Other Material Information

BCF KiwiSaver Scheme

26 July 2019

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Section 1 – General

This document sets out important information about your investment in the BCF KiwiSaver Scheme (**Scheme**). It should be read together with the Product Disclosure Statement (**PDS**) for the offer of membership of the Scheme, the Statement of Investment Policy and Objectives (**SIPO**) and any other Scheme-related documents held on the register at www.disclose-register.companiesoffice.govt.nz (**Disclose**).

In this document:

- *Trustee*, *we*, *us* or *our* means Arotahi Trust Limited.
- *current* or *currently*, in relation to legislation, policy, activity or a practice, refers to that legislation, policy, activity or practice as at the date of this document.

We have prepared this document to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (**FMC Act**) and clause 52 of Schedule 4 to the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

Section 2 – Trustee and its directors

The Trustee
The Trustee of the Scheme is Arotahi Trust Limited.

Trustee's directors
The Trustee's current directors are:

Maurice Allen Hall of Palmerston North
Maurice has extensive experience in the financial sector. This includes 22 years providing in-house accountancy and consultancy support for a large New Zealand corporate. He is currently a director of a national food importer and distributor and serves as a trustee on a number of charitable organisations.

John McKay Mason of Wanganui
John was appointed as a director of the Trustee in 2013. He brings with him a wide range of experience including management roles in manufacturing, exporting, importing and distribution, retailing and financial services. He has had extensive involvement in both charitable and private trusts over more than 25 years.

Kevin Cedric Sorensen of Auckland
Kevin was appointed as a director of the Trustee in 2016 and acts as the Licensed Independent Trustee director of the Scheme. He is a registered Financial Services Provider under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 and a Licensed Independent Trustee under the FMC Act. He has an LLB and has had many years' experience in legal and trust matters, with particular reference to charitable and community trusts. He is also currently involved in business regulatory compliance and risk management.

Section 3 – More about the Scheme

Government contributions
Currently, while you:

- contribute to the Scheme; and
- live mainly in New Zealand (you will also qualify if you are a state sector employee serving overseas, or are volunteering overseas for a specified charity); and
- are aged between 18 and your Qualifying Date (see Section 4 - *Withdrawals*),

you will be eligible for annual government contributions matching your own contributions to the Scheme at the rate of 50 cents per dollar, up to a maximum government contribution of $521.43 a year (which equals $10 a week). A year for this purpose is 1 July to 30 June.

Government contributions will be payable in respect of any contributions you made to another KiwiSaver scheme and then transferred to the Scheme during the year (but will not be payable in respect of any funds transferred from an Australian scheme).

Under current legislation and Inland Revenue policy, your government contribution entitlements will begin on the first day of the month in which (as applicable):

- you start contributing from your salary or wages; or
- we receive your first contribution; or
- Inland Revenue receives the first contribution paid for your benefit,

or in each case on the date (if earlier) when an account is opened for you and Inland Revenue processes our advice that you have joined KiwiSaver.

This means that in the first year that you are a KiwiSaver member, your government contribution entitlements for that year will reduce in proportion to the period of the year that you were not yet a member. Those entitlements will also reduce in proportion to the part of any year in which you had yet to reach age 18, had reached your Qualifying Date or (except as outlined above) did not live mainly in New Zealand.

We will claim government contributions annually on your behalf, usually at the beginning of July. If we begin offering investment choices and you have split your contributions between more than one investment fund within the Scheme, then we will split the government contributions in the same proportions.

You cannot withdraw any of your government contributions:

- unless you (or if you have died, your personal representative) provide(s) a statutory declaration stating when you have lived mainly in New Zealand; or
- to the extent that we know your claim for that amount is wrong (because the periods during which you have met the residency requirement were wrongly advised).

Valuations
For the purpose of determining the investment earnings available from the Scheme (or, if we begin offering investment choices, each pool or investment fund), we calculate the net market value of the assets of the Scheme (or, if applicable, each pool or investment fund) as frequently as we consider appropriate but at least at yearly intervals.

We do this by deducting the liabilities attributable to the Scheme (or, if applicable, that pool or investment fund) from the market value of its assets.

We currently determine the market value of the assets of the Scheme (or, if applicable, a pool or investment fund) as follows:

- in the case of the term deposits into which the Scheme (or, if applicable, a pool or investment fund) has invested, by reference to statements from the banks that hold those term deposits; and

- in the case of loans advanced under loan agreements, by reference to the sum of the principal and the interest receivables at the end of each year (after factoring in any expected loss on account of credit risk exposure).

Earnings Rates
As soon as practicable after the end of each Scheme year (31 March) we determine a rate of investment earnings for that Scheme year for crediting or debiting to members' accounts, after taking into account (among other things):

- the nature of the investments and the investment performance of the Scheme;
- the extent to which gains are realised or unrealised;
- taxation liabilities and provisions;
- the liquidity of the Scheme's investments;
- such other matters as we may consider relevant; and
- the Scheme's audited accounts for that year,

and after deducting any amounts that we consider appropriate to provide for expenses, fees, charges or costs associated with the Scheme's investments.

We also set interim earnings rates on an as required basis. These rates are used to apply investment earnings to any benefit payable from the Scheme with respect to the period between when annual earnings were last applied to accounts and the withdrawal date.

Earnings rate corrections
We have a compensation policy that we will apply if a material error is made in determining the rate of investment earnings applied to any member's account or benefit.

Under the current policy, unless we determine otherwise, a material error is one that equals or exceeds 0.30% of the value that would have accumulated without the error (and we may choose not to compensate an exited member for any error of less than $20).

Amending the Trust Deed and SIPO
We can amend or replace the Trust Deed for the Scheme with the consent of BCF Limited (the entity which established the Scheme) and the Financial Markets Authority, subject to other restrictions set out in the FMC Act.

We can amend the SIPO for the Scheme, including our benchmark asset allocations and ranges, at any time.

We will notify you of any material changes to the Trust Deed or the SIPO.

Winding up the Scheme
BCF Limited can direct us to wind up the Scheme. The Financial Markets Authority may also require the Scheme to be wound up in certain circumstances set out in the FMC Act.

If the Scheme is wound up, your claim on its assets will rank behind any outstanding fees and expenses, taxation liabilities, any other claims preferred at law and the Scheme wind-up costs. Your claim on the Scheme's assets will rank equally with the claims of all other members.

Unless you have already reached your Qualifying Date or you otherwise qualify to make a full withdrawal, if we wind up the Scheme then:

- you will not receive any withdrawal payments and 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 2006.

Indemnities

Unless we fail to meet the standard of care required by the FMC Act, we are indemnified from the assets of the Scheme for and in respect of any loss or liability which we suffer or incur because of the way in which we have carried out or failed to carry out any function, duty or power of the Trustee under the Trust Deed.

Further information in relation to our responsibilities and indemnities is set out in the Trust Deed.

Risk indicator

As noted in the PDS:

- the Scheme's assets now include a loan to an organisation within the Plymouth Brethren Christian Church (this is a $500,000 loan made on arm's length terms to the Canterbury Education Trust); and
- for risk indicator purposes we therefore consider that using actual Scheme returns for the period before that loan was made would be likely to mislead with regard to the potential future volatility of the Scheme.

The risk indicator in the PDS has been calculated using, for the period 1 July 2014 to 18 November 2018 (immediately before the loan advance was made), a mix of:

- market index returns with respect to the Scheme's investments in term deposits and amounts held on current account; and
- with respect to the loan investment (because there is no appropriate securities index or peer group index available) an alternative method that we consider allows the risk indicator to reflect the potential future volatility of the Scheme.

This is despite the fact that (as required by the FMC Regulations) the PDS and the Scheme's latest fund update state that the risk indicator is based on the returns data for the 5 years ended 30 June 2019.

The risk indicator calculation method used for the period 1 July 2014 to 18 November 2018 is as follows:

- with respect to investments in term deposits and amounts held on current account (approximately 94% of Scheme assets as at 30 June 2019, which was the allocation used for asset weighting purposes) to use the S&P/NZX 90 Day Bank Bills Index (**NZ Bank Bills Index**); and
- with respect to the loan investment (approximately 6% of Scheme assets as at 30 June 2019, which was the allocation used for asset weighting purposes) to:
  - use the S&P/NZX Investment Grade Corporate Bond Index (**NZ Bond Index**); and
  - multiply by 10 each month's returns from the NZ Bond Index (whether positive or negative) to reflect the loan investment being assessed as having materially higher risk than investing according to the NZ Bond Index.

The above method is considered likely to be useful to investors because it:

- takes account of the fact that the NZ Bond Index comprises a diversified mix of relatively liquid securities, whereas the loan is a single security which is potentially more volatile in view of carrying (for example) more interest rate risk, credit risk and liquidity risk; and
- therefore more accurately represents the potential volatility of the Scheme's current investment portfolio than a simple asset-weighted combination of the NZ Bank Bills Index and the NZ Bond Index.

Section 4 – Withdrawals

Benefits are payable from the Scheme as lump sums in accordance with the rules applying under the KiwiSaver Act to every KiwiSaver scheme (**KiwiSaver scheme rules**) which are implied into the Trust Deed under the KiwiSaver Act 2006.

Withdrawal on or after Qualifying Date
You may, but need not, withdraw some or all of the balance in your accounts on or after your Qualifying Date.

If you first join KiwiSaver on or after 1 July 2019, your **Qualifying Date** means the date when you reach the qualifying age for NZ Super (currently 65).

If you first joined KiwiSaver before 1 July 2019 then you must also have been a KiwiSaver scheme member for at least 5 years. However, from 1 April 2020 you can elect NZ Super age as your Qualifying Date, without the 5 year minimum membership requirement. If you do so, then from NZ Super age (or from your election date if later):

- you will be eligible to withdraw your KiwiSaver savings; but
- you will no longer be eligible for compulsory employer or government contributions.

After your Qualifying Date, you can withdraw the balance in your accounts, but you need not withdraw any money and you can leave your balance in the Scheme indefinitely.

Alternatively, you can withdraw your benefit in lump sum instalments subject to the terms and conditions which we set from time to time.

As at the date of this document, those terms and conditions are that the minimum amount for each lump sum withdrawal is $500 and each lump sum withdrawal request must be in writing. We also require a minimum remaining balance (currently $500) to be held in the Scheme after any lump sum withdrawal.

Your first application for a post-Qualifying Date withdrawal must include a completed statutory declaration as to your government contribution entitlements.

Any amount transferred to KiwiSaver from an Australian complying superannuation scheme for your benefit (ignoring positive or negative investment returns) (**Australian Sourced Amount**) can be withdrawn if you have reached age 60 and satisfy the 'retirement' definition in Australian legislation. If your Scheme balance is less than the amount transferred from the Australian scheme then that balance will be your Australian Sourced Amount.

Death
If you die, we will pay the full balance in your accounts to your personal representatives (the executors or administrators of your estate) on request. Alternatively, if your full

balance is less than a set amount (currently $15,000) and other conditions are met, we may pay your balance direct to a person such as a surviving spouse or caregiver.

Significant financial hardship
Subject to restrictions in the KiwiSaver scheme rules, you may make a withdrawal, excluding the government contributions credited or transferred to the Scheme for your benefit (and any $1,000 'kick-start' contribution you may have received when first joining KiwiSaver), if we are reasonably satisfied you are suffering or likely to suffer from significant financial hardship and have explored and exhausted reasonable alternative sources of funding.

Significant financial hardship currently means significant financial difficulties arising because of:

- your inability to meet minimum living expenses; or
- your inability to meet mortgage repayments on your principal family home, resulting in the mortgagee seeking to enforce the mortgage; or
- the cost of modifying a home to meet special needs arising from your own or a dependant's disability; or
- the cost of medical treatment for your own or a dependant's illness or injury; or
- the cost of palliative care for you or a dependant; or
- funeral costs for a dependant.

You will need to give us a statutory declaration as to your assets and liabilities, and we may limit the withdrawal to a specified amount that (in our opinion) is required to alleviate the particular hardship you are suffering.

Serious illness
You may make a withdrawal if we are reasonably satisfied you are suffering from an injury, illness or disability that:

- results in your being totally and permanently unable to engage in work for which you are suited by reason of experience, education or training (or any combination of those things); or
- poses a serious and imminent risk of death.

We will require medical evidence to support your withdrawal request.

First home purchase
Subject to restrictions in the KiwiSaver scheme rules as amended from time to time, you may be eligible to withdraw all your savings (except for $1,000 and any Australian Sourced Amount – see below) to buy your first home or land if:

- you are buying a home or land in New Zealand; and
- 3 or more years have passed since Inland Revenue received the first KiwiSaver contribution in respect of you (or since you first joined a KiwiSaver scheme); and
- you have never made a home purchase withdrawal; and
- you intend the property to be your principal place of residence; and
- you have never owned property before, either alone or jointly with another person (limited exceptions apply).

You may still be eligible to make a withdrawal to purchase a home or land if you meet the first four of the above criteria and you give us written confirmation from Housing New Zealand that it is satisfied your financial position (as to assets and liabilities) is what would be expected of a person who has never owned a home. For more information or the necessary form, telephone Housing New Zealand on 0508 935 266 or visit its website www.hnzc.co.nz.

Home purchase withdrawals may be permitted (under the KiwiSaver scheme rules) in other limited circumstances.

You may not withdraw any Australian Sourced Amount for a home purchase, and you must leave a minimum additional amount of $1,000 in your account.

We will require the necessary documents and evidence to support a home purchase withdrawal application (including a copy of a sale and purchase agreement listing you as a purchaser) by at least 10 business days before either the settlement date or (if relevant – see below) the date when the deposit payment is due.

If your sale and purchase agreement is conditional then you can choose whether to apply the amount withdrawn towards paying a deposit or at settlement. If the agreement is unconditional, you can only apply the amount withdrawn at settlement. If you make a withdrawal to pay a deposit, and you do not need all of the funds for the deposit, your solicitor or conveyancing practitioner must hold any residual funds for payment at settlement. You can only make one withdrawal towards your home purchase, so if you wish to use your funds for both deposit and settlement purposes you must apply before the deposit payment is due.

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

If we approve the withdrawal, we will pay the withdrawal amount directly to your solicitor or conveyancing practitioner. If the withdrawal is to be paid towards your deposit, he or she must pay the deposit amount to a stakeholder (such as the vendor's solicitor or real estate agent) to pay it under the sale and purchase agreement once the agreement goes unconditional.

If you use the amount withdrawn to help pay your deposit and (for reasons other than any default on your part as purchaser) settlement does not proceed, the stakeholder must repay the money to your solicitor or conveyancing practitioner, who must then return the money he or she receives to your KiwiSaver account. If you made the withdrawal for the purposes of settlement and settlement does not proceed, the money must be repaid to the Scheme by your solicitor or conveyancing practitioner (who will have held your funds in trust).

Under current government policy, a tax-free KiwiSaver HomeStart Grant of a prescribed amount may be available to you if you qualify for a home purchase withdrawal, so long as you have been making regular KiwiSaver contributions for at least 3 years and meet all other qualifying criteria (which include income and regional purchase price caps). For details about the required contribution levels, the other qualifying criteria and the subsidy amounts which apply from time to time, see www.hnzc.co.nz.

Housing New Zealand administers the KiwiSaver HomeStart Grant facility and subsidies are not payable from the Scheme. We have no liability in relation to the subsidy facility.

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 arising by reason 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 we approve the withdrawal, the amount withdrawn (which is paid direct 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 an overseas tax liability.

Other circumstances of withdrawal
We must comply with any legislation or Court order requiring us to release funds from the Scheme (including a property sharing order under the Property (Relationships) Act 1976).

Transfers
You may at any time transfer from the Scheme to another KiwiSaver scheme by contracting with the new provider to join that scheme. You cannot partially transfer to another KiwiSaver scheme as you can only belong to one KiwiSaver scheme at a time.

You can transfer funds from an Australian complying superannuation scheme into the Scheme if you have permanently returned or immigrated to New Zealand. A transfer from an overseas (non-Australian) scheme to a KiwiSaver scheme is likely to be treated as a withdrawal from the overseas scheme and may have tax and other consequences.

Section 5 – Risks

General
All investments involve risk – the possibility of losing some or all of your investment or of not achieving the return you expect. The value of your investment in the Scheme is not guaranteed and can go up and down based on the investment decisions we make and the performance of those investments.

Generally, investments in income assets, being:

- short-term, interest-bearing products such as bank deposits, bank bills, floating rate notes or fixed interest securities, generally with maturity periods of less than one year (**Cash and Cash Equivalents**); and
- loans to governments, major local authorities, banks, corporate organisations and other entities (**Fixed Interest**);

tend to be less volatile than investments in growth assets (such as equities and property) - however, those higher risk investments also have the potential for higher returns.

Main risks
The Trustee's current investment strategy for the Scheme is to invest principally in bank deposits, but also to have a modest exposure to and loans made on arm's length terms to organisations within the Plymouth Brethren Christian Church. In light of that investment profile, the main risks that can currently affect your investment in the Scheme include:

- **Interest rate risk** – the risk that changes in interest rates may directly or indirectly affect the return from investments (the value of Fixed Interest investments in particular is affected by changes to market interest rates – if these rise then the investment becomes less valuable);
- **Credit risk** – the risk associated with investments in Cash and Cash Equivalents and Fixed Interest being exposed to borrowers defaulting on their loans or otherwise becoming unable to pay interest or repay the investment (resulting in reduced returns or our being unable to recover the full amount invested) – we currently seek to reduce such risk:
    - in relation to bank deposits, by diversifying across several banks as outlined in our SIPO; and
    - in relation to loans, by limiting the amount that can be invested in loans exposing us to any single organisation;
- **Liquidity risk** – the risk that a particular investment cannot be traded or accurately valued – i.e. that the Scheme is unable to sell the investment at the desired time or that it is sold at a lower value than would be expected in normal conditions (impacting the value of the investment and the Scheme's returns);
- **Market risk** – the risk of investments being affected by economic and regulatory events (including market sentiment, inflation, interest rates and employment), political events, environmental and technological issues or natural disasters; and
- **Inflation risk** – the risk that inflation will erode value as returns are less than inflation.

If any of these risks materialises, you could receive lower returns than would have been expected if the risk had not materialised, or on withdrawal you may receive in total less than the amount you invested.

The relative significance of these specific risks will be affected by the Scheme's (or, if we offer investment choice in due course, an investment fund's) asset allocations from time to time.

Other risks
The value of your investment in the Scheme may also be affected by any one or more of the following risks:

- **Investment risk –** the risk associated with how we choose to allocate Scheme investments from time to time;
- **Regulatory risk** – changes to superannuation and other relevant legislation adversely affecting the Scheme's operation or investments;
- **Administrative or operational risk** – technological or process failures, fraud, litigation, disruption to business by reason of industrial dispute, system failure, natural disaster or other unforeseen events affecting either the Scheme or markets generally;
- **Taxation risk** – the risk that changes in tax legislation or tax rates may adversely impact on returns;
- **Loss of portfolio investment entity (PIE) status risk** – the risk of the Scheme failing to meet the on-going eligibility criteria for PIE status and our being unable to remedy this in time;

- **Counterparty risk** – the risk of a party to a contract not fulfilling or disputing its obligations, becoming insolvent or otherwise being unable to meet its obligations; and
- **Service provider risk** – the risk of a party associated with operating the Scheme and investing assets failing to perform its obligations (adversely affecting returns, service levels or withdrawal payments).

Investment sector risks

If the Scheme moves from its current investment profile (principally Cash and Cash Equivalents, with a modest Fixed Interest exposure) to other investments, then other risks will become relevant to a potentially greater degree than currently. These risks will include:

- **Equities** (i.e. shares) – market risk (value is influenced by a wide range of factors including the performance of the company, market sentiment and the economic performance of the country or sector), manager risk and investment-specific risk; and
- **Property** – market risk (value can be affected by demand, location, quality, market conditions, opinion and the market for property investment) and liquidity risk (property assets can be long-term and relatively illiquid).

Section 6 – More information on fees

Annual fund charges

The annual fund charges estimate shown in the PDS (which is additional to the dollar-based administration fee shown) comprises estimates of our own and the Administration Manager's expenses in operating and administering the Scheme. These estimates are based on estimates provided by our service providers and our experience with the Scheme.

In coming to our overall estimate we have anticipated that ongoing charges from our service providers will not significantly differ (as a percentage of Scheme assets) from those currently charged. We have also assumed the continuation of both our current investment strategy and the current range of investments.

The estimate shown in the PDS is presented as a percentage of net asset value (i.e. in practical terms as a percentage of your account balance in the Scheme).

Section 7 – Taxation

Tax on investment income

The Scheme is a portfolio investment entity (**PIE**) for tax purposes. This means we:

- attribute to you a proportionate share of the Scheme's taxable income or tax credits;
- calculate tax, or a tax credit, on that proportion based on your portfolio investor rate (**PIR**) – you must give us your PIR (see below);
- pay this tax (**PIE tax**) or receive a PIE tax credit; and
- adjust either your Scheme balance or a withdrawal amount to reflect PIE tax paid or a refundable PIE tax credit received.

Your PIR will be 10.5%, 17.5% or 28%. For information on current PIRs and how to determine your PIR, see www.ird.govt.nz/toii/pir/workout/.

You can find more information about PIEs on the Inland Revenue website www.ird.govt.nz/toii/pie/. We take no responsibility for your taxation liabilities and you should seek your own independent professional advice as to your particular tax position.

Tax on contributions
Member contributions to the Scheme are made from after-tax income, so no more tax is payable on those contributions.

Employer contributions to the Scheme for your benefit have employer's superannuation contribution tax deducted from them at the following rates (an *income year* is 1 April to 31 March):

- **10.5%** if in the previous income year the total of your taxable earnings plus the before-tax employer superannuation contributions (including to a KiwiSaver scheme) made for your benefit was $16,800 or less;
- **17.5%** if in the previous income year the total of those earnings plus employer contributions was between $16,801 and $57,600;
- **30%** if in the previous income year the total of those earnings plus employer contributions was between $57,601 and $84,000; and
- **33%** in every other case.

If your current employer did not employ you for all of the previous income year, the above rates will be based on estimates of your expected taxable earnings and employer superannuation contributions for the current income year.

Tax on benefits
Under current legislation, except as described above, when you make a withdrawal from the Scheme in New Zealand the amount withdrawn will not be subject to any further taxation.

Tax laws may change
The above summary of the tax laws is accurate as at the date of this document. However, the law may change at any time and such changes may impact on the position described above.

Section 8 – Conflicts of interest

As at the date of this document the Trustee and its directors are not aware of any financial or other interest, relationship or other association of the Trustee (or its directors) that would, or could reasonably be expected to, materially influence the investment decisions of the Trustee in respect of the Scheme by way of creating any actual or potential conflict of interest.

However, due to the size of the Plymouth Brethren Christian Church community (which the Scheme serves) the Trustee may invest in another Plymouth Brethren Christian Church community body (e.g. by lending money to a local hall trust) with which one or more of the directors of the Trustee is associated.

If this is the case then it is our current policy that any such director will not be involved in deciding whether or not the Scheme will go ahead with that investment.

As noted in the SIPO, currently the Scheme has a fixed interest investment comprising a loan made on arm's length terms to the Canterbury Education Trust. The Canterbury

Education Trust owns and runs a school that follows Plymouth Brethren Christian Church teachings but:

- it is not an associated person (as defined in the FMC Act) of either the Trustee or any of its directors; and
- the loan transaction does not provide for the giving of any related party benefit as defined in the FMC Act.

Managing conflicts of interest

Notwithstanding any other entities which the directors of the Trustee may be associated with, all of the Trustee's directors are required to act independently from those interests, act honestly and in members' best interests, treat members equitably and not use Scheme information either for improper advantage or to cause detriment to members.

The Trustee must also, in exercising any power or performing any duty, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in those circumstances.

Additionally, the Scheme uses an Administration Manager which is independent of the Trustee and its directors.

Where the Trustee has entered, or enters, into any transaction providing for a related party benefit (as defined in the FMC Act) to be given:

- that transaction must be in the members' best interests or on arm's length terms (as defined in the FMC Act) or otherwise comply with the FMC Act related party transactions provisions; and
- the Trustee, with the consent of the Licensed Independent Trustee director, must certify accordingly.

If any particular conflicts of interest do arise in relation to the Scheme then the Trustee's directors will identify and record those conflicts and take steps to manage them (as appropriate) on a case by case basis. Those steps might include (for example):

- taking independent legal or other advice; and
- having a director who is conflicted due to having a direct personal interest in a matter under consideration withdraw from the discussions and decision-making process.

Section 9 – Material contracts

Under an Administration Agreement with the Trustee dated November 2015, Melville Jessup Weaver (**MJW**) acts as the Scheme's Administration Manager and accordingly administers the Scheme on the Trustee's behalf.

The administration services provided by MJW under the Administration Agreement include (among other things):

- maintaining and managing all member and Scheme-related data and member accounts;
- attending to all new member admissions;
- cash management;
- receiving, reconciling and banking contributions and ensuring creditor payments;

- managing the benefit claims process;
- attending to interim and year-end earnings rate determinations;
- ensuring compliance with all disclosure and quarterly, year-end and event-driven reporting and registration requirements;
- ensuring compliance with all other reporting, accounting, tax and auditing requirements for the Scheme;
- providing member support services; and
- co-ordinating the annual review process.

Nothing in the Administration Agreement limits or alters the powers of the Trustee or its duties under the Trust Deed and applicable law.

Section 10 – Market index used in fund update

The market index that has been used to calculate the market index annual return published in our latest annual fund update is the NZ Bank Bills Index. More information about that benchmark index can be found at: http://au.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index.

Neither a market index nor a peer group index has been used to calculate the return on those of the Scheme's assets which are represented by the loan to the Canterbury Education Trust (see Section 8). This is because we do not consider there to be any appropriate securities index or peer group index for that loan investment given its potential volatility in terms of (for example) interest rate, credit and liquidity risks.

The use of the NZ Bank Bills Index to calculate the market index annual return in our fund update is likely to be useful to investors when assessing the performance of the Scheme as a whole, because:

- the NZ Bank Bills Index is considered to be the appropriate market index with respect to those of the Scheme's assets which are held in term deposits and on current account; and
- those assets comprised 94.25% of Scheme assets as at 31 March 2019 (the date as at which our latest fund update was prepared).