

# FINANCIAL POLICY

## RESERVES & RESTRICTED FUNDS

<p><b>Policy Rationale</b></p>	<p>In meeting the needs of its constituents both today and into the future, Marlborough Winegrowers, which includes subsidiary, Wine Marlborough Limited, needs to ensure it is both financially sustainable and has sufficient reserves to protect it.</p> <p>To assist this, Marlborough Winegrowers have developed a policy to determine what the acceptable minimum level of reserves are and guidelines for the application of any excess reserves or restricted funds.</p>
<p><b>Policy Statement(s)</b></p>	<p>Marlborough Winegrowers is committed to maintaining sufficient reserves and restricted funds to ensure both the current and future sustainability of Marlborough Winegrowers.</p> <p>This shall be achieved specifically through the below:</p> <ul style="list-style-type: none"> <li>• Holding 50 percent of the average operating expenditure of the group (Marlborough Winegrowers and Wine Marlborough Limited). This equates to \$700,000<sup>1</sup> of general reserves being maintained. Its purpose is to enable the future sustainability of Marlborough Winegrowers as a precautionary level of self-insurance against unexpected financial demands, or sudden loss of revenues.</li> <li>• The balance of funds, excluding working capital, be held as Restricted Funds.</li> </ul>

<sup>1</sup> Due to disruption of normal business activities in FY21 and FY22 due to COVID-19, the basis for the formula was to check the gross revenue for the FY18, FY19 and FY20 years which at 50% of OPEX averaged out to \$682,043. This has been rounded to \$700,000 for this exercise.

Marlborough Winegrowers' Board, on advice from the Finance Committee will determine:

- Marlborough Winegrowers' minimum reserves target(s) and the level of cash reserves required to support its operational needs.
- The amount of reserve or restricted funds that can be placed into any investments, term deposits or alternative bank funds and the duration and maturity cycle of these funds.
- Marlborough Winegrowers' Board will also determine the criteria for which any excess reserves or restricted funds are able to be used.

In determining reserves or restricted fund targets, Marlborough Winegrowers' Board shall acknowledge:

- Marlborough Winegrowers' future funding requirements, including any anticipated capital expenditure or long-term projects.
- That increases in reserves and restricted funds will need to be funded through the generation of operational surpluses.
- The normal trading activities of the organisation and the risk profile that the organisation determines is appropriate.
- That significant funds have previously been held as reserves as Marlborough Wine & Food Festival event contingencies. The board have decided that this event should seek commercial event insurance.

#### Restricted funds

- The balance of cash, outside permitted levels of working capital that is required to appropriately fund Marlborough Winegrowers and Wine Marlborough will be deemed to be restricted funds.
- Some examples of what purpose Restricted funds may be released for are as follows. In all instances they should be for industry good activities. For instance support of environmental projects, regional water management, regional water storage, a GI investigation, major workforce initiatives, significant

	<p>community initiatives with obvious regional impact or seed funding that could be repaid back to the organisation.</p> <ul style="list-style-type: none"> <li>• There is the implied understanding that these funds also could be drawn down in as emergency funding for the organisation or the benefit of members.</li> <li>• It will be up to the board to direct applicants on what information would be required to make a decision however it will be an expectation that applications are made in writing, directly address how the funds will be used, what other sources of funds have been secured, who is leading the project, the project timelines and milestones, if further applications may be requested at future points in a projects lifespan, how MWG will be kept informed of progress and acknowledged for the funding contribution.</li> <li>• Applications may be received from within the organisation as well as open to external applications.</li> <li>• The use of restricted funds would be voted on by the full board and passed by a majority following appropriate constitution and further due diligence if required.</li> <li>• It is intended that any funding meets a very high threshold test and that any conflicts of interest and requirements for discretion or non-disclosure agreements are made clear before discussions on a project begin.</li> </ul>
<p><b>Policy Implementation and Related Procedure Documents</b></p>	<p>The implementation and review of these Reserves and Restricted Funds policies are the responsibility of Marlborough Winegrowers' Finance Committee.</p> <p>Marlborough Winegrowers' Finance Committee will determine and communicate to the GM / Finance Administrator, a reserve target and a cash reserves level. These levels will be reviewed on an annual basis as part of the organisations budgeting and strategic planning.</p> <p>Marlborough Winegrowers' Finance Committee will recommend amendments to the reserves target and a cash reserves level where</p>

	<p>deemed necessary and urgent. They will be voted on at the next Marlborough Winegrowers board meeting.</p> <p>Wine Marlborough’s GM in conjunction with the Finance administrator will determine the basis under which the reserves target, and cash reserves level will be achieved and include in the annual budget accordingly.</p> <p>The Finance Committee or GM will be able to consult other parties to assist in the development of these targets such as the external accountant, New Zealand Winegrowers, or other professional advisors on a confidential basis.</p>						
<p><b>Legislative Compliance Considerations</b></p>	<ul style="list-style-type: none"> <li>• Constitution available on request or to be consulted as required.</li> </ul>						
<p><b>Review Protocol</b></p>	<table> <tr> <td>Policy Reviewed By:</td> <td>Finance Committee</td> </tr> <tr> <td>Date Drafted:</td> <td>16 May 2023</td> </tr> <tr> <td>Next Review Date:</td> <td>May 2024</td> </tr> </table>	Policy Reviewed By:	Finance Committee	Date Drafted:	16 May 2023	Next Review Date:	May 2024
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