

MANCHESTER UNITY FRIENDLY SOCIETY FRATERNAL BONDS

This document contains other information about the Interest Rate Setting Policy referred to in section 3 (Terms of the Offer) of the product disclosure statement dated 22 February 2023 (PDS) for the offer of Fraternal Bonds by Manchester Unity Friendly Society open for acceptance by New Zealand resident FAB Policyholders, IAB Policyholders and IAB Endowment Policyholders (the Offer), which is considered to be material to the Offer but which is not contained elsewhere in the PDS or the register entry for the Offer.

Interest Rate Setting Policy

*Capitalised terms used in this Policy have the same meanings given to those terms in the Fraternal Bonds Trust Deed dated 22 February 2023 entered into between the Society and The New Zealand Guardian Trust Company Limited as the Fraternal Bond Supervisor (Trust **Deed**) and in the PDS.*

Board's discretion to determine that no interest will be applied for an Interest Period

- 1 If the Board exercises its discretion under the Trust Deed to determine that no interest will be applied to the Fraternal Bonds for an Interest Period, the Interest Rate for that Interest Period (and any applicable Partial Interest Period for maturing Fraternal Bonds) will be 0%. (See further, paragraph 6).

Margin setting to establish the Interest Rate for each Interest Period

- 2 The Interest Rate will be the Base Rate adjusted by a margin to be determined on or before each Interest Rate Reset Date. The Interest Rate Reset Date is the date, determined by the Board in each Financial Year, being not later than 30 June.
- 3 If the Board does not exercise its discretion that no interest will be applied for an Interest Period, the Interest Rate applying to the Fraternal Bonds for any Interest Period will be the Base Rate adjusted by a margin (*Margin*), **except for** the Financial year ending 31 May 2023, where the Interest Rate is set at the Base Rate, with no margin.
 - 3.1 The **Base Rate** has been set at 1% per annum, and cannot be adjusted without the approval of Fraternal Bondholders under the terms of the Trust Deed.
 - 3.2 The **Margin** will be determined by the Board on or before each Interest Rate Reset Date for the Interest Period commencing on 1 June in that year and ending on 31 May in the following year as set out in the Trust Deed. The Margin can be positive or nil, but not negative.
- 4 The Board will take into account the following factors when determining the Margin:
 - 4.1 prevailing economic conditions;
 - 4.2 the financial condition of the Society, including any increases in investment returns and growth of the Society's investment portfolio arising from the Society's intended changes to its investment policy following cancellation of its insurer's licence;

- 4.3 anticipated liabilities of the Society during the Interest Period taking into account, where considered appropriate, actuarial assumptions about such liabilities; and
 - 4.4 interest that has been applied to the Fraternal Bonds in previous Interest Periods.
- 5 The Board will seek appropriate independent professional advice to assist with its considerations under paragraph 4 above where it considers it reasonable to do so.

Board's discretion to determine that no interest will be applied for an Interest Period

- 6 As set out in the Trust Deed, the Board will only exercise its discretion to determine that no interest will be applied to the Fraternal Bonds for an Interest Period if it reasonably considers it to be in the best interests of the Society that no interest be applied to the Fraternal Bonds for an Interest Period, taking into account:
- 6.1 prevailing economic conditions;
 - 6.2 the financial condition of the Society, including any increases in investment returns and growth of the Society's investment portfolio arising from the Society's intended changes to its investment policy following cancellation of its insurer's licence; and
 - 6.3 anticipated liabilities of the Society during the Interest Period, taking into account, where considered appropriate, actuarial assumptions about such liabilities.
- 7 If the Board exercises its discretion to determine that no interest will be applied to the Fraternal Bonds for an Interest Period, the Board must also make no appropriations to Society share funds under the Appropriations Framework for that period.

Annual reviews

- 8 The Board will review this Policy on an annual basis and will make such changes to the policy as considered reasonable to respond to then current conditions, whilst ensuring any such policy change does not contravene any of the Society's issuer obligations under the Financial Markets Conduct Act 2013.