



VICTORIA FOUNDATION

CONNECTING PEOPLE WHO CARE WITH CAUSES THAT MATTER®

DISTRIBUTION POLICY STATEMENT

PURPOSE

The purpose of the Distribution Policy statement ("Distribution Policy") is to provide a framework for the management of granting from endowment funds held in the Common Trust Fund ("the Fund"). The Distribution Policy provides a set of guidelines for the process of determining the annual distribution percentage to be applied to endowment funds for granting purposes.

This Distribution Policy supersedes any existing Distribution Policy statement and will be reviewed at least every three years to ensure it continues to reflect the Foundation's requirements in the context of its endowment objectives.

This Distribution Policy does not apply to endowment funds subject to written separate agreements with certain fund holders setting out alternative distribution requirements and arrangements.

OBJECTIVES

The Distribution Policy and annual distribution percentage will be determined by the Board of Directors after considering the recommendation of the Investment Committee. The Investment Committee may, at its discretion, include one or more members of the Finance & Audit Committee in its annual review of the Distribution Policy.

The following considerations set out in the Victoria Foundation Act will be applied to the policy development:

"Policies concerning retention, use and distribution of income and capital

- 9.2 For the purposes of sections 8 and 9, the board must, by ordinary resolution, establish policies concerning the retention, use and distribution of income and capital that take into account the following:
- a. the Foundation's need to maintain a reasonable balance between the inflation adjusted capital value of property donated to the foundation and the amounts to be used or distributed;
 - b. the estimated return on investments without regard to whether the return is characterized as income or capital;
 - c. existing and anticipated requirements;
 - d. the achievement of stability in the amounts to be used or distributed;
 - e. the disbursement requirements of any applicable taxation legislation;
 - f. any other factors the board considers relevant."

RESPONSIBILITIES AND STANDARD OF CARE

The Board and its Investment Committee will rely upon independent experts for certain aspects of the Distribution Policy's assumptions where expert knowledge is required. Reliance on experts is conditional on the suitability of the expert at the point of appointment as well as their ongoing suitability.

The standard of care applied to the Distribution Policy shall be the care, diligence and skill that a prudent person would exercise in dealing with the property of another person. This prudent person criterion will be applied to ensure the considerations outlined in the Victoria Foundation Act are thoughtfully considered for the benefit of fund holders and grant recipients alike.

POLICY

The annual distribution percentage will be determined by considering the objectives outlined above under section 9.2 of the Victoria Foundation Act. To inform the Investment Committee in completing its annual review of this policy and making a recommendation of the distribution percentage for the coming year:

- i. the Committee will review the earnings of the Foundation's funds over the past several years, the actual and trend in inflation and any anticipated changes to be made to asset mix or other risk/return factors within the Investment Policy.
- ii. each investment manager may be requested to provide their best estimate of both nominal and real (i.e. net of inflation) earnings of funds under their management over the next year and several years.
- iii. the Committee will review a Yale University type calculation which supports the release of a stable inflation-adjusted annual amount to beneficiaries and the protection of the value of endowment assets against inflation. The Foundation's formula uses a 70% weight applied to the prior year distribution percentage and a 30% weight applied to a 4% target distribution percentage with the aggregate distribution percentage increased by the rate of inflation for the previous calendar year.
- iv. the Finance Director will maintain a calculation of the inflation adjusted value of the capital of endowment funds, and
- v. any other factors the Investment Committee considers relevant in determining the distribution percentage in accordance with the requirements of the Victoria Foundation Act.

Annual distributions will be made to all endowment funds covered by this policy as follows:

Each year, the average of the September 30 quarter end market value balance and that of the previous 11 quarters will be used to determine the base amount for application of the distribution percentage. Any balances remaining available to grant in funds will not be included in the overall market value for calculation purposes of the annual disbursement amount.

Based upon the above review, a distribution percentage (being net of any administration fees charged to endowment funds) will be determined annually by the Investment Committee and recommended to the Board of Directors for approval at their regularly scheduled meeting in September or October.

Distribution Policy Statement for the Common Trust Fund	
Board Approval:	October 2011
Reviewed and Revised:	October 22, 2013
Reviewed and Revised:	September 30, 2016
Reviewed and Revised:	November 27, 2020
Reviewed and Revised:	February 2, 2023