



## 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 2022**

#### ***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, 2022 can be found on the Trust's website at: <http://www.aglt.ca>.

Over the course of the fiscal year ending December 31st, 2022 ("Fiscal 2022"), 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; & Len Munt, 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 came to an agreement in principle in April 2022 on the conditions of the transfer. This agreement would inform the development of the legislation needed for the transfer. The agreement includes the following provisions:

1. The broad purpose of the Athlii Gwaii funds is economic development.
2. Gwaii Trust would govern the funds, but AGLT would be tracked separately, and the capital wouldn't be spent.
3. Gwaii Trust would agree to publish strategic plans, funding criteria and financial statements for Athlii Gwaii on its website annually.
4. A passive protector would be hired for an initial term of three years to handle complaints if the transparency requirements set out in the agreement aren't met or the funds are not used for the outlined purposes. This may be renewed.
5. Gwaii Trust would indemnify the federal and provincial government.

The Athlii Gwaii Trustees and Gwaii Trust Board approved the draft agreement at the May 5<sup>th</sup> Board meeting. While the working group representatives agree, they do not have authority to approve the agreement. We haven't received confirmation from either level of government that the appropriate signatories are ready to sign off.

The province has identified Fall 2023 as the most likely timeline for passing of the legislation, depending on the legislative calendar and government priorities. As of the end of 2022, the province indicated they were still on track for this date. Yimmi Sonuga, the Director of Legislation from the Strategic Priorities Group of FLNRORD, presented to the working group on March 28<sup>th</sup>, 2022 on the legislative process.



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The province has proposed a meeting on Haida Gwaii March 21<sup>st</sup> and 22<sup>nd</sup> to finalize the details on the logistics of the transfer. This meeting would include representatives from the province (including the Director of Legislation), Canada and Athlii Gwaii Legacy Trust.

There was a changeover in both the Gwaii Trust Board and Trustees in May 2022. Two new Trustees were appointed to Athlii Gwaii. The new representatives to the Gwaii Trust Board and Athlii Gwaii confirmed that they are in support of the proposed spending plan for Athlii Gwaii Legacy Trust.

The Trustees' plan is 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 5.0% 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 annual distribution amount to bring the retained earnings to an amount appropriate to sustain expected returns necessary of a perpetual fund. The Board is also considering other funding vehicles such as loans or equity positions.

In anticipation of the launch of the Athlii Gwaii Fund the Gwaii Trust board approved additional staffing budget for 2023 to develop and launch the programs. Additional capacity in management, finance, grant management and planning and policy development has been approved by the Board to support the additional work anticipated.

The Trustees have also scheduled public sessions to garner feedback on their plan framework. These sessions will start in April 2023. Four in person sessions are scheduled.

### **Projects:**

#### ***A. Summary and explanation of practices used in review, evaluation, and approval of Eligible Projects in the fiscal year ended December 31, 2022.***

No call for projects was put out in fiscal 2022, 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.



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### ***B. Full Listing of all Eligible Projects for which funding by the Trust was funded in the fiscal year ended December 31, 2022.***

There were no projects awarded in 2022.

#### **Financial Results:**

**Expenses** – As the fund is anticipated to be amalgamated with the Gwaii Trust within twelve months, the financial statements were performed on a liquidation basis of presentation, as it is not considered a “going concern.”

Overall, expenses for 2022 were lower than budgeted. Actuarial and legal expenses were significantly lower than expected and helped to offset the overages in investment management expenses. Investment management fees were higher than budget due to the timing of the onboarding fee with one of our new Investment Managers, Axium. This payment of \$42,000 was paid in December 2022 and was unanticipated.

**Income** –The fund lost approximately 1.5 million during fiscal 2022 due to the downturn in the markets that widely impacted the economy in 2022. As of the end of 2022, the fund balance together with cash was approximately 58.8 million. The protected amount, with inflation at its highest in decades grew to 33.4 million.

### ***Summary and explanation of the investment strategy of AGLT in fiscal 2022 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 continued to assist Gwaii Trust and Athlii Gwaii Legacy Trust in changing the asset mix and selecting new Investment Firms to manage the assets throughout 2022. The Trustees had 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. Axium and Northleaf were selected for these new classes and these agreements were finalized in September and October 2022 respectively. PH&N was chosen to manage the global equity portfolio, with the Franklin Templeton accounts being closed in December 2022 and the Nicola investments reduced to real estate only. In addition, the investments shifted to a fossil fuel free mix with PH&N.

The Trust began to change the asset mix within its investment portfolio and transfer funds to new investments during the year ended December 31, 2022; this transfer was still in progress at year-end. This transfer is expected to take up to 2 years to complete due to the nature of the new Direct Lending and Infrastructure investment portfolios. In the interim, these funds have been invested in a temporary money market account with PH&N.

For a short time in December 2022 the Investments were not in line with some of the ranges within the Statement of Policy and Procedures for 2022. The Canadian Equities are below the minimum prescribed in the SIPP as movements to the new portfolios outlined in the 2023 SIPP were made in December 2022. A new Statement of Investment Policy and Procedures was approved in November 2022 which reflects the new asset mix and fossil fuel free mandate.



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<b>Asset Class</b>	<b>As a % of Portfolio</b>	<b>SIPP Range</b>
Canadian Equities	7%	15-25%
International Equities	37%	28 –48%
<b>Total Equities</b>	<b>44%</b>	<b>43 – 73%</b>
Real Return Bonds	12%	05 – 20%
Nominal Bonds	22%	17 – 42%
<b>Total Bonds</b>	<b>34%</b>	<b>17 – 57%</b>
<b>Total Mortgage &amp; Real Estate Funds</b>	<b>22%</b>	<b>05 – 22%</b>
<b>Total Cash / Treasury Bills &amp; Short Term Investments</b>	<b>0%</b>	<b>00 – 05%</b>
<b>Total</b>	<b>100%</b>	

#### Athlii Gwaii Legacy Trust Trustees Approval

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2/14/2023

2/14/2023

Date, As To Both Signatures: