



### **FISCAL YEAR ENDING December 31, 2023**

*The purpose of this Management Discussion and Analysis (MD&A) is to provide the reader with a written explanation of Six Nations of the Grand River Development Corporation's (SNGRDC) financial performance as assessed through the eyes of Senior Management. Although this disclosure is not required by any corporate charter or by-law, the Board of Directors and Management feel that sharing this level of detail is an important undertaking to demonstrate commitment to be open and accountable to the community.*

*This document is segmented into three sections: (1) Factors of Significance, (2) General Commentary, and (3) Economic Interest - Status Reports.*

*Embedded within the document are frequent references as follows:*

- *The corporation's sole shareholder is the Six Nations Elected Council (SNEC);*
- *"CFS" refers to the Consolidated Financial Statements for the twelve-month period ending December 31, 2023 audited by KPMG LLP (KPMG);*
- *Excerpts and cross references to the Consolidated Financial Statements; and*
- *'Current year' means 2023 (January 1, 2023 to December 31, 2023) and 'future year' means the 2024 calendar year (January 1, 2024 to December 31, 2024).*

*This document is most effective when reviewed alongside the CFS for year ended December 31, 2023.*



## MISSION

To achieve economic self-sufficiency without compromising our values

## VISION

A healthy community for today and the faces yet to come.

## GUIDING PRINCIPLES

The Six Nations of the Grand River Development Group shall adhere to our collective responsibility as Ogwehoweh; a distinct people who live within the delicate balance of the natural world.

The Six Nations of the Grand River Development Group shall demonstrate a respect for our collective rights and responsibilities, recognizing that our collective wellbeing is maintained by our sovereignty.

Our *ohdrihwagwaíhsq:ʔ* (integrity) and success relies on our consistency in demonstrating these principles in a way that is *ogęht* (openness) and accountable for our actions and inactions.

At the forefront of our minds are these principles, which guide our actions and decision-making:

### **Ga'nigqhi:yo (Peace)**

As we hold a position of responsibility to our community, we must play an active role in promoting peace and well-being (*sgé:nq: senqhdqnyqh*), demonstrated through *gędęq* (compassion), fairness, responsiveness, and *gahsgyáq:nyq:ʔk* (encouragement).

### **Respect for the Natural World**

We are all inter-connected and inter-related as people to the natural world. Maintaining this balance requires *degaeyenawa'gqhó:gyeʔ* (cooperation), *degakahsq:gweh* (sharing), and protecting the integrity of the natural environment.

### **Future Members**

Our collective well-being includes future generations of our community. In our decision making, we are mindful that our sustenance is borrowed from the coming generations.

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## 1) FACTORS OF SIGNIFICANCE

The following factors have been identified by Management as matters of significance that are not immediately evident in the Consolidated Financial Statements (CFS):

### A) SNGRDC GROUP GOVERNANCE MODEL

SNGRDC was launched as a community development corporation to generate wealth with the express purpose of investing to meet the current and future needs of the Six Nations of the Grand River Community.

On March 31, 2023, SNGRDC and Six Nations of the Grand River Elected Council (SNEC) executed a new 15-year Management Agreement. A key component of the Management Agreement was enhancing SNGRDC's relationship with SNEC and to find efficiencies in the operations of SNGRDC to better serve the Six Nations community and reach our goal of prosperity 100 by 2030.

A key component of the Management Agreement was an amalgamation of the governance structure. The amalgamation consisted of shifting from three governing boards (Board of Directors, Board of Trustees, and Advisory Committee), consisting of fifteen (15) different board members, to one consolidated board of directors comprised of nine (9) members. The Elected Chief serves as an ex-officio (non-voting) member of the new board. The Board of Directors oversees the President/CEO, who is focused on overseeing Management to generate income. SNGRDC's Governance Model illustrated in [Fig. 1 on page 23](#) outlines the inter-dependencies between the SNGRDC governing body and the relationship with our sole shareholder.

The following committees were established to improve the efficiency and effectiveness of the Board and Directors and to perform certain responsibilities that were previously the responsibility of the previous governing Boards:

<i>Economic Development Trust Committee</i>	<i>Provides recommendations to the Board related to the oversight of the Six Nations of the Grand River Economic Development Trust (EDT) which re-invests surplus profits for the collective benefit of the Community in projects/needs that qualify under the Trust Distribution guidelines</i>
<i>Corporate Governance Committee</i>	<i>Provides recommendations to the Board related to corporate governance that will enhance corporate performance.</i>
<i>Board Development Committee</i>	<i>Provides recommendations to the Board regarding continuity of leadership on the Board, the competencies required of Board members, and determining the make-up and potential gaps in competencies required in current and potential Board members.</i>
<i>Finance, Investment &amp; Audit Committee</i>	<i>Provides recommendations to the Board on new investment opportunities and approvals of the audited financial statements</i>

## **B) SIX NATIONS ELECTED COUNCIL– SOLE SHAREHOLDER**

*SNGRDC is a federal corporation originally approved for creation by SNEC on October 22, 2013 and incorporated on November 18, 2013. The development process included broad research (i.e., Harvard Project – American Indian Economic Development, other Indigenous Institutions) and expert legal advice in the areas of corporate and tax law. SNGRDC was launched after in-depth community engagement (We Gathered Our Voices project) which included 19 think tank sessions and over 30 SNEC resolutions. On May 28, 2015, SNEC ratified the launch and separation of SNGRDC.*

*As discussed in Section 1e below, SNGRDC is a Band empowered entity performing a function of government. The corporation’s single shareholder is SNEC, where SNEC is a “Band” within the meaning of the Indian Act and is therefore legally recognized as public body empowered to create a community owned legal entity.*

*Although SNEC is the only shareholder, the governance of SNGRDC was designed to be apolitical in nature where business operations are carried out autonomously without political influence. That said, SNGRDC does engage in informal business meetings with SNEC to keep them informed of progress, hear concerns, and answer any questions presented on behalf of their constituents. [Refer to Fig. 1 on page 23](#) for an overview of SNGRDC governance structure, including the role maintained by SNEC.*

*SNGRDC, including the Board, Management and staff recognize the importance of working harmoniously with SNEC and all community stakeholders; all parties recognize the need to align our efforts to ensure we are coordinated and focused on achieving the best possible value for the entire community.*

*SNGRDC rights, responsibilities, and communication obligations vis-a-vis our shareholder is fully captured in the new Management Agreement executed on March 31, 2023.*

## **C) NEW MANAGEMENT AND FUNDING AGREEMENT**

*On March 31, 2023, SNGRDC and SNEC commenced operating under a new Management Agreement and Funding Agreement as contemplated by the re-model of SNGRDC as noted above. One of the primary goals was to strengthen the relationship with the shareholder (SNEC) and to ensure SNGRDC and SNEC are aligned in our pursuit of economic self-sufficiency for the Six Nations Community. The enhanced structure consists of four main areas; an updated 15-year management agreement; a new long-term funding agreement; divestiture of properties; and an amalgamated governance model of SNGRDC.*

### **Management Agreement**

*The Management Agreement is a 15-year agreement between SNGRDC and SNEC which captures the terms of the relationship and outlines the obligations of both parties. The agreement, among other things, includes Economic Development Parameters to provide guidance to SNGRDC on the type of development activity that will be supported politically; the requirement for SNGRDC to comply with community engagement standards; the terms of a new head lease arrangement between the parties; and a structured process to conduct joint strategic reviews, dispute resolution processes, and other administrative matters.*

## **Funding Agreement**

*A 15-year Funding Agreement was executed between SNGRDC, SNEC and the EDT. SNEC will receive a minimum annual funding commitment from the EDT for the next 15 years. The annual commitment is 40% of SNGRDC's post audit free cash or \$1.4M, whichever is greater. On average this annual commitment is the equivalent of the allocations SNEC departments previously received via the EDT application process.*

*This will provide funding certainty to SNEC and its departments so they can plan for the long-term needs of the community. Eliminating the EDT application requirement for the SNEC saves resources and time of both the SNEC and the EDT which results in financial savings.*

*The Funding Agreement provides parameters in which the SNEC can utilize the funds. Funding must be directly tied to a community need as outlined in the 2019 Community Plan. The SNEC will be subject to reporting and disclosures, keeping in line with the current EDT funding agreements. As part of the auditing process, the SNEC will produce an annual report detailing where the funds were directed.*

*SNEC will no longer be eligible to apply for EDT funding. This will enable the EDT to streamline their focus towards other general applicants and grassroots level initiatives.*

## **Divestiture**

*When SNGRDC separated from SNEC in 2015, all the properties and operations that fell under the Economic Development department were transferred to SNGRDC. At that time, SNGRDC entered into a management agreement to manage these properties and operations on behalf of the SNEC.*

*Certain properties under management could not be developed due to political factors which are beyond the control of SNGRDC. As such, below is a list of properties that have been transitioned back to SNEC:*

- *Oneida Business Park – undeveloped lands (current building will continue to be managed by SNGRDC)*
- *431 West Street, Brantford*
- *Former School #5 & Former School # 7*
- *Port Maitland property*
- *A6N Yard (former Martin Bus Property); A6N has re-located to the Oneida Business Park*
- *Old Internet towers – Mohawk Road, Chiefswood Road and Cayuga Road*

*In addition to above, Six Nations Tourism – including the Her Majesty's Royal Chapel of the Mohawks and Chiefswood National Historic Site, have transitioned to the SNEC. This transition will allow for greater funding opportunities through grants which were not available to Six Nations Tourism as a subsidiary of SNGRDC. Six Nations Tourism will remain located in Chiefswood Park and continue to collaborate closely with SNGRDC on tourism related offerings.*

#### D) ACCOUNTING FRAMEWORK (NPO, PART III)

Typically, 'for-profit' corporations are focused on increasing shareholder value, whereas not-for-profit (NPO) entities focus on creating value for a specific mission or cause. When viewed holistically, the efforts of the SNGRDC Group are NPO orientated as economic returns flow to the community as a beneficiary and not directly to the shareholder. Given this orientation, Management, with the assistance of our auditors KPMG, have determined that NPO (Part III) accounting framework is the most appropriate for SNGRDC (refer to the CFS pgs. 5-9 for further discussion on accounting policies).

#### E) TAX MITIGATION STRATEGY

The basic tenet of our tax mitigation strategy is SNGRDC is a wholly owned subsidiary of SNEC which under the Income Tax Act is considered a public body performing a function of government. Thus, SNGRDC is a 'Band empowered entity' and is exempt from tax pursuant to Section 149(1)(d.5) of the Income Tax Act. The function SNGRDC provides is Economic Development.

The following considerations reinforce our position:

**i) Master Trust**

SNGRDC utilizes a Master Trust vehicle to hold and manage community interests in Community Benefit Agreements (CBA's). The Master Trust is organized as an entity within the governance umbrella to ensure all holdings and interests are managed transparently, comply with CBA's, and align with our overall tax strategy. Ultimately, community benefit proceeds are transferred annually from the Master Trust to the Six Nations of the Grand River Economic Development Trust (EDT) for the use and collective benefit of the community (where the Six Nations community is the ultimate Beneficiary).

**ii) Tax Planning**

In 2014, in anticipation of the launch of SNGRDC, our tax advisors made application to Canada Revenue Agency (CRA) seeking an advanced ruling on the tax-exempt nature of the activities and structure organized under our corporate umbrella. In support of our application, our tax lawyer (Howard Morry of Pitblado LLP), provided SNGRDC with twelve (12) separate legal opinions supporting our asserted exemption from applicable taxes.

On July 27, 2016, CRA issued bulletin [2016-064503117](#), which clarifies that First Nation development corporations, structured like SNGRDC, no longer need to obtain an advanced tax ruling as they are deemed to be a public body performing a function of government. This bulletin was verified by and between our tax lawyer and the Income Tax Directorate of CRA on November 21, 2016.

Management remains satisfied that our tax planning strategy is sound – this position is supported by the independent vetting conducted by our audit firm, KPMG, who have concluded that SNGRDC is 'more likely than not' exempt based on the merits of our structure. As a result, SNGRDC is no longer pursuing a CRA tax ruling.

## F) DISTINCT REVENUE STREAMS/ HOLDINGS

SNGRDC engages in three (3) distinct streams of revenue generation. Generally, the determining factors of how assets are held within SNGRDC is based on the geographic location of the project, the type of business activity, and the treatment of the asset as prescribed within the Income Tax Act.

These streams are identified as Nation Enterprises, Economic Interests, and Trust Entities.

### i) Nation Enterprises

Nation Enterprises include economic development activity and operations taking place on Six Nations Reserve No. 40 lands. Nation Enterprises are generally un-incorporated entities managed by SNGRDC on behalf of the community. These operations require no special tax planning as the income generated is exempt by virtue of being conducted on-reserve (example: Six Nations Bingo).

### ii) Economic Interests

These activities reflect investments made in activities taking place outside of Six Nations Reserve lands (example: Grand Renewable Energy Park). Economic Interests are primarily pursued due to attractive return on investment and alignment with our Guiding Principles (refer to Page 2).

### iii) Trust Entities

These holdings are held as subsidiaries of the Master Trust and are held in individual sub-trusts which serve as flow through vehicles to provide insulation from corporate tax. The income is exempt from corporate tax as the funds ultimately flow directly to the beneficiary (the Six Nations Community) via the EDT. Examples of these holdings include the receipt of royalty payments as described within previously negotiated Community Benefit Agreements (example: Capital Power and Dufferin Wind).

## G) FINANCIAL REPORTING ANOMALIES

The following anomaly is non-recurring in nature:

### i) Revenue - Economic Interests

Niagara Region Wind Farm LP (FWRN):

In 2023, no distributions were received from FWRN, whereas in 2022 our holding company 9710612 Canada Limited received \$11,067,000. Of this amount in 2022, certain anomalies occurred, the first being a \$2.8M 'true-up' payment from 2021 energy production; the second being an error made by FWRN that incorrectly distributed \$2M where those proceeds should have been retained for future payables. When adjusted the revenue attributed to energy production was \$6,267,000, which is also reflective of a very favourable wind resource in 2022. In 2023, FWRN was negatively impacted by a contractual German inflation adjustment which impacted the annual maintenance cost of the wind turbines resulting in a significantly higher annual operating expense. This adjustment coupled with less than favourable wind resource experienced in 2023 impacted the FWRN's ability to make distributions.



## H) ASSET REPORTING/VALUATION

As previously noted, SNGRDC and SNEC are parties to a Management Agreement which outlines, among other things, the rights SNGRDC has secured to enable the continued operations of Nation Enterprises. The tangible capital assets (land and buildings) housing our Nation Enterprises are assets that are held by, and reported on, Six Nations Elected Council's balance sheet. As a result, SNGRDC reports no value for these types of assets (Example: Oneida Business Park, Bingo Hall, Gathering Place, etc.), however SNGRDC is responsible for investing in and maintaining lands and buildings within our control.

### i) Capital Assets (Leasehold Improvements)

SNGRDC is responsible for maintaining and investing in leasehold improvements and capital replacements. As of December 31, 2023, SNGRDC had a net book value (NBV) in capital assets of \$11,835,741 (\$12,196,136 - December 31, 2022). This amount reflects the aggregate expenditure on capital assets since SNGRDC's inception (refer CFS, Note 7, pg. 13).

In the period a total of \$1,184,005 (\$1,541,329 – December 31, 2022) was invested in capital assets (refer CFS, Statement of Cash Flows, Pg. 4). The top three (3) largest expenditures were:

A6N Renovation	\$584,594
Tiny Homes	\$297,807
Chiefswood Park Pavilion	\$53,047

### ii) Investments in Economic Interests

Investments in Economic Interests are valued using the not-for-profit accounting framework (refer to 1a above) where the value is reported at cost. Typically, the cost method applies when an ownership interest is below 25% or the investment is made into a limited partnership structure where SNGRDC has limited influence/control over operations. For Joint Ventures (JV), the asset value is reported using the equity method proportionate to our interest in the JV.

The Investments in Economic Interests as of December 31, 2023, increased to \$68,225,066 (\$63,579,831 – December 31, 2022). The net change of \$4,645,235 is largely attributable to:

- During 2023, the Company finalized its investment in the Oneida battery storage project where the Company exchanged its interests in Oneida Energy Storage LP for special units of Oneida Storage LP triggered by the inclusion of an additional partner. The Company investment increased by \$4,410,229 for its 10.3% interest in Oneida Storage LP.
- For the three months ending March 31, 2023, A6N's equity pick up of \$235,006, which increased our 51% interest in A6N to \$1,890,554 (CFS, Note 5, Pg. 12)

On March 30, 2023, the Company's investment in the Six Nations Aecon Joint Venture was converted to a general partnership (A6N General Partnership). Consequently, the accounting for the investment was revised from the equity method of accounting to the cost method.

**iii) Long-Term Receivables**

In 2023, SNGRDC has long-term receivables which total \$877,558 (CFS, Note 4, pg. 10). These receivables were advanced on the following terms:

County of Brant – SNGRDC advanced a convertible loan to the County in the amount of \$193,500 bearing interest at 9.189%; the placement is convertible to a 15% ownership interest in a roof top solar placement located within the Brant Business Park. On March 16, 2023, SNGRDC provided notice to Brant County of its intention to convert the loan into equity. As of May 4, 2024 the parties are in the process of finalizing the related legal documentation to affect the conversion.

A6N JV Equipment Purchase – On November 17, 2021, SNGRDC entered into a lease arrangement with A6N, where A6N pays SNGRDC \$68,000 for the first 6 months and \$13,000 for every subsequent month in exchange for the exclusive use of \$1,145,000 in construction equipment acquired by SNGRDC on behalf of A6N. This equipment was purchased using cash on hand.

## I) ANNUAL TRANSFER PAYMENTS

As aligned with the terms of the Funding Agreement, the EDT will receive a distribution in the amount of \$2,009,985 for period ending December 31, 2023 (\$4,237,511 – December 31, 2022) (refer to CFS, Statement of Earnings, pg. 2). EDT will subsequently transfer \$1,607,988 to SNEC pursuant to the new funding allocation under the Funding Agreement.

One of the key terms of the Funding Agreement included a guaranteed minimum annual funding commitment to SNEC from the EDT for the next 15 years. The annual funding commitments are comprised of SNGRDC's post audit cash, as follows:

- 50% payable to Six Nations of the Grand River Development Corporation – to be utilized for future investment and growth opportunities (\$2,009,985 – 2023, \$4,237,511 - 2022)
- 40% (or \$1,400,000 whichever is greater) payable to SNEC - to be used to address Community Plan priorities, by way of EDT annual transfer (\$1,607,988 – 2023, \$3,390,009 - 2022)
- 10% to be retained by EDT- to be used for investment in community priorities outside SNEC departments (\$401,997 – 2023, \$847,502 - 2022)

The Economic Development Trust committee is tasked with issuing a call for funding applications and are also responsible for assessing and approving any funds for re-investment into community needs and priorities. Once funds are approved for community investment, the recipients will typically have until December 31, 2024 to expend the funds.

## 2) GENERAL COMMENTARY

*SNGRDC received a clean, 'unqualified' audit opinion for the year ending December 31, 2023, along with an unqualified opinion for the Six Nations of the Grand River EDT.*

*With the December 31, 2023 allocation, the SNGRDC is extremely pleased that since inception in 2016, the organization has transferred a cumulative total of \$23.92 M to the EDT to help fund community needs and priorities. This community re-investment has been funded entirely by the development activities of SNGRDC and are an example of what can be achieved through the execution of sound planning.*

### A) FINANCIAL & PERFORMANCE HIGHLIGHTS

*Consolidated total revenues for the period ending December 31, 2023 was \$40,243,933 (\$42,152,314– December 31, 2022) with direct expenses of \$33,901,942 (\$27,276,728 - December 31, 2022) resulting in excess revenues over expenses before distributions of \$6,576,997 (\$15,772,008 – December 31, 2022) as shown in the CFS, Statement of Earnings on pg. 2.*

*It is important to note that Equity income decreased in 2023 to \$235,006 compared to \$896,422 in 2022. This equity income reflects our 51% ownership interest in A6N, however these funds are not distributed in cash but rather retained to fund future business growth. On March 31, 2023, the A6N joint venture was converted to general partnership. Consequently, the accounting for this investment changed from the equity basis of accounting to the cost method and as a result the recognition of the equity earnings from this investment is no longer required.*

#### **i) Economic Interests**

*The total value of Economic Interest assets is \$68,225,066 (\$63,579,831 – December 31, 2022) which together produced SNGRDC revenues of \$9,982,079 (\$18,484,879 - December 31, 2022) refer CFS, Note 5, pg. 11 in the current period.*

*The sale of energy production through power purchase agreements with Ontario accounts for ~84% of Economic Interest revenue, these contracts are valid for 20 years from the commercial operation date of the project. All 3<sup>rd</sup> party financing associated with investments in Economic Interest projects has been structured to ensure all debt will be fully retired before the expiry of power purchase agreements.*

*In 2023, Economic interest revenue decreased from \$18.5M in 2022 to \$10.0M. The decrease was attributable to reduced distributions from our wind generating asset portfolio as these projects were not able to produce revenue due to lower available wind compared to prior years.*

*In 2020, the A6N JV's Management and Executive Committee successfully re-evaluated work streams and focused resources on projects that align with its skill set to yield improved project margins. As a result, a significant improvement in A6N's profitability was realized in 2021 relative to prior years. While 2023 and 2022's financial performance was not at the same level as 2021 it was still a significant improvement from earlier years. Since inception A6N has generated \$154.58M in Revenue (\$121M – 2022) and \$57.9M in payroll (\$51.3M – 2022). A6N's current workforce is 84% Indigenous.*

**ii) Nation Enterprises**

*Nation Enterprises revenues improved in 2023 as operations continued to improve after being heavily impacted by the COVID-19 pandemic; our on-reserve businesses generated a total of \$28,626,724 (\$22,059,119 – December 31, 2022).*

*Six Nations Bingo is responsible for generating 86.3% of Nation Enterprise revenue. The performance of Six Nations Bingo resulted in operating income of \$483,384 (\$280,688 – December 31, 2022). The organization was able to resume the funding to the Gaming Sponsor Program (\$302,483; December 31, 2022 - \$200,000) after incurring Gaming License Fees (\$124,000; December 31, 2022 - \$66,200), debt payments (\$555,363; December 31, 2022 - \$555,363), rent (\$445,888; December 31, 2022 - \$436,283), and other fixed expenses.*

*The single largest expense associated with Nation Enterprises was the payment of Bingo prizing which accounted for approximately 78% of the 'General, operating, and administrative expenses' (see CFS, Statement of Earnings, pg. 2).*

**Management Agreement – Nation Enterprises**

*Pursuant to our previously existing Management Agreement with SNEC dated August 11, 2015, SNGRDC is responsible for remitting annual rent payments to SNEC for the undisturbed use of Nation Enterprise property; the total amount payable for 2023 under the agreement is \$701,887.*

*The following properties are included in the Management Agreement and are classified as Nation Enterprises for the purposes of financial reporting:*

- ✓ *Six Nations Bingo*
- ✓ *Gathering Place by the Grand*
- ✓ *Former Tourism building (now SNGRDC Executive Offices)*
- ✓ *Oneida Business Park*
- ✓ *A6N Utilities*
- ✓ *Three internet towers – Cayuga, Mohawk, and Pauline Johnson Road*
- ✓ *Chiefswood Park & Cabins*

*Under the new Management Agreement effective March 31, 2023, the following properties are no longer under the management of SNGRDC. Consequently, SNGRDC was responsible for rent up to the effective date:*

- ✓ *Chiefswood National Historic Site*
- ✓ *Her Majesty's Royal Chapel of the Mohawks*
- ✓ *Former School # 5*
- ✓ *Former School # 7*
- ✓ *Port Maitland and West Street*

**iii) Master Trust Income**

*The Master Trust received a total of \$1,526,030 (\$1,480,794 – December 31, 2022) of income which is attributed to Community Benefit Agreements that were negotiated on behalf of the Six Nations Community, including interest. Although not specifically itemized within the CFS, the Master Trust income includes a total of \$469,023 (\$467,476 –*

December 31, 2022) of lease payments received from the Province of Ontario in exchange for use of South Cayuga land(s) to house the Grand Renewable Energy Park. NOTE: Master Trust is not the same as the Six Nations of the Grand River Economic Development Trust (EDT) (refer to Fig. 1 on page 23).

**iv) Tangible Impacts**

Although not reflected on our CFS, in 2023 SNGRDC’s CEO negotiated a \$12.6M settlement and release agreement with Hydro One Networks Inc. on behalf of its shareholder. From the proceeds of the settlement, the shareholder transferred \$6.0M to SNGRDC as an additional equity contribution.

Also not reflected on our CFS, SNGRDC CEO was the primary negotiator in a Contribution Agreement between the Province of Ontario and SNEC for the GTA West Gaming Bundle. This agreement resulted in a total of \$4.5M per year to SNEC for the period Dec 2018 – Dec 2039.

SNGRDC and SNEC’s Consultation and Accommodation Process (CAP) Team previously negotiated post-secondary funding contributions within Community Benefit Agreements. A total of \$73,000/year is currently directed to community or related funding agencies. These contributions are expected to continue until 2036.

SNGRDC now tracks local vendor spending that occurs throughout our operations, the total for the year was \$1,366,018 (\$1,595,551– December 31, 2022)

**B) DIRECT ECONOMIC IMPACT**

The SNGRDC Board of Directors continues to use Direct Economic Impact (“DEI”) as a key performance indicator. The calculation takes into consideration the key financial drivers that generate direct economic impact within the community. DEI has become a key metric in assessing company-wide performance.

The total DEI for the period ending December 31, 2023, is \$47.4M which represents a 6.6% increase versus 2022. These figures are calculated as follows:

	<b>2023</b>	<b>2022</b>
Profit Before Distributions	7,265,586	15,772,008
Payroll	10,451,318	12,273,981
Gaming Commission and Sponsor Program	426,430	200,000
Other Tangible Impacts*	17,174,000	4,574,561
Shareholder Lease & Debt Retirement	1,262,910	1,184,660
Local Vendor Spending	1,366,018	1,595,551
SUM	37,946,263	35,600,761
<b>DIRECT ECONOMIC IMPACT**</b>	<b>47,432,830</b>	<b>44,500,952</b>

\* Includes funds negotiated on behalf of community

\*\* Includes Economic Multiplier of 1.25x

*Note: Economic Multiplier of 1.25x is a factor which estimates the true value of economic impact within the economy of measure. For example, payroll generates spending within a defined area which in-turn fuels economic growth leading to additional local spending. 1.25x is a very conservative factor used by economists.*

Other Tangible Impacts in 2023 includes the \$12.6M Hydro One Networks Inc. settlement agreement and release which SNGRDC negotiated on behalf its shareholder.

Since inception in 2015, SNGRDC’s total DEI impact to the Six Nations community has been \$258.4M

## C) HUMAN RESOURCES

As of December 31, 2023, SNGRDC had a staff compliment of 114 people (excluding A6N staff), of which 86 are full-time and 28 are contract, part-time and/or seasonal workers. Approximately 76% of SNGRDC labour force are members from Six Nations or other First Nations.

### CEO Evaluation

The Board of Directors supervises the CEO and as part of this responsibility the Board conducts an annual evaluation to assess the performance of the CEO. This process includes an Evaluation committee of Board members who conduct a 360 review of the CEO performance to, among other things, assess compliance of approved company policies, the achievement of strategic objectives, and evaluate leadership and management capability. Through this evaluation, the Board assigns annual deliverables and approves the CEO workplan to be assessed in the upcoming year.

### Compensation program

SNGRDC compensation program was implemented in October 2016 by the Board of Directors after engaging BDO Canada LLP to complete an independent Pay Structure and Compensation study. The salary grid identifies the minimum and maximum of all job classifications within SNGRDC, where the most senior positions are as follows:

Job Class		Min	Max
E1	President & CEO	145,000	231,979
E2	VP/ Executive Director	95,000	149,137
E3	Director	80,000	123,728

On October 27, 2021, the Board of Directors approved a 4.1%% Consumer Price Index (CPI) adjustment to the “Max” tier. NOTE: this adjustment did not result in wholesale changes to individual compensation - the approach ensures the compensation matrix remains competitive and accounts for inflation.

A new compensation program was approved by the Board on March 28, 2023, with an effective date of April 9, 2023. The Board engaged Korn Ferry to complete an independent Pay Structure and Compensation study. The salary grid identifies the minimum and maximum of all job classifications within SNGRDC, where the most senior positions are as follows:

	MIN	MAX
President & CEO	\$184,000.00	\$276,000.00
CFO	\$ 157,600.00	\$236,400.00
Vice President(s)	\$136,000.00	\$204,000.00
Executive Directors	\$ 117,600.00	\$ 176,400.00
Directors	\$102,400.00	\$ 153,600.00

## D) CORPORATE STRATEGY: PROSPERITY 100 BY 2030

*In 2022, the Board and Management identified a Wildly Important Goal (WIG) of generating \$100M in Profit by 2030. This has become the new WIG for SNGRDC:*



*SNGRDC will continue to report on Direct Economic Impact, however it will not be the key metric utilized to inform our management planning.*

*Board and Management remain focused on pursuing our strategic plan which includes the following four (4) pillars of focus:*

**1. Joint Ventures & Partnerships**

*Leverage our reputation to attract top quality partners to gain access to new market opportunities*

**2. Investments & Development**

*Deploy capital to invest in diversified holdings, unlock verticals, and generate re-occurring revenue streams*

**3. Nation Enterprise**

*Maintain efficient management of on-reserve business operations, invest strategically to drive DEI*

**4. Human Capital**

*An outcome of Pillars 1-3. and represents investment into our future through skills and capacity development. Growth is achieved through job creation and training.*

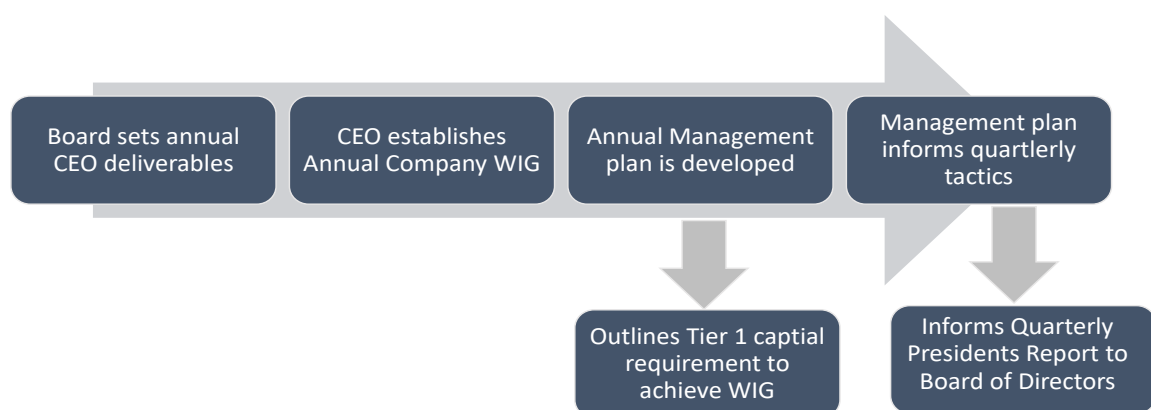
## E) STRATEGIC PLANNING FRAMEWORK

*The planning framework synthesizes various streams of intelligence and information to ensure SNGRDC is aligning its resources to achieve the goals prescribed by the Board of Directors. The key focus of intelligence gathering is the assessment of historical performance, progress against the approved management plan, and evaluation of market trends. These findings are then used to devise an updated management plan and identify the financial resources (operating budget and capital requirements) needed to be successful.*

### **Strategy formulation**



*The process begins with the Board assessing the annual performance of the CEO. As an outcome the Board prescribes specific deliverables to be achieved in the upcoming year. The deliverables then cascade through the Management team who collectively develop management plans, budgetary requirements and Tier 1 capital needs to achieve our goals.*



*Among other things Tier 1 capital includes funding for capital investments, leasehold improvements, equipment upgrades and certain operating expenses. Under the new Funding Agreement model, Tier 1 capital will be funded by SNGRDC's Growth Fund Reserve.*

*In Q4 of each year, a strategic planning summit is held where Management presents the draft management plan, funding requirements, and seeks guidance from the Board of Directors for upcoming priorities and profit goals.*

#### **Annual Budget and Management Plan**

*The SNGRDC Management team utilizes a "rolling forecast" financial budgeting model which provides a continuous 12-month outlook using real time information to keep our financial outlook current. Beginning in Q4, Management evaluates business trends for the current year and uses this data to update the rolling forecast to develop what then becomes of the Operating budget for the upcoming year.*

*The Management plan is developed in response to deliverables assigned by the Board, this is a tactical plan by each department, it includes capital requirements and is designed to accompany the 12-month operating budget for the upcoming year.*

*The Management plan and annual budget allocations require Board of Directors approval pursuant to the Matters Reserved for the Board policy.*

*Our robust strategic planning process ensures that SNGRDC efforts are well planned, aligned to achieve our strategic goals, and carefully assessed against competing opportunities.*



## F) INTERNALLY RESTRICTED RESERVES

The Board of Directors and Management have established a future restricted reserve totalling \$22,859,329 (\$15,816,116 – December 31, 2022) which includes: a 12 month debt service reserve for upcoming debt obligations of \$2,242,080, funding needed to advance Tier 1 capital projects in the amount of \$4,105,237, and a Growth Fund Reserve of \$16,037,012 (which includes the \$2,009,985 that is due pursuant to the Funding Agreement dated March 31, 2023). In addition, an ‘other commitment reserve’ of \$475,000 was established to set aside funds to meet prior commitments.

	2023	2022
<b>Future debt reduction and re-investment reserves:</b>		
Debt service reserve	\$ 2,242,080	\$ 2,238,224
Capital projects reserve	4,105,237	4,558,281
Growth Fund reserve	16,037,012	8,027,027
Other commitments	475,000	992,584
	<u>22,859,329</u>	<u>15,816,116</u>
<b>Current period investment reserves (deficit):</b>		
Intercompany reserve and contributed surplus	5,844,721	4,010,457
Restricted operating reserve	1,000,000	1,000,000
Transferred net debt (note 2)	(709,866)	(709,866)
	<u>6,134,855</u>	<u>4,300,591</u>
	<u>\$ 28,994,184</u>	<u>\$ 20,116,707</u>

As a further risk mitigation measure, the Board of Directors have elected to maintain a restricted operating reserve of \$1,000,000 (\$1,000,000 – December 31, 2022).

The Intercompany reserve and contributed surplus in the amount of \$5,844,721 is attributed to capital contributions by SNEC in the amount of \$18,500,000 offset by the aggregate amount of equity in the corporation that has not been invested in capital projects, economic interest projects and held for reserves. A portion of this amount is held in working capital due to the timing of collecting receivables and making payments on accounts payable. The amount has been internally restricted by the Board of Directors for the purpose of meeting future operational needs and to achieve the guiding principles of SNGRDC as previously outlined.

## G) RISK MANAGEMENT

On a quarterly basis, the SNGRDC Management team assesses operational risk at the divisional level. Operational risks are gathered, causes identified, response plans developed, and timeframes to address/manage are implemented. The top areas of concern for each division are then captured on a risk register and reported to the Board of Directors. The Board selects key risks and directs the Management team to devise mitigation plans for each. The risk register approach is designed to ensure risks with High Probability and/or High Impact are identified, reported, and proactively managed wherever possible.

As an ongoing best practice, Management conducts significant independent due diligence on investment decisions involving partners or activities requiring debt financing. Where possible,

*SNGRDC negotiates capacity funding agreements with potential partners to provide SNGRDC with financial resources needed to pay for independent legal advice and financial due diligence.*

*Currently, all holdings under our corporate umbrella are held in independent special purpose corporations – this strategy helps insulate holdings from cross exposure to risk. As a result, SNGRDC controls several corporations under its corporate umbrella, which are disclosed on the CFS, Note 1, pg.6:*

9374264 Canada Limited – Nanticoke Solar LP  
 9211560 Canada Limited – Gunn’s Hill LP  
 7539223 Canada Limited – Grand Renewable Wind LP  
 8490341 Canada Limited – Grand Renewable Solar LP  
 9250492 Canada Limited – SN Solar Developments LP  
 9710612 Canada Limited – FWRN LP  
 11100726 Canada Limited – Niagara Reinforcement LP  
 11456784 Canada Limited – Oneida Energy LP  
 11937855 Canada Limited – 3DATX Corporation  
 12419700 Canada Limited – Thrive  
 14950844 Canada Limited – West Street  
 15338085 Canada Limited – Oneida Energy SLA  
 14069358 Canada limited – Nanticoke H2  
 SNGR Trustee Services Inc.  
 SNGR Wind Project 1 Trustee Inc.  
 SNGR Community Benefits Trustee Inc.  
 SNGR Utilities Trustee Inc.  
 SNGR Solar Project 1 Trustee Inc.  
 Six Nations of the Grand River GP Inc.  
 SNGR Utilities LP  
 SNQM General Partner Inc  
 SNGR QM LP

**H) SNGRDC GOVERNANCE**

*Prior to the governance re-model that took effective as of March 31, 2023, the SNGRDC Governance Group included an independent Board of Directors along with an independent Advisory Committee. Both governance groups were composed of five (5) community members made up of both off and on reserve representation.*

*The Elected Chief of Six Nations Elected Council served as an ex-officio (non-voting) member of the Advisory Committee and was not entitled to remuneration. All other members of the governance group were compensated as follows:*

<b>Rates</b>	<b>Member</b>	<b>Chair</b>
Regular Board & Committee Meetings- under 4 Hours	\$150.00	\$200.00
Regular Board & Committee Meetings - over 4 Hours	\$300.00	\$400.00

As of March 31, 2023, the Board of Directors is comprised of nine (9) community members. The Elected Chief of Six Nations Elected Council serves as an ex-officio (non-voting) member of the Board of Director and is not entitled to remuneration. In 2023, the Board of Directors commissioned a compensation analysis. The compensation analysis was completed by an independent firm, Korn Ferry. Based on the results of the Korn Ferry compensation analysis, the Board of Directors approved the following annual board stipend remuneration model, effective on November 1, 2023:

Annual Stipend 2023	
Position	Amount
Board Chair	\$ 22,500.00
Board Member	\$ 12,000.00
Committee Chair	\$ 4,500.00
Committee Member	\$ 3,000.00

Note: Stipends are issued on a monthly basis and adjusted annually for cost of living.

As summarized in the CFS Note 19, Pg. 19, the total corporate governance expense for 2023 was \$147,164 (\$120,803 – December 31, 2022).

December 31, <u>2023</u>	Board of Directors	Advisory Committee	Total
Honoraria	\$ 62,525	\$ 4,500	\$ 67,025
Professional fee	27,021	–	27,021
Conferences	16,762	–	16,762
Computer software/licenses	9,711	6,189	15,900
Insurance	8,658	1,457	10,115
Meetings	2,180	–	2,067
Advertising and promotion	203	–	203
Other	7,958	–	7,958
	\$ 135,018	\$ 12,146	\$ 147,164

Note: the governance expense associated with the Board of Trustees for 2023 are reported separately in the Economic Development Trust audit.

Refer to <https://sndevcorp.ca/about/board-of-directors/> for additional information along with new Board of Directors bios.

## I) COMMUNITY ENGAGEMENT

SNRDC is committed to complying with SNEC's Consultation and Accommodation Policy. In the event a development activity is deemed to require community consultation, our Management team secures SNEC approval to manage the engagement, and coordinates with the SNEC

*Consultation and Accommodation Process team (“CAP team”) to ensure the consultation occurs in compliance with approved policy.*

*Within SNGRDC, the Corporate Governance Committee assesses community engagement requirements and directs the Board of Directors to gather and report community concerns.*

*Once Community Consultation concludes, the Board of Directors will assess findings and develop a recommendation to seek the support of SNEC as outlined within the Consultation and Accommodation Policy.*

*Management has identified the need to continue to enhance the community engagement process. We remain hopeful that the community can find common ground to advance our economic objectives. In support of this effort, SNGRDC will continue to utilize the internet platform [www.snfuture.com](http://www.snfuture.com) to engage the Six Nations Community.*

*As part of the new Management Agreement as of March 31, 2023, SNGRDC also confirmed its commitment to comply with any Community Engagement Standards that may be developed by SNEC.*

### 3. ECONOMIC INTEREST STATUS REPORT

#### A) SCORECARD

The following scorecard has been developed to provide a snapshot of performance for each economic interest asset that is held by SNGRGC. The stop light pattern below signals any areas of concern.

Asset	Investment	Commercial Operation Date	Long term Debt	Gross Distribution \$	Indicator
Grand Renewable Wind 7539223 Cdn Ltd	\$6,799,000 10% ownership (cost method)	Dec 2014	\$0	\$1,913,000	
Grand Renewable Solar 8490341 Cdn Ltd	\$2,874,160 10% ownership (cost method)	March 2015	\$0	\$2,426,028	
Gunn's Hill Wind Farm 9211560 Cdn Ltd.	\$1,835,625 10% ownership (cost method)	Nov 2016	\$0	\$347,011	
Niagara Region Wind (FWRN) 9710612 Cdn Ltd	\$30,262,273 50% equity (cost method)	Nov 2016	\$25,594,364	\$0	
A6N SNGR Utilities LP	\$1,655,548 51% interest (equity method)	April 2015	\$0	Funds are retained for future growth	
SN Solar Developments LP– JV OBP	\$1,682,294 90% ownership (equity method)	Sept 2015	\$200,763	\$16,951	
SN Solar Developments LP– JV BGI	\$146,250 15% ownership (equity method)	March 2015	\$0	Incl with OBP results	
Nanticoke Solar 9374264 Cdn Ltd	\$3,832,223 15% ownership (cost method)	March 2019	\$2,710,000	\$524,703	
Niagara Reinforcement 11100726 Cdn Ltd	\$11,943,000 25% ownership (cost method)	September 2019	\$0	\$1,581,822	
SNGR QM LP	\$1 51% ownership (cost method)	June 2022	\$0	\$0	
3DATX 11937855 Cdn Ltd	\$2,447,002 (6.31% share purchase)	March 2020	\$0	\$0	Note 1

Note 1: The share purchase in 3DATX represents an investment which seeks to diversify SNGRDC holdings. 3DATX (<https://3datx.com/>) is a Buffalo New York based vehicle emissions testing company with patented technology and intellectual property which is expected to revolutionize the periodic vehicle testing sector. The original share purchase of 1,111,111 shares also included 370,370 stock warrants. The stock warrants were exercised during 2021. The new share purchase (370,370 shares) also

includes 123,333 additional warrants exercisable at \$1.80 USD/warrant. The additional warrants were exercised during 2022. (refer to CFS, Note 21a, pg. 20). SNGRDC has an exit strategy which will take place once 3DATX attracts a buyer to either merge or acquire the company.

## B) PERFORMANCE OUTLOOK – COMMITMENTS

### **Oneida Storage LP (formerly Oneida Energy LP)**

On June 13, 2018, SNGRDC entered a memorandum of understanding which was followed by a formal 50:50 Limited partnership agreement on November 7, 2019 between SNGRDC subsidiary 11456784 Canada Limited and NRStor Inc. (<http://nrstor.com/>).

The Oneida Energy Storage project is a utility scale battery facility providing grid balancing and capacity related services for the Ontario power grid. The project underwent a community investment review in 2021 and all project rated materials are located on the snfuture website:

<https://www.snfuture.com/projects/oneida-energy-storage/?portfolioCats=14>

On December 21, 2022, SNGRDC entered into a number of definitive agreements including an amended and restated Limited Partnership Agreement and Asset Transfer Agreement. Among other things, the definitive agreements enabled Oneida Storage LP to secure a contract for services with the Independent Electricity System Operator (Ontario) and sign a battery storage purchase agreement with Tesla.

SNGRDC through its special purpose entity 11456784 Canada Limited, now holds a 10.3 equity ownership in the project at a direct cost of \$4.5M. Once the project is operational this ownership interest along with service-related fees are expected to generate ~\$2M per year in economic returns for the next 20 years.

### **Hagersville Battery**

On February 16, 2023, SNGRDC and partner Boralex submitted a competitive bid on a new battery storage project to the Independent Electricity System Operator (IESO). The project is a 300MW battery storage facility to be located at the Hagersville Business Park. It will be located on approximately 10 acres within the Hagersville Business Park, plus the interconnection line connecting to the Nanticoke transmission corridor.

On May 16, 2023, the IESO announced all successful bids to which Hagersville Battery obtained a contract.

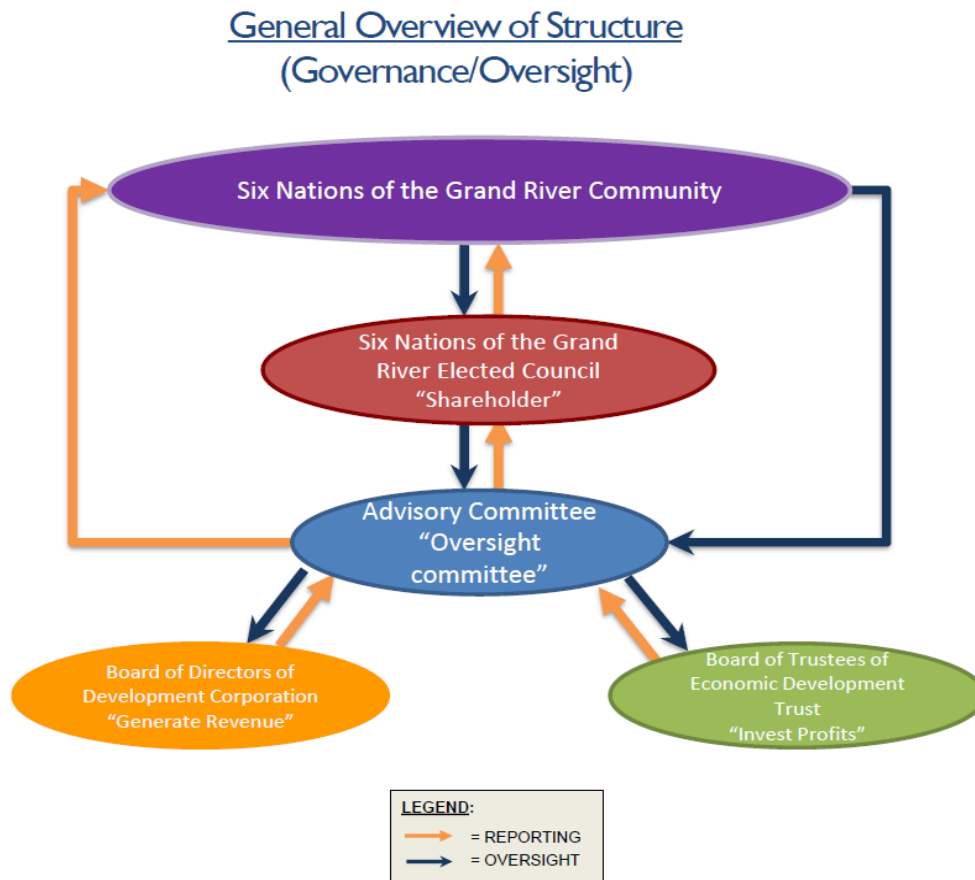
The project underwent a community investment review in 2023 and all project related materials are located on snfuture website:

<https://www.snfuture.com/projects/hagersville-battery-project/?portfolioCats=14>

The earliest target date for commercial operation is May 2025. Upon financial close, SNGRDC through special purpose entity 15801397 Canada Limited, is expected to hold 50% ownership in the project. Once the project is operational our ownership along with royalty fees are expected to generate ~\$1.7M per year in economic returns for the next 20 years.

FIGURE 1 – GOVERNANCE OVERVIEW

The following governance model was in effective for the first quarter ending March 31, 2023:



**Advisory Committee- ROLES AND RESPONSIBILITIES (Oversight Committee)**

- *Protect the interests of the Six Nations community by ensuring the pursuit of economic development opportunities is undertaken in a socially responsible manner*
- *Oversee the Board of Directors and the Economic Development Trust*
- *Vet, select and appoint the directors of the SNGRDC, the trustees of the Economic Development Trust and members of the Advisory Committee*
- *Determine annual revenue distribution (how much will be transferred to the Economic Development Trust for community distribution and how much will be used by the Board of Directors to be reinvested into future projects)*

**Board of Directors- ROLES AND RESPONSIBILITIES (Generate Revenue)**

- *Ensure that all businesses operate within the guidelines set out in the Statement of Economic Development Principles and the Statement of Community Needs and Priorities established by the Advisory Committee*
- *Oversee the CEO’s management of investments and assets*



- Report and be accountable to the Advisory Committee on SNGRDC’s investments, annual business plans and the results of all operations
- Approve the annual business plan and budgets for SNGRDC and all associated entities

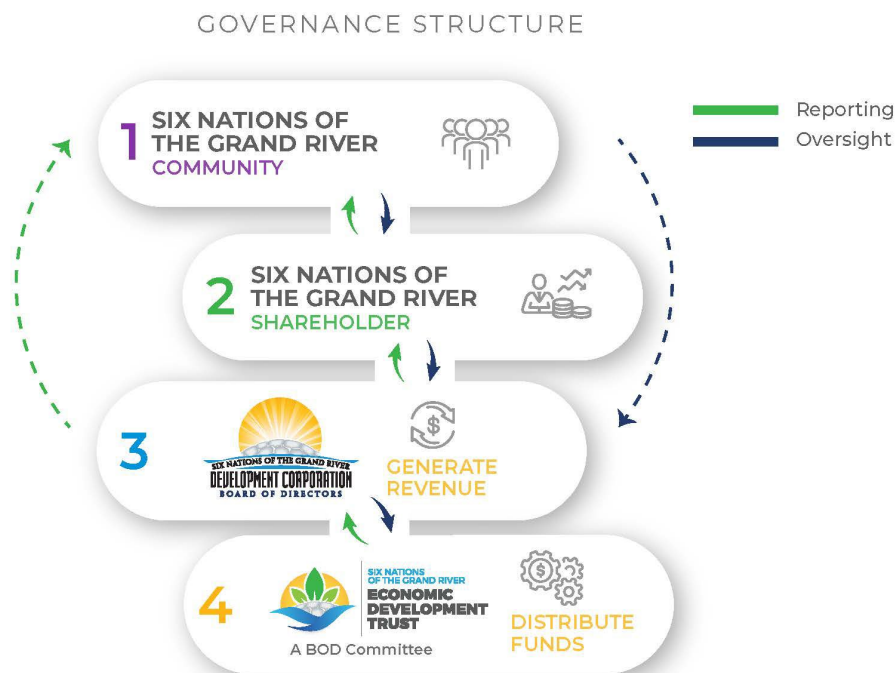
**Board of Trustees-ROLES AND RESPONSIBILITIES (Invest Profits into Community)**

- Receive, review and score all completed Economic Development Trust (EDT) applications
- Determine the EDT guidelines for community distribution
- Determine how EDT funds will be reinvested into the community in accordance with the [Statement of Community Needs and Priorities](#) and the [Statement of Economic Development Trust Distribution Guidelines](#) established by the Advisory Committee

**Six Nations Elected Council-ROLES AND RESPONSIBILITIES (Sole Shareholder)**

- Ex Officio seat on the Advisory Committee
- Sole shareholder of SNGRDC (Coordinate through Shareholder Rep- Senior Administrative Officer)
- Authorize changes to corporate by-law, charters, principles, and Group Appointments
- Landlords for On-Reserve Buildings (i.e. Bingo Hall, Tourism, Oneida Business Park)

As mentioned, SNGRDC began operating under an amalgamated governance model on March 31, 2023, as follows:





***Board of Directors- ROLES AND RESPONSIBILITIES (Generate Revenue)***

- *Generate profit*
- *Oversee the CEO's management of investments and assets*
- *Ensure that all businesses operate within the guidelines set out in the Guiding Principles of SNGRDC*
- *Approve the annual business plan and budgets for SNGRDC and all associated entities*

***Six Nations Elected Council-ROLES AND RESPONSIBILITIES (Sole Shareholder)***

- *Ex Officio seat on the Board of Directors*
- *Sole shareholder of SNGRDC (Coordinate through Shareholder Rep- Elected Chief)*
- *Authorize changes to corporate by-law, charters, principles, and Group Appointments*
- *Landlords for On-Reserve Buildings (i.e. Bingo Hall, Oneida Business Park)*

*Note: a list of Board of Director committees and their associated roles are listed on page 4 of this MD&A.*