MICHAEL AND SUZANNE BORRIN FOUNDATION

Distribution Policy

14 October 2019

Purpose of this Distribution Policy

1   The purpose of this Distribution Policy is to guide decision-making:

    1.1   by the Grants and Scholarships Committee, when recommending grants and scholarships under cl 7.2 of the Trust Deed;

    1.2   by the Trustee, when considering approval of those recommendations under the Trust Deed.

2   The Trustee and the Grants and Scholarships Committee have each agreed to adopt this Policy to guide their decision-making under the Trust Deed.

Distributions from 2019/20 onwards

3   The amount available for distribution as grants and scholarships in relation to each Financial Year in accordance with this policy will be calculated using the formula in the Appendix.

4   For the first distribution under this policy, the value of D_{t-1} shall be the distribution rate multiplied by the value of invested funds at the end of the previous year (i.e. $R \times V_{t-2}$).

5   The Trustee will carry out this calculation at the commencement of each financial year. The Trustee will advise the Grants and Scholarships Committee of the figure available for grants in respect of the current year and provide a copy of the calculation and any relevant supporting information. The Trustee will aim to provide this material within eight weeks of the commencement of the Financial Year, to enable the Grants and Scholarships Committee to make recommendations guided by this Policy.

Carry forward from previous years

6   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 overspends.

Commitments in relation to future Financial Years

7   It is anticipated that a number of grants and scholarships will span more than one Financial Year. The maximum amount that will be committed in one Financial Year for distribution in future Financial Years will be as below.

    7.1   next financial year beyond the current – 50% of current year figure;

    7.2   subsequent financial year – 50% of current year figure;

    7.3   subsequent financial year – 25% of current year figure.

8   Any amount available for distribution under this Policy that is not spent or committed in one Financial Year may be carried forward to a commitment made in relation to a subsequent Financial Year.

Examples of application of policy

9   Some examples may be helpful to illustrate how these principles work. Suppose that decisions are being made in FY 2019/20 and the amount available for distribution in that Financial Year is $1.5 million:

    9.1   it would be consistent with this Policy for the Committee to recommend and for the Trustee to approve distributions of up to $1.5 million to be paid in FY 2019/20, up to $750,000 in each of FY 2020/21 and FY 2021/22, and up to $375,000 in FY 2022/23;

    9.2   alternatively, it would be consistent with this Policy for the Committee to recommend and for the Trustee to approve distributions of an amount less than $1.5 million to be paid in FY 2019/20, with the reduced expenditure in FY 2019/20 applied to commitments in relation to any subsequent Financial Year (including, to avoid doubt, Financial Years after 2022/23).

    So for example one option consistent with the Policy would be to commit up to $1.3 million to be paid in FY 2019/20, saving $200,000 in that year, and spread that sum over the next two years by committing up to $850,000 in each of FY 2020/21

and FY 2021/22, with the same commitment of up to $375,000 in FY 2022/23;

The approaches described in paras 12.1 and 12.2 above are illustrated in the table below:

FY	2019/20 FY	2020/21 FY	2021/22 FY	2022/23 FY
Distributions up to these figures can be recommended and approved in 2019/20	$1.5 million	$750,000	$750,000	$375,000
Alternative scenario: lesser amount recommended and approved in first year, with difference spread over next two years.	$1.3 million	$750,000 + $100,000 =$850,000	$750,000 + $100,000 =$850,000	$375,000

9.3 it would also be consistent with this Policy for the Committee to recommend, and for the Trustee to approve, distributions based on carrying forward any unspent funds from FY 2018/19. Those unspent funds could be applied to distributions in FY 2019/20 or to commitments in relation to any subsequent Financial Year (including, to avoid doubt, Financial Years after 2022/2023).

So for example if $200,000 remained unspent from the amount available for distribution in FY 2018/19, it would be consistent with this Policy for the Committee to recommend and for the Trustee to approve distributions of up to $1.7 million in FY 2019/20 (ie $1.5 million plus the unspent $200,000); up to $750,000 in each of FY 2020/21 and FY 2021/22; and up to $375,000 in FY 2022/23.

Departures from Policy

10   If the Trustee or the Grants and Scholarships Committee consider that there may be grounds for departing from this Policy in a particular Financial Year (e.g. exceptional events affecting the Foundation's investment returns), they will inform each other of those grounds, and the suggested departure from the Policy, at the earliest opportunity. The desirability of departing from the Policy will be discussed in good faith with a view to reaching a practical resolution consistent with the purposes of the Foundation as set out in the Trust Deed.

Review of Policy

11   The Policy is intended to operate on a medium to long term basis. It is anticipated that it should be allowed to operate for three years before being reviewed, and that there should be a review conducted shortly before the commencement of the 2023/24 financial year.

12   If however either the Trustee or the Grants and Scholarships Committee consider that there are compelling reasons to review this Policy at an earlier date, they will inform each other of those reasons, and discuss in good faith the desirability of such a review.

APPENDIX – PROVISIONAL ANNUAL DISTRIBUTION FORMULA FROM 2019/20 ONWARDS

Formula for calculation of distributions in each Financial Year

The amount available for distribution in a Financial Year in accordance with this Policy will be calculated as follows:

$$\text{Distribution} = W \times D_{t-1} \times [1 + \delta] + [1 - W] \times V_{t-1} \times R$$

W	= Weight applied to the previous year's distribution
V_{t-1}	= Value of invested funds at the end of last year
R	= Distribution Rate (%)
D_{t-1}	= Distribution last year $m
δ	= The rate of inflation in the last year

W will be set at 0.5, and R will be set at 3.5% (real).