



Athlii Gwaii Legacy Trust

PO Box 588 Massett, Haida Gwaii V0T 1M0
Phone: 1-250-626-3654 Fax: 1-250-626-3261

Athlii Gwaii Legacy Trust (AGLT) Operations Report for Fiscal Year Ended Dec 31st 2021

Pursuant to Sections 2(11) and 36(b) of the Deed of Trust settled as of March 29th, 2007 (the "Trust Deed")

The audited financial statements for Athlii Gwaii Legacy Trust as of December 31st, 2021 can be found on the Trust's website at: <http://www.aglt.ca>.

Over the course of the fiscal year ending December 31st, 2021 ("Fiscal 2021"), the only withdrawals of funds from the Trust's investment fund (the "Fund") were related to the accumulation of investment income and the administrative and extraordinary legal costs associated with the ongoing efforts and negotiations to resettle the Trust.

As discussed in previous Operations Reports, the federal and provincial governments have provided written confirmation of their intentions to support the transfer of the AGLT to a standalone program under the Gwaii Trust Society (GTS). All members of the Athlii Gwaii Working Group (Brad Stennes representing the Ministry of Natural Resources Canada (NRCAN); Chris Lee representing the Ministry of Environment Climate Change Canada (ECCC) – lead agency for the Federal Government; & Jim Schafthuizen, representing the Province of BC Ministry Forests Lands and Natural Resources (FLNRO) & Carla Lutner representing the interests of Athlii Gwaii Legacy Trust and Gwaii Trust Society) have concurred that the transfer of AGLT to GTS is the simplest most cost effective method in achieving resolution. Canada's lead – ECCC signed off in 2019, without any outstanding conditions, and the Province provided the Trust with a similar "Letter of Comfort" in June 2020. The Athlii Gwaii Working Group is meeting as often as biweekly, and Trustees are also attending the meetings in an effort to move the file forward. With Errol's departure from the organization, Carla Lutner assumed the lead representing the interests of Athlii Gwaii and Gwaii Trust as of January 2021.

A critical path forward plan has been developed that outlines the documentation and actions needed to complete the transfer and wind down of Athlii Gwaii Legacy Trust. This document outlines areas of responsibility and timelines for each of the tasks that are necessary to amalgamate the fund with Gwaii Trust. Steps identified include receiving final sign off from the federal and provincial governments, satisfying all outstanding liabilities and obligations of AGLT, passing of BC legislative amendments to authorize the transfer and wind up of AGLT, and finally the transfer of funds and termination of the Trust. This plan when developed originally anticipated that the transfer would be complete in March 2021. This path stalled early on as there was no agreement at the table on what the role of the passive protector role should be. In addition, there were concerns from government regarding restrictions on the use of the fund, protection of capital, provincial and federal indemnity, amendment of the South Moresby Agreement and the appropriate method of tabling the legislation. 2021 meetings focused on these issues and the group is close to consensus. They are working on a tripartite agreement which they hope will form the basis of the provincial legislation. The biggest unknown is the timing of the legislation and if there will be any changes to the conditions of the transfer as a result of the provincial legislative process. The trustees have reached out to the local MLA and MP and while both are supportive, they aren't able to expedite the amalgamation.

With the final letter of comfort in place from the Province, and a plan to wind down the Trust in place,



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the trustees started to develop a business plan framework to present to the public for feedback. The Trustees had expected that once they received written commitments from the province and federal government that they would be able to begin disbursing funds while awaiting final legislation crystalizing the written agreements once public consultation and development of business plan was complete. Community consultation commenced in September 2020 with the Gwaii Trust Board and Trustees presenting to local leadership via Zoom meetings. The Trustees' plan was that Athlii Gwaii would disburse funding to the communities by awarding grants to projects that advance three specific purposes: Restoration, Renewable and Revitalization or the 3 R's. The purposes are explained below.

1. Restoration: Protect and restore the natural environment and ecological integrity of Haida Gwaii's land, air and waters.
2. Renewables: Support the transitioning of Haida Gwaii's fossil fuel-dependent electrical grids to renewable energy sources. Support the productive and sustainable use of Haida Gwaii's natural resources (land, air and water) in perpetuity
3. Revitalization: Support the increase in economic diversification, resilience and self-sustainability of the communities and residents of Haida Gwaii

The 3 R's comprise the pillars of the plan that the Trustees and Gwaii Trust Board are basing their planning on. The plan is that granting, operational and expense guidelines would continue to mirror those of the Gwaii Trust Society on a proportional basis, with total expenses restricted to a maximum of 4.0% of assets under administration. However, as the fund has been dormant for many years, there has been a significant accrual of income. As such, during the first few years the spending plan will exceed the 4% maximum in an effort to bring the retained earnings to an amount appropriate to sustain expected returns necessary of a perpetual fund.

While the Trustees remain committed to the Three R's as funding purposes, public consultation was paused by the Trustees in November 2020. They pulled back as uncertainty as to what restrictions would be imposed on the use of the funds, possible conditions of the uses of the fund and the unknown timing of a transfer created too much uncertainty for the Trustees and Gwaii Trust Board to be able to plan effectively. There had been hope that there could be an interim tripartite agreement between AGLT, BC and Canada that would allow the Trustees to start funding while awaiting legislation, but the federal government cannot give any assurances that spending wouldn't be subject to CRA penalties and actions.

Projects:

A. Summary and explanation of practices used in review, evaluation, and approval of Eligible Projects in the fiscal year ended December 31, 2021.

No call for projects was put out in fiscal 2021, the Trustees are awaiting the enactment of legislation by the Provincial Government to allow for the collapse of the original entity into the Gwaii Trust Society.

B. Full Listing of all Eligible Projects for which funding by the Trust was funded in the fiscal year ended December 31, 2021.

There were no projects awarded in 2021. The sole outstanding project led by the Secretariat of the Haida Nation for the hard cover book "30th Anniversary of the Stand at Athlii Gwaii", was closed and paid out in March 2021 with a small balance being decommitted as the project was under budget.



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Financial Results:

Expenses - Expenses for 2021 were higher than anticipated with legal fees being slightly over budget and investment management fees being 60k over budget. Investment management fees variance can mainly be attributed to the significant growth in the fund as fees are calculated as a percentage of the investments. The Gwaii Trust Board of Directors added the service of a financial controller to assist with the financial oversight of both Athlii Gwaii and Gwaii Trust Society. In addition, a portion of the actuarial review expenses was allocated to the Athli Gwaii portfolio. Neither of these expenses were originally budgeted though both are good moves to safeguard the funds. Legal fees were also higher than anticipated as the Trustees expected that there would be a reduced need for lawyers as their understanding at the end of last year was that negotiating was very close to finished. Consultant fees were lower than budgeted as the Trustees envisioned bringing on a consultant to

Income –The fund earned roughly \$6 million during fiscal 2021. Income was significantly higher than anticipated and the fund continues to grow under the stewardship of the Trustees. As of the end of 2021, the fund balance was approximately 60 million. The protected amount, with inflation at its highest in decades grew to 31.4 million.

Estimated annual fund gross returns before expenses and fees:

Fund	2021 Annual Return	% of year end portfolio
PHN	12.18%	45.7%
Templeton	11.11%	15.8%
Nicola	13.3%	38.5%
Total (Weighted)	11.75%	100.0%

Summary and explanation of the investment strategy of AGLT in fiscal 2021 and any material changes in the investment of the property of the Trust.

George and Bell Consulting, an actuarial and investment consulting firm based out of Vancouver was engaged in 2020 to review Gwaii Trust and Athlii Gwaii's Investment Managers and their management of the Trust's investment portfolios. In addition to the recommendations for changes the Statement and Investment Policies and Procedures that came out of the review was a recommendation to change the asset mix of the investments. The Trustees approved a new asset mix in June 2021. These changes include a reduction to the bonds and equities weighting in the portfolio as well as the addition of two new asset classes- direct lending and infrastructure. George and Bell is working with the group to select new Investment Managers to manage these new assets and in selecting a new manager for the global equities. They will also assist in updating the Investment Policy and transferring the funds transfers once Investment Manager selection is complete. This work should wrap up in 2022.



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Asset Class	As a % of Portfolio	SIPP Range
Canadian Equities	20%	15 – 25%
International Equities	35%	28 – 48%
Total Equities	55%	43 – 73%
Real Return Bonds	7%	05 – 15%
Nominal Bonds	22%	17 – 42%
Total Bonds	29%	17 – 57%
Total Mortgage & Real Estate Funds	14%	05 – 22%
Total Cash / Treasury Bills & Short Term Investments	1%	00 – 05%
Total	100%	

All asset classes were within our prescribed portfolio guidelines during fiscal 2021.

Athlii Gwaii Legacy Trust Trustees Approval

Clyde Greenough

Clyde Greenough (Feb 11, 2022 09:46 PST)

Freda Davis

Freda Davis (Feb 11, 2022 10:39 PST)

Date, As To Both Signatures:

operations report 20201

Final Audit Report

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