

Interpretive Guide for the application of the Connecting-Factors Test for *Community-Based Enterprise* Certification

Cree Nation Government
Department of Commerce and Industry

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Table of Contents

Context	3
Connecting Factors Test	4
Interpretive Guidelines	6
SECTION 1 – LOCALIZATION.....	6
SECTION 2 – MANAGEMENT/GOVERNANCE	6
SECTION 3 – WORKFORCE AND RECRUITMENT	8
SECTION 4 – OTHER	9
Annex 1: A Sample Report (successful)	11
Annex 2: A Sample Report (unsuccessful)	14

Context

The Community-Based Enterprise (CBE) certification is a designation given to businesses that are sufficiently connected to Cree communities of Eeyou Istchee. Cree communities should be understood as the Cree First Nations signatories of the Cree Nation Economic Prioritization Agreement. This certification grants access to certain tendering processes that are reserved for CBE-certified businesses. Section 28.10.3 of the *James Bay and Northern Quebec Agreement* (JBNQA) mandates the provincial and federal governments to prioritize Cree enterprises for any contracts for projects with a purpose of providing goods or services to or for the benefit of Cree communities. CBE-certified enterprises will have priority access to these tendering processes.

Enterprises will file their application to be CBE-certified through the Cree Nation Business Registry. When completing their application to join the Registry, enterprises can simply request that the information they provide in the Registry application form be reviewed for CBE-certification.

The role of the Cree Nation Government's Department of Commerce and Industry (DCI) in this certification process is to compile all the necessary information and supporting documentation for each applicant candidate, provide each candidate with a preliminary score based on the application of the Connecting-Factors Test, and write a recommendation regarding the candidate's certification. This report is then sent to the Prioritization Review Panel. The Prioritization Review Panel composed of representatives from each Cree First Nation signatory of the Cree Nation Economic Prioritization Agreement is the competent authority responsible to issue the CBE certification. DCI reports are critical in ensuring the Prioritization Review Panel can complete its functions efficiently; DCI employees must verify that all information in an application is correct and provide enough detail in their report so that the Panel has the necessary information to make an informed decision.

The Connecting-Factors Test was designed to assess the degree to which a business is connected to a local Cree community. The test is organized into four sections: localization, management/governance, workforce, and recruitment, and other. In some sections, points are awarded on an all-or-nothing basis, while in other sections points can be awarded on a partial basis. Application of the test should be holistic and adapted to the specific circumstances of each enterprise.

Applicants must achieve a minimum of seventy (70) points for the DCI to recommend them for CBE certification. After going through the criteria and assigning points, the DCI should write a report summarizing the key components of their assessment. DCI should then make a recommendation on certification. Finally, in cases where DCI recommends against CBE certification, they should highlight actions the enterprise could take in order to improve their score enough to be recommended for certification in the future.

Connecting Factors Test

Below are the criteria to be assessed in the connecting factors test, with different points attached to each criterion, depending on the importance of it. When assessing each criterion, DCI should take a holistic approach and award points in line with an understanding of the purpose of the criteria, rather than a strictly technical approach. Further guidance on how to interpret each criterion can be found in the following section.

Section 1 - Localization		Points	Rating
High	1.1 The Head office of the Enterprise is located in a Cree community.	15	
	1.2 The Location of the administrative/business records of the Enterprise are in a Cree community.	10	
Medium	1.3 The Enterprise has a permanent Office or place of business in a Cree community.	5	
	1.4 The Enterprise owns machinery, equipment, vehicles, or other major assets, permanently located in a Cree community.	5	
Low	1.5 The Enterprise is authorized to operate in a Cree community.	5	
Total		40	

Section 2 - Management/Governance		Points	Rating
High	2.1 The individuals responsible for the management and general operations (i.e., members of the Board of Directors, and partners) of the Enterprise are resident of a Cree community.	10	
	2.2 The payroll is being processed from a Cree community and/or the human resource management is carried out from a Cree community.	10	
Medium	2.3 The meetings of the Enterprise regarding its management and governance are held in a Cree community (i.e., meetings of the Board of Directors, meetings of the partners, or the Sole Proprietor resides in a Cree community).	6	
Low	2.4 The day-to-day operations of the Enterprise are carried out from a Cree community (i.e., Project manager and/or Senior management are residents of a Cree community).	4	
Total		30	

Section 3 - Workforce and Recruitment		Points	Rating
High	3.1 The Enterprise has signed the Labour Force Agreement with Apatisiwin Skills Development Department of the Cree Nation Government on recruitment of Cree workforce.	10	
	3.2 The Enterprise has workforce from a Cree community.	5	
Medium	3.3 The Enterprise is offering training programs for residents of a Cree community.	3	
Low	3.4 The Enterprise carries out recruitment campaigns in a Cree community.	2	
Total		20	

Section 4 - Other		Points	Rating
High	4.1 The Enterprise's main bank account is at a financial institution located in a Cree community.	3	
	4.2 The Enterprise has strong links with local suppliers from a Cree community.	3	
Medium	4.3 The Enterprise has received investment from local organizations/individuals in the last three (3) years.	2.5	
Low	4.4 The Enterprise's clientele is located in a Cree community.	1.5	
Total		10	
Final Rating			

Interpretive Guidelines

SECTION 1 – LOCALIZATION

- 1.1 Head Office:** Applicants should receive 15 points if the head office of the enterprise is located in a Cree community of Eeyou Istchee. The information submitted by the Applicants regarding their head office should be confirmed with the information provided in the Registraire des Entreprises du Quebec and/or with Corporations Canada. Information should also be provided by the community representative on the Review Panel confirming the veracity of this information.
- 1.2 Administrative Office:** Applicants should receive 10 points if 100% of their administrative functions are performed and business records are kept in an office in an eligible Cree community. If the administrative functions are split between an office in a Cree community and an office outside a Cree community, Applicants should receive points in relation to the proportion of those functions and records administered and kept in the office in the Cree community.
- 1.3 Location of Place(s) of Business:** Applicants should receive 5 points if they operate any places of business in an eligible Cree community. Examples include store fronts, construction sites, warehouses, counters and offices.
- 1.4 Machinery, Equipment, Vehicles, or Other Major Assets in a Cree Community:** Applicants should receive 5 points if 100% of their assets are permanently located in an eligible Cree community. If only a portion of their assets are located in a Cree community, Applicants should receive points in relation to the proportion of those assets that are located in a Cree community. Examples of assets include office supplies, heavy machinery, vehicles, property, furniture, and inventory.
- 1.5 Authorization to Operate in a Cree Community:** Applicants should receive 5 points if they have been authorized by a local Cree government to operate in an eligible Cree community. Examples of being authorized to operate in a Cree Community include being the holder of a valid business permit issued by a Cree First Nation, local government's Council resolution approving the establishment of the business in the community or working on a project that was approved through a resolution of a Chief and Council.

SECTION 2 – MANAGEMENT/GOVERNANCE

- 2.1. Location of Residence of Individuals Responsible for the Management and General Operations:** Applicants should receive 10 points if 100% of those responsible for the management and general operations of the enterprise are resident in an eligible Cree community. Applicants should receive points in proportion to the management and general operations decisions made by individuals residing in a Cree community. In determining who is responsible for the management and general operations of the enterprise, the DCI may consider the Directors, any senior management personnel, or anyone else who is making high-level decisions about the enterprise.

The legal structure of the enterprise seeking certification should be considered when determining the individuals responsible for the management and general operations. For example, enterprises can be operated by corporations, sole proprietorships, partnerships, non-profits, or cooperatives. Those responsible for the management decisions in a corporation are the Directors. However, this power can, in some cases, be transferred to the shareholders with a unanimous shareholder agreement. In a sole proprietorship, one person owns and operates the enterprise, so they are responsible for all management decisions. In a partnership, the general partners are typically equally responsible for all management decisions. However, each partnership agreement may stipulate a specific division of power for management decisions. In cooperatives and non-profits, the directors are typically responsible for management decisions; however, the specific by-laws of each may provide for an alternate structure.

Example 1: Enterprise A is structured as a **corporation** and has two Directors. One is resident in Nemaska; the other resides in Montreal. They are equally responsible for management and operational decisions. Enterprise A should receive 5 points. In this example, the location of the shareholders is not relevant, as they are not responsible for operational and managerial decisions.

Example 2: Enterprise B is structured as a **corporation** and has 6 Directors. All of them are resident in Cree communities. Enterprise B has 2 shareholders; both are resident in Val d'Or. There is a unanimous shareholder agreement that restricts the powers of the Board of Directors and vests them in the shareholders. In this case, points should be awarded based on the proportion of powers exercised by the directors and shareholders. If the unanimous shareholder agreement vests all the director's power in the shareholders, Enterprise B should receive 0 points. Even though all members of the Board of Directors are resident in Cree communities, the actual decision-making is being done by the shareholders who are outside of the communities. However, if the unanimous shareholder agreement only restricts half of the directors' powers, Enterprise B should receive 5 points, as half of the decisions continue to be made by the directors who are resident in Cree communities.

Example 3: Enterprise C is structured as a **sole proprietorship** owned by an individual who is resident in Wemindji. Enterprise C should receive 10 points.

Example 4: Enterprise D is structured as a **sole proprietorship**. The owner is Cree and grew up in Waswanipi, but they are currently resident, as registered with the Registraire des Entreprises du Quebec, in Quebec City. Enterprise D should receive 0 points.

Example 5: Enterprise E is structured as a **limited partnership**. There are 3 general partners: two are resident in Waskaganish, one is resident in Val d'Or. There are also 3 limited partners, all of whom are resident in Quebec City. Enterprise E should receive 6.7 points. The limited partners are not involved in management decisions, nor are they responsible for the general operation of the enterprise, thus only the residences of the general partners are relevant.

Example 6: Enterprise F is structured as a **cooperative** that has 4 Directors. Two of them are resident in Whapmagoostui, the other two are resident in Kuujjuarapik. 80% of the members of the cooperative are resident in Kuujjuarapik. Enterprise F should receive 5 points. The directors are responsible for the management and general operations of the coop, so the domiciles of the members are not relevant.

Example 7: Enterprise G is structured as a **non-profit corporation** that has 5 directors. Two of the directors are resident in Oujé-Bougoumou, two of the directors are resident in Mistissini, and one of the directors is resident in Chibougamau. Enterprise G should receive 8 points.

2.2.Location of the Payroll: Applicants should receive 10 points if 100% of their payroll is administered and processed from an office located in an eligible Cree community. If the Applicant's payroll is administered and processed from multiple offices, they should receive points in proportion to the percentage of the payroll that is administered and processed from the office in the Cree community.

2.3.Location of the Meetings of the Enterprise regarding its Management and Governance: Applicants should receive 6 points if 100% of the meetings of the partners and/or Board of Directors in the previous 12 months took place in an eligible Cree community, as indicated in the minutes of said meetings. The location of the meetings of the Shareholders should be considered if they exercise powers usually exercised by a Board of Directors, per a unanimous shareholders agreement. If only a portion of the relevant meetings in the previous 12 months took place in a Cree community, Applicants should receive points in relation to the percentage of the relevant meetings that took place in a Cree community.

In the case where meetings occur virtually, the location of those attending the meeting should be considered. In the case where the Directors sign a resolution in lieu of a meeting, the domiciles of all Directors signatory to such resolution should be considered.

For sole proprietorships, the domicile of the owner should be considered.

2.4.Location of the Day-to-Day Operations of the Enterprise: Applicants should receive 4 points if 100% of their day-to-day operations occur in an eligible Cree community. If only a portion of their day-to-day operations occur in a Cree community, Applicants will receive points in relation to the proportion of those that occur in the Cree community. The location of administrative and senior personnel will be considered in determining the location of day-to-day operations. This may include foremen, floor managers, project managers, and supervisors. For instance, if the Applicant is registered as a Sole Proprietorship and is resident of a Cree community, they should receive all 4 points.

SECTION 3 – WORKFORCE AND RECRUITMENT

3.1.Labour Force Information Agreement: Applicants should receive 10 points if they are signatory to Labour Force Information Agreement with Apatisiwin Skills Development (ASD) that is in-force at the time of the application. It must be ensured that the information was complete. The Labour Force Information Agreement is submitted to the Applicant when they proceed with their application. If they complete the information and agree with the terms and conditions of the Agreement, they should receive all points.

3.2.Percentage of Community-Based Workforce: Applicants should receive 5 points if 100% of the workforce is from a Cree community. Where less than 100% of the workforce is from a Cree community, Applicants should receive points in relation to the amount of the workforce that is from a Cree community. Consideration should be given to the feasibility of hiring certain

positions from a Cree community. The DCI should consider all full-time, part-time, and contractual workers who were employed by the Applicant in the preceding 12 months when making this determination. In making this determination, DCI should weigh full-time employees more heavily than part-time and contractual workers.

Example 1: Enterprise A has three full-time employees in Val-d'Or. In the last 12 months, it hired six workers from Cree communities, each for a 4-month contract. Enterprise A should receive 2 points. 6 workers X 4-month contracts is equivalent to 2 full-time workers ($6 \times 4 = 24$)/12=2. An equivalent of 2 of a total of 5 employees come from a Cree community.

Example 2: Enterprise B has 10 full-time employees in Quebec City, 2 full-time employees from Chisasibi, and 12 part-time employees from Chisasibi. All the full-time employees work an average of 35 hours/week. All the part-time employees work an average of 20 hours/week. Enterprise B should receive 2.3 points. Twelve employees X 35 = 420 and twelve employees X 20 = 240, so the number of hours performed for the enterprise averages 660/week. 310 of these hours are performed by workers from Chisasibi ($2 \times 35 + 12 \times 20$). $310/660 \times 5 = 2.3$.

3.3. Training Programs for Residents of a Community: Applicants should receive 3 points if they offered any accredited or structured training programs to members of a Cree community in the 12 months preceding the application. Applicants should receive 2 points if they offered any non-accredited or informal training programs to members of a Cree community in this same period. Training obtained or sought by the proprietor of the applicant enterprise may also be considered if it contributes to the enterprise's development. Applicants are therefore encouraged to describe any capacity-building efforts, regardless of formality or business structure. The assessment must consider the type, size, and structure of the enterprise. For instance, an Applicant business may not have any employees; in such cases, they should not be penalized and may still obtain points.

3.4. Recruitment Campaign in a Community: Applicants should receive 2 points if they pursued a recruitment campaign in an eligible Cree community in the 12 months preceding the application. Recruitment campaigns may be formal or informal, and may include posts on social media, flyers posted in the community, or ads placed in local media. If the Applicant has not hired any new personnel in the preceding 12 months due to all positions being filled, they should not be penalized. Any prior or informal recruitment efforts in Cree communities may be considered. The nature, size, and structure of the business will be considered by the review panel when assigning points. Applicants are encouraged to describe their business model and provide context on recruitment needs, past efforts, and operational stability.

SECTION 4 – OTHER

4.1. Location of Bank Account: Applicants should receive 3 points if their main bank account is located in an eligible Cree community. If an applicant has multiple bank accounts, the account with the highest amount of interest or service fees paid in the preceding twelve months should be considered the main bank account. If the Applicant is based in a Cree community where no banking service is provided, they should not be penalized and should be awarded the 3 points.

4.2. Use of Suppliers from a Community: Applicants should receive 3 points if 100% of their suppliers are located in Cree communities. If less than 100% of the suppliers are located in a

Cree community, Applicants should receive points in proportion to the percentage of suppliers they use that are located in Cree communities. A supplier is defined as an entity that provides goods and services to another organization. Examples of suppliers may include enterprises selling raw goods, tools, or supplies, and organizations providing services such as cleaning or waste management. Consideration should be given to the feasibility of using suppliers located in Cree communities, given the specific circumstances. For example, if an Applicant uses local suppliers for 80% of their needs, but the remaining 20% account for goods for which there are no local suppliers, the Applicant should receive 3 points.

4.3. Investment Received from Local Organizations/Individuals: Applicants should receive 2.5 points if they have received investments or financial contributions from any individuals residing in a Cree community or organizations located in an eligible Cree community or from any local Cree governments. Consideration may be given to partnerships, shareholders, and grants received in the preceding 36 months. Examples may include: a local individual purchasing a significant number of shares in the corporation, a business receiving an Eeyou Economic Group loan, an enterprise partnering with their local business or development corporation, or an enterprise receiving a grant from their local government or through the DCI business funding programs. The DCI should assess the 'significance' of the investment in the context of the enterprise but may use a value of greater than or equal to 10% of the company as a benchmark.

4.4. Location of Clientele: Applicants should receive 1.5 points if a significant amount of their clientele is located in an eligible Cree community.

Annex 1: A Sample Report (successful)

DEPARTMENT OF COMMERCE AND INDUSTRY CREE NATION GOVERNMENT

Community-Based Enterprise Certification Application Analysis

Name of the Enterprise: ABC Construction Company

Type of Commercial Activities: Construction of residential and non-residential buildings.

TOTAL SCORE: 71 POINTS

Summary

This company is headquartered in and operates out of Waswanipi. However, the company has an administrative office outside of the Territory. Additionally, the company has a warehouse where they store heavy machinery in Oujé-Bougoumou. The majority of its projects take place within Cree communities. The company has two directors, one of whom is resident in Waswanipi. While the company does not partner with ASD or provide formal training programs, the majority of its workforce is Cree. The company serves various clients in multiple Cree communities. The company has not breached any environmental or local laws within the last three (3) years, nor is it associated with any criminal organizations.

Recommendation

The company passes the Connecting Factors test. The Department of Commerce and Industry recommends the issuance by the Prioritization Review Panel of the certification of “Community-Based Enterprise” for ABC Construction Company.

**COMMUNITY-BASED ENTERPRISE
CONNECTING FACTORS**

Section 1 - Localization			
1.1 Head Office	The head office is located at 123 Main Street in Waswanipi.	15	15
1.2 Administrative Office	The administrative office is located at 456 rue principale in Quebec City.	10	0
1.3 Location of Place(s) of Business	The main office is in the Cree Nation of Waswanipi at the address indicated in section 1.1. There is also a warehouse in Oujé-Bougoumou.	5	5
1.4 Machinery, Equipment, vehicles, or other major assets in a Community	Heavy machinery and construction tools are located in the Cree Nation of Oujé-Bougoumou. Office equipment is located in the Cree Nation of Waswanipi and in Quebec City.	5	4
1.5 Authorization to Operate in a Cree community	The enterprise is authorized by the Cree Nation of Waswanipi to operate in the community.	5	5
TOTAL		40	29

Section 2 - Management/Governance			
2.1 Location of Residence of individuals responsible for the management and general operations	The enterprise is a corporation created under the provincial legislation. Its board of directors is composed of two members: <ul style="list-style-type: none"> - Jack Black, who resides in the Cree Nation of Waswanipi; and - Jane Blane, who resides in Quebec City. 	10	5
2.2 Location of the payroll	Payroll is administered and processed from the office in the Cree Nation of Waswanipi, as indicated in section 1.1.	10	10
2.3 Location of the meetings of the Enterprise regarding its management and governance	All minutes of the meetings of the Board of Directors indicated that the meetings were held in Waswanipi in the last year.	6	6
2.4 Location of the day-to-day operations of the Enterprise	All current day-to-day business activities are located in the Cree Nations of Waswanipi and Oujé-Bougoumou	4	4
TOTAL		30	25

Section 3 - Workforce and Recruitment			
3.1 Labour Force Information Agreement	The enterprise did not fill the Labour Force Information Agreement on Cree Recruitment with the Apatisiwin Skills Development.	10	0
3.2 Percentage of Community-Based Workforce	All (100%) workers are resident in the Cree Nations of Waswanipi and Oujé-Bougoumou.	5	5
3.3 Training Programs for Residents of a Community	No training programs are delivered by the enterprise in a Cree community.	3	0

3.4 Recruitment Campaign in a Community	Informal community-based recruitment is done by the Enterprise in the Cree Nations of Waswanipi and Oujé-Bougoumou.	2	2
TOTAL		20	7

Section 4 - Others			
4.1 Location of bank account	The main bank account of the Enterprise is located at the First Nations Bank – Waswanipi Branch.	3	3
4.2 Use of suppliers from a community	67% of suppliers are located in a Cree community.	3	2
4.3 Investment received from local organizations/individuals	The enterprise receives investments and financial contributions from residents of a Cree community the Cree Nation of Waswanipi.	2.5	2.5
4.4 Location of Clientele	All clients are located in Cree communities.	1.5	1.5
TOTAL		10	10

TOTAL SCORE: 71 POINTS

Annex 2: A Sample Report (unsuccessful)

DEPARTMENT OF COMMERCE AND INDUSTRY CREE NATION GOVERNMENT

Community-Based Enterprise Certification Application Analysis

Name of the Enterprise: DEF Construction Company

Type of Commercial Activities: Construction of residential and non-residential buildings.

TOTAL SCORE: 53 POINTS

Summary

This company is headquartered in and operates out of Waskaganish. However, the company has an administrative office outside of the Territory. Approximately half of its projects take place within Cree communities. The company has five directors, two of whom are resident in Waskaganish. The other three live outside of the Territory. The company participates in local recruitment in the Cree communities it works in, as well as supports training of Cree workers. However, while the company hires workers from local communities for projects, its day-to-day operations are in Val d'Or, and its permanent workforce are not resident in any Cree communities. The company has not breached any environmental or local laws within the last three (3) years, nor is it associated with any criminal organizations.

Recommendation

The company does not pass the Connecting Factors Test; therefore, the Department of Commerce and Industry does not recommend the issuance of the certification of a Community-Based Enterprise to DEF Construction at this time.

However, were it to make the following changes, DEF Construction could pass the Connecting Factors test and be issued the certification as a Community-Based Enterprise:

- moving some of its administrative functions into a Cree community
- signing a *Labour Force Agreement on Cree Recruitment* with Apatisiwin Skills Development
- administering its payroll from a Cree community
- increasing use of suppliers from Cree communities.

**COMMUNITY-BASED ENTERPRISE
CONNECTING FACTORS**

Section 1 - Localization			
1.1 Head Office	The head office is located at 12 Main Street, in Waskaganish.	15	15
1.2 Administrative Office	The administrative office is located at 345 rue Principale, in Val-d'Or.	10	0
1.3 Location of Place(s) of Business	The enterprise has job sites in the following communities: Wemindji, Nemaska, Waskaganish, Mistissini and Waswanipi	5	5
1.4 Machinery, Equipment, vehicles, or other major assets in the Community	80% of machinery, office equipment and other assets are located in Cree communities.	5	4
1.5 Authorization to Operate in Cree communities	The enterprise is authorized to operate in the above-mentioned communities (see section 1.3).	5	5
TOTAL		40	29

Section 2 - Management/Governance			
2.1 Location of Residence of individuals responsible for the management and general operations	The enterprise is a corporation created under the provincial legislation. Its board of directors is composed of five (5) members: <ul style="list-style-type: none"> - Mr. John Deer, who resides in Waskaganish - Ms. Jane Deer, who resides in Waskaganish - Ms. Donna Black, who resides in Montreal - Mr. Allan Greer, who resides in Val-d'Or - Mr. Jean White, who resides in Québec 	10	4
2.2 Location of the payroll	Payroll is administered and processed from the office in Val-d'Or, at the address indicated in section 1.2.	10	0
2.3 Location of the meetings of the Enterprise regarding its management and governance	All minutes of the meetings of the Board of Directors indicated that the meetings were held in Waskaganish in the last year.	6	6
2.4 Location of the day-to-day operations of the Enterprise	All administrative and senior management positions are located in Val-d'Or; however, consideration is given to the location of foremen on job sites.	4	1
TOTAL		30	11

Section 3 - Workforce and Recruitment			
3.1 Labour Force Information Agreement	The enterprise did not currently complete the Labour Force Information Agreement on Cree Recruitment with the Apatisiwin Skills Development.	10	0

3.2 Percentage of Community-Based Workforce	On job sites, the majority of employees are resident in Cree communities; however, 100% of full-time office jobs are located in Val-d'Or.	5	3
3.3 Training Programs for Residents of a Community	The enterprise has offered multiple accredited training courses to Cree workers in the past year.	3	3
3.4 Recruitment Campaign in a Community	The enterprise promotes the hiring of local workers in the communities where it executes its projects.	2	2
TOTAL		20	8

Section 4 - Others			
4.1 Location of bank account	The enterprise's bank account is located in Val-d'Or.	3	0
4.2 Use of suppliers from a community	33% of suppliers are located in Cree communities.	3	1
4.3 Investment received from local organizations/individuals	Investments and financial contributions from the Waskaganish Business Corporation and local governments.	2.5	2.5
4.4 Location of Clientele	11 projects are currently being completed in Cree communities.	1.5	1.5
TOTAL		10	5

TOTAL SCORE: 53 POINTS