# KiwiWRAP KiwiSaver Scheme

## Other Material Information

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Issued by Consilium NZ Limited

This document gives you important information about this investment to help you decide whether you want to invest.

There is other useful information about this offer on www.disclose-register.companiesoffice.govt.nz. Consilium NZ Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

# Contents

# 01 General

This document contains information that Consilium NZ Limited ('Consilium', 'Manager', 'we' or 'us') considers to be material to the KiwiWRAP KiwiSaver Scheme ('Scheme') that is not contained in the Scheme's Product Disclosure Statement ('PDS'). All capitalised terms in this document have the same meanings as defined for them in the KiwiWRAP KiwiSaver Scheme Trust Deed.

# 02 Key terms of the Scheme

The KiwiWRAP KiwiSaver Scheme is a KiwiSaver scheme governed by a Trust Deed dated 4 November 2020. Its main purpose is to help Members save for their retirement.

## Amendment to governing document

The Trust Deed can be amended by agreement between Consilium and the Supervisor, so long as the amendment does not detract from the Scheme's purpose of providing retirement benefits to Members and does not have a material adverse effect on the Members. Any amendment that adversely affects Members' benefits or increases fees must have the written consent of all affected Members.

## Exemption notice

The Scheme is subject to an exemption granted by the FMA which can be found at **http://fma.govt.nz/compliance/exemptions/current-exemption-notices.** This exemption covers several areas, and for prospective and current Members, requires that you:

1. Must receive personalised advice from an appropriately qualified and registered financial adviser (Adviser) that has an agreement with Consilium to access the Scheme before you can invest[1 2]
2. Are provided with a Product Disclosure Statement (PDS) along with an Investment Options Supplement (IOS) before you apply to join the Scheme. The PDS will contain less information than those provided by most other schemes
3. Receive personalised reports relating to your Personal Plan on a quarterly basis

## Personal Plan

You choose the investments for your Personal Plan based on advice from your Adviser. You can change the investments within your Personal Plan through your Adviser by providing an updated Investment Direction. The investment options are described in the IOS that accompanies the PDS. Only investments detailed in the IOS can be held within the Personal Plan.

For all Members, after membership is approved, your funds are invested into a Personal Plan. Personal Plans are set up separately to hold specific investments for Members to be managed on an individual basis but remain part of the same single Scheme.

## Eligible Investors

An Eligible Investor under the Financial Markets Conduct Act 2013 (FMCA) is a person who certifies they have sufficient knowledge and experience of dealing in financial products that enables them to sufficiently assess the merits and risks of a transaction. An Eligible Investor forms part of the category of 'Wholesale Investor' under the Act. Financial markets legislation provides greater protections for retail investors than it does for Wholesale Investors.

An Eligible Investor is not required to:

1. Have received advice from an Adviser
2. Have an Adviser determine the investment policy and objectives that are to apply to their Personal Plan
3. Have received from an Adviser a risk indicator, a description of further risks or confirmed details on portfolio fees

1 For an Adviser to enter into an agreement with Consilium to provide access to the Scheme, they will be subject to a due diligence process.
2 Unless you are an Eligible Investor. Refer to 'Eligible Investors' above.

To be an Eligible Investor under the FMCA, you must certify in writing, that you are an Eligible Investor. The certification must contain the following:

1. Confirmation that you have sufficient previous experience in acquiring or disposing of financial products that allows you to assess the merits of the transaction and the adequacy of the information provided to you
2. State that you understand the consequences of certifying yourself to be an Eligible Investor
3. State the background for the certification, such as details of your previous experience
4. Include a signed confirmation from your Adviser, chartered accountant or lawyer that you have received sufficient advice about the consequences of certifying yourself to be an Eligible Investor, and that there is no reason to believe that the certificate is incorrect

When applying for membership in the KiwiWRAP KiwiSaver Scheme you must provide your Adviser with the appropriate certificate, which will then be provided to Consilium to review before your membership application is accepted.

Eligible Investors still require the services of an Adviser for implementation and monitoring of their investments.

## Scheme valuation

The valuation methodology applied to Personal Plans, and thus, the Scheme's assets, is net market value in accordance with the latest accounting standard for the valuation of investments (i.e. at the latest available redemption price).

## Savings suspension

If you have been a KiwiSaver Member for more that 12 months (or less if suffering or will suffer from financial hardship) you can apply to the Inland Revenue Department (IRD) for a savings suspension. If the IRD grants the suspension, this will apply for 3 months for financial hardship or between 3 months — 5 years for other applicants.

# 03 Withdrawals

Within KiwiSaver, funds are generally locked in until you reach either:

1. Retirement (qualifying age of 65); or
2. You have been a Member of a KiwiSaver scheme (or a complying superannuation fund) for at least five years and you joined over the age of 60 before 1 July 2019 (and therefore have not been a Member for five years when you qualify for New Zealand superannuation).

Point two above applies unless you opt out of the 5 year membership requirement by notifying us and withdrawing your funds when you turn 65. By opting out, you will cease to be eligible to receive the government contributions and compulsory employer contributions.

When you meet either of the criteria above, you can access your funds through either a full withdrawal, several ad hoc withdrawals, or a regular withdrawal. Two months before you reach the qualifying age, we will contact your Adviser and ask them to obtain an Investment Direction from you.

You will cease to be a Member of the Scheme when the balance in your Personal Plan reaches $0.00.

Under specific circumstances, you may be able to access some or all your funds earlier than the qualifying age.
These circumstances are governed by the KiwiSaver Rules.

There are rules which specify when withdrawals can be made and how much of your funds can be withdrawn (see the next page). To request a withdrawal, you must give written notice to us (which cannot be revoked). A withdrawal request will generally be actioned once reviewed by us and the Supervisor (if applicable).

## Transfer to another KiwiSaver scheme

Under section 65 of the KiwiSaver Act 2006, Members may transfer to another KiwiSaver scheme at any time. You can initiate a transfer by applying to another scheme provider. Once your membership with another scheme is accepted, Consilium will inform your Adviser, liquidate your Personal Plan and have the balance (subject to any Side-Pocketing restrictions) paid to your new scheme. No written notice or form is required for this type of withdrawal.

## Buying your first home

You may request to make a one off withdrawal from the Scheme to help pay for the purchase of your first home (or its deposit), if you meet the following requirements:

1. You have been a KiwiSaver Member (or a Member of a complying superannuation fund) for a combined period of at least three years; and
2. The home you are purchasing is, or is intended to be, the principle place of residence for the Member or the Member and their family; and
3. You have not previously owned property (as defined under the KiwiSaver Rules)

Any first home withdrawal must be paid into your solicitor's trust account prior to settlement. In some circumstances you may still be able to make a withdrawal if you have owned a home before. You may also be entitled to a KiwiSaver HomeStart grant.

See hnzc.co.nz for more information.

If not all of your KiwiSaver funds are needed for the withdrawal, the withdrawal will be funded first from your and your employer's contributions (excluding market gain/loss) and secondly, from the government's contributions (including market gain/loss). Funds transferred from a complying Australian Superannuation Scheme cannot be used. You must retain a minimum balance of $1,000 in your KiwiSaver account after making a first home withdrawal.

The withdrawal amount will be paid within 20 business days of our acceptance of your request and calculation of your entitlement, unless it is deferred by Consilium (refer to deferral on page 6).

To request a first home withdrawal, you will need to complete the First Home Withdrawal form and provide the specified documentation.

A copy of the form can be found at www.kiwiwrap.co.nz.

## Deceased member

If you die while you are a Member of the Scheme, your representative (executor) can apply to be paid your Personal Plan balance. If you die intestate, your Personal Plan balance will be paid to the relevant person as detailed in section 65 of the Administration Act 1969.

The withdrawal amount will be paid within 20 business days of our acceptance of the request and calculation of the entitlement, unless it is deferred by Consilium (refer to deferral on page 6).

To request a deceased member withdrawal, your representative will need to complete the Deceased Member Withdrawal form and provide the specified documentation.

A copy of the form can be found at www.kiwiwrap.co.nz.

## Serious illness

You may request a withdrawal for serious illness if Consilium and the Supervisor are satisfied that either:

1. You have an illness, injury or disability that results in you being totally and permanently unable to work in the job that you are suited to by reason of experience, education, or training; or
2. You have an illness, injury or disability that poses a serious risk of you dying soon.

The withdrawal amount will be paid within 20 business days of our acceptance of your request and calculation of your entitlement, unless it is deferred by Consilium (refer to deferral on page 6).

To request a serious illness withdrawal, you will need to complete the Serious Illness Withdrawal form and provide the specified documentation. The specified documentation includes medical evidence of your serious illness (including a declaration from your medical team) before being able to request a decision from the Supervisor.

A copy of the form can be found at www.kiwiwrap.co.nz.

## Life-shortening congenital conditions

You may request a withdrawal for a life-shortening congenital conditions if Consilium and the Supervisor are satisfied that either:

1. You have a known congenital condition which is likely to shorten your life below the age of 65 (a condition listed in the regulations); or
2. There is medical evidence to verify that your congenital condition is expected to reduce life expectancy below NZ retirement age (a non-listed condition).

You may choose the amount of the withdrawal up to the full value of your Personal Plan balance.

We will also require a statutory declaration acknowledging that your funds are to be released as if you had reached New Zealand Superannuation qualification age and that after withdrawal, you are no longer eligible to receive the government contribution or compulsory employer contributions.

The withdrawal amount will be paid within 20 business days of our acceptance of your request and calculation of your entitlement, unless it is deferred by Consilium (refer to deferral on page 6).

To request a life-shortening congenital condition withdrawal, you will need to complete the Life-Shortening Congenital Condition Withdrawal form and provide the specified documentation.

For listed conditions, we will require a medical certificate that verifies the condition before being able to request a decision from the Supervisor. For a non-listed condition, we will require a medical certificate that satisfies us that the condition is life shortening and that you suffer from that condition.

A copy of the form can be found at www.kiwiwrap.co.nz.

## Significant financial hardship

You may request a withdrawal on the grounds of significant financial hardship if Consilium and the Supervisor are satisfied that you meet the requirements and have exhausted all other forms of funding. The sorts of circumstances where a withdrawal may be available include:

1. If you are unable to meet minimum living expenses
2. If you are unable to meet mortgage repayments on your principal family residence, resulting in the mortgagee seeking to enforce the mortgage on the residence
3. Meeting the costs of modifying your home to meet your, or your dependant family's, special needs arising from a disability
4. Meeting the cost of your, or your dependant family member's, medical treatment for an illness or injury
5. Meeting the cost of your, or your dependant family member's, palliative care
6. Meeting the cost of a funeral for a dependant family member

The Supervisor determines the amount you may withdraw, but it may only consist of your and your employer's contributions. The Supervisor may limit a withdrawal to an amount that, in the Supervisor's opinion, is required to alleviate your hardship.

The withdrawal amount will be paid within 20 business days of our acceptance of your request and calculation of your entitlement, unless it is deferred by Consilium (refer to deferral on page 6).

To request a significant financial hardship withdrawal, you will need to complete the Significant Financial Hardship Withdrawal form and provide the specified documentation.

We will require a statutory declaration of your assets and liabilities and income and expenditure alongside evidence of your financial position before being able to request a significant financial hardship withdrawal from the Supervisor.

A copy of the form can be found at www.kiwiwrap.co.nz.

## Permanent emigration from New Zealand

### To Australia

You can transfer your Personal Plan balance to an Australian complying superannuation scheme at any time following your permanent emigration to Australia. We will require evidence that you have permanently emigrated, including a statutory declaration. You can transfer everything including your contributions, your employer's contributions, the $1,000 kick-start (if you were eligible) and government contributions.

### To any other country

No earlier than one year after a permanent emigration from New Zealand, you may request to withdraw funds. You can withdraw your contributions, your employer's contributions, and the $1,000 kick-start (if you were eligible). Government contributions are refunded to the IRD. Any amounts previously transferred from an Australian complying scheme are not able to be withdrawn.

The withdrawal amount will be paid within 20 business days of our acceptance of your request and calculation of your entitlement, unless it is deferred by Consilium (refer to deferral on page 6).

To request a permanent emigration withdrawal, you will need to complete the Permanent Emigration Withdrawal form and provide the specified documentation. We will require evidence that you have permanently emigrated, including proof of address and a statutory declaration.

A copy of the form can be found at www.kiwiwrap.co.nz.

## Relationship property

A withdrawal may also be required for settlement of relationship property. Any court order relating to a Member's relationship property settlement with his or her spouse, civil union partner or de facto partner will be acted upon in accordance with the KiwiSaver Act. You and/or your partner will not be paid an amount which would be greater in value than the benefits which you would have been otherwise entitled to receive. We will require certified copies of any court orders.

The withdrawal amount will be paid within 20 business days of our acceptance of your request and calculation of your entitlement, unless it is deferred by Consilium (refer to deferral on page 6).

## Withdrawal to meet tax liability on foreign superannuation withdrawal

You may request a withdrawal to pay a tax liability arising from a withdrawal from a foreign superannuation fund to transfer to KiwiSaver. This includes any obligations arising under the Student Loan Scheme Act 2011 arising from a withdrawal from a foreign superannuation fund to transfer to KiwiSaver. The withdrawal will only be the amount required to settle the liability and may only be withdrawn from your or your employer's contributions.

An application for this type of withdrawal must be made within two years from the end of the month within which the liability is assessed and will be paid to the IRD.

The withdrawal amount will be paid within 20 business days of our acceptance of your request and calculation of your entitlement, unless it is deferred by Consilium (refer to deferral on page 6).

To request a withdrawal to meet tax liability on foreign superannuation withdrawal, you will need to complete the Tax Liability on Foreign Superannuation Withdrawal form and provide the specified documentation. We will require evidence of the liability and a statutory declaration.

A copy of the form can be found at www.kiwiwrap.co.nz.

## Unclaimed benefits

If we are unable to trace you for five years from the later of your last contribution, or the date you reach qualifying age, the Supervisor and Consilium can apply section 125 of the KiwiSaver Act 2006 and section 77 of the Trustee Act 1956, and pay your benefit to the Crown.

## Deferral of withdrawals

If, by reason of:

- a decision to terminate the Scheme, or
- trading of an investment option on any exchange being suspended, or
- financial, political or economic conditions applying in respect of any financial market; or
- the nature of any investment; or
- the occurrence or existence of any other circumstance or event relating to the Scheme or generally.

Consilium can decide (with written notice to the Supervisor) to defer your withdrawal request if it is reasonably determined that it is not practical or would be materially prejudicial to the interests of Members generally to act on your request. Deferrals can be for up to 90 days (unless an extension is granted by the Supervisor). If this occurs, you will be issued a Withdrawal Deferral Notice, which will remain in force until it is cancelled. If a deferral notice is issued, you may revoke your withdrawal request. This does not apply for a transfer out to another KiwiSaver Scheme.

# 04 Description of your investment options

## Plan Investment Methodology

The list of investments you can choose from (under the guidance of an Adviser) when developing your portfolio is listed in the IOS. In addition to the investments only being able to be selected from the IOS, the following rules must be followed by Members/advisers, when selecting/recommending portfolios and investment strategies:

- A minimum initial transfer in balance of $50,000 from either a current KiwiSaver scheme, a voluntary contribution, or a combination thereof. Evidence of this will be required when you apply to join the Scheme. Once your membership has been accepted, there are no consequences for your balance falling below $50,000
- A minimum New Zealand dollar cash allocation of 1.00% to ensure sufficient funds are available for Personal Plan liabilities
- Balances held in an Australian superannuation scheme cannot be transferred directly into the Scheme
- The Adviser must consider the potential member's current and future financial situation (including investment needs) unless they are an Eligible Investor
- The portfolio, rationale, the investment policy and objectives and a risk indicator must be presented in a statement of advice (unless you are an Eligible Investor)

## Investment policy and objectives

Due to the self-select nature of the KiwiWRAP KiwiSaver Scheme (under the advice of an Adviser), the Scheme does not have a Statement of Investment Policy and Objectives, known as a SIPO, like other providers do.

Instead, your Adviser will detail a set of investment policies and objectives through a statement of advice. The investment policies are details on how investments are selected and monitored. The objectives are what you want to achieve with your KiwiSaver funds, often called goals.

## Investment Direction

The recommendations your Adviser makes need to be approved by you. Once approved, they form your Investment Direction. Any time you change an individual investment selection or change the targeted allocation to any individual investment, this constitutes a change of Investment Direction. You must provide your consent in writing (email is acceptable) for any change in Investment Direction. This applies irrespective of whether your Adviser maintains a discretionary investment management service licence (DIMS).

## Personal Plan monitoring

Your Adviser will monitor your Personal Plan in accordance with your Investment Direction. If there is a breach in your Investment Direction, your Adviser will file a breach report with Consilium who will in turn inform the Supervisor. Consilium will ensure that any loss caused to you from a breach in your Investment Direction is repaid by the appropriate party.

Consilium will also conduct monitoring as follows:

- A monthly check that cash balances do not fall below 1.00%. If a Personal Plan has a cash balance of less than 1.00%, we will work with your Adviser to correct this in a timely manner
- A monthly check for any Personal Plans holding more than 50% of their funds in a single investment. If a Personal Plan is identified that holds more than 50% in a single investment, Consilium will review the statement of advice provided to ensure that this is consistent with the Investment Direction and that any diversification risks were appropriately disclosed
- Obtaining an annual certification from Advisers that they are complying with their obligations under their agreement with Consilium to access the Scheme
- Reviewing any Investment Direction breaches reported, and ensuring that Members are reimbursed as necessary and any mitigation actions have been implemented
- Ensuring that a Member's initial balance (whether from another KiwiSaver scheme or a cash deposit) is invested in accordance with their Investment Direction in a timely manner
- Checking a sample of Personal Plans have received income from investments as expected, on a quarterly basis
- Periodic audits of Advisers to review the statements of advice they are providing include personalised advice, a risk indicator, investment objectives and policies, a risk assessment was conducted and that the Personal Plans investments are in accordance with the Investment Direction
- Periodic audits of Advisers to review their compliance with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and any other relevant legislation
- A monthly sample check of investment prices reported by the Custodian against those reported by the source of such prices
- A monthly sample check that Personal Plan balances are equal to the sum of the market value of each of the underlying investments minus fees and taxes accrued
- An annual review of all investments listed in the IOS to ensure they are still eligible, and updating the fee information stated in the IOS. Where investments are no longer eligible, working with your Adviser to ensure these are sold and the proceeds reallocated according to your replacement Investment Direction within 21 business days
- Actively reviewing investment liquidity and Side-Pocketing investments as needed (refer to Side-Pocketing below)

## Side-Pocketing

Side-Pocketing is a mechanism for temporarily or permanently managing illiquid investments, and is governed by the Scheme's Trust Deed and the Side-Pocketing Policy in Appendix 1. Although investments need to be redeemable within 8 business days to be eligible for the IOS, sometimes, unexpected illiquidity occurs. This may be due to the investment going into receivership/liquidation or a temporary event, such as a corporate action trade freeze.

When an investment becomes temporarily or permanently illiquid, as agreed between Consilium and the Supervisor, it may be Side-Pocketed. Consilium does not need to ask for your (or your Adviser's) consent to Side-Pocket an investment in your Personal Plan.

Side-Pocketing is detailed in the Scheme's Trust Deed (section 5) and described in this section.

When an investment is side-pocketed, it is marked with an '!' on your personalised quarterly reports and on screen (as visible through your Consilium Wrap login), together with an explanatory footnote.

Consilium is exempt from providing pricing or financial statements on Side-Pocketed investments, but will continue to reflect their value as the most recent price received from the issuer, or pricing source, of that investment in your personalised quarterly reports.

The Side-Pocketed investment is still held for your benefit but is no longer part of your Primary Personal Plan (it forms part of a Side-Pocketed Personal Plan) and is administered separately.

While an investment is Side-Pocketed, you cannot access it for any withdrawal or transfer unless you instruct us through an Investment Direction to terminate your interest in the Side-Pocketed investment. In this scenario, Consilium and the Supervisor will agree the equitable basis for the value of the Side-Pocketed investment so it can be removed from your Personal Plan. If this occurs, the net proceeds of the disposal (if any) will be applied to your Primary Personal Plan.

When, and if, Consilium and the Supervisor agree that the investment is no longer illiquid, the investment can be reinstated into your Primary Personal Plan by removal of the '!' mark. If your Primary Personal Plan no longer exists (because you have moved to another scheme, retired or died), the investment will be redeemed, and the net proceeds (if any) transferred to your new KiwiSaver scheme or, if that is not possible (because you have retired or died), to you directly, or to your estate.

When either an investment is no longer illiquid, or your interest in it has been terminated, your Side-Pocketed Personal Plan will no longer exist. If another Liquidity Event occurs (either at the same time or in the future) an additional Side-Pocketed Personal Plan will be created.

## What are the fees?

The fees are detailed in the PDS and IOS. The fees you will pay come from three broad categories:

### Annual Scheme fee

This fee includes the services of the Manager, the Custodian, and the Supervisor, but excludes Adviser fees and any fees charged by third parties in relation to the underlying investments or transactions of a member's Personal Plan. The Scheme fee is 0.29% and is charged on all investments in your Personal Plan, with the exclusion of cash held in the cash management account, which is not charged an annual Scheme fee.

### Investment fees

These are the fees charged by the underlying investments selected, which range from 0.00% to 1.25% per annum. Any individual action fees such as brokerage are included here.

### Adviser fees

These are the fees charged to members by their Adviser for advisory services. This is to be agreed in writing between Advisers and prospective members and may form two components. The first is an initial establishment fee of a maximum of 0.20% excluding GST. This establishment fee will be charged on the initial balance that is either transferred from the existing KiwiSaver or a voluntary contribution, and can only be charged once.
The second is an ongoing monitoring fee which can range from 0.00% to 0.75% per annum excluding GST.

### GST

The Scheme fee is not currently subject to GST. If this changes in the future, GST may be added to the fee without notice to you. Some or all of your Adviser's fee may be subject to GST. Your Adviser will confirm this to you. The investments you select may also charge GST. This information can be found in the disclosure statement of each investment. Links are available in the IOS.

### Expenses

The Scheme's Trust Deed also allows Consilium and the Supervisor to be reimbursed from the Scheme for expenses. If a decision is made to make a claim for expenses outside of the Scheme fee detailed above, Consilium will notify you in advance before a deduction from your Personal Plan is made. These fees would also be reported to you in your personalised quarterly reports.

Consilium may elect to recover Scheme-related expenses directly from underlying fund managers whose funds are eligible for the IOS, in the form of a fee charged to those Managers for having their funds included within the IOS.

# 05 Additional taxation information

This information provides general guidance on New Zealand income tax law as it relates to Members in the KiwiWRAP KiwiSaver Scheme, and is not provided as tax advice. You should obtain professional advice as to the specific impact of Scheme taxes on your personal circumstances before applying for membership in the Scheme. No liability is accepted by Consilium, the Supervisor or the Custodian for the tax consequences of your membership in the Scheme.

The Scheme is taxed as a widely held superannuation scheme with a financial year end of 31 March.

Taxes will be deducted from your Personal Plan on a regular basis. Because the Scheme is not a portfolio investment entity (PIE), tax is charged at a flat rate of 28% regardless of your marginal tax rate or prescribed investor rate (PIR).

Income, expenses and taxes charged within the Scheme should not be included in your personal tax returns. The Custodian will not produce a taxation report for you but the tax you have paid will be detailed in your personalised quarterly reports.

At the end of each financial year, the Scheme's overall taxation position will be finalised. At that point, one Member's Personal Plan may be in a notional refund or loss position compared to the Scheme's overall position.

The Scheme fee of 0.29% and the fee agreed with your Adviser will be calculated on your gross of accrued tax Personal Plan value.

Some transactions may be subject to capital gains tax under New Zealand tax law. As at the date of this document, New Zealand and Australian shares, New Zealand exchange traded funds and New Zealand listed PIE products are not eligible for the IOS due to the capital gains tax consequences. This may change in the future.

The income generated by your Personal Plan will be allocated to your Personal Plan and the tax treatment of that income will depend on the underlying investment.

The section below summarises how the Scheme calculates and charges tax for each investment type. The below methods are subject to change without notice.

## Investment specific tax information

### Unlisted portfolio investment entities (PIEs)

PIE taxable income is calculated by the issuers and tax will be charged at 28% upon exit for units redeemed during the tax year. For PIE units not exited during the year, PIE taxable income will be calculated following the end of the tax year (usually in April) and tax will be charged at 28%. PIE tax obligations will not form part of the four monthly tax crystallisation calculations, as they are part of their own stand-alone tax calculation.

### International equities

Tax is calculated under the Foreign Investment Fund (FIF) rules using the Fair Dividend Rate (FDR) method where available. Because the value of Personal Plans is calculated daily, the FDR tax calculation will be completed daily. Under daily FDR, the FIF income is calculated as 5% of the daily market value of the FIF investments divided by 365, each day. Some investments will also deduct tax at their source which cannot be reclaimed but may contribute a credit to the New Zealand tax payable. This is detailed under allocation of tax credits.

### International funds invested predominantly in fixed interest investments

Tax is calculated under the FIF rules using the Comparative Value (CV) method, marked to market. Under the CV method, the FIF income is calculated as (closing investment value + gains) - (opening market value + costs).

### Direct bonds

Tax will be calculated using the International Financial Reporting Standards (IFRS), marked to market and gains taxed at 28%.

### Cash

When interest (if any) is applied, tax will be deducted at 28%. Both realised and unrealised gains and losses on foreign cash accounts will be calculated regularly and tax deducted at 28% in line with the Financial Arrangement rules.

## Term deposits

When interest is received, tax will be deducted at 28%. Both realised and unrealised gains and losses on foreign cash term deposits will be calculated regularly and tax deducted at 28% in line with the Financial Arrangement rules.

## Allocation of tax credits

There are two types of tax credits, refundable and non-refundable.

Refundable tax credits, such as those from PIEs or resident withholding tax (RWT), will always have value.

Non-refundable tax credits, such as imputation credits (can be converted to tax losses and carried forward) and foreign tax credits, may reduce the amount of New Zealand tax payable by the Scheme and by the Personal Plan that accrued them.

The value of any tax credits will not be given to Members until the end of the tax year when there is certainty regarding the amount of tax credits claimable by the Scheme. If a Member leaves during the year, the tax credits are forfeited by the Member, and when claimed by the Scheme, are allocated proportionately across all remaining Members.

## Allocation of tax losses

If the Scheme is in an overall tax paying position, Personal Plans with tax losses will be traded with Personal Plans in a tax payable position. This means that Members will be able to get benefits of any tax losses and not need to carry them forward. An example is below:

| | Member A | Member B | Scheme |
|---|---|---|---|
| Income / (loss) | $150 | ($50) | $100 |
| Tax payable to IRD at 28% without tax loss trading | $42 | $0* | $28 |
| Intra-member transaction | ($14) | $14 | $0 |
| Tax payable to IRD post transaction | $28 | $0 | $28 |

*Member B cannot get a benefit from the loss as losses are not refundable, however the Scheme overall can benefit from Member B's loss.

If the Scheme is in an overall tax loss position, any Personal Plan losses are not transacted as the Scheme as a whole is unable to utilise any losses. A calculation of the losses available to the Scheme, and therefore available to be traded between Members, will be calculated at the end of the tax year when the Scheme's end of year tax position is known.

## Rebates

Non-PIE fund manager rebates will be taxed at 28% where they are deductible. Non-deductible fees will be excluded.

## Deductibility of expenses

The expenses incurred by the KiwiWRAP KiwiSaver Scheme, including those incurred by Personal Plans through the Scheme, will largely be tax deductible, subject to some limitations.

The specific expenses and their deductibility are as follows:

- Brokerage: tax deductible
- One-off initial Adviser establishment fee: tax deductible
- Ongoing advice fee: tax deductible
- Scheme fee: tax deductible (including Manager, Custodian and Supervisor components)

Deductible expenses will be accounted for as part of the four monthly provisional tax payments.

For the avoidance of doubt, the above expenses are deductible **inside** the KiwiWRAP KiwiSaver Scheme and cannot be used to offset any income earned by Members outside of the Scheme.

The Scheme may change position regarding the deductibility of expenses without notice to Members.

### Payment of provisional tax

The Scheme will pay provisional tax based on actual tax accruals for the first year of the Scheme's operation. The tax will be deducted from Personal Plans and paid to the IRD three times per year. If tax is underpaid, use of money interest (UOMI) is charged by the IRD and will be allocated proportionately across Members. If UOMI is charged, this will be treated as a tax-deductible expense.

### Error remediation

Where an administrative or valuation error occurs within a Personal Plan that requires remediation, any income that arises from the remediation would be taxable.

### FATCA exemption

The Foreign Account Tax Compliance Act (FATCA) is a US law that means New Zealand (and many other countries) need to report certain information on US persons. New Zealand agreed to implement this law in 2014 under an inter-governmental agreement. Under the agreement, 'Treaty-Qualified Retirement Funds' are non-reporting Financial Institutions (so long as less than 50% of the members are non-NZ tax residents).

The KiwiWRAP KiwiSaver Scheme qualifies for the exemption as a Treaty-Qualified Retirement Fund and is not required to report to the IRD or to register with the US Internal Revenue Service for FATCA purposes. We will, however, still collect your FATCA information in case the Scheme's exemption status changes in the future. More information on FATCA can be found on the IRD website.

### CRS exemption

The Common Reporting Standard (CRS) is a regime developed to combat tax evasion worldwide and was adopted in New Zealand in 2017. It requires information on foreign tax residents and their accounts to be reported to the IRD. Retirement or pension accounts, including KiwiSaver, are exempt from complying with the CRS. We will, however, still collect your CRS information in case the Scheme's exemption status changes in the future. More information on CRS can be found on the IRD website.

# 06 Additional information on risk

The below risks are additional to those referred to in the Product Disclosure Statement.

## Other specific risks

Those that are not reflected in the risk indicator.

### Force majeure

Disruption to daily functions of the Scheme through such events as natural disaster, extended power loss, or the destruction of premises/equipment. This may result in the temporary inability to process transactions or withdrawals.

### Technology risk

Failure of key technology systems or a data breach through unpermitted access to technology systems. This may result in a breach of personal information and/or a temporary inability to process transactions or withdrawals.

### Insolvency risk

If the Scheme becomes insolvent, you may not recover all of your interest in the Scheme.

### Post membership cashflow risk

If you terminate your membership in the Scheme (either via a transfer out or a maturity) and investment related cashflows attributable to you are received, you will lose any benefit of these cashflows. This includes, but is not limited to, the receipt of foreign tax credits, dividends, rebates or other unexpected cashflows.

# 07 Who else is involved?

The parties and roles presented in the table below are not intended as an exhaustive list.

| Name | Role |
|---|---|
| Adviser firm | • Provide advice to prospective Members, including investment recommendations<br>• Monitor investment recommendations<br>• Document advice and calculate a personal risk indicator<br>• Provide prospective Members with all available disclosure materials<br>• Enter into an adviser agreement with each prospective Member<br>• Obtain written instruction for all changes in Investment Direction<br>• Execute all portfolio trading including rebalancing<br>• Conduct regular reviews with Members (at least annually)<br>• Supply information to Consilium upon request |
| Manager<br>Consilium | • Compliance with Managed Investment Scheme Managers licensee obligations<br>• Oversight of Advisers using the Scheme<br>• Processing of withdrawals<br>• Creation and maintenance of all disclosure materials<br>• Creation and maintenance of all sales/marketing resources<br>• Regular reporting to Members<br>• Taxation and financial reporting<br>• AML/CFT due diligence and reporting |
| Custodian<br>FNZ Custodians Limited | • Holds Member funds in its name as a bare trustee for the benefit of the Scheme Members |
| Scheme administrator and registrar<br>FNZ Limited | • Fee calculation and deduction<br>• Scheme administrator and registrar<br>• Processing payments to/from IRD<br>• Custodial administration services<br>• Tax calculation and deduction |
| Supervisor<br>Trustees Executors Limited | • Responsible for ensuring that Consilium NZ Limited and FNZ Custodians Limited are performing their respective duties and acting in the best interests of the Scheme's Members<br>• Processing requests for certain withdrawals, such as financial hardship |

## Other parties

### Auditor

BDO Christchurch Limited has been appointed as auditor of the Scheme. BDO Christchurch Limited is registered under the Auditor Regulation Act 2011 and is a qualified auditor under the FMCA. Other than in its capacity as auditor, BDO Christchurch Limited has no relationship with, or interests in, the Scheme.

### Solicitors

Consilium's solicitors are Dentons Kensington Swan.

## 08 Material contracts

### Adviser Agreement

Members are required to receive personalised financial advice from an Adviser accredited to access the Scheme before applying for membership in the Scheme. Consilium will conduct a due diligence process on an Adviser business and when satisfied, enter into an Adviser Agreement (and a Consilium Wrap Agreement) with each Adviser firm. Under this agreement, Advisers will provide investment portfolio and financial advisory services to prospective and active Members, in relation to the Scheme. They will also provide information to Consilium. Consilium will regularly review each Adviser firm's compliance with the Adviser Agreement.

### Supervisory Agreement

Consilium has entered into a Supervisory Agreement with the Supervisor, Trustees Executors Limited. This details the parties' respective functions, powers and duties in respect of the Scheme. The agreement also prescribes the regular reports Consilium will make to the Supervisor.

### Administration and Registry Services

Consilium has entered into an Administration and Registry arrangement with FNZ Limited as part of a broader services agreement. This arrangement covers the services that FNZ Limited will provide to Consilium as Scheme registrar and administrator.

### Custody Agreement

The Supervisor has contracted FNZ Custodians Limited to act as Custodian for the Scheme, holding the Scheme's funds in its name as a bare trustee for the benefit of Scheme Members. This agreement covers the way in which FNZ Custodians Limited will hold funds including the use of any sub-custodian, reporting and record keeping requirements, and general custodial services such as trading, taxation and fee deduction.

### Inland Revenue Scheme Provider Agreement

Consilium and Inland Revenue entered a KiwiSaver Scheme Provider Agreement for the Scheme on 21 May 2020. This agreement covers the sharing of information between Consilium and the IRD with respect of Member payments, Member details and other items. Also in this agreement is the licence for using the KiwiSaver trademark and the operational support requirements.

## 09 Conflicts of interest

A conflict of interest arises where Consilium or any of its directors or senior managers has a financial interest or any other interest or relationship that would, or could reasonably be expected to, materially influence the investment decisions we make in respect of the Scheme. Directors and senior managers have duties as dictated in the Financial Markets Conduct Act 2013 not to make use of information to gain an advantage for themselves or to disadvantage Scheme Members.

We have internal policies and procedures in place to identify, assess and manage potential conflicts of interest and/or related party transactions.

As at the date of this document, Consilium has no conflicts of interest to report but lists the following for informational purposes:

- Consilium employees, directors and senior managers may apply for membership of the Scheme and will have the same rights and obligations as other Members.
- Employees, directors, and senior managers of any other party involved in the Scheme may also apply for membership of the Scheme and will have the same rights and obligations as other Members.

# Appendix 1 – Side-Pocketing Policy

### Interpretation

All capitalised terms in this Side-Pocketing Policy have the same meanings as are defined for them in the Trust Deed for the Scheme.

## Background

### Trust Deed requirements

Clause 5.8 of the Trust Deed requires that the Manager and the Supervisor shall determine an equitable policy for administering each Side-Pocketed Personal Plan held within the Scheme, having regard to the nature of the Side-Pocketed Investment and the circumstances that caused it to be Side-Pocketed. Further requirements for such a Side-Pocketing Policy are specified under clause 5.8.

The below is the Side-Pocketing Policy as determined between the Manager and the Supervisor.

### Statutory requirements

Section 56(4) of the KiwiSaver Act 2006 ("KiwiSaver Act") states that a scheme provider is required, upon receipt of a transfer notification from the provider of a Member's new KiwiSaver scheme, to redeem and transfer that Member's accumulation to the new scheme within 10 working days or any longer period agreed between the providers of the old and new schemes.

### Liquidity Event and Side-Pocketing

An Investment held within the Scheme and eligible for the Investment Options Supplement must have a standard redemption timeframe of no longer than eight working days at maximum. The intention of this finite redemption timeframe specification is to ensure that redemption of the Investment will comply with section 56(4) of the KiwiSaver Act when subject to a transfer notification received from another KiwiSaver provider.

Should a Liquidity Event occur, an Investment's redemption procedure may become impaired and thereby no longer able to comply with the standard redemption timeframe of eight working days or less. In this circumstance, redemption of the Investment may also no longer be able to comply with the ten working days requirement of section 56(4) of the KiwiSaver Act.

Under clauses 5.2, 5.6 and 5.7 of the Trust Deed, an Investment subject to a Liquidity Event shall be Side-Pocketed into a Side-Pocketed Personal Plan and thereby become segregated from the Member's Primary Personal Plan. An Investment that has been Side-Pocketed ceases to remain subject to the requirement for compliance with section 56(4) of the KiwiSaver Act at least for the duration of its Side-Pocketing within the Side-Pocketed Personal Plan.

The equitable administration of Side-Pocketed Personal Plans is the aim and purpose of this Side-Pocketing Policy.

## Side-Pocketing Policy

The Deed sets out five requirements for the Side-Pocketing Policy under clause 5.8 subclauses a through e:

- Prohibition on disposal of Side-Pocketed Investment without Investment Direction
  - It is prohibited for a Member to make any withdrawal or transfer from a Side-Pocketed Personal Plan except where that Member has provided a valid Investment Direction to the Manager to dispose of or otherwise terminate the Member's interest in a Side-Pocketed Investment as an asset of the Scheme
  - An Investment Direction in respect of a Side-Pocketed Personal Plan shall be deemed to have been provided by a Member to the Manager in either of the following two instances:
    - The Member (being eligible to do so) has applied for a Benefit in accordance with clause 12.7 of the Trust Deed in respect of the Member's entire interest in the Scheme; or
    - The Member's membership of the Scheme has been terminated in accordance with clause 4.4 of the Trust Deed.
  - A Side-Pocketed Investment shall be disposed of or otherwise terminated under a Member's Investment Direction for whatever value the Manager is able to obtain on such equitable basis as the Manager and the Supervisor agree is most appropriate in the circumstances

- Proceeds, income and receipts (clause 5.8 b of the Trust Deed)
  - Any net proceeds of the disposition of, and any income or other receipts arising from, the holding of a Side-Pocketed Investment are required to be transferred to the Primary Personal Plan of the Member concerned
- Recovery of fees, expenses and taxes (clause 5.8 c of the Trust Deed)
  - The Manager and the Supervisor shall agree on equitable arrangements for the payment or recovery of any fees or expenses or taxes associated with holding or realising a Member's Side-Pocketed Investment
  - Equitable arrangements may include payment or recovery from the Member concerned either from the Member's Primary Personal Plan or from the Member direct
- Exemption of Manager and Supervisor from valuations (clause 5.8 d of the Trust Deed)
  - The Manager and the Supervisor are both exempt, subject to the Governing Requirements, from any obligation to obtain valuations of a Side-Pocketed Investment for so long as it forms part of a Side-Pocketed Personal Plan
- Other arrangements (clause 5.8 e of the Trust Deed)
  - The Manager and the Supervisor shall agree on any other arrangements that they consider necessary or desirable relating to the administration of, and maintenance of records in respect of, a Side-Pocketed Investment and a Side-Pocketed Personal Plan, provided that such other arrangements are subject to the provisions of the Trust Deed (including clause 5.8)
  - Such other arrangements shall be recorded in writing and appended to this Side-Pocketing Policy

## Amendments to Side-Pocketing Policy

Subject to clause 5.8 of the Trust Deed, the Side-Pocketing Policy may be amended from time to time by written agreement between the Manager and the Supervisor.

All amendments to the Side-Pocketing Policy must recorded in writing and appended thereto.

Consent to amend the Side-Pocketing Policy shall not be unreasonably withheld by either the Manager or the Supervisor.

## Deed to prevail

If the provisions of this Side-Pocketing Policy and the Trust Deed conflict in any way, the provisions of the Trust Deed shall prevail.

# Appendix 2 – Proxy voting and trade execution policies

## Proxy voting policy

Consilium as Manager will not exercise any proxy voting rights on behalf of investments held in Personal Plans within the Scheme. For the avoidance of doubt, these rights will not be exercisable by Advisers or Members directly.

## Trade execution policy

This policy details how trades are placed and executed for Personal Plans within the Scheme.

### Trade placement

Trades will generally be placed by your Adviser in order to establish, maintain or update your Investment Direction, and in accordance with your instruction.

If your Adviser has a discretionary investment management service (DIMS) licence, they do not need your specific instruction to **maintain** your Investment Direction and will provide you information on how this is managed. All other Advisers require your specific instruction before placing any trades to **maintain** your Investment Direction and may obtain this electronically.

You must provide your consent in writing (electronically is acceptable) for any **change** in Investment Direction. This applies irrespective of whether your Adviser provides a DIMS.

Advisers will instruct the Custodian to place an order by entering the instruction into the Consilium Wrap system, from which the Custodian will place the orders with the relevant broker/issuer.

Consilium will instruct the Custodian in respect of any approved withdrawals, transfers out or maturity closures.

### Trade execution

Listed security trades are typically processed by the broker your Adviser selects within 10 minutes and, depending on the liquidity of the investment, typically confirmed the same day.

Unlisted security trades are sent to the issuer once per day and aggregated with other orders from Consilium Wrap. You will receive the entry/exit price on the day they are sent. Depending on the liquidity of the investment, these typically process within five business days.

Term deposit orders are sent once per day and the term will commence on the day they are sent. Depending on the issuer, these typically process within five business days. Interest rates are subject to change. If the offered rate changes between when you give the instruction and when it's settled, your Adviser will let you know and you can decide to cancel the term deposit without penalty within a specified time period.

Currency conversion orders are sent once per day and aggregated with other orders from Consilium Wrap. The price you will receive is the spot price on the placement date minus the Custodian's margin (as detailed in the Investment Options Supplement). These orders will typically settle on the same day they are placed.

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