WESTPAC KIWISAVER SCHEME

Other Material Information.

25 September 2024.

Contents

This is an important document in relation to your investment in the Westpac KiwiSaver Scheme (**Westpac KiwiSaver**[1] **or Scheme**). It should be read together with the Product Disclosure Statement (**PDS**), the Statement of Investment Policy and Objectives (**SIPO**) and the other documents held in relation to the Scheme on the offer 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 Scheme (Members) as the context requires;
- the words "we", "us", and "our" refer to BT Funds Management (NZ) Limited (**BTNZ**), which is the manager (**Manager**) of the Scheme; and
- the words "current" or "currently", in relation to legislation, policy, an activity or a 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 Scheme under clause 52 of Schedule 4 to the Financial Markets Conduct Regulations 2014 (**FMCR**).

[1] *The term 'Westpac KiwiSaver' is an abbreviation for 'the Westpac KiwiSaver Scheme' and you should view those terms interchangeably*

1. Introducing the Westpac KiwiSaver Scheme

The Scheme is registered under the FMCA as a managed investment scheme that is a KiwiSaver scheme. The Scheme is governed by a trust deed (**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.

An Instrument of Appointment (**IoA**) governs the appointment of BTNZ (as manager of the Scheme) as a default KiwiSaver scheme provider under the KiwiSaver Act 2006 (**KiwiSaver Act**). The Scheme first became a default KiwiSaver scheme on 1 July 2014, and BTNZ was reappointed by the Government as a default KiwiSaver scheme provider effective 1 December 2021. The provisions of the IoA prevail over the terms of the Trust Deed.

The Scheme offers eight 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 seven funds offered are:

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

2. How does this investment work?

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. 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 will reflect 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 assets and liabilities of 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. You can only access the value of your investment in a fund by withdrawing the units that you hold in that fund.

Upon making a withdrawal from the fund(s) that you are invested in (where permitted – see ”Withdrawing from the Westpac KiwiSaver Scheme” at pages 8 to 12), 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 in “Making withdrawal payments”.

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 valuation methods for each asset type that are market standard or are 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 of 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 on which 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 price for buying a unit upwards (by establishing a buy price) or adjust the price for selling a unit downwards (by establishing a sell price). 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 this allowance when calculating unit prices.

Underlying investment managers

Each fund in the Scheme invests in one or more wholesale funds, which are also managed by us (**Wholesale Funds**). This approach provides investment and operational efficiencies and gives us greater control of the overall cost to members. We use underlying investment managers (which may include BTNZ) to manage the assets in the Wholesale Funds. The underlying investment managers we currently use, and the Wholesale Funds the funds invest in, are shown in the "Other Material Information – Underlying Investment Managers" document which is available at **westpac.co.nz/underlyingmanagers** and on Disclose.

Changes to underlying investment managers

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

3. Joining the Westpac KiwiSaver 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 fund(s) 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, then you will be designated as a **Default Member** and allocated to the Default Balanced Fund.

If after joining the Scheme as a Default Member you advise us of an active decision either:

(a) to remain invested in the Default Balanced Fund; or

(b) to invest in a different fund or fund(s);

then when we action your request you will no longer be considered a Default Member.

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 Default Balanced Fund.

You can choose an investment option that may be 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 Request Form which is available at **westpac.co.nz/kiwisaver/forms** or by calling us on **0508 972 254**.

4. More about KiwiSaver contributions

Member contributions

The KiwiSaver Act requires a minimum regular contribution rate (currently an amount equal to 3% of your gross salary or wages) if you are receiving 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;
- includes parental leave payments from public money; and
- also includes (other than for compulsory employer contribution purposes) ACC compensation payments; but
- doesn't include accommodation benefits or redundancy payments.

If you are in paid employment, your employer will automatically deduct your contributions from your after-tax pay and pay them to the Scheme through Inland Revenue. If you are taking publicly funded parental leave, contributions are treated as optional and you can ask Inland Revenue (when applying for paid parental leave, or through myIR at ird.govt.nz) to deduct them from your payments.

Currently, the contribution rate options are 3%, 4%, 6%, 8% or 10% of your gross salary or wages.

You can change your existing contribution rate by notifying:

- your employer – you can do this by completing a KS2 KiwiSaver deduction form (available from your employer or from **ird.govt.nz**) and giving it to your employer (or each employer of you have more than one); or
- us, through Westpac Online Banking or by calling us on 0508 972 254; or

- Inland Revenue through myIR at **ird.govt.nz**.

You can only do this once every 92 days or as agreed with your employer.

If you change your existing contribution rate:

- by notifying us, then we must notify Inland Revenue (and Inland Revenue must then notify your employer(s)) of the new rate as soon as practicable; or
- by notifying Inland Revenue, then Inland Revenue must notify your employer(s) of the new rate as soon as practicable;

and in each case if you have multiple employers then the new rate will apply to each of them.

When you change your existing contribution rate, the new rate will apply to the next payment of salary or wages that is calculated after the relevant employer receives the notice from you or Inland Revenue (as applicable).

Once you have reached KiwiSaver Qualifying Age (see page 8) 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 KiwiSaver Qualifying Age (see page 8) 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, currently at the rate of 3% of your gross salary or wages. 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's superannuation contribution tax from each contribution before paying it to the Scheme for your benefit – see section 11 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.

If you choose to contribute to the Scheme from publicly funded parental leave payments, the Government will also pay to the Scheme for your benefit "employer" contributions (currently at the rate of 3% of your parental leave payments). Employer's superannuation contribution tax will be deducted from those Government payments, which will be paid on top of your other Government contribution entitlements (see below).

Government contributions

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

Under current law, each year (while you contribute and are eligible) the Government will make contributions to your KiwiSaver account. These are currently 50c for every dollar you contribute, up to a maximum Government contribution of $521.43 a year.

Government contributions are calculated annually based on the total contributions you have made during the last year (1 July to 30 June). You'll receive an amount proportionate to the number of days during that year that you were eligible. You will be eligible if:

- you're at least 18 years old, and

- you’ve not yet reached KiwiSaver Qualifying Age or made a life-shortening congenital condition withdrawal - see section 7 (“Withdrawing from the Westpac KiwiSaver Scheme”), and
- you mainly live in New Zealand.

To receive the maximum Government contributions you must have been eligible for the full year (1 July to 30 June) and have contributed a minimum of $1042.86 in that period.

If you join KiwiSaver, turn 18, or cease to be eligible for Government contributions part way through the year, then your maximum Government contribution for that year will reduce based on the number of days you were not yet (or were no longer) eligible.

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 (for any amount and frequency) at any time through Online Banking or by completing the direct debit form 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 (via the myIR facility at ird.govt.nz) for a savings suspension. This means your employer, when notified by Inland Revenue, will stop deducting regular contributions from your pay for the time being. 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 three months (or longer in special circumstances).

Once a savings suspension is in place, Inland Revenue will write to you to remind you when it is coming to an end. You can then apply for a new savings suspension via MyIR. 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 (after a minimum 92-day suspension period, unless your employer agrees to a shorter period) by letting your employer know that you’d like to start making KiwiSaver contributions from your pay again.

5. KiwiSaver 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. Under current legislation, 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, we recommend that you seek UK tax advice and speak to a Westpac Financial Adviser before deciding whether to transfer to the Scheme (as it is possible you may remain liable for a UK unauthorised payment charge if you transfer).

More generally, 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 a withdrawal from the Scheme where part or all of the balance has originated from an overseas scheme.

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 move to Australia" on page 10.

6. Withdrawing from the Westpac KiwiSaver Scheme

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 **KiwiSaver Qualifying Age** under the KiwiSaver Act.

KiwiSaver Qualifying Age means NZ Super age (currently 65).

After you reach KiwiSaver Qualifying Age

Once you reach KiwiSaver 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, our policy is that:

- the minimum amount for any lump sum withdrawal is $500 (or your full account balance if your balance is below $500); and
- 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.

Before you reach KiwiSaver Qualifying Age

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 having 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 a once-only early withdrawal to help you buy your first home or land (or an interest in a dwellinghouse on Māori land). To do this, you must satisfy the eligibility requirements in the KiwiSaver Act, which in summary terms are that you must:

- be buying a home or land in New Zealand;

- have been a KiwiSaver member or a member of a complying superannuation fund for a combined total period of at least three years;
- not have made a first home withdrawal from any KiwiSaver scheme before;
- intend the home or land you are buying to be your principal place of residence; and
- have never owned property before (limited exceptions apply – see below), unless Kāinga Ora confirms that it considers you to be in the same financial situation as a first home buyer (in which case you will need to include Kāinga Ora's confirmation letter with your withdrawal application).

For more information about being a qualifying previous home owner, visit Kāinga Ora's website **kaingaora.govt.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 Māori 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 their 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 (providing all the required information) 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 purchase withdrawal after your property purchase has settled, and if you are using your first home purchase withdrawal to purchase land on which to build your first home then the funds withdrawn 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 the Supervisor is reasonably satisfied that you are suffering or likely to suffer from significant financial hardship you may withdraw some of your savings. If the Supervisor approves your application, the 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 (including any $1,000 'kick-start' contribution you may have received when first joining KiwiSaver).

Serious illness

You will be able to make an early withdrawal if the Supervisor is reasonably satisfied (based on medical evidence) that you are suffering from an injury, illness or disability that results in your being totally and permanently unable to perform work for which you are suited by reason of your experience, education or training (or any combination of those things) or that poses a serious and imminent risk of death. If the Supervisor approves your application, you will be able to withdraw a lump sum up to the total value of your KiwiSaver account.

Permanent move to Australia

If you permanently move to Australia, 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 under Australian rules).

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.

Permanent move to any country other than Australia

If you permanently move from New Zealand to any country 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 withdrawal request.

Permanent move from Australia

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.

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 that the condition is either identified by regulation as a life-shortening congenital condition or 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).

The life-shortening congenital conditions currently identified in the KiwiSaver Regulations 2006 are:

- Down syndrome;
- cerebral palsy;
- Huntington’s disease; and
- fetal alcohol spectrum disorder.

If you make a withdrawal on this basis, you will be treated for KiwiSaver purposes as having reached KiwiSaver 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.

Other withdrawals

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 enactments

We may be required by law to pay some or all of your KiwiSaver savings to someone else (for example if directed to do so by a court order, such as a relationship property sharing order).

Making withdrawal payments

Any withdrawals you are permitted to make will be paid out of the fund or funds you are invested in. We will normally process your withdrawal request within 10 business days after you provide all the required information for the relevant withdrawal type. If your withdrawal request is approved, you will normally receive payment within a further 10 business days.

If you are a Default Member, we must process any withdrawal request (and, if the withdrawal is approved, pay the withdrawal amount) 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 KiwiSaver 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 provisions of the Trust Deed (including any Establishment Deed). The Supervisor must:

(a) 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); and

(b) certify, or obtain a certificate from a solicitor, that the Trust Deed as amended will comply with the content requirements set out in sections 135 to 137 of the FMCA.

We may also amend the SIPO for the Scheme (after giving prior notice to the Supervisor in accordance with the Trust Deed and the FMCA), including changing benchmark asset allocations and ranges, the primary investments or a fund's benchmark index and objectives.

Any material changes to the SIPO will be described in the next annual report for the Westpac KiwiSaver Scheme, and a copy of the new SIPO will be lodged on Disclose within 5 working days after any SIPO amendments are made.

7. More about fees

Management fees and expenses

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

We and the Supervisor are entitled to be reimbursed from the funds for certain 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 cover from our management fee all the expenses incurred by us on a normal day-to-day basis in relation to the operation and administration of the Scheme and the funds (though any claims made by us or the Supervisor in connection with the indemnities described on page 14 would be paid for out of Scheme assets and not covered by the management fee).

Supervisor's fee

The Supervisor charges an annual fee in respect of its services performed for the Scheme. Currently, we pay this annual fee to the Supervisor from our management fee.

Underlying fund fees

The funds that BTNZ chooses to invest in (including Wholesale Funds) may charge management fees. Under our current policy, when we invest in a Wholesale Fund, the Wholesale Fund will not charge management fees or application fees. In addition, we currently pay from our management fee all the fees charged by the underlying investment managers who manage the assets in the Wholesale Funds, so those fees will not affect the amount of your returns.

The Wholesale Funds incur trading expenses (meaning the actual costs of buying and selling investments, such as brokerage fees, spreads and any other out-of-pocket transaction costs which are repaid to custodians). These trading expenses are additional to the management fee. They affect the value of the Wholesale Funds and consequently have an impact on the returns of the funds.

Administration fee

We do not currently charge an annual administration fee, but we may do so in future subject to any limits imposed by the Trust Deed. Under the IoA we are not permitted to charge an administration fee to Default 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 Balanced Fund 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 Balanced 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.

8. Who is involved?

Manager

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 with 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.

Administration managers

Trustees Executors Limited and Apex Investment Administration (NZ) Limited have been appointed to perform certain administrative functions for the Scheme. These 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.

Apex Investment Administration (NZ) Limited

Apex Investment Administration (NZ) 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.

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. Assets of the Scheme may be registered in the name of BTNZ KiwiSaver Nominees Limited.

Supervisor and Manager indemnity

Subject to the indemnity limitations under the FMCA, if either the Supervisor or the Manager is held personally liable to any other person in respect of any debt, liability or obligation incurred by or on behalf of the Scheme or any action taken or omitted for or in connection with the Scheme then the Supervisor or the Manager (as applicable) is entitled to indemnity and reimbursement out of the assets of the Scheme to the full extent of such liability and the costs of any litigation or other proceedings in which such liability has been determined including, without limitation, legal fees and disbursements.

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 reports 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.

9. Related parties and managing conflicts 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 receive commercial benefits from this arrangement. Westpac NZ also receives a fee from BTNZ for providing support services to and distributing the Scheme.

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

The funds invest in Wholesale Funds. Our current policy is that the Wholesale Funds 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 Wholesale 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 Wholesale Fund, then it will either not charge any fee for that Wholesale Fund to the investing fund or refund any fee so charged.

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 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.
- We may have an incentive to influence underlying investment managers to invest in securities (including investment funds) issued by us or others within the Westpac Group ahead of other investments.

Steps taken to manage conflicts of interest

The FMCA imposes statutory controls on managing 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 and in good faith in acting as manager; act in the best interests of Members; and treat Members equitably.
- Where we contract out our functions to other 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 certifications required by the FMCA.

Westpac NZ Conflicts of Interest Policy

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**). 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.

Any conflict of interest is recorded in Westpac NZ's centralised conflicts of interest register. Conflicts of interest are a standing item on the agenda for the BTNZ Investment Committee operated by BTNZ management (or any similar committee that may replace it). 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.

10. More about the risks of investing

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:

- **Market risk** – the risk that the value of a fund changes due to factors (here or overseas) affecting a particular financial market such as equities or fixed interest. These factors can include the economy, inflation, changes in interest rates and currency exchange rates, government and private debt levels, technological progress, productivity growth and company profits, each of which can impact market returns. Other factors include government policy in areas such as taxation and regulation, and shocks such as pandemics and geopolitical 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.
- **Asset allocation risk** – the risk that allocations to riskier assets adversely affect a fund's performance. Generally, growth assets (e.g. equities) are more volatile than income assets (e.g. fixed interest) and more likely to produce negative returns in the short term. Each asset class in which the funds invest also has risks which are of particular significance to that asset class (see page 17). We offer a range of funds, with different allocations to growth and income assets, to cater for differing investor risk profiles.
- **Active investment management risk** – to the extent that we and the underlying investment managers actively manage investments, a fund may have investments which are more concentrated on particular assets, asset types, fixed interest maturity periods, geographies or industries. This will typically lead to returns which vary from the benchmarks for the asset classes we invest in, and creates the risk that the poor performance of an investment more significantly impacts returns. In addition, while derivatives are typically used to enable investments and manage risks, they may not perform in line with expectations (resulting in unexpected gains or losses and increased volatility). To mitigate the risks noted above in relation to adopting an active investment management approach, we employ investment professionals and where we use external underlying investment managers, they are appointed based on an assessment process that takes into account both qualitative and quantitative factors. Once an external underlying investment manager is appointed, we monitor their performance, strategy and investment processes on a regular basis.
- **Credit risk** – the risk that an investment in cash, fixed interest or derivatives may be impacted if an issuer or entity doesn't repay what they owe. This could result in lower returns and/or the loss of some or all of the money invested by a fund. Where appropriate, the investment strategy seeks to incorporate an assessment of creditworthiness and appropriate diversification to reduce credit risk.
- **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 without having a significant impact on their value. 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. We seek to manage liquidity risk by investing primarily in liquid markets and securities. We monitor and adjust each fund's liquidity levels in order to meet any liabilities and withdrawals during normal market conditions.
- **Sustainable investment risk** – sustainability and climate change risks can impact investment returns. Our funds follow a sustainable investment approach, consistent with our belief that this has a higher overall likelihood of creating and protecting long-term value. This leads to a reduced universe of investments to choose from, which may result in forgoing some financially profitable investment opportunities.

Additional risks which may be relevant at different times include:

- **Regulation risk** – any change in tax or other applicable legislation or regulation can impact 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 given 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 notify 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 be required to pay any tax shortfall as part of the income tax year-end process.

Each asset class in which a fund invests also has risks which are of particular significance to that asset class and are the risks considered most likely to affect the value of your investments in that asset class. These particularly significant risks (by asset class) are:

Income assets

Cash and cash equivalents - Particularly significant risks: inflation risk, interest rate risk and credit risk

The value of a fund's cash assets may not keep pace with inflation (inflation risk). This could mean that even though your investment may be growing in value, it may not give you the same buying power in the future as you would expect in today's money. The value of cash assets will be affected by changes to interest rates (interest rate risk) and can also be impacted by the ability of an issuer to pay interest or repay a loan or an issuer's creditworthiness declining (credit risk).

Fixed interest - Particularly significant risks: inflation risk, interest rate risk, credit risk and market risk

The value of a fund's fixed interest assets may not keep pace with inflation (inflation risk) which could mean that even though your investment may be growing in value, it may not give you the same buying power in the future as you would expect in today's money. The value of fixed interest assets will be affected by changes to interest rates (interest rate risk). It can also be impacted by the ability of a borrower to repay a loan or pay interest, the ability of a counterparty to meet payments, or an issuer's creditworthiness declining (credit risk). The value of the fund's fixed interest assets will also be affected by factors such as market movements and sentiment, and the economic performance of the country or sector (market 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 fixed interest securities held in international markets, there is also the market risk of currency movements impacting returns.

Growth assets

Equities - Particularly significant risk: market risk

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

In the case of equities held in international or Australian markets, there is also the risk of currency movements impacting returns.

Listed property - Particularly significant risk: market risk

The value of a fund's listed property assets will be affected by factors such as movements in equity markets, the demand for the underlying property generally, the demand for the property type and location, the quality of specific properties, the performance of individual property securities, the general economy, market sentiment and movements in interest rates.

In the case of listed securities or underlying properties held in international or Australian markets, there is also the risk of currency movements impacting returns.

Other - Particularly significant risks: market risk, liquidity risk and derivatives risk

Other growth asset classes 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.

11. More about tax

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/roles/portfolio-investment-entities/find-my-prescribed-investor-rate**.

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.

If your PIR was not correct during the tax year, Inland Revenue will complete an end of year wash-up following the end of the tax year. This may mean you have further tax to pay (currently capped at a maximum tax rate of 28%) if your PIR was too low. If your PIR was too high, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

You can find more information about PIEs on the Inland Revenue website **ird.govt.nz** (search 'PIEs').

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. Except as described below, 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).

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.

You can find information on the current ESCT rates on the Inland Revenue website **[ird.govt.nz]** (search for 'ESCT').

Westpac New Zealand Limited.