada's Indigenous peoples strategy includes a commitment to continue seeking ways to improve human resources strategies and resources specific to the attraction and hiring, retention and inclusion of Indigenous people within its workforce.








Employment and Compensation

Indigenous People are among the youngest and fastest-growing demographics in Canada and offer a valuable resource to industry as a local and stable workforce. As many Indigenous communities are located close to industry operations, there is value in employing community members, such as incorporation of local knowledge, reduced transportation or accommodation costs, and reduced the need for a temporary workforce and remote work camps.

Statistics Canada has employment data for Indigenous workers in the upstream oil and natural gas sector (includes conventional, non-conventional and support activities across Canada). According to this data, overall Indigenous representation in the sector was more than 6% in 2019. For comparison, Indigenous peoples make up about 3.3% of Canada's total workforce. Many companies continue to emphasize and work towards increasing workforce participation by Indigenous people, including within senior management roles.

Indigenous Employment Trends in Canada, 2009 and 2019

INDIGENOUS EMPLOYMENT AND WAGES	2009	2019
Share of jobs in upstream industry	5.1% share	6.3% share 
Senior management roles in energy sector	1.3% share (2010)	1.7% share 
Indigenous male employees* vs. other males employees, energy sector	14% wage gap	10% wage gap 

* Over the 2009 to 2019 time period, Indigenous male employees experienced a 14% increase in overall wages.

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The natural resource economy also provides important benefits when it comes to employment income to Indigenous peoples. The oil and gas and mining sectors represent **eight of the top 10 highest-paying occupations** for Indigenous peoples for Canada. The benefits accrued by Indigenous women is particularly noteworthy.

For example, **Indigenous women earned three to four times more** in wages from occupations in oil and gas than from median wages across all industries. In fact, oil and gas related occupations represent the top six highest paying occupations for Indigenous women in Canada, with pipeline transportation the highest.

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**The Macdonald-Laurier Institute,
*Pathways to Indigenous Economic Self-Determination (2021)***



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