

# WHAI RAWA UNIT TRUST

OTHER MATERIAL INFORMATION



This document is dated  
19 October 2021



**WhaiRawa** NGĀI TAHU

## **CONTENTS**

1. DETAILS OF THE SCHEME .....	3
2. PERSONS INVOLVED .....	3
3. MEMBERSHIP/JOINING THE SCHEME .....	7
4. CONTRIBUTIONS .....	10
5. ACCOUNTS .....	13
6. WITHDRAWALS .....	14
7. FEES & EXPENSES .....	17
8. TAX .....	19
9. RISKS .....	22
10. RESPONSIBLE INVESTMENT POLICY .....	27
11. OTHER MATERIAL MATTERS.....	29
12. OTHER MATERIAL INFORMATION CHANGES .....	29
13. GLOSSARY .....	30

# **1. DETAILS OF THE SCHEME**

## **Year and Place of Establishment of the Scheme**

Whai Rawa Unit Trust (“Whai Rawa” or “Scheme”) commenced accepting members in September 2006. The Scheme was established on 6 June 2006 in Christchurch, New Zealand.

# **2. PERSONS INVOLVED**

## **The Manager**

Whai Rawa Fund Limited (“WRFL” or “Manager”) is the manager of the Scheme. It is wholly owned by Te Rūnanga o Ngāi Tahu.

## **Our Directors**

The WRFL Directors each bring different industry knowledge and experience as follows:

- **Fiona Pimm** (Kāti Huirapa)  
Fiona is the Chair of Whai Rawa and has been a member of the WRFL board since 2014. Fiona has worked in the health sector for over 30 years originally as a Nuclear Medicine Technologist and then moving into health service management. She has extensive health sector networks across Aotearoa. Fiona also has many years’ experience in governance roles and is currently on the Board of several education and workforce training organisations, the NZ Parole Board, and was appointed Te Rūnanga Representative for Arowhenua Rūnaka in June 2019. Fiona holds a Postgraduate Diploma in Public Health from the University of Otago, an MBA from Massey University and a Diploma in Applied Science, Nuclear Medicine from Royal Melbourne Institute of Technology (RMIT).
- **Paul Mersi**  
Paul is an independent company director and also consults on strategic, regulatory, and governance matters. He is a member of the Financial Advice Code Committee, a director of MMC Group Holdings Ltd, and a Trustee of Chamber Music NZ. His previous directorships include: Brook Asset Management, Wellington Regional Development Agency, and Grow Wellington. Paul was a senior Financial Services & Tax Partner at PricewaterhouseCoopers, advising large local businesses and multinationals, predominantly in the finance sector (fund managers, banks, life insurers) as well as being closely involved with major regulatory reform in the tax and performance disclosure fields. Paul has a BCA in Economics from Victoria University of Wellington, and is of Italian, Greek, and Cypriot descent.
- **Clare Murray**  
Clare has a legal and financial services background. She was a senior solicitor with Clifford Chance in London involved in international debt capital markets transactions. As co-founder of Murray & Co (investment banking firm), she has had a range of roles over the years, from legal and compliance to business development, and remains a non-executive Director of the firm. Her current executive role is at the University of Canterbury, where she is Director of Work-Integrated Learning. She is also Chair of Cantabrainers Therapeutic Choir Charitable Trust. She has a Masters in Music from Oxford University, Law Society Finals from De Montfort University and is a Chartered Member of the Institute of Directors NZ.

- David Woods**

David has extensive experience in finance and non-finance sector boards. He is Deputy Chair of NZ Green Investment Finance, a director of Te Puna Hapori Infrastructure Fund and director of Whai Rawa Fund Ltd. Additionally he is a director of Hiringa Energy Ltd and Toitū Tahua Centre for Sustainable Finance, a trustee of The Gift Trust, former Chair of the Impact Enterprise Fund, and Chair of the NZ National Advisory Board on Impact Investing. He also sits on two overseas boards for the Aga Khan Foundation as an independent director, First Microfinance Bank Afghanistan, and First Microfinance Company Egypt.
- Anthony Bow**

Anthony has over 25 years of banking, finance and taxation experience and has been a Chief Executive Officer, business unit leader, advisor and auditor. He has broad commercial expertise including in sales, operations, and mergers and acquisitions. Anthony is Principal of Waimana Capital, a business strategy and expansion capital firm focused on growth and scalable businesses. Anthony's governance roles include Deputy Chair and Board Member of the Medical Radiation Technologists Board, and Councillor of InternetNZ. Anthony has a Bachelor of Commerce from the University of Auckland and holds Chartered Accountant designation from the professional accounting bodies of Aotearoa and Singapore. He is a second generation New Zealander, born and bred in Rotorua and is of Chinese descent.
- Liam Stoneley (Kāti Huirapa)**

Ko Waihao, Tuahiwi, Moeraki me Puketeraki kā marae, ā, ko Kai Tahu te iwi - ko Heath te ikoa whānau. Liam is the Tribal Representative on the Board and has been a member of Whai Rawa since its inception in 2006. He is a corporate solicitor, specialising in equity capital markets, complex legal structuring, corporate governance, and strategic and commercial advice for iwi and hapū, Māori businesses, Māori owned entities and those looking to work with them. He is also a director of both Te Rūnanga o Waihao Holdings Limited and Paenga Kupenga Limited, the respective investment vehicles for two of his marae. Liam has a LLB/BA in te reo Māori; he is fluent in te reo. He is active at his marae, Waihao, and has been involved with a range of Kai Tahu-designed programmes over the past decade; most recently the emerging iwi leaders programme, Manawa Tītī and Aoraki Bound.

## Whai Rawa Management

### Whai Rawa Executive Director

- David Tikao (Ngāi Tahu, Ngāti Kahungunu)**

David is the Executive Director of Whai Rawa. He commenced working for Whai Rawa in October 2011. Prior to joining Whai Rawa, David worked in the finance and banking sectors in London for 20 years, most recently holding positions within RBS/NatWest and HSBC Banks prior to his return to Aotearoa New Zealand.

Since 2012 David has been a Director of Te Poho o Tamatea Ltd, a holdings company of Te Hapū o Ngāti Wheke (Rūnanga) and is a former Trustee and Treasurer of Rāpaki Marae. In February 2020, David was appointed to the Mercer Advisory Committee. David is a member of the Leadership Group at Toitū Tahua: Centre for Sustainable Finance.

In 2015 David graduated from Massey University with a Master of Business Administration (MBA) and is currently a PhD. student at the University of Canterbury.

## Whai Rawa Associate Governor

- **Irihapeti Morgan** (Ngāi Tahu)  
Irihapeti (Tiri) Morgan is of Ngāi Tahu, Te Arawa and Tainui descent. Tiri has an Accounting background and brings with her a wealth of knowledge and experience having worked with various Māori and Commercial entities over the past 20 years. Tiri is an Associate Governor as part of Ngāi Tahu's two year Manawa Nui Programme of which the first year was spent on the Ngāi Tahu Farming Board. She has also been a trustee on various Marae Trusts and the School Board of her tamariki.

## Group Head – Chief Financial Officer

- **Darren Beatty** (Ngāti Kahungunu, Te Whānau a Apanui, Ngāti Porou, Te Roroa)  
Darren Beatty joined Te Rūnanga o Ngāi Tahu in May 2017 as the Group Head Finance & Planning, before stepping into the role of Group Head Chief Financial Officer in 2020. In this role he is responsible for the financial and performance management of the Office of Te Rūnanga o Ngāi Tahu, as well as the monitoring function, legal team, business support, grants and Whai Rawa teams.

Prior to joining Te Rūnanga o Ngāi Tahu, Darren worked in financial leadership for 12 years. His most recent role was at Māori Television where he was a member of the Executive team in his role as Head of Finance and Administration. Darren is a Chartered Accountant and has a law degree. His career has focused on strategic financial management, reporting, transaction processing and systems improvement, audit and risk management, facilities management and administration.

Darren is a fluent speaker of te reo Māori and is passionate about ensuring te reo Māori me ōna tikanga is part of the life of his whānau. He is committed to whānau development, to his iwi and his marae. He is currently a member of Te Taura Whiri (Māori Language Commission) Audit Committee and has served as a trustee of Tatau Tatau o Te Wairoa's initial post-settlement governance entity board.

## **No bankruptcy / insolvency**

Neither WRFL nor any of its directors have within the last ten years been adjudged bankrupt or insolvent, convicted of any crime involving dishonesty, nor prohibited from acting as a director of a company.

## **Administration Manager**

WRFL outsources administration of the Scheme to Mercer (N.Z.) Limited. Its address is:

- Mercer (N.Z.) Limited  
PwC Tower, 15 Customs Street West, Auckland 1010

## **Underlying Fund Manager**

The Scheme offers three Funds – the Tōtara-Conservative Fund, the Mataī-Balanced Fund, and the Rātā-Growth Fund, which in turn are currently invested in the Mercer Investment Trusts New Zealand (“MITNZ”) Socially Responsible Conservative Portfolio (“MITNZ Conservative Portfolio”), the Socially Responsible Balanced Portfolio (“MITNZ Balanced Portfolio”), and the Socially Responsible Growth Portfolio (“MITNZ Growth Portfolio”) (together the “MITNZ Portfolios”) managed by Mercer (N.Z.) Limited (“Mercer”). The functions performed by Mercer in relation to the Scheme’s Funds invested in the MITNZ Portfolios and how it will perform these are outlined in a service level agreement between WRFL and Mercer. Mercer’s address is:

- Mercer (N.Z.) Limited  
PwC Tower, 15 Customs Street West, Auckland 1010

## **Operations**

WRFL outsources its general day to day operations, including membership facilitation, contact centre and other member facing services, promotions and marketing to Te Rūnanga o Ngāi Tahu.

## **Supervisor**

The Supervisor of the Scheme is Trustees Executors Limited (“Supervisor”). It holds the Scheme’s investments via its wholly owned subsidiary T.E.A.Custodians Limited. The Supervisor has been granted a full licence under the Financial Markets Supervisors Act 2011 to act as a specified managed funds supervisor.

Further information on the Supervisor’s licence is publicly available on the FMA’s website ([www.fma.govt.nz](http://www.fma.govt.nz)) and also on the Financial Service Providers Register website ([www.fsp-register.companiesoffice.govt.nz](http://www.fsp-register.companiesoffice.govt.nz)). The Supervisor’s address is:

- Trustees Executors Limited  
Level 11, 51 Shortland Street, Auckland 1140

The Directors of the Supervisor are:

- Laurence Kubiak, BMus
- Graeme Kirkpatrick, M.Fin, CA
- Victoria Grace, MA/MST
- Ryan Bessemer, PLDA (Harvard); GCBA; MAICD; AACCS
- Richard Klipin, MBA, BA, Dip Ed

#### **Extent to which the Supervisor is indemnified by the Scheme**

The Supervisor is indemnified from the Scheme against any debt, action taken or omitted, or liability incurred on behalf of the Scheme, except to the extent that liability arises from its wilful default or wilful breach of trust. In respect of the Scheme's affairs, the Supervisor and the Manager act in a representative capacity for Members and have no personal liability.

The Supervisor and the Manager (as the case may be) are entitled to be reimbursed from the Scheme in the event that they are held personally liable for any direct or indirect expense, loss, cost or liability incurred by or on behalf of the Scheme. None of the Supervisor, the Manager, or any other party guarantees either the repayment of any contributions or units or the payment of any returns on the units.

#### **Custodian**

The primary document governing WRFL's relationship with the Supervisor in its capacity as custodian of the Scheme is a Service Level Agreement that sets out the roles, responsibilities and the requirements of each party to the agreement in respect of custody and investment accounting. The agreement also outlines how the Supervisor receives fees from Te Rūnanga o Ngāi Tahu for the performance of the custody role.

#### **Auditor**

Deloitte has been appointed auditor of the Scheme.

#### **Lawyers**

WRFL has arrangements in place with Dentons Kensington Swan lawyers. WRFL also has arrangements in place with Colin Biggers & Paisley lawyers in Australia.

### **3. MEMBERSHIP/JOINING THE SCHEME**

#### **Membership**

WRFL may accept applications from anybody who is resident in New Zealand or Australia and is registered as a Tribal Individual with Te Rūnanga o Ngāi Tahu. A person who is not yet a Registered Tribal Individual but has applied for registration can apply to become a Provisional Member of the Scheme provided that person complies with the terms of approval of Te Rūnanga o Ngāi Tahu as outlined further below. As the Scheme is a multi-rate PIE, if a person does not provide their New Zealand IRD number or overseas equivalent tax file number within six (6) weeks of applying, we will not be able to complete that application.

Valid applications may be accepted:

- (a)** as a Participating Member provided that he or she is less than 65 years old at the date of entry as a Member;
- (b)** as a Child (Tamariki) Member (provided that he or she is less than 16 years old at the date of entry as a Member); or
- (c)** as an Elective Member (being a Member who has attained the age of 65 years).

A Participating Member who has attained the age of 65 years may elect to remain a Member of the Scheme as an Elective Member.

The Scheme's Trust Deed also permits a person or group of persons other than a Registered Tribal Individual to become a Member if approved by Te Rūnanga o Ngāi Tahu and subject to the terms of approval of Te Rūnanga o Ngāi Tahu. Te Rūnanga o Ngāi Tahu has agreed to approve a person who is not a Registered Tribal Individual to become a Provisional Member on the following terms of approval:

- (a)** As at the date and time of applying to become a Provisional Member, the person must:
  - (i)** have applied to Te Rūnanga o Ngāi Tahu to become a Registered Tribal Individual ("Tribal Application") and not been rejected; and
  - (ii)** be able to satisfy the eligibility criteria of a Participating Member or Tamariki Member if and when the person is confirmed as a Registered Tribal Individual.
- (b)** Provided the person has complied with the above terms of approval, the person will become a Provisional Member once the Manager confirms the person's membership in the Scheme ("Provisional Member Confirmation Date").
- (c)** If the Provisional Member's Tribal Application is rejected or the Provisional Member's Tribal Application is neither accepted nor rejected within 12 months of the Provisional Member Confirmation Date, then the Provisional Member will immediately cease to be a Member. Upon the Provisional Member ceasing to be a Member, the Member will be entitled to receive all amounts held in the Provisional Member's Account.
- (d)** If the Provisional Member's Tribal Application is accepted within 12 months of the Provisional Member Confirmation Date and provided the Provisional Member still satisfies the eligibility criteria of a Participating Member or Tamariki Member, the Provisional Member will become a Tamariki Member or a Participating Member (as applicable) as at the date of acceptance and the Manager will confirm (in writing) the relevant Member's membership as a Tamariki Member or a Participating Member shortly after ("Full Membership Confirmation Date").
- (e)** A Provisional Member cannot receive transfers from other Members.
- (f)** A withdrawal for a Provisional Member may only occur in the event of the Provisional Member's death or to make a Ceasing Member Withdrawal.

- (g)** A Provisional Member is not entitled to Matched Savings nor Distributions.
- (h)** Immediately following the Full Membership Confirmation Date, the Manager will establish the Member's Account and, on 31 March following the Full Membership Confirmation Date, the Manager will allocate to the relevant Member:
- (i)** Subject to paragraph (ii) below, Matched Savings, in respect of each Calendar Year from the Provisional Member Confirmation Date to the Full Membership Confirmation Date based on the value of the Member's Account in the relevant Calendar Year, that the Member would otherwise have been entitled to had the Full Membership Confirmation Date been the same as the Provisional Member Confirmation Date. The Matched Savings will be allocated to the Member's Account:
- (1)** at the same rate as that which Te Rūnanga o Ngāi Tahu agreed to contribute to the Scheme in the relevant Calendar Years for the purposes of matching the savings of the relevant Member class in the relevant Calendar Years; and
- (2)** on the same terms and conditions under which Te Rūnanga o Ngāi Tahu agreed to match the savings of the relevant Member class in the relevant Calendar Years.
- (ii)** Distributions, for the Calendar Years preceding the Full Membership Confirmation Date that the Member would otherwise have been entitled to (noting that Distributions are discretionary and may not be paid at all) had the Full Membership Confirmation Date been the same as the Provisional Member Confirmation Date. The Distributions will be allocated to the Member's Account:
- (1)** based on the amount Te Rūnanga o Ngāi Tahu agreed to contribute (which could be zero) to the Scheme in the relevant Calendar Years in respect of each Member of the relevant Member class; and
- (2)** on the same terms and conditions under which Te Rūnanga o Ngāi Tahu agreed to contribute to the Scheme in respect of each Member of the relevant Member class (noting Distributions could be zero and / or different for different Member classes).
- (iii)** Matched Savings in respect of funds saved and standing to credit in the Member's Account in the Calendar Year in which the Full Membership Confirmation Date falls (irrespective of whether the money was saved before the Full Membership Confirmation Date) will be allocated to the Member as if the Full Membership Confirmation Date had occurred on the last day of the preceding Calendar Year.
- (iv)** Any Distributions that are made in respect of the Calendar Year (noting Distributions are discretionary and might not be made) in which the Full Membership Confirmation Date falls will be allocated to the Member as if the Full Membership Confirmation Date had occurred on the last day of the preceding Calendar Year.

Te Rūnanga o Ngāi Tahu, and any related entity of Te Rūnanga o Ngāi Tahu, is eligible to join the Scheme as a Corporate Member.

Where a person who is eligible to join the Scheme is a minor or lacks legal capacity to join, that person's legal representative may complete an application form and participate in the Scheme, on that person's behalf.

The Manager, unless otherwise directed by Te Rūnanga o Ngāi Tahu, may at its discretion, and will at the direction of Te Rūnanga o Ngāi Tahu, refuse to accept any application and will not be required to give any reason or ground for such refusal.

The Manager may decline an application where the Manager has reason to believe that accepting the application would be in breach of the laws of any jurisdiction.

The Manager may, with prior approval from Te Rūnanga o Ngāi Tahu, create different classes of Members and offer Members different withdrawal options within the Scheme as it determines.

When an application is accepted the Member can invest in the Scheme by purchasing units in the Scheme. The Manager will issue certificates to the Member if the Manager is required to do so by law, but if issued, those certificates will not constitute evidence of title. Certificates are not currently issued in respect of the Scheme. A Member will cease to be a Member if the Member:

- (a) ceases to be a Registered Tribal Individual (other than by voluntary de-registration), provided the Member joined the Scheme as a Registered Tribal Individual;
- (b) in the case of a person who obtained express approval by Te Rūnanga o Ngāi Tahu to become a Member (including a Provisional Member), breaches the terms of that approval;
- (c) passes on;
- (d) after attaining the age of 65 years, does not elect to remain in the Scheme as an Elective Member;
- (e) has a nil Balance in their Account and no contributions are made to the Member's Account for at least 12 months (with Member consent);
- (f) has a nil Balance in their Account for more than 3 years; or
- (g) in the case of a Corporate Member, the Member notifies the Manager that it wishes to close its Account.

Please refer to the Glossary for definitions of the different types of Members.

#### **4. CONTRIBUTIONS**

The Manager may set and alter minimum contribution amounts from time to time. Currently there is no minimum contribution amount set by the Manager.

## **Member Savings**

A Member can contribute to the Scheme at any time. The Manager may from time to time specify:

- (a) the mechanisms by which a Member can contribute savings into the Scheme;
- (b) the minimum amount of any single contribution a Member can contribute into the Scheme; and
- (c) the maximum number of contribution transactions a Member is permitted in any one Calendar Year.

## **Member's Matched Savings**

Te Rūnanga o Ngāi Tahu may from time to time contribute to the Scheme by matching Members' savings in a Calendar Year, ("Matched Savings"), and the terms and conditions on which Te Rūnanga o Ngāi Tahu may wish to match Members' Savings (including the age of eligibility for the Matched Savings) ("Conditions"), may differ as between Calendar Years. In a Calendar Year, these Conditions may differ as between each class of Member and as between Members within a class.

If Te Rūnanga o Ngāi Tahu wishes to contribute Matched Savings in a Calendar Year ("Qualifying Calendar Year"), Te Rūnanga o Ngāi Tahu is required to notify the Manager at least 3 months before the start of the Qualifying Calendar Year of the applicable Matched Savings amount and the Conditions. The Manager is then required to notify the Members of the Matched Savings amount and the Conditions before the start of the Qualifying Calendar Year.

Te Rūnanga o Ngāi Tahu must pay the Matched Savings to the Manager no later than 31 March in the year following the Qualifying Calendar Year (or as otherwise agreed between Te Rūnanga o Ngāi Tahu and the Manager). The Manager will credit the Matched Savings payable to the relevant Member's Account in accordance with the Conditions.

A Provisional Member is not entitled to Matched Savings or Distributions while he or she remains a Provisional Member. However, once the Provisional Member becomes a Tamariki Member or Participating Member upon being confirmed as a Registered Tribal Individual the Manager will allocate to the Member the Matched Savings and Distributions which the Member would otherwise have been entitled had the Member been confirmed as a Tamariki Member or Participating Member on the date the Member became a Provisional Member.

## **Te Rūnanga o Ngāi Tahu Distributions**

Te Rūnanga o Ngāi Tahu may from time to time (at its discretion and in no way guaranteed) contribute to the Scheme sums in addition to Matched Savings ("Distribution").

Te Rūnanga o Ngāi Tahu will notify the Manager of:

- (a) the Distribution process;

- (b) the amount (which could be zero) Te Rūnanga o Ngāi Tahu wishes to contribute to the Scheme; and
- (c) the terms and conditions on which Te Rūnanga o Ngāi Tahu may wish to contribute including the age of eligibility for the Distribution or differing amounts for different classes of Member.

The Manager will then notify Members of the Distribution amount (which could be zero) and the Conditions.

The Distribution process, the Distribution amount and the Conditions may differ as between Calendar Years and in a Calendar Year may differ as between each class of Member and as between Members within a class; there may be no Distribution at all. If Te Rūnanga o Ngāi Tahu does pay a Distribution, it will pay the Distribution to the Manager as agreed between Te Rūnanga o Ngāi Tahu and the Manager.

The Manager will credit any Distribution that is paid to the relevant Member's Account in accordance with the Conditions.

COVID-19 has impacted many businesses, iwi, hapū and whānau, Te Rūnanga o Ngāi Tahu included. As part of 2021 budgeting reviews Te Rūnanga o Ngāi Tahu have reduced the amounts they contribute to Whai Rawa member accounts for 2021 and consequently there will be no annual Distribution paid to all members in March 2022 for the 2021 calendar year. Te Rūnanga o Ngāi Tahu will make a class Distribution(s) such that all Tamariki members, irrespective of their savings contribution, will receive \$200\*.

Additional COVID-19 consequences include:

- (a) uncertainty in respect of whether a 2022 and 2023 annual Distribution would be made (in addition to no 2021 annual Distribution); and
- (b) no certainty as to whether Tamariki Matched Saving/class Distribution(s) for 2021 will be repeated for 2022 and 2023.

Te Rūnanga o Ngāi Tahu will review their position on annual Distributions and class distribution(s) in early 2022 ahead of its 2023 Financial Year.

*\*Te Rūnanga o Ngāi Tahu Matched Savings and Distributions (when applicable) are available to all Members under 65 years of age (see the Product Disclosure Statement ("PDS")) and are subject to retirement scheme contribution tax ("RSC") deducted at your personal RSC rate (see Section Eight of this document). If the member does not notify us of the member's correct rate, they will be taxed at the highest applicable rate of 39%. Distribution payments are made no later than 31 March in the calendar year following qualification.*

### **Third Party Contributions**

Any person may make contributions to the Scheme for a Member's benefit. The Manager may from time to time specify:

- (a) the mechanisms by which such contributions can be contributed to the Scheme;
- (b) the minimum amounts of any single contribution which can be contributed to the Scheme;

- (c) the maximum number of contribution transactions permitted in any one Calendar Year.

#### **Contributions by way of Transfer**

Any Member can transfer any or all of the value in the Member's Account to any other Member (other than to a Provisional Member), provided that:

- (a) any amount transferred is transferred to the transferee Member's Account;
- (b) no amount transferred to the transferee Member's Account is entitled to any Matched Savings; and
- (c) the Manager can decline to register any transfer where the transfer will be made to a Member who is, at the time of the transfer, entitled to make a Withdrawal or where the Manager considers, in its discretion, that the transfer may be being made to a Member who may be able to apply for a Withdrawal, for the purpose of defeating the restrictions on Withdrawals.

#### **Elective Members have no entitlement to Te Rūnanga o Ngāi Tahu contributions**

A Member who is an Elective Member on the last day of a Calendar Year and any person who voluntarily deregisters as a Registered Tribal Individual in any Calendar Year is not entitled to any Matched Savings or Distributions.

#### **How to switch between Funds**

A member can with the consent of the Manager switch from one Fund to another by logging into their online account registered on WRFL's website [www.whairawa.com/login](http://www.whairawa.com/login) or by contacting us (by post or email using the contact information at Section Seven of the Product Disclosure Statement ("PDS") 'Who is involved?') to request an Investment Fund Switch Form. If a member makes a switch, any further contributions made to the Scheme will also be invested in the new Fund they have chosen.

## **5. ACCOUNTS**

The Manager will establish and maintain an Account in the name of each Member that is divided into units, comprising:

- (a) any deposit or contribution made by the Member, or their legal representative, or the Corporate Member (as the case may be);
- (b) any deposit or contribution made by any person other than the Member for the benefit of the Member;
- (c) any amounts transferred from another Member;
- (d) any Distributions and Matched Savings;
- (e) any distributions made by the Manager from the Reserve Account; and

- (f) any Withdrawal paid to or on behalf of the Member which is properly made from the Member's Account.

The Manager will hold a Reserve Account which is divided into units and credited or debited with:

- (a) an initial contribution of \$10.00;
- (b) unclaimed benefits and amounts forfeited to the Scheme;
- (c) all other amounts received or held in the Scheme not allocated to Members' Accounts, and which in the opinion of the Manager (whose decision shall be final) are not immediately required for the payment of benefits to Members;
- (d) any unclaimed monies that can properly be paid to external parties;
- (e) any amount previously allocated to a Member's Account that the Manager has determined cannot properly be allocated to a Member's Account;
- (f) meeting any expenses of the Scheme; and
- (g) any other amounts that can properly be credited or debited to the Reserve Account.

## **6. WITHDRAWALS**

### **Housing Withdrawal**

A Member can apply for, and the Manager may approve, a Housing Withdrawal, being a Withdrawal from the Member's Account for the purposes of home ownership. The Manager may approve the payment and amount of a Housing Withdrawal if all of the following conditions are satisfied:

- (a) the Housing Withdrawal will be used for the purposes of home ownership;
- (b) the Member does not own their own home and, unless the Manager agrees otherwise, has not previously owned their own home;
- (c) the Member has secured finance or has other finance available to complete the purchase of a home;
- (d) the Member intends to reside in the home upon purchase;
- (e) a valid sale and purchase agreement is in place or will be put in place once the Housing Withdrawal is approved;
- (f) the Member has not previously received a Housing Withdrawal;

- (g) the Member is not a Tamariki Member or a Corporate Member; and
- (h) the amount of the Housing Withdrawal is not greater than the total balance in the Member's Account.

The Manager can, at its discretion, modify or waive any of the above conditions (other than (c), (g) and (h)) in special circumstances provided the Manager is satisfied the overall intent of the Housing Withdrawal is to enable the Member to enter into owner/occupier home ownership. A Provisional Member cannot make a Housing Withdrawal.

### **Education Withdrawal**

A Member can apply for, and the Manager may approve, an Education Withdrawal, being a withdrawal from the Member's Account for the purposes of financing tertiary education. The Manager may set out guidelines from time to time for assessing whether or not a course qualifies for the purposes of the Education Withdrawal. The Manager may approve the payment and amount of an Education Withdrawal if all of the following conditions are satisfied:

- (a) the Education Withdrawal is used for the purpose of tertiary education;
- (b) the Education Withdrawal:
  - i. is being paid on completion of a genuine NZQA tertiary approved (or overseas equivalent) course of study and the Education Withdrawal will be applied to repay or reduce the Member's Student Loan or, if the Manager in its discretion agrees, will be applied to refund fees paid to a tertiary institution in pursuing tertiary education provided the Manager is satisfied such fees have not been subsidised or reimbursed from any other source; or
  - ii. will be applied to meet costs, fees and/or expenses related to tertiary education provided the Manager is satisfied in its sole opinion that funds to meet these costs, fees and/or expenses are not otherwise reasonably available to the Member while the Member is undertaking the course of study;
- (c) the Member is not a Tamariki Member; and
- (d) the amount of the Education Withdrawal is not greater than the total balance of the Member's Account.

The Manager may, at its discretion, modify or waive any of the above conditions (other than (c) and (d)) in special circumstances provided the Manager is satisfied that the overall intent of the Education Withdrawal is the pursuit of tertiary education. A Provisional Member cannot make an Education Withdrawal.

### **Retirement Withdrawal**

A Member can apply for, and the Manager may approve, a Retirement Withdrawal, being a withdrawal from the Member's Account for the purposes of retirement. However, the Member is not required to be retired to apply for a Retirement Withdrawal. The Manager may specify minimum amounts and limits on the number of withdrawals a Member can make in any Calendar Year (currently a maximum of two Retirement Withdrawals each

Calendar Year) for Retirement Withdrawals. Otherwise, the Manager will approve the payment of a Retirement Withdrawal if all of the following conditions are satisfied:

- (a) the Member is aged 55 or over; and
- (b) the amount of the Retirement Withdrawal is not greater than the total balance of the Member's Account.

The current minimum amount for a Retirement Withdrawal is \$500 or the total amount of the Member's Account, whichever is less. The Manager may, at the request of a Member, set up an automatic payment system for the payment of Retirement Withdrawals to the Member provided the conditions and specifications under the sub-heading Retirement Withdrawal are met. Each payment instalment must be at least \$50 per month. Each Member aged 55 or over is always entitled to make at least one Retirement Withdrawal each Calendar year. A Provisional Member cannot make a Retirement Withdrawal.

#### **Withdrawal on Death**

The Manager will pay a Withdrawal on Death upon the death of a Member. The full amount of the Member's Account will be paid to the Member's estate on receipt of such evidence of entitlement and form of discharge as the Manager sees fit.

#### **Special Circumstances Withdrawal**

A Member can apply for, and the Manager may approve, a Special Circumstances Withdrawal, being a withdrawal from the Member's Account where the Manager is satisfied that special circumstances (including but not limited to significant financial hardship as set out in Rule 11 of the KiwiSaver Rules under the KiwiSaver Act 2006) exist on the part of the Member. A Provisional Member cannot apply for a Special Circumstances Withdrawal.

#### **Corporate Member Withdrawal**

A Corporate Member can apply for a Corporate Member Withdrawal, being a withdrawal of part or all of the amounts held in the Corporate Member's Account. The Manager will approve the Corporate Member Withdrawal provided the remaining balance in the Corporate Member's Account will be no less than zero.

#### **Provisional Members**

A withdrawal for a Provisional Member may only occur in the event of the Provisional Member's death or to make a Ceasing Member Withdrawal in the circumstances described below.

#### **Ceasing Member Withdrawal**

If a Member ceases to be a Member, and the Member is not otherwise entitled to any other Withdrawal, the Member is entitled to receive all amounts held in their Account by way of a Ceasing Member Withdrawal. Particularly, Provisional Members whose Tribal Application has been rejected or whose Tribal Application has neither been accepted nor rejected within 12 months of the Provisional Member Confirmation Date, are entitled to

receive all amounts held in the Provisional Member's Account, by way of a Ceasing Member Withdrawal subject to any Withdrawal Suspension Notice.

### **Manager Discretion**

The Manager may, with approval from Te Rūnanga o Ngāi Tahu, introduce new Withdrawals for Members, or a certain class of Members from time to time.

### **Suspension of Withdrawals**

If by reason of:

- (a) a decision to terminate any one or more of the Funds; or
- (b) the suspension of trading on any exchange (whether generally or in respect of a specific investment); or
- (c) financial, political or economic conditions applying in respect of any financial market; or
- (d) the nature of any investment; or
- (e) any other circumstance or event relating to the Scheme or generally,

the Manager in good faith forms the opinion that it is not practicable, or would be materially prejudicial to the interests of Members generally, for the Manager to give effect to any request for a Withdrawal, then the Manager may give a notice ("Withdrawal Suspension Notice") to that effect to the Member who wishes to make a Withdrawal. Such Notice has the effect of suspending the operation of all Withdrawal requests until such time as the Manager gives to the Members who made Withdrawal requests notice that the Withdrawal Suspension Notice is cancelled. A suspension may last up to 90 days and may be extended with the Supervisor's consent. There is no limit on the period by which the suspension may be extended with Supervisor's consent.

## **7. FEES & EXPENSES**

The Scheme's costs and expenses include:

- (a) A Supervisor fee as agreed with the Manager from time to time. In addition, the Supervisor is entitled to charge special fees for services of an unusual or onerous nature outside the Supervisor's regular services.
- (b) Reimbursement to the Supervisor of all expenses, costs or liabilities incurred by it in the course of acting as supervisor.
- (c) The Manager is entitled to be reimbursed for all costs and expenses (plus GST if any) it incurs for undertaking the Manager's functions specified in the Trust Deed. Such costs and expenses include:
  - (i) all costs and expenses in promoting and administering the Scheme;

- (ii) all costs, charges and expenses including legal fees incurred in connection with any amendments to the Trust Deed and the acquisition or dealing with investments;
- (iii) the fees and expenses of the auditor and solicitors to the Manager;
- (iv) the cost of convening and holding any Member meetings; and
- (v) all expenses in connection with the keeping of the Disclose register and the preparation and printing of certificates, accounts, distribution statements and cheques.

For as long as its only function is to act as Manager of the Scheme, the Manager may also be reimbursed for all of its proper costs and expenses (plus GST if any). There is no limit on the amount of these costs; however, the Manager will only be reimbursed for expenses incurred and will not operate to make a profit (although this is an option available to the Manager in accordance with the Trust Deed). The Manager's costs and expenses are currently paid by Te Rūnanga o Ngāi Tahu.

- (d) Administration Manager's fees: The Administration Manager is responsible for providing administration and registrar services to the Scheme. The Administration Manager is paid a fee for these services from the Scheme as agreed with the Manager. The Administration Manager's fees are currently being paid by Te Rūnanga o Ngāi Tahu.
- (e) Underlying Fund Manager's fees: The Underlying Fund Manager is responsible for managing the underlying funds in which the Scheme is invested (being the MITNZ Portfolios). The Underlying Fund Manager is paid a fee from the Scheme for fund management services in relation to each MITNZ Portfolio as agreed with the Manager. These fees are included in the fees description in Section Five of the PDS. The Underlying Fund Manager is also entitled to recover expenses incurred in managing the MITNZ Portfolios. There is no limit on the amount of expenses that can be recovered, but based on past years:
  - (i) the expenses received from the Tōtara-Conservative Fund's investment in the MITNZ Conservative Portfolio are not expected to exceed 0.06% per annum of the Tōtara-Conservative Fund's net asset value, including any underlying performance fees;
  - (ii) the expenses received from the Mataī-Balanced Fund's investment in the MITNZ Balanced Portfolio are not expected to exceed 0.12% per annum of the Mataī-Balanced Fund's net asset value, including any underlying performance fees; and
  - (iii) the expenses received from the Rātā-Growth Fund's investment in the MITNZ Growth Portfolio are not expected to exceed 0.14% per annum of the Rātā-Growth Fund's net asset value, including any underlying performance fees.
- (f) Auditors' fees: The Manager and Supervisor are entitled to reimbursement of expenses incurred in respect of the Scheme (including payment of custodian fees and expenses). There is no limit on the amount of these expenses.
- (g) Estimated annual fund charges in the PDS: The portion of the annual fund charges that is estimated (comprising the expenses incurred by the Underlying Fund

Manager in operating each of the MITNZ Portfolios) is based on the maximum expense estimation (including any underlying performance fees) provided by the Underlying Fund Manager, having regard to the most recent relevant financial statements of the relevant MITNZ Portfolio.

## **8. TAX**

The following information is based on current laws and their interpretation. Tax legislation, its interpretation and rates of tax may be subject to change. The impact of taxation may vary depending on a Member's individual circumstances; therefore, it is recommended that Members seek professional tax advice appropriate to their circumstances where necessary.

### **Tax on Te Rūnanga o Ngāi Tahu Contributions**

The Retirement Scheme Contributions Tax ("RSCT") rules, subject to on-going compliance with Inland Revenue requirements, apply to contributions made by Te Rūnanga o Ngāi Tahu (whether Matched Savings or Distributions). Under these rules Te Rūnanga o Ngāi Tahu contributions are not treated as part of a Member's taxable income but have RSCT withheld at the rate each Member declares to Te Rūnanga o Ngāi Tahu. This is provided that a Member has declared the correct RSCT rate.

The applicable RSCT rates for contributions made to New Zealand tax resident Members are:

- (a)** 10.5% if the Member's taxable income (other than PIE income) did not exceed \$14,000 in either of the two income tax years immediately before the income tax year in question, and the Member has elected this rate and provided their IRD number;
- (b)** 17.5% if the Member does not qualify for the 10.5% rate, and their taxable income (other than PIE income) was more than \$14,000 but did not exceed \$48,000 in either of the two income tax years immediately before the income tax year in question, and the Member has elected this rate and provided their IRD number;
- (c)** 30% if the Member does not qualify for the 10.5% or 17.5% rates, and their taxable income (other than PIE income) was more than \$48,000 but did not exceed \$70,000 in either of the two income tax years immediately before the income tax year in question, and the Member has elected this rate and provided their IRD number; or
- (d)** 33% if the Member does not qualify for the 10.5%, 17.5% or 30% rates, and their taxable income (other than PIE income) was more than \$70,000 but did not exceed \$180,000 in either of the two income tax years immediately before the income tax year in question, and the Member has elected this rate and provided their IRD number; or
- (e)** 39% for all other Members who do not fall into any one of the above categories.

References to an "income tax year" in the above requirement are to years ending 31 March. If a Member is a resident Member and does not supply their IRD number and RSCT rate, he or she will be taxed at the default RSCT rate of 39%.

If a Member identifies themselves as a non-New Zealand tax resident and provides a New Zealand IRD number, or if that Member receives a gross contribution (including Māori

Authority Credits) of \$200 or less, RSCT will be withheld at a rate of 10.5%. If a Member is a non-New Zealand tax resident, does not provide a New Zealand IRD number and receives a gross contribution more than \$200, they will be taxed at the default RSCT rate of 39%.

Contributions made by Te Rūnanga o Ngāi Tahu (whether Matched Savings or Distributions) will generally have Māori Authority Credits attached to them at 10.5% which can be used to offset the RSCT liability.

## **Tax**

The Scheme is a Portfolio Investment Entity ("PIE").

As a PIE, the Scheme's taxable income (or losses) is allocated between the Members based on the value of the units held by the Members. The Manager calculates the tax payable by the Scheme in respect of the income so allocated, having regard to each Member's notified Prescribed Investor Rate ("PIR"). The Manager will adjust Members' interests to reflect the tax payable or creditable by the Scheme in respect of the income allocated to the Members.

There are four PIRs available:

- (a)** 10.5% applies to a New Zealand resident Member if the Member's taxable income (other than PIE income) did not exceed \$14,000, and the Member's combined taxable income and PIE income did not exceed \$48,000 in either of the two income tax years immediately before the income tax year in question, and the Member has elected this rate, and provided their IRD number;
- (b)** 17.5% applies to a New Zealand resident Member if the Member does not qualify for the 10.5% rate and their taxable income (other than PIE income) did not exceed \$48,000, and the Member's combined taxable income and PIE income did not exceed \$70,000, in either of the two income tax years immediately before the income tax year in question, and the Member has elected this rate, and provided their IRD number;
- (c)** 28% applies to all other individuals and non-residents, including those who have elected this rate; or
- (d)** 0% applies to Corporate Members and other special classes of Members (such as unit trusts, other PIEs and charities).

If a Member has recently become a New Zealand tax resident (including if he or she is a returning New Zealander who has previously lost their New Zealand tax residency) the Member must have regard to their worldwide income, rather than just their New Zealand taxable income, in determining the applicable PIR (unless he or she reasonably expects that their New Zealand taxable income in the relevant year will be significantly lower than their total worldwide income in the income year immediately before the year in which he or she becomes a New Zealand tax resident).

A Member can determine their PIR, by going to [www.whairawa.com/myaccount/tax](http://www.whairawa.com/myaccount/tax). If a Member is unsure of their PIR, it is recommended the Member seek professional advice or contact Inland Revenue.

## **Tax obligations of Members**

Each Member will be required to provide the Manager with their IRD number or overseas equivalent and advise the correct PIR to use. The Members will also need to advise the Manager if their PIR changes. If a Member does not advise the Manager of their PIR and / or IRD number or overseas equivalent, the Manager will calculate the tax liability on income allocated to that Member using the 28% default PIR.

Since 1 April 2018, the Manager has been required to exit new Members from the Scheme if they do not provide the Manager with their IRD number or overseas equivalent within six weeks of opening an account with the Scheme. Accordingly, the Manager has made the decision not to complete applications from individuals if they do not provide their IRD number or overseas equivalent within six weeks of applying for membership.

The tax paid on income allocated (other than income allocated to Members who have a 0% PIR) will generally be a final tax, so no obligation to file a tax return for each Member's investment in the Scheme will generally arise. However, if a Member's correct PIR changes and the change is not advised, or if that Member provides a lower PIR than applicable, the Member will be personally liable to pay any resulting tax shortfall including penalties and interest and may be required to file a tax return. If the default rate or the advised PIR is higher than the correct PIR, the Member may be eligible for a refund of any overpaid tax in the 2020-21 income year and later income years (you will not get a refund of any overpaid tax for prior years). Inland Revenue has the discretion to override a notification of a PIR and to require us to apply an alternative rate where Inland Revenue considers that the notified PIR is incorrect. Please refer to the Inland Revenue PIR tool for further information [www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates/ir861-prescribed-investor-rate-gh](http://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates/ir861-prescribed-investor-rate-gh).

Tax will be paid annually by the Scheme based on each Member's PIR, to the extent tax has not already been paid on a withdrawal during the year. The value of a Member's Account will be adjusted to reflect the tax liability allocated to each Member's Account.

If a Member withdraws from the Scheme (either in part or full), the Manager will deduct the tax payable from the value of the Member's interest that is withdrawn from the Scheme.

## **Australian tax residents**

Other than the references to PIR and RSCT rates, the comments provided in this Section Eight of this document relate to the impact of New Zealand tax on New Zealand tax residents. The taxation treatment of financial products in Australia is different. If a Member is an Australian tax resident, we recommend that he or she take advice from a suitably qualified tax adviser.

## **9. RISKS**

### **Key Risk Factors**

All investments carry risk. There are risks associated with the Scheme that could affect a Member's ability to recover the amount of their contributions or which impact on the benefits payable from the Scheme as described in this document. The Scheme is currently invested in the MITNZ Portfolios.

Accordingly, the risks associated with investing in the Scheme are largely correlated with the risks arising out of investing in the MITNZ Portfolios. The principal risks applying to the Scheme that could affect returns (and which are common to most managed investment schemes generally) are:

- (a)** investment portfolio and asset allocation risk;
- (b)** market risk;
- (c)** inflation risk;
- (d)** interest rate risk;
- (e)** future economic and investment market conditions;
- (f)** manager of manager's risk;
- (g)** investment class risk;
- (h)** investment counterparty credit risk;
- (i)** real and commodity assets risk;
- (j)** currency risk;
- (k)** derivatives risk;
- (l)** liquidity risk;
- (m)** regulatory risk;
- (n)** credit risk;
- (o)** administration and outsourcing risk;
- (p)** tax rate and loss of tax status risk;
- (q)** risk as a result of changes in policy; and
- (r)** funding risk.

## **Investment Portfolio and Asset Allocation Risks**

A Member's returns will be affected by the allocation each Fund has to different asset classes. Different types of assets have different risks. For example:

- Cash and fixed interest assets can be affected by interest rate risk and credit risk.
- Equities such as shares and listed real assets can be affected by equities risk.
- Unlisted real assets such as property, infrastructure, or commodities can be affected by unlisted market risk which includes liquidity risk.
- Derivatives can be affected by derivative risk.

## **Market Risk**

Market risk is the risk of negative returns on the Scheme's Authorised Investments resulting in the Scheme having insufficient assets to meet expenses. Negative returns can arise from factors such as adverse changes to asset values, transaction costs, economic conditions, market sentiment, political events, consumer demand, environmental issues, technology issues, liquidity conditions, geo-political, health including pandemic shocks, other shocks and unexpected changes in the operations or the business environment of companies in which the Underlying Fund Manager invests.

Investments are generally divided into five major investment classes being cash, fixed interest, property, equities, and alternative assets. These classes have differing levels of risk. When investing in these various classes there is a risk/return trade-off. Higher risk investments, such as equities, are expected to generate a higher return to compensate for the additional risk. Lower risk investments, such as cash, are expected to generate a lower return on average over time. Therefore, the more risk an investor accepts, the more potential return with which the investor can be rewarded, but the greater the risk of the investor losing some or all of the money invested. The Scheme's current investment strategy is to gain exposure to an appropriate mix of defensive and growth assets with a benchmark split between defensive and growth assets for the Tōtara-Conservative Fund, Mataī-Balanced Fund, and Rātā-Growth Fund, as set out in the current Statement of Investment Policies and Objectives ("SIPO"). The Manager has sought to reduce investment risk by investing indirectly in a wide range of assets through the MITNZ Portfolios. The investment performance of each Fund is also regularly assessed against the SIPO. However, while the Manager has sought to reduce the risk of negative performance, some risk will always remain.

A Member's investment in the Scheme may fall as well as rise in value as a result of the factors described in this part of this document. Investing in the Scheme carries the risk of negative returns. If the value of the Scheme's Authorised Investments falls over the time the Member has invested in the Scheme he or she may receive less when he or she withdraws their investment than what that Member had paid into the Scheme.

## **Unlisted Market Risk**

These types of investments are generally less liquid and a ready market sale may not exist. Given their relative illiquidity, there is a greater risk with these asset classes than with others that the Underlying Fund Manager may elect to exercise its side pocketing powers in relation to those assets, or that investors may otherwise be unable to withdraw their investment at their chosen time.

### **Inflation Risk**

Inflation risk is the risk that money may not maintain its purchasing power due to increases in the price of goods and services. This risk is more significant for investment options which have lower expected return outcomes, such as the Tōtara-Conservative Fund.

### **Interest Rate Risk**

Movements in interest rates may adversely affect the price of the funds' investments and impact returns. Cash and fixed interest funds can specifically be affected by these movements and it is possible for returns to be negative.

### **Future Economic and Investment Market Conditions**

The Manager cannot predict the impact that future economic investment market conditions may have on the Scheme's Authorised Investments, be they positive or negative. The Scheme may achieve negative returns from time to time and such negative returns may continue for a period of time.

### **Manager of Manager's Risk**

The Scheme's current investment in the MITNZ Portfolios involves reliance on the skills of Mercer, as the Scheme's Underlying Fund Manager, to effectively discharge its functions as a 'manager of managers' in relation to the MITNZ Portfolios. This is because Mercer is dependent upon other managers performing their investment management activities and achieving the outcomes desired by Mercer for the MITNZ Portfolios. There is a risk that such managers could under-perform or fail to achieve their objectives set out in their policies or mandates, and a risk that Mercer's management of those managers and their performance is not effective.

### **Investment Class Risk**

As mentioned above, risk can be increased or decreased depending on the type of investments in which the Scheme invests. Further commentary on the risks associated with certain types of investments is set out below:

- (a) Cash:** Cash is ideal where a short term investment is required, but inflation could erode its value. In addition, where cash assets are placed on bank deposit or short term securities there is a risk of the bank or other counterparty defaulting, meaning that some or all of the cash invested may be lost.
- (b) Fixed interest:** The value of fixed interest investments is affected by changes in interest rates. When interest rates rise, the capital value of existing fixed interest securities will decline; conversely, when interest rates fall, the value of existing securities will rise. There is also a risk that the issuer will not make the required interest payments or will fail to repay the investment on maturity, or both. Further, there is a risk that proceeds available for reinvestment are reinvested at a lower interest rate than the instrument that generated the proceeds.

- (c) **Equity:** Equity investments, or shares, offer the possibility of greater returns and tend to be more accessible and liquid than many other securities. However, equity / share investments are higher risk. This is because the value of shares can be volatile (i.e. go up and down) and is very much dependent on the performance of the company that issued the shares (as a result of its profits, cash flow, growth and management). The value of shares can also be affected by market opinion and equity market conditions generally. There are also extra costs due to brokerage services.
- (d) **Property:** Direct property investments are susceptible to a lack of liquidity. This means that these investments may not be easily sold, or may only be able to be sold at a lower price than expected. Such investments can also be susceptible to valuation issues, where the actual value of the investment may fluctuate due to issues related to the overall quality of properties and their on-going tenancy. In addition, the actual value of such investments may not always reflect the value attributed to them by the relevant investment manager. Furthermore, direct property investments can often involve high transaction costs.
- (e) **Alternative Investments:** Alternative investments are those which fall outside the scope of the traditional asset classes set out above. Alternative investments can include infrastructure and natural resource assets. Such investments generally do not follow typical market cycles and as such, can provide a portfolio with alternative sources of growth when markets are underperforming. However, due to the non-traditional nature of these investments, the Underlying Fund Manager can generally invest in such investments only indirectly by investing into other managed funds. A lack of liquidity is therefore a risk for alternative investments. There can also be underlying valuation issues given the non-traditional nature of the assets involved.

#### **Investment Counterparty Credit Risk**

Investment counterparty risk is the risk that a party to an investment contract with the Scheme defaults, fails to complete a transaction, or otherwise becomes unable to meet its financial obligations. If this occurs the full value of a Member's investment may not be recovered.

#### **Real and Commodity Assets Risk**

Investments in real assets such as property, infrastructure, or commodities can be affected by factors including the performance of the property or infrastructure owning company, the quality of and demand for the assets, commodity market movements, and general economic conditions.

#### **Currency Risk**

Currency risk is the risk that arises where the Scheme invests in investments denominated in other currencies, including Australian dollars. Such international investments expose the Scheme to movements in foreign currencies relative to New Zealand dollars. This can have unpredictable positive and negative effects on the New Zealand dollar value of those investments and the income received from them if the investments are not hedged. To reduce these unpredictable effects, the MITNZ Portfolios (into which the Scheme invests) use foreign currency hedging to hedge a significant portion of its foreign currency exposure into New Zealand dollars (which would mean the MITNZ Portfolios would be unlikely to

benefit if the New Zealand dollar falls and unlikely to suffer if the New Zealand dollar rises). The Underlying Fund Manager has some discretion to vary the extent to which foreign currency investments are hedged within the MITNZ Portfolios.

### **Derivatives Risk**

Investment portfolios and pooled investment vehicles in which the Underlying Fund Manager invests may utilise derivatives in managing those portfolios and pooled investment vehicles. Derivatives are investment products whose value is derived from other investments. Derivatives include futures or options. For example, the value of a share option is linked to the value of the underlying share. Derivatives may be used, among other things, to manage risk (e.g. for currency hedging). Losses from derivatives can occur, for example, due to market movements. The Underlying Fund Manager seeks to manage derivative risk by placing limits on the extent of derivative use by investment portfolios and pooled investment vehicles in which the Underlying Fund Manager invests.

### **Liquidity Risk**

Liquidity risk is the risk associated with the Scheme's inability to meet its monetary obligations in a timely manner including the payment of Withdrawals. The risk arises where there is a mismatch between the maturity profile of investments and the amounts required to pay benefits. The Underlying Fund Manager manages the MITNZ Portfolios with a view to ensuring the Scheme can meet its cash flow requirements.

The Scheme's ability to pay out Withdrawals in certain circumstances is also affected by the circumstances in which the Underlying Fund Manager may suspend the withdrawal of units from the MITNZ Portfolios. The Underlying Fund Manager may suspend the withdrawal of units from the MITNZ Portfolios in a number of circumstances. If the Underlying Fund Manager suspends the withdrawal of units from the MITNZ Portfolios, WRFL may be forced to suspend Withdrawals from the Scheme.

### **Regulatory Risk**

Regulatory risk is the risk of future changes to general and tax legislation which could affect the Scheme's operation (for example, the Manager may alter the rate at which it attaches Māori Authority Credits to contributions paid to Members by Te Rūnanga o Ngāi Tahu as a result of a change in legislation) or Members' benefits, or of the Trust Deed being amended in a manner required by law that has the effect of reducing benefits.

### **Credit Risk**

Credit risk is the risk that the Scheme becomes insolvent and is placed into receivership, liquidation, statutory management, or is otherwise unable to meet its financial obligations. If this occurs, Members may not recover the full amount of their investment in the Scheme.

### **Administration and Outsourcing Risk**

Administration risk is the risk of a technological or other failure impacting on the Scheme or on financial markets in general, thus undermining a Member's investment in the Scheme. WRFL uses a number of professional advisors and service providers to manage the Scheme.

There is a risk that an advisor or service provider does not fulfil its contractual obligations and responsibilities. WRFL's service providers have risk management policies and procedures in place to reduce these risks.

#### **Tax Rate and Loss of Tax Status Risk**

This is the risk that tax rates may change in the future. In addition, Members who provide an incorrect PIR, or who fail to advise the Manager that their PIR or RSCT rate has changed, may have to file a tax return and pay further tax, penalties and interest, or may have more tax deducted from their investment than is necessary. There is also the risk of the Scheme losing its status as a PIE, or Te Rūnanga o Ngāi Tahu losing its status as a retirement scheme contributor for the purposes of RSCT, giving rise to a different tax treatment of contributions to, or Members' investments in, the Scheme.

#### **Risk as a Result of Changes in Policy**

The Manager may alter the requirements with which Members have to comply (for example, the requirements to Withdraw or transfer funds), in accordance with the discretion provided to it under the Trust Deed. In addition, the Manager may alter the rate at which it attaches Māori Authority Credits to contributions paid to Members as a result of a change in legislation. Such exercise of discretion will likely have an impact on the Member's benefits. As a result of the exercise of the Manager's discretion the Member may not be able to Withdraw or transfer their investment as has been allowed previously or may only be able to offset a lesser amount of their taxable income.

#### **Funding Risk**

Te Rūnanga o Ngāi Tahu has committed to meeting the Scheme's administrative costs (but not the Underlying Fund Manager's fees) as long as WRFL is the manager of the Whai Rawa Unit Trust. If, after that time, Te Rūnanga o Ngāi Tahu is no longer able or willing to meet these costs, the Scheme will need to pay these costs. In addition, Te Rūnanga o Ngāi Tahu sometimes contributes to the Scheme Matched Savings and Distributions. There is no obligation on Te Rūnanga o Ngāi Tahu to make these contributions. Te Rūnanga o Ngāi Tahu may, at any time, not be willing or able to provide these contributions, whether due to a negative change in its financial circumstances, a large increase in the number of Members becoming eligible for Matched Savings and/or Distributions, or for any other reason. Te Rūnanga o Ngāi Tahu's decisions in respect of meeting the Scheme's administrative costs and contributing Matched Savings and/or Distributions will affect the returns Members may receive from the Scheme.

## **10. RESPONSIBLE INVESTMENT POLICY**

The Manager of the Scheme has determined to invest the Scheme's funds into the MITNZ Portfolios being the MITNZ Socially Responsible Investment ("SRI") products. To reflect the socially responsible portfolios that the Scheme provides to the Members, the Manager of the Scheme has updated its approach to investing in a socially responsible manner and has adopted the following Responsible Investment Policy.

The three components of the policy are:

1. Sustainable Investment.
2. Ethical Exclusions.
3. Corporate Governance and Proxy Voting.

The Manager believes a sustainable investment approach is more likely to create and preserve long term investment capital.

As an investor in New Zealand and international markets, the Manager believes that Environmental, Social and Governance (ESG) factors can have a material impact on long term risk and return outcomes. Further, the Manager believes that principles of active ownership and investment stewardship are of value in the investment process. For that reason, the Manager has elected to invest in the MITNZ Socially Responsible Portfolios, where ESG factors are incorporated in decision making and ownership practices.

The Manager believes that the principles above can be applied across asset classes.

The MITNZ Socially Responsible Portfolios chosen by the Manager may exclude investments in companies that the Underlying Fund Manager views as doing substantial and irreparable harm to society or the environment provided the risk/return implications of excluding such companies is not expected to lead to significant financial detriment for clients and can be effectively managed. For example, the Underlying Fund Manager may exclude investing in companies where the underlying activities principally involve tobacco, alcohol, gambling, armaments, or fossil fuel industries.

As at the date of this document, Mercer has determined that the following products should be excluded on this basis:

- Companies manufacturing whole weapons systems or delivery platforms, or components that were developed or are significantly modified for exclusive use in cluster munitions, anti-personnel landmines, chemical, biological or nuclear weapons, as well as companies involved in the production and retailing of automatic and semi-automatic civilian firearms.
- Companies manufacturing and/or production of tobacco products (regardless of revenue). This includes subsidiaries and joint ventures, as well as any other company that derives 50% or more of revenue from other tobacco related business activities such as packaging, distribution and retail of tobacco products.

The Manager may consider additional products or services for exclusion in future.

In addition to the above, as at the date of this document, the underlying funds of the Trans-Tasman, Overseas Shares and Global Credit asset classes within the Mercer Socially Responsible Conservative, Balanced and Growth Portfolios also exclude equity issued by companies that derive a share of their revenue from these industries:

- Tobacco: as defined above.
- Controversial weapons: as defined above.

- Gambling: Companies with > 10% revenue from gambling-related business activities.
- Alcohol: Companies with > 10% revenue from alcohol-related activities.
- Adult entertainment: Companies with > 10% revenue from adult entertainment related business activities.
- Fossil fuels: Companies that own proved or provable reserves in coal, oil or gas; and derive at least 15% of their revenue from exploration and extraction of coal, oil or gas, or are involved in Global Industry Classification Standards' sub-industry:
  - Oil & Gas Drilling
  - Oil & Gas Equipment and Services
  - Integrated Oil & Gas
  - Oil & Gas Exploration and Production
  - Coal & Consumable Fuels
  - Other industry sectors as determined by the underlying social responsible equity manager(s).
- Other industry sectors as determined by the underlying socially responsible equity manager(s).

Notwithstanding the exclusions above, the Socially Responsible Overseas Shares fund excludes equity securities using the following thresholds:

- Tobacco: Companies with > 10% revenue from tobacco-related activities.
- Fossil fuels: Companies with > 10% revenue from the extraction of thermal coal and/or tar sands oil.

## **11. OTHER MATERIAL MATTERS**

It should be noted also that WRFL, with the agreement of Te Rūnanga o Ngāi Tahu and the Supervisor, can, in accordance with the provisions of the Trust Deed, amend the Trust Deed and thereby alter the Scheme. Details of how this can occur are contained in the Trust Deed. Further, WRFL, with the agreement of the Supervisor, can amend the SIPO. The SIPO, generally speaking, guides the type of investments that the Underlying Fund Manager will invest in on behalf of the Scheme.

## **12. OTHER MATERIAL INFORMATION CHANGES**

Since the issue of the last Other Material Information document dated 1 April 2021 changes to the Scheme are as follows:

With effect from 19 October 2021, members who do not make a fund choice when they enrol will be defaulted into the Mataī-Balanced Fund (previously they were defaulted into the Tōtara-Conservative Fund).

## 13. GLOSSARY

**Account** means the Account established in respect of a Member, divided into units.

**Authorised Investments** means those investments in which the Scheme may be invested as specified in the Trust Deed.

**Balance** means in respect of a Member's Account or the Reserve Account, the aggregate net value of units attributable to that Account.

**Calendar Year** means 1 January to 31 December in any year.

**Ceasing Member Withdrawal** means a Withdrawal made by a Member if a Member ceases to be a Member, and he or she is not otherwise entitled to any other Withdrawal.

**Conditions** means the terms and conditions on which Te Rūnanga o Ngāi Tahu contributes Matched Savings and Distributions.

**Corporate Member** means any entity approved by Te Rūnanga o Ngāi Tahu as a Corporate Member.

**Corporate Member Withdrawal** means a Withdrawal a Corporate Member can make at any time.

**Distribution** means any amount Te Rūnanga o Ngāi Tahu contributes to a Member's Account from time to time, in addition to Matched Savings.

**Education Withdrawal** means a Withdrawal a Member can make to help finance a Member's tertiary education.

**Elective Member** means a Member who has attained 65 years of age and has elected to remain in the Scheme as an Elective Member or a person who has applied to join the Scheme as an Elective Member.

**Financial Year** is Te Rūnanga o Ngāi Tahu financial reporting period from 1 July to 30 June.

**Housing Withdrawal** means a Withdrawal a Member can make to help finance that Member's first home.

**Manager** or **WRFL** means Whai Rawa Fund Limited or such other person which is the Scheme's Manager from time to time. The Manager is responsible for the Scheme's day to day running including investment of funds in the Scheme.

**Mataī-Balanced Fund** means the fund offered to Members, the assets of which are currently invested in the MITNZ Balanced Portfolio.

**Matched Savings** means the amount Te Rūnanga o Ngāi Tahu may contribute to Members from time to time by matching every dollar Members save into their Account, up to a certain value that Te Rūnanga o Ngāi Tahu determines for each Calendar Year.

**Member** means a holder of an Account comprising of units in the Scheme and includes a

Tamariki Member, a Corporate Member, an Elective Member, Provisional Member and a Participating Member or a Member who has voluntarily de-registered from the Register of Tribal Individuals.

**MITNZ Balanced Portfolio** means Mercer Investment Trusts New Zealand's Socially Responsible Balanced Portfolio.

**MITNZ Conservative Portfolio** means Mercer Investment Trusts New Zealand's Socially Responsible Conservative Portfolio.

**MITNZ Growth Portfolio** means Mercer Investment Trusts New Zealand's Socially Responsible Growth Portfolio.

**Ngāi Tahu Whānui** means the collective of the individuals who descend from the primary hapū of Waitaha, Ngāti Māmoē, and Ngāi Tahu, namely, Ngāti Kuri, Ngāti Irakehu, Kāti Huirapa, Ngāti Tūāhuriri, and Ngāi Te Ruahikihiki.

**Participating Member** means a Member other than a Tamariki Member, Corporate Member, Provisional Member or an Elective Member.

**PIE** means a Portfolio Investment Entity.

**PIR** means Prescribed Investor Rate.

**PDS** means the Scheme's Product Disclosure Statement.

**Provisional Member** means a person who is not a Registered Tribal Individual who is approved as a Provisional Member by the Manager on the basis that it is reasonably anticipated that they will become a Registered Tribal Individual.

**Rātā-Growth Fund** means the fund offered to Members, the assets of which are currently invested in the MITNZ Growth Portfolio.

**Registered Tribal Individual** means a person who is a member of Ngāi Tahu Whānui and is registered as a tribal member with Te Rūnanga o Ngāi Tahu in accordance with the Te Rūnanga o Ngāi Tahu Act 1996.

**Retirement Withdrawal** means a Withdrawal a Member makes once he or she is aged 55 years or over.

**RSCT** means Retirement Scheme Contribution Tax.

**Scheme** or **Whai Rawa** means Whai Rawa Unit Trust being a registered managed investment scheme created by the Trust Deed for the purposes of providing a long-term savings scheme for members of Ngāi Tahu Whānui to build independent wealth.

**Side Pocket** means allocation of particular assets of an investment portfolio to a separate sub-trust within that portfolio in order to quarantine those assets from the rest of the portfolio's assets.

**SIPO** means the Scheme’s Statement of Investment Policy and Objectives.

**Special Circumstances Withdrawal** means a Withdrawal a Member can request when the Manager is satisfied, he or she is experiencing special circumstances.

**Tamariki Member** means a Member who is under the age of 16 years. This membership class is referred to as a “Child Member” in the Trust Deed.

**Third Party** means any person other than a relevant Member or Te Rūnanga o Ngāi Tahu who makes a contribution to the relevant Member’s Account.

**Tōtara-Conservative Fund** means the fund offered to Members, the assets of which are currently invested in the MITNZ Conservative Portfolio.

**Transferor Member** means a Member who transfers all or part of any amount in that Member’s Account to another Member.

**Tribal Application** means an application to Te Rūnanga o Ngāi Tahu to become a Registered Tribal Individual.

**Trust Deed** means the trust deed between the Manager, the Supervisor and Te Rūnanga o Ngāi Tahu dated 6 June 2006 (as amended on 6 June 2007, 22 September 2010, 9 September 2011, 5 September 2016 and 1 October 2019) which establishes the Scheme and contains the terms and conditions under which the Scheme is operated.

**Underlying Fund Manager** means Mercer (N.Z.) Limited or such other person appointed by the Manager to provide investment services to the Scheme.

**Withdrawal** means the withdrawal of money from an Account which includes, as applicable in the context, a Housing Withdrawal, Education Withdrawal, Retirement Withdrawal, Withdrawal on Death, Special Circumstances Withdrawal, Ceasing Member Withdrawal and Corporate Member Withdrawal. Withdraw has a corresponding meaning.

**Withdrawal on Death** means the payment of a Member’s savings in the Scheme to their estate when he or she passes on.