



28 March 2018

All investments involve risk. Risk is the likelihood of not getting all your money back, or getting a different return than you expect. This document provides additional information on the other risks associated with investing in the BNZ KiwiSaver Scheme (Scheme). The information should be read with the information contained in Section 4: ‘What are the risks of investing?’ of the current Scheme Product Disclosure Statement (PDS), the Statement of Investment Policy and Objectives (SIPO) and any other information available at bnz.co.nz/kiwisaver or held on the Scheme’s Disclose Register entry at disclose-register.companiesoffice.govt.nz/disclose

In addition to the risks set out in the PDS, there are other risks that may affect the BNZ KiwiSaver Scheme Funds (Funds). A summary of these risks is as follows:

Other risks	Description of other risks	Impact of other risks	Mitigation of other risks
<p>Investment risk</p>	<p>All investments carry investment risk. Different investments may carry different levels of risk depending on the assets that make up the investment.</p> <p>Short term fluctuations in the value of a Fund are common, particularly for those Funds with a greater allocation to growth assets. Different types of investments perform differently through market cycles and each asset class carries a different type of risk.</p> <p>The main risks associated with each asset class are as follows:</p> <p>Cash and cash equivalents The principal risk of investing in cash and cash equivalents is that the returns may not keep pace with inflation. This could mean that the purchasing power of your account balance may reduce over time. There is also the risk of counterparty default. Cash and cash equivalents are generally suitable for short-term investment timeframes.</p> <p>New Zealand and International fixed interest The value of a fixed interest security can be affected by changes in interest rates and default rates. Fixed interest is generally suitable for short to medium-term investment timeframes.</p> <p>New Zealand and International equities The principal risks of investing in equities are the economic performance of a particular sector or company and changes in general market sentiment and opinion. Equities are generally suitable for longer-term investment timeframes.</p> <p>The selection and performance of an investment manager, the underlying investment managers, and individual assets or securities held by the Funds can also influence the performance of the Funds (both positively and negatively).</p> <p>Other risks include borrowing within the assets or securities held by the Funds, and counterparty default.</p>	<p>You may receive less than you have invested or lower than expected returns from the Fund(s) you invest in.</p>	<p>All of the Funds diversify across a range of investments to minimise investment risk.</p> <p>In addition, with the exception of the Cash Fund, all of the Funds diversify across a range of asset classes (such as cash, fixed interest and shares).</p> <p>BNZ Investment Services Limited (BNZISL or we) regularly monitor and review the investment performance of all of the Funds.</p>



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Legislative risk	<p>Changes to existing law or the introduction of new laws could have a significant impact on an investment in the Scheme (including its returns), or how BNZISL manage the Scheme.</p>	<p>There have been changes previously to the KiwiSaver Act 2006, and the KiwiSaver Scheme Rules, including the employer, employee and Government contribution rates, conditions on withdrawals, and changes could occur in the future. Changes to tax rates, the PIE tax regime or tax legislation generally could also impact on your returns (positively or negatively).</p>	<p>BNZISL has processes in place to identify, and, where appropriate, provide submissions and feedback on legislative changes on a timely basis.</p> <p>If relevant legislation or policy changes, we will co-operate with The New Zealand Guardian Trust Company Limited (the Supervisor), to make such amendments to the Governing Document and PDS, and such other changes to the administration of the Scheme, as are considered necessary or desirable in light of those changes.</p>
Operational risk (including third party supplier risk)	<p>This is the risk that BNZISL, the Supervisor or any of the parties appointed by us to provide services to the Scheme, fail to perform their obligations. It also includes the risk that BNZISL, any investment manager, any specialist underlying fund managers, the Supervisor or any service providers experience:</p> <ul style="list-style-type: none"> ▪ a failure of processes and procedures (including system failures or suspension of withdrawals from their funds); ▪ fraud; ▪ business disruption; or ▪ any other form of unforeseen external event including insolvency, receivership, liquidation, statutory management or voluntary administration. 	<p>This may adversely affect the value of your investment in the Scheme, or your ability to withdraw from the Scheme (including switching Funds or transferring to another scheme).</p>	<p>BNZISL and any of the parties appointed by us to provide services have risk management policies and procedures in place (such as business continuity plans and regular controls monitoring and testing programmes) to minimise or mitigate operational risks.</p> <p>We regularly monitor the services provided by third parties against agreed service levels.</p>

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<p>Tax related risks</p>	<p>There is a risk that the Scheme could lose its PIE status if there is a breach of the PIE requirements under the Income Tax Act 2007 and we cannot correct the breach, or we do not become aware of the breach in time to correct it.</p> <p>Incorrect Prescribed Investor Rate (PIR).</p>	<p>Loss of PIE tax status would result in the Scheme being taxed at a flat rate of 28% instead of the PIRs of individual members, which will impact the net returns to members. If the Scheme loses PIE status, the tax treatment of underlying assets may differ.</p> <p>If you do not provide a PIR or you do not provide your IRD number, you will be taxed at the highest PIR of 28%. Any overpaid tax will not be refunded to you.</p> <p>If you provide a PIR that is too low, or you fail to notify us of a change to a higher PIR (including if you are no longer a New Zealand tax resident), you will have to include the PIE income in your personal tax return and pay any tax shortfall (plus any interest and penalties). If you provide a PIR that is too high, you will not get a refund of any overpaid tax.</p>	<p>BNZISL has mechanisms in place to manage compliance with the PIE eligibility requirements, which may include adjusting an investor's unitholding to maintain PIE status.</p> <p>BNZISL provides you with regular reminders to review your PIR to ensure it is correct.</p>
<p>Product risk</p>	<p>From time to time changes may be made to the Scheme. These changes could include changing the investment objective or characteristics of a Fund, the asset allocation, underlying investment managers, the third parties appointed to provide services, and fees.</p>	<p>This may impact on the value of your investment in the Scheme or could change the risk profile of the Fund(s) in which you invest.</p>	<p>Any material changes to the Scheme will be made after we have consulted with the Supervisor or provided notice to the Supervisor.</p>
<p>Interest risk</p>	<p>This is the risk that changes in interest rates have an unfavourable impact on the Funds' investment returns.</p>	<p>This may affect the amount of income received by the Funds and/or the market value of the Funds' investments.</p> <p>This risk is most relevant to Funds with large exposures to cash and fixed interest investments, particularly those with longer-term fixed interest maturity profiles.</p>	<p>Interest rates will perform differently in different market cycles.</p> <p>Interest rate risk is mitigated by the Funds diversifying investments across a range of income asset classes and the ability of the appointed investment managers to select fixed interest securities based on their interest payments and maturities.</p>

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Credit risk	Credit risk is the risk that issuers of government or corporate bonds do not make an interest or principal payment when due or where registered banks do not pay interest or withdrawal requests.	This risk is most relevant for Funds with large exposures to cash and fixed interest investments that rely on payment of interest, coupons and principal from the fixed interest securities the Funds invest in.	Issuer credit worthiness, together with providing an appropriate diversification across issuers, is considered as part of determining the fixed interest securities for the funds in which the Fund(s) invests.
Deferral of payments	This is the risk that BNZISL may delay paying Scheme withdrawals, processing transfers or allowing switches if we determine that the realisation of assets to pay such withdrawals or to calculate the net asset value of a Fund would not be in the best interests of Scheme members.	Any deferral of payments will restrict your ability to withdraw, switch between Funds or transfer to another KiwiSaver scheme.	<p>Our ability to defer the payment of withdrawals, transfers or switches is subject to the requirements of the KiwiSaver Act 2006, and the provisions of the Governing Document.</p> <p>Any deferral of payments may only be up to 10 business days unless a longer period is agreed with the Supervisor.</p> <p>We actively monitor the Funds and the underlying funds into which the Funds invest to maintain a level of liquidity sufficient to meet the forecast level of withdrawals.</p>
Wind up	This is the risk that BNZISL is required, or decides to, wind up the Scheme or Fund(s).	You may receive less than what you have invested in your Scheme account. However, you will not be liable to contribute to any shortfall in the assets of the Scheme or any Fund.	<p>We actively monitor the Funds and the underlying funds into which the Funds invest.</p> <p>All of the Funds diversify across a range of investments to minimise investment risk.</p> <p>In addition, with the exception of the Cash Fund, all of the Funds diversify across a range of asset classes.</p>

BNZ KIWISAVER SCHEME

Other Risks



This document has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (FMCA). Investments made in the BNZ KiwiSaver Scheme do not represent deposits or other liabilities of Bank of New Zealand (“BNZ”) or any other member of the National Australia Bank Limited group, and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of BNZ or any other member of the National Australia Bank Limited group, the Supervisor, any director of any of them, the Crown or any other person guarantees (either fully or in part) the performance or returns of BNZ KiwiSaver Scheme or the repayment of capital. National Australia Bank Limited, the ultimate parent of BNZ, is not a registered bank in New Zealand, but is a licensed bank in Australia and is therefore subject to the supervision of the Australian Prudential Regulation Authority. BNZ Authorised Financial Advisers’ Disclosure Statements are available on request and free of charge.