Westpac KiwiSaver Scheme

Other Material Information

29 May 2020

BT Funds Management

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Background

This is an important document in relation to your investment in the Westpac KiwiSaver Scheme. It should be read together with the Product Disclosure Statement (**PDS**), the Statement of Investment Policy and Objectives (**SIPO**) and any other documents held on the register at **disclose-register.companiesoffice.govt.nz** (**Disclose**).

In this document:

- the words "you" and "your" refer to you and to other persons who apply for membership of or who become members of the Westpac KiwiSaver Scheme (**Members**) as the context requires;
- the words "we", "us", and "our" refer to BT Funds Management (NZ) Limited (**BTNZ**), which is the Manager of the Westpac KiwiSaver Scheme; and
- the words "current" or "currently", in relation to legislation, policy, activity or practice, mean as at the date of this document. Any legislation, policy, activity or practice may be reviewed or changed without us notifying you.

This document has been prepared pursuant to section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (**FMCA**) for the purpose of meeting certain disclosure requirements applying to the Westpac KiwiSaver Scheme under clause 52 of Schedule 4 to the Financial Markets Conduct Regulations 2014 (**FMCR**).

1. Nature of the Scheme

Introducing the Westpac KiwiSaver Scheme

The Westpac KiwiSaver Scheme (**Scheme**) is registered under the FMCA as a managed investment scheme (**MIS**) that is a KiwiSaver scheme. The Scheme is governed by a trust deed and began accepting Members on 1 July 2007. The trust deed for the Scheme, and the establishment deed for each fund (see below), are available on Disclose.

The Scheme became a Default KiwiSaver Scheme under the KiwiSaver Act 2006 (**KiwiSaver Act**) on 1 July 2014. Under an Instrument of Appointment (**IoA**), BTNZ (as manager of the Scheme) was appointed a Default KiwiSaver Scheme provider by the Government and the provisions of the IoA prevail over the trust deed. The IoA can currently be found at **fma.govt.nz/compliance/kiwisaver**. The Default Fund (to which the IoA relates) was formerly known as the Defensive Fund and the IoA still refers to it as such.

The Scheme offers six investment options (each a **fund** and collectively the **funds**) for you to choose from. The funds invest in a range of asset classes as described in the PDS and the SIPO. The funds are:

- Cash Fund
- Default Fund
- Conservative Fund
- Moderate Fund
- Balanced Fund
- Growth Fund

There is also a series of Capital Protection Plan Funds (**CPP Funds**) within the Scheme. The CPP Funds are closed to subscriptions and CPP Funds Numbers 1 and 2 have matured. The establishment deeds for CPP Funds Numbers 3 to 5 are dated 10 September 2009, 6 September 2010 and 15 September 2011 respectively. Further information on the CPP Funds is available from us via the contact details in the PDS.

How do the funds work?

The money you invest in the Scheme buys units in the fund(s) you choose. Each unit represents a share of a fund and has a unit price so that you know what your share of that fund is worth. Changes in the value of the assets of a fund will be reflected in the value of the units. Generally speaking, if the assets of the fund go up in value, your units will be worth more and if they go down in value, your units will be worth less. This means the return on your investment is reflected by any increase or decrease in unit price.

Each unit in a fund has the same value as every other unit in that fund and represents an equal interest in the fund.

The funds may issue any number of units that we choose. There is no maximum number of units that may be issued by a fund.

The units you hold in a fund do not give you any interest in any particular asset of that fund. This means that you cannot, for example, request or require us, or The New Zealand Guardian Trust Company Limited as the supervisor of the Scheme (**Supervisor**), to transfer to you any asset of a fund within the Scheme.

Upon making a withdrawal from the fund(s) that you are invested in (where permitted – see "Withdrawals" on pages 7 to 10), the units that you hold will generally be sold at the unit price that applies to the business day on which your withdrawal request is approved by us, or to the next business day, and the corresponding amount will be paid as described under "Making withdrawal payments" on page 10.

Asset valuation

We value the different assets held by a fund to determine the unit price for that fund. Asset valuations for the funds are typically performed each business day (being a day other than a Saturday or a Sunday or a public holiday in Auckland and Wellington). We apply market standard valuation methods for each asset type and in accordance with the trust deed. Our valuation policy permits the use of estimates in asset valuations, for example where assets are illiquid or infrequently traded.

For any new assets for which a market standard valuation approach is not applicable or appropriate, the valuation method to be used is first discussed with the Supervisor and our appointed unit pricing administration manager before being confirmed.

Unit price calculation

Unit prices are calculated by reference to the net asset value of the relevant fund at the time, divided by the number of units that have been issued from that fund. Unit prices are rounded to four decimal places. Some additional information on the calculation of unit prices is set out in the trust deed for the Scheme. We generally calculate unit prices each business day using the asset values determined for that day (as described above).

Our current policy is to apply unit prices using the forward pricing method. The use of forward pricing is considered to be good market practice as it removes the arbitrage opportunities associated with the alternative (historical pricing) method. Transactions into or out of a fund are generally processed using the unit price applicable to the business day that the transaction request is approved by us, or the next business day.

As specified by the trust deed, the Manager and the Supervisor have agreed a compensation policy that will apply if a material unit pricing error or material non-compliance with a unit pricing method requires correction. Under the current policy applied by the Manager and the Supervisor (unless the Manager and the Supervisor agree otherwise), a material unit pricing error is generally an error that equals or exceeds 0.30% of the unit price that would have applied had the error not occurred. Where agreed with the Supervisor, the Manager may choose not to pay compensation to you for an amount less than $20.

Transaction costs

To make allowance for the cost (or part of the cost) of acquiring or selling assets for a fund (transaction costs), under the trust deed we can adjust the unit price upwards or downwards. We can determine this allowance, and whether or when it is applied. These allowances (if any) are retained by the funds and not by us. We currently do not apply transaction costs to unit prices.

Joining the Scheme

As at the date of this document, you can join the Scheme if you:

(a) live, or normally live, in New Zealand (exceptions apply to some state sector employees working overseas); and

(b) are a New Zealand citizen or entitled, under the Immigration Act 2009, to be in New Zealand indefinitely.

The process for joining the Scheme is set out in the PDS. Each contribution received for you is paid into a non-interest bearing bank account on receipt and applied to the relevant funds in accordance with the trust deed.

We may set Scheme membership criteria (where the law allows) and we can decline your application if you do not meet those criteria.

If you are allocated to the Scheme by Inland Revenue (because the Scheme is a Default KiwiSaver Scheme) you will be designated a **Default Member** and be allocated to the Default Fund. If you are allocated to the Scheme due to it being your employer's chosen KiwiSaver scheme, or if you select the Scheme but do not choose a fund, you will be allocated to the Conservative Fund. You can choose an investment option more suitable for your personal circumstances at any time in Westpac Online Banking if you are aged 18 or over, or by completing the Switch Form which is available at **westpac.co.nz/kiwisaver/forms** or by calling us on **0508 972 254**.

If after joining the Scheme as a Default Member you confirm to us that you either choose to invest in a different fund or have made an active decision to remain invested in the Default Fund then, when we action your request, you will no longer be considered a Default Member.

Salary or Wages

For KiwiSaver purposes, your **Salary** or **Wages**:

- generally includes any money you receive as a bonus, commission, extra salary, gratuity or overtime pay; and
- also includes (other than for compulsory employer contribution purposes) ACC compensation payments and parental leave payments out of public money; but
- doesn't include accommodation benefits or redundancy payments.

Member contributions

The KiwiSaver Act requires a minimum contribution rate (currently 3%) of your gross Salary or Wages if you are receiving Salary or Wages.

Your employer will automatically deduct your contributions from your after-tax pay and pay them to the Scheme through Inland Revenue.

You can change your contribution rate by notifying your employer of a new rate (currently 3%, 4%, 6%, 8% or 10%) of your gross Salary or Wages. You can only do this once every three months or as agreed with your employer.

Once you have reached Qualifying Age (see page 7) you may notify your employer to stop making KiwiSaver contributions from your pay.

If no PAYE is required to be deducted from your Salary or Wages (and you are not a private domestic worker) then you are not required to contribute from your pay.

Employer contributions

If you are aged between 18 and Qualifying Age (see page 7) and you are contributing to the Scheme from your Salary or Wages then, except as outlined below, your employer must also contribute to the Scheme for your benefit. Your employer's contribution must be on top of your Salary or Wages unless you agree otherwise. All employer contributions must be paid through Inland Revenue. Your employer must deduct employer superannuation contribution tax from its contribution before paying it to the Scheme for your benefit – see section 7 for more information.

If your employer contributes to a non-KiwiSaver retirement scheme for your benefit, those contributions will count as compulsory employer contributions (meaning that it does not need to contribute to the Scheme, or can contribute at a lower rate, for your benefit) if your employer:

- was already providing employees with access to that retirement scheme on 17 May 2007; and
- employed you, and made (or agreed to make) contributions to the retirement scheme for your benefit, before 1 April 2008.

Your employer's contributions to that retirement scheme will only count as compulsory contributions to the extent that they "vest" (i.e. are fully allocated to you) within five years of being paid.

Under the KiwiSaver Act, there are other limited circumstances where employer contributions to a retirement scheme will count as compulsory contributions.

Government contributions

Government contributions are currently payable to eligible Members as set out in the PDS.

Those Government contribution entitlements will reduce in proportion to the part of any year (1 July to 30 June) during which you were not a KiwiSaver member, had yet to reach age 18, had reached Qualifying Age (see page 7) or were contributing while you did not live mainly in New Zealand.

No Government contributions will be payable in respect of funds transferred to the Scheme from an Australian superannuation scheme.

Voluntary contributions

Lump sum contributions

You can make voluntary lump sum payments direct to your Westpac KiwiSaver Scheme account through Online Banking or at any Westpac NZ branch.

You may also be able to transfer savings from another retirement scheme to the Westpac KiwiSaver Scheme.

Regular contributions

You can set up a regular payment at any time through Online Banking or by completing the relevant application form and the direct debit authority (at the back of the PDS).

Savings suspension

If you're making regular contributions from your Salary or Wages, you can apply to Inland Revenue for a savings suspension. This means your employer will stop deducting regular contributions from your pay. As at the date of this document, you can take a savings suspension of between three months and one year. Generally, at least 12 months must have passed since Inland Revenue received your first KiwiSaver contribution before it can grant you a savings suspension. However, if you are suffering, or likely to suffer, financial hardship before that time, Inland Revenue may grant you a savings suspension of up to three months (or longer in special circumstances).

You can apply for a new savings suspension once your suspension period expires and there's no limit to the number of times you can apply for a savings suspension.

It's important to note that while you are on a savings suspension, your employer can also suspend any compulsory contributions it is making on your behalf. Those employer contributions will start again when you resume making regular contributions from your Salary or Wages.

While you are on a savings suspension, your savings will continue being invested in the Scheme, which means your balance will continue to fluctuate.

You can end a savings suspension at any time by letting your employer know that you'd like to start making KiwiSaver contributions from your pay again.

Transfers

You may transfer to the Scheme from another KiwiSaver scheme or permitted retirement scheme at any time. You may also transfer to another KiwiSaver scheme at any time by contracting directly with the provider of that scheme. Because you may only be a member of one KiwiSaver scheme at a time, you must transfer your entire balance to the new KiwiSaver scheme.

Subject to the KiwiSaver Act, we may impose conditions and restrictions (including as to fees, amounts and frequency) on your withdrawal of any amount transferred to the Scheme from an overseas retirement scheme.

If you have previously transferred UK pension money into KiwiSaver, you may not be able to transfer to the Scheme or another KiwiSaver scheme without incurring a possible UK tax penalty. Transfers from overseas retirement schemes may have significant tax consequences and you are strongly encouraged to talk to an independent tax adviser before you make any decision to transfer your investment, or to withdraw it once it has been transferred into KiwiSaver. None of the parties involved in the Scheme will be responsible for any tax consequences arising from a transfer to the Scheme or withdrawal from the Scheme where part or all of the balance has originated from a UK pension.

You can transfer funds from an Australian complying superannuation scheme into the Scheme if you have permanently returned or immigrated to New Zealand. Transfers to an Australian complying superannuation scheme are covered under "Permanent emigration to Australia" below.

Withdrawals

KiwiSaver is a special type of investment designed to help you save for retirement, so in most cases you cannot withdraw your savings until you are eligible for withdrawal. Generally, this is when you reach **Qualifying Age** under the KiwiSaver Act.

If you first joined KiwiSaver on or after 1 July 2019, Qualifying Age means when you reach NZ Super age (currently 65)[1].

If you first joined KiwiSaver before 1 July 2019, Qualifying Age means the later of:

- when you reach NZ Super age (currently 65); and
- 5 years after you first joined KiwiSaver[2].

You can choose NZ Super age as your Qualifying Age, even if you haven't been a member for 5 years. If you do so, then from NZ Super age (or from the date of making that choice if later):

- you will be eligible to make withdrawals from your KiwiSaver account; and
- you will not be eligible for Government contributions or compulsory employer contributions.

[1] Unless you transferred to KiwiSaver from a complying superannuation fund which you joined before 1 July 2019, in which case your Qualifying Age will be the later of NZ Super age and 5 years after you joined that fund.

[2] Or if you transferred to KiwiSaver from a complying superannuation fund, 5 years after you joined that fund.

Withdrawals after Qualifying Age

Once you reach Qualifying Age, you can continue to save in the Scheme and/or make a withdrawal at any time. You can make withdrawals in one or more lump sums or as a series of regular withdrawals.

Currently:

- the minimum amount for any lump sum withdrawal is $500 (or your full account balance if your balance is below $500)
- the minimum monthly amount for regular withdrawals is $100 a month and you can make monthly, fortnightly or weekly withdrawals.

We can alter these minimum amounts (and the permitted manner and frequency of withdrawals) at any time. We can also set a minimum balance that you must retain in the Scheme or a fund. Currently there is no minimum balance, but if we introduce one in future we may require you to make a full withdrawal if your account balance falls below that minimum amount.

If you make a full withdrawal, your account will be closed and you will no longer be a Member.

Early withdrawals

In some special circumstances, you may be able to make an early withdrawal. Under current legislation, these include buying a first home, significant financial hardship, suffering serious illness or a life-shortening congenital condition (in each case as defined in the KiwiSaver Act), permanent emigration or where a transfer from an overseas retirement scheme has triggered an additional tax liability or student loan repayment obligation. In some cases of early withdrawal, the amount withdrawn must exclude some amounts (which must remain in your Westpac KiwiSaver Scheme account).

- First home purchase withdrawal

One of the benefits of KiwiSaver is the option to make an early withdrawal to help you buy your first home or land (or an interest in a dwellinghouse on Maori land). To do this, you must satisfy the eligibility requirements in the KiwiSaver Act, which are briefly summarised in the PDS.

To qualify, generally you must never have owned property before, unless Housing NZ considers you to be in the same financial situation as a first home buyer. For more information contact Housing NZ.

You will not be treated as having owned property before if you hold (or have held) land:

- as a bare trustee;
- as a leaseholder;
- where it is an interest in Maori land, or
- as a trustee who is a beneficiary under the relevant trust, but with no reasonable expectation of being entitled to occupy the land as your principal place of residence until the death of the occupier (or of his or her survivor).

You can withdraw all of your savings to buy your home (except for $1,000 and any amount transferred to KiwiSaver from an Australian complying superannuation scheme).

When you apply to make a first home purchase withdrawal you'll need to provide various documents, including a copy of a sale and purchase agreement listing you as purchaser.

Please ensure you apply for this withdrawal at least 10 business days before your deposit or settlement payment is due. If at any time while in KiwiSaver you were not resident in New Zealand, you should allow an additional 5 business days so that any Government contribution adjustments can be made if needed.

You cannot make a first home buyer's withdrawal after your property purchase has settled (and if you seek the withdrawal to buy land on which to build your first home then funds must be put towards buying the land, not building the home).

If your withdrawal is approved, the money will be paid directly to your solicitor or conveyancing practitioner. If you do not end up buying the property, the money must be put back into your KiwiSaver account.

In some circumstances you can suffer a loss of your deposit which means you may be unable to recover some or all of the funds you withdrew for this purpose. You should talk to your solicitor or conveyancing practitioner for more details on how these types of circumstances may arise.

- Significant financial hardship

If you are experiencing or likely to experience significant financial hardship you may be able to withdraw some of your savings. Where your application is approved, your withdrawal will be limited to the amount that, in the Supervisor's opinion, is required to alleviate the hardship. The maximum withdrawal is the balance in your account, less any Government contributions (and any $1,000 'kick-start' contribution you may have received when first joining KiwiSaver).

- Serious illness

If you become seriously ill, injured or disabled you may be able to make an early withdrawal. The Supervisor will consider applications with documentation showing that you are totally and permanently unable to perform work that would otherwise suit your experience, education or training, or that you have an illness, injury or disability that poses a serious and imminent risk of death. If your application is approved you will be able to withdraw a lump sum up to the total value of your KiwiSaver account.

- Life-shortening congenital condition

If you have a life-shortening condition that is congenital (i.e. exists from date of birth), you may be eligible to withdraw all or part of your savings before NZ Super age. The Supervisor must be satisfied either that the condition is identified by regulation as a life-shortening congenital condition or is one for which you have medical evidence to verify that it is expected to reduce life expectancy to below age 65 (either for you or generally for persons with the condition).

If you make a withdrawal on this basis, you will be treated for KiwiSaver purposes as having reached your Qualifying Age, which means you will be eligible to make further withdrawals but you will no longer be eligible for Government contributions or compulsory employer contributions.

- Permanent emigration

If you permanently emigrate from New Zealand to anywhere other than Australia, after one year you can withdraw the full value of your savings (excluding any Government contributions, which must be repaid to Inland Revenue, and any amounts transferred from an Australian complying superannuation scheme). We will need evidence to support your permanent emigration withdrawal request.

- Permanent emigration to Australia

If you permanently emigrate to Australia, you cannot make a cash withdrawal on the basis of permanent emigration. However, you can transfer the total value of your KiwiSaver account (including Government contributions) to an Australian complying superannuation scheme which agrees to accept the transfer (as long as your balance is below any maximum transfer amount required by Australian legislation).

Where your investment includes money originally transferred from an overseas retirement scheme, you should seek advice from an independent tax adviser before you make any decision to transfer.

- On death

We will pay out your KiwiSaver savings to your personal representatives (the executors or administrators of your estate) if you die. If your balance does not exceed the prescribed amount (currently $15,000) and certain other conditions are met, we may pay a claimant under the Administration Act 1969 such as your surviving partner or children.

- Following transfer from an overseas superannuation scheme

You may be able to make a withdrawal to meet any New Zealand tax liability or additional student loan repayment obligation that has arisen as a result of you transferring funds to KiwiSaver from an overseas (non-Australian) superannuation scheme. You must apply within two years after Inland Revenue assesses that tax liability or additional repayment obligation.

If the withdrawal is approved, the amount withdrawn (which is paid directly to Inland Revenue) cannot exceed, as applicable:

- the lesser of the tax liability incurred and your total tax liability for the relevant tax year, and
- the amount of the additional student loan repayment obligation.

The withdrawal might in some cases trigger a foreign tax liability. If you are considering making a transfer into the Scheme from an overseas superannuation scheme you should see an independent tax adviser.

- Other withdrawals

If there is any law or court order (for example when a relationship ends) that requires us to release some or all of your funds, we will need to comply with that law or court order.

Funds transferred to KiwiSaver from an Australian complying superannuation scheme can be withdrawn if you have reached age 60 and satisfy the “retirement” definition in Australian legislation.

Making withdrawal payments

Any withdrawals are paid out of the fund or funds you are invested in. We will normally pay withdrawals within 10 business days of approving your request (or if you are a Default Member, within the period required by the IoA for the relevant withdrawal type).

The withdrawal will be paid by direct credit to your bank account unless the type of withdrawal requires otherwise (e.g. a first home withdrawal must be paid to your solicitor or conveyancing practitioner).

Any amount not available for withdrawal will remain invested in the Scheme until it becomes available for withdrawal and we approve a later withdrawal request.

Suspension Powers

In some circumstances we may give notice to the Supervisor and suspend withdrawal payments, transfers to other KiwiSaver schemes or switches between funds within the Scheme. This may happen if we believe it is not practicable, or would materially prejudice Members’ interests, to allow withdrawals or transfers to or from the Scheme or to calculate the net value of a fund. We cannot suspend any payments, transfers or switches for longer than 10 days without prior written permission from the Supervisor.

Leaving the Scheme

If you make a full withdrawal, your account will be closed and you will no longer be a Member. If your account balance falls to zero and we have notified you of the end of your membership, you will no longer be a Member of the Scheme.

Wind-up

We may decide to wind up the Scheme. If the Scheme is wound up, any creditors' claims will rank ahead of your claims, though your claims will rank equally with those of other members in the relevant fund(s). Unless you have reached Qualifying Age, you will not receive a withdrawal payment and you will be required to transfer from the Scheme to another KiwiSaver scheme which you choose (and if you do not choose, then Inland Revenue will transfer you to a Default KiwiSaver Scheme under the default allocation rules in the KiwiSaver Act).

Our ability to make changes

We may alter the minimum lump sum investment and withdrawal amounts or any notice periods, set a minimum balance that must remain in the Scheme or a fund, or change the Scheme (or units issued) for tax purposes.

Subject to the KiwiSaver Act and the IoA we can also close or wind up or alter a fund, or combine any two or more funds. Before we do this we must notify the Supervisor. Certain other restrictions prescribed in the trust deed also apply.

Making changes to the trust deed and SIPO

Subject to the KiwiSaver Act, the IoA and the FMCA, we and the Supervisor may amend the trust deed. The Supervisor must be satisfied, and must certify, that the amendment does not have a material adverse effect on Members (unless affected Members approve the amendment by special resolution).

We may change the SIPO for the Scheme, including benchmark asset allocations and ranges, after giving the Supervisor prior notice in accordance with the trust deed and the FMCA.

Any material changes to the SIPO will be described in the next annual report for the Westpac KiwiSaver Scheme.

Borrowing powers

At our direction, the Supervisor may borrow and raise money for any Scheme purpose and secure the repayment of any money borrowed (and interest on that money) by charge over all or any of the assets of the Scheme, unless it believes doing so would cause it to breach its legal obligations.

2. The Manager and its directors

The Manager of the Scheme is BTNZ.

Details of the directors of BTNZ are available at **companiesoffice.govt.nz/companies**

The directors of BTNZ may change from time to time without notice to you.

The ultimate holding company of BTNZ is Westpac Banking Corporation, ABN 33 007 457 141 (**Westpac Banking Corporation**), an Australian incorporated company. Westpac Banking Corporation is listed on the ASX. BTNZ has been a member of the Westpac Banking Corporation group of companies (**Westpac Group**) since 31 October 2002.

Investments made in the funds do not represent bank deposits or other liabilities of Westpac Banking Corporation, Westpac New Zealand Limited (**Westpac NZ**) or other members of the Westpac Group. They are subject to investment and other risks, including possible delays in payment of withdrawal amounts in some circumstances, and loss of investment value, including principal invested.

Key roles within BTNZ

Details of the roles key to the management of BTNZ can be found at **westpac.co.nz** (by searching for a document titled “Key Roles within BT Funds Management”). The roles and the people holding those roles may change from time to time without notice to you.

3. Other parties

Administration managers

Trustees Executors Limited and MMC Limited have been appointed to perform certain administrative functions for the Scheme. The administration managers are regularly monitored and reviewed.

Trustees Executors Limited

Trustees Executors Limited provides registry administration services which include investor maintenance and servicing, transaction processing, making/receiving payments, reconciliations, investor correspondence and reporting.

MMC Limited

MMC Limited provides fund administration services including calculation of performance, reconciliation of security positions and bank accounts, trade matching and settlement, portfolio valuations, unit pricing and preparation of financial statements.

We may change the administration managers without notice to you. The identity and number of administration managers may vary from time to time.

Specialist Funds and underlying investment managers

Investments may be held directly or via investment in other funds that we select (**Specialist Funds**). The underlying investment managers we currently use through Specialist Funds are shown in the document titled “Other Material Information – Underlying Investment Managers” which is available on **westpac.co.nz/kiwisaverspecialistfunds** and on Disclose.

Changes to underlying investment managers

Underlying investment managers are regularly monitored and reviewed. Managers may be added or removed without us notifying you. This means the identity and number of underlying investment managers for the funds may vary from time to time.

Licensed Supervisor

The Supervisor, The New Zealand Guardian Trust Company Limited, has been granted a licence under the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of debt securities and certain registered schemes (including KiwiSaver schemes).

Further information on the Supervisor’s licence is available on the Financial Markets Authority’s website **fma.govt.nz**

Registrar and Custodian

BTNZ is the Registrar of the Scheme and an electronic register for the Scheme is kept at BTNZ’s head office in Auckland.

The custodian is The New Zealand Guardian Trust Company Limited, acting through its nominee company, BTNZ KiwiSaver Nominees Limited, or its appointed custodian Hongkong and Shanghai Banking Corporation Limited. Assets of the Scheme may be registered in the name of BTNZ KiwiSaver Nominees Limited.

Supervisor and Manager indemnity

Unless it fails to meet the standard of care required by the FMCA, if the Supervisor incurs any expense or liability in performing its functions for the Scheme then it is indemnified (and can be reimbursed) from Scheme assets to the full extent of such expense or liability and the costs of any proceedings in which the liability is determined.

We are also indemnified from Scheme assets on the same terms.

You indemnify the Supervisor and us for tax paid on income attributed to you by the Scheme. This indemnity only applies if your interest in the Scheme is not sufficient to meet any tax liability on income attributed to you.

Further information in relation to the Supervisor's and our responsibilities and indemnities is set out in the trust deed.

Management Agreement

A Management Agreement between us and the Supervisor dated 2 May 2016 (as amended from time to time) sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Scheme and the funds. The Management Agreement specifies the reporting and information to be provided by us to the Supervisor and the requirements for operating the Scheme's bank accounts and record keeping.

Nothing in the Management Agreement limits or alters the powers of the Supervisor or our duties under the trust deed and applicable law.

Scheme Provider Agreement

The Scheme Provider Agreement dated 30 March 2007 (as amended from time to time) defines the relationship between BTNZ (as Scheme manager) and Inland Revenue, and sets out our mutual obligations and expectations as to customer service in relation to the Scheme and Members.

4. Further information on fees

Administration fee, management fees and expenses

We are responsible for the administration and management of the Scheme, its funds and its investments. For that we are paid an administration fee and a management fee.

We and the Supervisor are entitled to be reimbursed from the funds for expenses (inclusive of GST, if applicable) incurred in carrying out our duties in relation to the Scheme, including expenses relating to services provided by an administration manager. We currently seek to limit the total of the expenses recovered from the Scheme to 0.10% per annum of the gross value of the assets of the Scheme. Subject to the KiwiSaver Act (and, in relation to the Default Fund, subject also to the requirements of the IoA) we can change the limit on expenses provided we notify the Supervisor.

Supervisor's fee

The Supervisor charges an annual fee in respect of its services performed for the Scheme.

Underlying fund fees

The funds that BTNZ chooses to invest in may charge management fees. Under our current policy BTNZ pays any management fees charged by the Specialist Funds ourselves (so these fees will not affect the amount of your returns).

Specialist Funds and any funds they are exposed to may however charge other fees, including performance fees, and incur expenses which will affect their value and consequently have an impact on the returns from the funds and therefore the value of your investment.

Included in the annual fund charges disclosed in the PDS are estimates of the performance fees (if any) that may be charged by the investment managers of certain Specialist Funds when specific performance targets are met.

A performance fee (if any) will only be charged by an investment manager of a Specialist Fund when its investment return outperforms either its benchmark or a specific performance hurdle return. A performance hurdle return is typically a specified percentage above a benchmark index. Usually, any prior underperformance must be made good before the investment manager qualifies for a performance fee. Performance fees (if any) for the relevant investment managers of the Specialist Funds typically range from 0-20% of outperformance over the benchmark or performance hurdle. There is no guarantee that a performance fee will be paid, and the actual performance fees charged will vary from the estimates used in the annual fund charges estimated in the PDS.

Basis for estimates of fund charges in PDS

The annual fund charges shown in the PDS include the actual management fee for each fund and estimates of the expenses for each fund, as well as estimates (weighted according to each fund's benchmark asset allocations) of the other fees and expenses expected to be charged by underlying funds (including any performance fees). Those estimates, made as at the date of the PDS, are based on:

- historic fees and expenses data for the underlying funds, or
- where no historic data is available, the expected fees and expense levels for similar underlying funds, and
- in the case of performance fees, the performance fee that would apply if the performance threshold of the relevant underlying fund was met.

When we make estimates using historic data, we assume that ongoing charges will be at levels equivalent to the charges contained in the historic data.

Actual fund charges will vary from these estimates including where such charges depend on the performance of the underlying funds and their investment managers.

Waiver of fees

We reserve the right to waive all or any part of the administration or management fees – either generally or for any particular Member or Members.

Fees must be reasonable

The KiwiSaver Act requires that all fees charged by KiwiSaver schemes must not be unreasonable. Fees charged with respect to the Default Fund and Default Members must also be consistent with the IoA.

If you feel that any fee is unreasonable, you can apply to the Court for an order that it be reduced or cancelled. This application must be made within a year of the day the fee is imposed or deducted.

The FMA may also make such an application. Also, when any fee is increased, we must notify the FMA before or as soon as reasonably practicable after the increase takes effect.

GST

Goods and Services Tax (**GST**) is not included in any of the stated fees. GST will be added to any fees where applicable.

Changes to fees

All fees for the Scheme are subject to change. Any changes in fees will be subject to the 'reasonable fees' restrictions outlined in the KiwiSaver Act, and additionally the fees able to be charged in relation to the Default Fund are limited by the IoA.

Other than the restrictions set out above, there are no limits under the trust deed, or elsewhere, on the level of fees that may be charged in the Scheme.

The Supervisor can alter its fees with our agreement. Subject to the aforementioned restrictions, we can change the management fees and/or the administration fee provided we notify the Supervisor.

Under the trust deed, we can introduce any other fees in the future or determine to apply transaction costs.

5. Westpac and its related parties – disclosure of interests

We may use related parties to provide services in respect of the Scheme and the funds as summarised below.

Westpac NZ and Westpac Banking Corporation are related parties of BTNZ. Westpac NZ and Westpac Banking Corporation provide banking services to the Scheme and the funds and may receive commercial benefits from this arrangement. Westpac NZ also receives a fee from BTNZ for providing support services and distributing the Scheme. Westpac Banking Corporation also receives a capital protection fee from the closed CPP funds.

Our directors (or associated persons of us) may invest in the Scheme.

The funds may invest in managed funds that we, or one of our related companies, manage (**Related Funds**). When we have chosen to invest in a Related Fund, our current policy is that the Related Fund will not charge:

(a) application fees (if any); or

(b) management fees (or that if management fees are charged, they are rebated in full to the investing fund).

More information on the Specialist Funds (including any Related Funds) and underlying investment managers can be found in the document titled "Other Material Information – Underlying Investment Managers" which is available on Disclose.

If the Supervisor (or a related company of the Supervisor) is also the supervisor of a Related Fund, then it will either not charge any fee for that Related Fund to the investing fund or refund any fee so charged.

The Related Funds may also charge other fees and incur expenses. Any such fees and expenses paid will affect the value of the Related Funds and consequently affect returns.

Conflicts of interest policy

Because we are a member of the Westpac Group and have directors who are senior executives with the Westpac Group, an inherent conflict of interest arises.

How conflict would/could materially influence the Scheme and funds

- We may have an incentive to influence investment managers to invest in securities (including investment funds) issued by us or others within the Westpac Group ahead of other investments.
- We or a Westpac Group entity may have an incentive to invest in investment funds managed by us or that entity (or otherwise within the Westpac Group) ahead of investment funds managed by third party investment managers.
- We may have an incentive to utilise other members of the Westpac Group for the supply of services, and as counterparties for banking products and derivatives trades, ahead of third parties.

Steps taken to manage conflicts of interest

The FMCA imposes statutory controls on conflicts of interest:

- As a professional manager of a registered KiwiSaver scheme we must, in exercising any power, or performing any duties, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in those circumstances; act honestly in acting as manager; act in the best interests of Members; and treat Members equitably.
- Where we contract out our functions to external parties, we must seek to ensure the persons to whom we contract those functions perform them to the above standards as if we were performing them ourselves. We must also monitor the performance of those functions.

- Where a related party transaction provides a related party benefit as prescribed by the FMCA, we must notify the Supervisor and provide any certification required by the FMCA.

Westpac NZ Conflicts of Interest Policy and Conflicts of Interest Guidelines

We have built relevant statutory controls into our internal compliance processes and procedures. As part of the Westpac Group, we also comply with the Westpac NZ Conflicts of Interest Policy (**Policy**) and the Westpac NZ Conflicts of Interest Guidelines (**Guidelines**). The Westpac Group is committed to identifying, declaring and managing conflicts of interest.

The Policy sets out what a conflict of interest is and provides a framework for how to identify, declare and manage it.

The Guidelines provide that the process for managing a conflict of interest is to identify, declare, manage and monitor.

The conflict of interest is recorded in the relevant business unit's conflicts of interest register. Conflicts of interest are a standing item on the agenda for the BTNZ Investment Committee (or any similar committee that may replace it) operated by BTNZ management. Further information on the BTNZ Investment Committee can be found in the SIPO on Disclose.

Westpac NZ has a separate policy and guidelines covering gifts and hospitality.

6. Risks

Main risks of investing: The main risk is **investment risk** – the risk of negative or lower than expected returns on your investment. All investments have investment risk. If market conditions are volatile or you invest for a short time it is reasonably foreseeable that your overall returns from a fund or funds may be less than you expect or may be negative for a period of time. This may also be the case if you withdraw your investment, or switch between funds, during periods of higher volatility. If returns are less than charges paid and you withdraw your money at this time, it is possible that you could receive back less money than you put in.

We have identified the following principal risks that may produce this result and we also describe below how we seek to manage these risks (where possible). It is important to note that risks can only be managed to a certain extent:

- **asset allocation risk** – generally speaking growth assets (such as equities) are more volatile than income assets (such as fixed interest) and are more likely to give rise to negative returns in the short term. Each asset class in which the funds invest also has specific risks which are set out below.
- **market risk** – many factors affect market performance generally and, therefore, the value of assets in which the funds invest. These can include the state of the economy (both domestic and overseas); the performance of individual entities; tax laws and other regulatory conditions; market sentiment; political events; inflation; movements in interest rates and currency and broader events like changes in technology, pandemics or environmental events. We seek to reduce market risk to some extent by diversifying across asset classes, investment sectors, countries, investment managers and/or investment styles.
- **currency risk** – if a fund invests in international markets, currency movements may have an adverse effect on the domestic value of its international investments. The extent to which we may manage currency exposures for each asset class is set out in the SIPO which can be found on Disclose.

- **investment manager risk –** investment decisions are made by professional investment managers and will affect returns. We select any Specialist Funds according to a range of criteria based on our investment philosophy and an assessment of the underlying investment managers. The outcomes of investment decisions cannot be predicted with certainty and results will vary. To seek to manage this risk, we regularly monitor the Specialist Funds and their investment managers.
- **credit risk –** if a fund invests in fixed interest assets, money market securities, mortgages or derivatives there is always a risk a borrower or other counterparty's creditworthiness may decline or they may default on required payments (which can reduce returns or mean that not all of the amount invested is recovered). Where appropriate, the investment strategy seeks to incorporate an assessment of creditworthiness and appropriate diversification to reduce credit risk.
- **derivatives risk –** derivatives are financial contracts whose value depends on (or 'derives' from) the value of underlying assets such as equities, fixed interest, commodities, currency, or cash. They provide exposure to an underlying asset without the need to buy or sell that asset. They may be used by the funds as an alternative to investing in a physical asset or as a risk management tool. Derivatives may not perform in line with expectations, resulting in unexpected gains or losses and increased volatility. To manage this risk we operate within guidelines concerning the use of derivatives in the funds. For more details, see the SIPO on Disclose. The Specialist Funds in which the funds invest may use derivatives more extensively than the funds themselves. Although the use of derivatives may create leverage in the funds, it is our policy not to invest directly in derivatives to gear the funds (that is, to obtain greater exposure to markets than the net asset value of a fund). If for any reason (including market movements or cash flows) a fund becomes geared through its direct investments, we will realign the fund as soon as practicable to remove any gearing. **liquidity risk –** the Scheme or a fund may be limited in its ability to meet your withdrawal, transfer or switch request if it cannot sell or accurately value assets and we may suspend or restrict withdrawals, transfers or switches in certain circumstances. This may occur because some assets are less liquid than others, which means it's harder to sell the assets within a timely period or on a for value basis. It may also impact on the price of an asset. In some cases, assets may not be so easily converted into cash for various reasons such as a lack of demand for the asset, disruptions in the market or large withdrawals. This risk may increase where a fund invests through Specialist Funds, which may suspend or restrict withdrawals or otherwise become illiquid. We seek to manage liquidity risk by investing primarily in liquid markets and securities. We monitor each fund's liquidity levels in order to meet any liabilities and withdrawals during normal market conditions.
- **concentration risk –** a fund's investments may be concentrated in particular assets, types of assets, investment vehicles, geographical areas or industries. In that case, the poor performance of a single investment or group of investments can significantly impact returns and increase volatility. Concentration risk can also arise where a fund's investments are concentrated in other managed funds, which may potentially give rise to an increased liquidity risk (as discussed above). The funds and Specialist Funds may adopt concentration limits to manage this risk.

Additional risks which may be relevant at different times include:

- **regulation risk –** any change in tax or other applicable legislation or regulation can impact on a fund's returns. Changes to legislation or regulations may impact on the features of KiwiSaver available to you (for example Government and employer contributions or withdrawal provisions).
- **product risk –** changes may be made to the Scheme from time to time including changing a fund's aim, strategy, benchmark asset allocation or ranges, underlying investment managers or administration managers, adding to, closing or winding up the funds, or changing the fees and charges or minimum amounts. Any material changes will be made after consultation with or notice to the Supervisor.

- **contractor risk –** a third party may fail to properly provide services to us in relation to the Scheme. We have selected reputable third parties to provide services to the Scheme. All third parties are required to meet agreed service levels and are subject to ongoing monitoring and review by us.
- **operational risk –** risks may arise from a failure of processes and procedures, fraud, litigation, disruption to business by industrial disputes, system failures, pandemics, natural disasters and other unforeseen external events which might affect our business or a fund and its assets. We seek to manage this risk with a risk management framework that includes core principles as well as policies and processes for measuring and monitoring risk. In addition, we and our administration managers have regularly tested business continuity plans in place to address certain types of business disruption.
- **tax related risk –** if the Scheme fails to satisfy the Portfolio Investment Entity (**PIE**) tax eligibility criteria as set out in the Income Tax Act 2007, and that failure is not remedied within the period permitted under that Act, the Scheme may lose its PIE status. In that case, the Scheme will be taxed at 28% on its taxable income. We have implemented processes to monitor ongoing PIE eligibility compliance for the Scheme, and have a number of powers available to us to proactively manage this risk. Additionally, if you advise us of a Prescribed Investor Rate (**PIR**) which is lower than the correct PIR, or you fail to advise us when your PIR increases, your investment income will still be taxable at your correct PIR and you will still need to pay any tax shortfall directly to Inland Revenue.

Each asset class in which a fund invests also has specific risks. The specific risks for each asset class most likely to affect the value of your investment in a fund are:

Income assets

Cash and cash equivalents	*Specific risk: market risk and credit risk* The value of a fund's cash assets may not keep pace with inflation (market risk). This could mean that even though your savings are steadily growing, your money may not have the same buying power as you would expect in 'today's money'. The value of cash assets can also be impacted by the ability of an issuer to pay interest or repay a loan or an issuer's creditworthiness can decline (credit risk).
Fixed interest	*Specific risks: market risk and credit risk* The value of a fund's fixed interest assets may not keep pace with inflation (market risk) which could mean that your money may not have the same buying power as you would expect in 'today's money'. The value of fixed interest assets will be affected by changes to interest rates (market risk) and the ability of a borrower to repay a loan or pay interest or the ability of a counterparty to meet payments. An issuer's creditworthiness can also decline (credit risk). Fixed interest may involve extensive use of derivatives. The potential gains and losses from derivatives can be substantial and can increase the volatility of a fund's returns. In the case of international fixed interest there is also the market risk of currency movements impacting on returns.

Growth assets

Equities	*Specific risk: market risk* The value of a fund's equity assets will be affected by factors such as the performance of individual companies, market sentiment and the economic performance of the country or sector.

	In the case of international equities there is also the risk of currency movements impacting on returns.
Listed property	*Specific risk: market risk* The value of a fund's property assets will be affected by factors such as the demand for property generally, demand for the sector and location, the quality of specific properties, the performance of individual property securities, the general economy, market sentiment and movements in interest rates.
Other (alternative investments)	*Specific risks: market risk, liquidity risk and derivatives risk* Alternative investments may be more complex and less liquid than traditional assets, particularly in times of significant market volatility. They can also involve more extensive use of derivatives. The potential gains and losses from derivatives can be substantial and can increase the volatility of a fund's returns.

7. Taxation

The Scheme is a multi-rate PIE for tax purposes.

This means that the taxable income of the Scheme will be attributed to Members in proportion to the units held in the respective funds and that any taxable income attributed to you will be taxed within the Scheme at the most recent PIR that you (or Inland Revenue) have notified to us or the default rate (currently 28%) if no PIR has been notified. Information on current PIRs and how to determine your PIR can be found at **ird.govt.nz/pir**

We will work out the PIE tax (after offsetting any applicable tax credits) that is attributable to you and then cancel units held by you equal in value to that amount. Similarly, if you are due a refundable PIE tax credit, we will issue additional units equal in value to the amount of the refund. We'll usually make these adjustments for PIE tax after the end of the Scheme's income year. However, if you withdraw, switch, or transfer units during the year, then we'll make tax adjustments at that time.

You can find more information about PIEs on the Inland Revenue website **ird.govt.nz** (search for 'PIE for investors'). We and the Supervisor do not take any responsibility for your taxation liabilities. You should seek your own independent professional advice as to your particular tax position.

The Scheme must comply with certain requirements to maintain its PIE status. We have powers under the trust deed to ensure those requirements are met.

Tax on employer contributions

If you are employed, your employer's contributions will have employer's superannuation contribution tax (**ESCT**) deducted from them before they are paid to the Scheme. The ESCT rate is determined based on the total of your Salary or Wages and the before-tax employer superannuation contributions made for your benefit – these include KiwiSaver contributions – in the previous income year (the 12 months to the last 31 March). You can find information on the current ESCT rates on the Inland Revenue website **ird.govt.nz** (search for 'ESCT').

If your current employer did not employ you for all of the previous income year, your ESCT rate will be based on an estimate of your expected Salary or Wages and employer superannuation contribution entitlements for the current income year.