

Southland Foundation - Distribution Policy

Definitions

- Capital value in real terms – corpus (original donation amounts) plus CPI for each full 31 March year since donation is made.
- Capital base/capital value – original donation amounts.
- Real value – capital value in real terms.

Purpose

The purpose of the Distribution Policy is to determine annually the amount of funds available for distribution for each fund with the intention of preserving the capital value in real terms of the fund over the long term while smoothing the amounts available for distribution.

Objective

Southland Foundation will distribute funds in accordance with its Trust Deed to provide:

- Maintenance of the value of each named fund at no less than 100% of its original capital value, and, long term, endeavour to maintain the capital value in real terms of each fund.
- Support, both financial and otherwise, for Community Organisations (meaning any trust, society or institution established exclusively for charitable purposes within New Zealand);
- Support, both financial and otherwise, for any Charitable Purpose (meaning every purpose which meets the current IR standard for a charitable purpose);
- These charities, organisations or projects are to be focused on (but not restricted to) the Southland region as defined in the Trust Deed.

Principles

- Donor's wishes for distribution are paramount.
- The Distribution Policy will be reviewed at least triennially.

Establishing the Fund

The initial focus of the Foundation will be to build the general corpus such that the Foundation has sufficient scale to commence the making of distributions out of investment income on an enduring basis. It will not in the ordinary course make distributions out of the corpus itself. Once

sufficient scale has been achieved, the Foundation envisages being able to make distributions each year of between 3-5% of the respective funds' capital base per annum.

Allocations

To achieve these objectives, the Trustees intend to make an annual allocation for each fund in the following ways:

- Allocate 1% of the capital value in real terms (excluding any undistributed income and any reserve fund other than CPI) of the fund in that year towards the cost of the Foundation's administration expenses.
- Distribute 3% - 5% of the capital base of the fund in that year to recipient organisations.
- Investment markets can be volatile in the short term, which may cause fluctuations in returns. To ensure the Foundation can consistently make annual distributions for its purpose, the Trustees will aim to build a reserve fund. Typically, they will target grants up to two-thirds of net investment income. The remaining proceeds (net return on capital after fund fees, less the distribution allocation, less the annual CPI rate, and less administration fees) will be directed to the reserve fund.
- A distribution from a fund may not cause the balance of the fund to fall below its capital base. In any case where the calculation produces an amount that would cause the fund to drop below the capital base, the distribution amount will be reduced so that the capital base is maintained, unless otherwise approved by the Board on a case-by-case basis.
- This calculation will be made at the commencement of each financial year once the allocations of income to the endowment funds, and all endowment fund reconciliations are completed.
- Any amount available for distribution under this Policy in a previous financial year that has not been spent in that financial year will be carried forward to the current financial year, as will any overspend.

Policy Review

This policy can be reviewed at any time.

Roles and Responsibilities

GM	• Responsible for the annual calculations of funds available for distribution.
Investment Committee	• Review and approval of the annual funds available for distribution. calculations prior to submission to the board. • Note compliance with this policy. • Review of this policy on a triennial basis.
Board of Trustees	• Approval of this policy. • Approval of temporary deviations to this policy.

Policy Version Control	Action	Date Adopted/Amended
1	New policy	31/05/2024
2	Revision	21/02/2025
3	Revision - Allocations	13/06/2025