

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 real value 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.

Principles

- Any funds gifted for a specific purpose are excluded from this Distribution Policy.
- 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 1.8% of the capital value in real terms of the fund in that year towards the cost of the Foundation's expenses and external fund management fees;
- Distribute 3 - 5% of the capital base of the fund in that year to recipient organisations;
- Investment markets are prone to short-term volatility, which in turn can result in fluctuations in the original capital. To help ensure the capacity of the Foundation to consistently make annual distributions to deliver on its purpose, the Trustees will seek to build a reserve fund and in the ordinary course will target making grants up to a maximum level equivalent to two-thirds of investment income. The remainder of the proceeds (i.e. the return on capital, less allocation for distribution, less the rate of CPI that year, less the 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 to the extent 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.

This policy can be reviewed at any time.

Roles and Responsibilities

CEO	<ul style="list-style-type: none"> • Responsible for the annual calculations of funds available for distribution.
Investment Committee	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Approval of this policy. • Approval of temporary deviations to this policy.

Policy Version Control	Action	Date Adopted/Amended
1	New policy	31/05/2024