

FE Investments Limited

Corporate Governance Policy

Overview

This policy ("**Policy**") is designed to ensure that FE Investments Limited ("**FEI**" or "**the Company**")

- has effective governance and compliances processes and procedures to identify and deal with material issues effecting its business;
- carries out its responsibilities and obligations in an honest, fair and diligent manner and
- recognises Directors' duties to their employees, investors and the wider community as well as their regulatory compliance obligations and key risks.

The Board of FEI is the oversight body responsible for overseeing compliance and ensures that FEI, the Board and managers (who are not directors) holding a position that allows them to exercise significant influence over the management or administration of FEI (**Senior Management** or **Senior Managers**) get timely and sufficient high quality governance and management information to allow for proper oversight and decision making. These governance provisions are reviewed at least annually.

In addition, the Policy ensures that the Directors, Senior Managers and FEI achieves and maintains operational excellence, strives to improve its business and takes necessary actions to minimise and manage risks and to ensure compliance with all legislation, regulations and codes of conduct that apply to the Directors, Senior Managers and FEI and its business including in particular the Financial Markets Conduct Act 2013 ("**FMC Act**") and the Non-bank Deposit Takers Act 2013 ("**NBDT Act**").

This policy consists of the following parts:

- Board Charter
- Regulatory Compliance
 - FMC ACT Governance of Debt Securities
 - NBDT Licence Management
- Schedule A: Code of Conduct
- Schedule B: Product Disclosure Statement
- Schedule C: Public Register (Disclose) Maintenance
- Schedule D: Effective Disclosure
- Schedule E: Advertising Material
- Annexure A: Pro Forma Board Meeting Agenda
- Annexure B: Conflicts of Interest Policy (including Schedule 1, 2,3)
- Annexure C: Compliance Process

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1 BOARD CHARTER

In carrying out the responsibilities and powers set out in this Policy, the Board of Directors:

- (a) Recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of FEI and its investors; and
- (b) Recognises its duties and responsibilities to its employees, customers and the community.

1.1 Specific Responsibilities of the Board

The Board has the following specific responsibilities:

- (a) Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- (b) Appointment of the Executive Directors and other Senior Managers (such as Chief Financial Officer and General Manager) and the determination of their terms and conditions and job description including remuneration and termination;
- (c) Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance including adequate reporting processes;
- (d) Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- (e) Approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- (f) Approving the annual accounts;
- (g) Approving significant changes to the organisational structure;
- (h) Promoting ethical and responsible decision making;
- (i) Ensuring a high standard of corporate governance practice and regulatory compliance including but not limited to appropriate processes and procedures in relation to FEI's disclosure and issuer obligations under the FMC Act and relevant regulations; and fulfilment of FEI's licensing obligations under the NBDT Act;
- (j) Ensuring a strong and ethical corporate culture and best corporate practice including but not limited to identifying conflicts between FEI (and or its staff) and investors, provide adequate resources for staff training, supervision and compliance, provision of breach of inappropriate behaviour reporting and to openly and honestly engage in dialogue with relevant regulators and to respond adequately to any regulatory concerns; and
- (k) Ensuring that it has an effective and robust risk management programme in place that is appropriate to the operation of FEI, allocates responsibilities, accountability and authority appropriately, is embedded in FEI's processes and practices and that it complies with the legal requirements including but not limited to the Risk Management Programme Guidelines published by the Reserve Bank of New Zealand.

1.2 Role of Directors

- (a) A Director will:
 - (i) Assume and exercise the powers and perform the duties from time to time vested in or assigned to him by the Board and will comply in all respects with the directions and regulations given or made by the Board;
 - (ii) Faithfully serve the Company and use his or her best endeavours to promote its interests and welfare and will ensure that he or she understands FEI's business and its key risks;
 - (iii) Devote sufficient time and attention to the business of the Company during the normal working hours of the Company and at such other times as may be reasonably necessary;
 - (iv) Attend regular Board meetings;
 - (v) Ensure that all administration and financial reports that are required to be made to the Board are prepared by the relevant reporting person and received by the Board pursuant to the relevant policy requirements; and

- (vi) Perform services for the Company as the Board may from time to time reasonably require.
- (b) The specific duties of a Director include the following:
- (i) Managing the business of the Company including, without limitation, implementing strategic and tactical business direction and managing operational functions to achieve the Company's goals and outcomes; review and initiate continuous improvement in support and administrative functions;
 - (ii) Implement employment policies and development of an effective and valued performance management framework;
 - (iii) Using his or her best endeavours to achieve the corporate objectives of the Company;
 - (iv) Performing the obligations set out in any services agreement entered into between the Director and the Company and using his or her best endeavours to ensure that the business of the Company is conducted in accordance with the policies, procedures and/or directions as notified from time to time by the Board to the Director, including in accordance with the requirements of any approved budget or business plan;
 - (v) Complying with the reasonable directions of the Board from time to time including to undertake any activity for the benefit of the Company;
 - (vi) Formulating strategies to promote and improve the financial performance of the Company;
 - (vii) Advising the Board in relation to all relevant issues affecting the Company and its performance, including, without limitation, relevant corporate governance and compliance issues;
 - (viii) Ensuring the proper implementation and review of the Company's policies, procedures and systems;
 - (ix) Developing new opportunities and expanding the Company's current activities and market share; and
 - (x) Ensuring that employees of FEI are adequately supervised and managed in undertaking their employment roles so as to ensure policy and legislative compliance of those roles and undertakings of those employees are met.

1.3 Board Meetings

The following policies shall apply to meetings of the Board of FEI:

- (a) The Board will schedule formal Board meetings at least quarterly and hold additional meetings, including by telephone or Skype, as may be required;
- (b) Board meetings shall as a minimum contain the items set out in the Pro forma Agenda attached as Annexure A.
- (c) Non-executive Directors may confer at scheduled times without Senior Management being present;
- (d) The minutes of each Board meeting shall be circulated to Directors after each meeting; and
- (e) Minutes of meetings must be approved at the next Board meeting and kept in accordance with the requirements of the Companies Act 1993.

1.4 Access to Advice

The following policies shall apply to the Board of FEI accessing advice:

- (a) All Directors have unrestricted access to company records and information except where the Board determines that such access would be adverse to the interests of FEI;
- (b) All Directors may consult management and employees as required to enable them to discharge their duties as Directors; and
- (c) The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to

prior consultation. A copy of any such advice received is made available to all members of the Board.

1.5 The Board's relationship with Management

The following policies shall apply to the Board's relationship with Management:

- (a) The Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Executive Directors and designated Senior Management; and
- (b) In addition to formal reporting structures, members of the Board are encouraged to have direct communications with the Executive Directors and other Senior Management to facilitate the carrying out of their duties as Directors.

2 REGULATORY COMPLIANCE

Overview

This Regulatory Compliance Manual is to ensure that FEI Investments Limited (**FEI or Company**) is performing its functions

- as a debt security issuer in accordance with the *Financial Markets Conduct Act 2013 (FMC Act)*, the *Financial Markets Conduct Regulations 2014 (FMC Regulations)*, and
- the terms of its Licence to be a Non-bank Deposit Taker (**NBDT**) in accordance with the *Non-bank Deposit Takers Act 2013 (NBDT Act)* and the *Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 (NBDT Regulations)*.

The regulatory requirements are categorised as follows:

- A. FMC Act Governance of Debt Securities;
- B. NBDT Licence Management.

The processes to be established on the basis this Regulatory Compliance Manual are set out in the Compliance Process in **Annexure C**.

Capitalised terms used but not defined herein have the meaning ascribed to them in the FMC Act and FMC Regulations, the NBDT Act or the Trust Deed, dated 29 March 2018 (Trust Deed).

A. FMC ACT GOVERNANCE OF DEBT SECURITIES

2.1 Offer requirements

FEI must not make a regulated offer of a debt security (**Offer**) unless it has and continues to have:

- (a) A **Trust Deed** that:
 - (i) complies with the trust deed requirements of the FMC Act (ss 104 to 106 FMC Act); and
 - (ii) is lodged with the Registrar.
- (b) A **Product Disclosure Statement (PDS)** that:
 - (i) complies with the PDS for debt securities under the FMC Act (Schedule 2 of the FMC Regulations); and
 - (ii) is lodged with the Registrar.
- (c) A **Public Register (Disclose)** that:
 - (i) discloses material information about the Stock and Deposits; and
 - (ii) is updated from time to time in accordance with ongoing disclosure requirements under Subpart 4 of the FMC Act and Subpart 2 of the FMC Regulations.
- (d) A **Supervisor**:
 - (i) who is designated or appointed as the Supervisor under the Trust Deed for the debt security or under the Financial Markets Supervisor Act 2011); and
 - (ii) whose licence covers supervision of the debt security.

The Trust Deed must be uploaded to the Disclose Register together with a certificate from FEI and the Supervisor to the effect that the Trust Deed complies with sections 104 to 106 FMC Act).

2.2 Lodgement of Changes to Trust Deed

- (a) FEI must **within 5 working days** after an amendment to or a replacement of the Trust Deed lodge a notification of that change on the Disclose Register together with a copy of the certificate for the amendment or replacement (s 110 of the FMC Act).
- (b) Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.

2.3 Reports to Supervisor

- (a) **Regular Reporting**, s 114 FMC Act, reg 76 FMC Regulations

FEI must provide to the Supervisor:

- (i) **within 30 days after the end of each month**, a report for that month that is a copy of the monthly management report prepared for the directors of FEI. The report does not need to contain particular information in the monthly management report prepared for the directors if the Supervisor has waived the requirement for the report to contain information of that kind.
- (ii) **within 30 days after the end of each month**, a monthly report, in a form required by the Supervisor, on:
 - the capital of FEI; and
 - the liquidity of FEI; and
 - the asset quality of FEI (including arrears reports, and restructured, impaired, past due, and bad debts); and
 - reinvestment rates; and
 - any breaches by members of the borrowing group of financial covenants in financing arrangements with third parties; and
- (iii) **at least once in every 3 months**, a report confirming whether:
 - for an Offer that is still open for application at any time since the last confirmation under this paragraph, FEI was prohibited under section 82(1) of the FMC Act from offering, or continuing to offer, debt securities; and
 - at all times during the period since the last confirmation, FEI has complied with all provisions of the Trust Deed; and
- (iv) **in advance or as soon as it is known**, a report to advise the Supervisor, of
 - every transaction that would require the consent of the Reserve Bank under section 43 NDBT Act (Bank's consent for change of ownership); and
 - every change of directors of FEI; and
 - every change in the Senior Management of FEI; and
- (v) a report to notify the Supervisor, in advance, of any Major Transaction (as defined below), or any related series of transactions that have the effect of a major transaction, entered into or to be entered into by FEI.

Major transaction means:

- the acquisition of, or an agreement to acquire, whether contingent or not, assets the value of which is more than half the value of FEI's assets before the acquisition; or
- the disposition of, or an agreement to dispose of, whether contingent or not, assets of FEI the value of which is more than half the value of the FEI's assets before the disposition; or
- a transaction that has or is likely to have the effect of FEI acquiring rights or interests or incurring obligations or liabilities, including contingent liabilities, the value of which is more than half the value of the FEI's assets before the transaction.

Each report must be signed by at least 2 directors on behalf of the Board.

(b) **Reporting upon request**, s 115 FMC Act

- (i) If requested, FEI must make available to the Supervisor (or person authorised by the Supervisor) **within the time and manner specified** by the Supervisor
 - all documents and records relating to FEI; and
 - provide the Supervisor or the authorised person with any other reports or information required by the Supervisor or authorised person.
- (ii) The requested reports or information may be about any matter relevant to the performance of the Supervisor's function and include forward-looking reports.

(c) **Reporting on Contraventions of Issuer Obligations**, s 116 FMC Act

If FEI has reasonable grounds to believe that it has contravened, may have contravened, or is likely to contravene any of its issuer obligations in a material respect, FEI must, **as soon as practicable**, —

- (i) report the contravention or possible contravention to the Supervisor; and
- (ii) advise the Supervisor of the steps (if any) that FEI has taken or intends to take in light of the contravention or possible contravention and the date by which the steps were taken or are to be taken.

(d) **Reporting on Serious Financial Problems**, s 118 FMC Act

If FEI becomes aware of information on the basis of which it could reasonably form the opinion that FEI is, or is likely to become, insolvent, FEI must, **as soon as practicable**, —

- (i) disclose to the Supervisor all information relevant to that matter that is in the possession or under the control of FEI and that was obtained in the course of, or in connection with, the performance of its functions as Issuer; and
- (ii) advise the Supervisor of the steps (if any) that FEI intends to take in respect of that matter and the date by which the steps are to be taken.

As soon as practicable means within 5 working days.

2.4 Meetings of Investors, s120 FMC Act, regs 77-78, sch 11 FMC Regulations

The requirements with respect to the meetings of Investors are set out in the Trust Deed.

2.5 Duties concerning Appointment of Auditors, sch 10 FMC Regulations

- (a) FEI must, **before recommending** the appointment or reappointment of an Auditor of FEI:
 - (i) consult with the Supervisor on such appointment or reappointment and the nature and scope of any assurance engagement in relation to FEI's compliance with its Trust Deed;
 - (ii) ensure that any comments of the Supervisor concerning the proposed auditor are brought to the attention of the persons appointing or reappointing the Auditor;
 - (iii) give the Supervisor an opportunity to be a party to the assurance engagement for the purpose of the Supervisor obtaining assurance of matters relevant to the exercise or performance of the Supervisor's powers or duties; and
 - (iv) ensure that the terms of appointment of the auditor, whether the auditor is conducting an audit, review or other engagement, include that the Auditor will give the Supervisor an opportunity to meet with the auditor, without any representative of FEI being present, to raise or discuss:
 - (v) at the beginning of such engagement, any issues or concerns relevant to the exercise or performance of the Supervisor's powers or duties; and

- (vi) matters arising in the performance of the audit, review or engagement and to answer any questions of the Supervisor may have concerning the audit, review or engagement.
- (b) **Resignation of Auditor:** FEI must notify the Supervisor if the auditor resigns from appointment, or declines to accept appointment or reappointment, and must pass on to the Supervisor any explanation provided by the auditor for resigning its appointment or declining to accept appointment or reappointment. FEI must not attempt to prevent a person who has resigned its appointment as auditor or declined to accept an appointment or reappointment as auditor, from offering an explanation, or disclosing to the Supervisor the reason, for resigning or declining appointment or reappointment.

2.6 Accounting Records, ss 455-459 FMC Act

- (a) FEI as issuer of regulated products is an **FMC Reporting Entity** pursuant to s 451 FMC Act.
- (b) FEI must ensure that there are **kept at all times** accounting records that—
 - (i) correctly record the transactions of the FMC reporting entity; and
 - (ii) will enable the FMC reporting entity to ensure that the financial statements of the FMC reporting entity comply with generally accepted accounting practice and any prescribed requirements; and
 - (iii) will enable the financial statements of the FMC reporting entity to be readily and properly audited.
- (c) FEI must establish and maintain a satisfactory **system of control** of its accounting records.
- (d) Accounting records required to be kept must be kept—
 - (i) at FEI's registered office; or
 - (ii) at another place that the Directors of FEI think fit.
- (e) The accounting records may be kept at a place outside New Zealand only if there are sent to, and kept at a place in, New Zealand documents in respect of the business dealt with in those accounting records that will enable the preparation in accordance with the FMC Act—
 - (i) the financial statements of FEI; and
 - (ii) any other document annexed to any of those statements that gives information that is required by any enactment.
- (f) Accounting records must be kept in written form and in English or in a form or manner in which they are easily accessible and convertible into written form in English. Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.
- (g) Accounting records or copies of them, must be retained by FEI for a period **of at least 7 years** after the later of the date the records are made; and the date of completion of the transaction to which the records relate.
- (h) FEI must make the accounting records the other documents to be prepared and kept, available, in written form in English at all reasonable times for inspection without charge, to
 - (i) its Directors;
 - (ii) the Supervisor;
 - (iii) the FMA; and
 - (iv) any other persons authorised or permitted by an enactment to inspect the accounting records of FEI.

Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.

2.7 Preparation of Financial Statements, ss 460, 461 FMC Act

- (a) FEI must ensure that, **within 4 months after its balance date**, financial statements that comply with generally accepted accounting practice are completed in relation to the entity and that balance date; and dated and signed on behalf of the entity by 2 of its Directors
- (b) If FEI has 1 or more subsidiaries it must ensure that **group financial statements** are completed **within 4 month after its balance date**. In that case, FEI does not need to prepare the statements under (a).
- (c) FEI must ensure that its balance date is the same as the balance date of its subsidiaries.

- (d) **Applicable Accounting Standards:** Full NZ IFRS apply to FEI as an issuer of regulated products, ss 461 J, K FMC Act.

2.8 Audit of Financial Statements, ss 461D-461G FMC Act

- (a) FEI must ensure that the financial statements or group financial statements that are required to be prepared are audited by an **external qualified auditor** which is either a licensed auditor or a registered audit firm (as defined in s 6(1) Auditor Regulations Act 2011), ss 461D and E FMC Act). The auditor must, in carrying out an audit comply with all applicable auditing and assurance standards (s 461F FMC Act).
- (b) The audit and appointment of the auditor must also comply with the obligations above at 2.5
- (c) If the auditor's report indicates that the requirements of the FMC Act have not been complied with, the auditor must, **within 7 working days** after signing the report, send a copy of the report, and a copy of the financial statements or group financial statements to which it relates, to the
- (i) FMA,
 - (ii) the External Reporting Board; and
 - (iii) the Supervisor.

2.9 Lodgment of Financial Statements, s 461H FMC Act

- (a) FEI must ensure that, **within 4 months** after its balance date, copies of the respective financial statements, together with a copy of the auditor's report on those statements, are delivered to the Registrar for lodgment.
- (b) Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.

2.10 Product Register, ss 215, 216 FMC Act

- (a) FEI must ensure that there **is kept a register of each debt security issued** as a regulated product. The register must be kept in New Zealand. It can be an electronic register or kept in any other reasonable manner that FEI thinks fit. FEI may delegate the Product Register to an external register entity which is defined in reg 110 FMC Regulations as an entity that carries on a business of maintaining registers of regulated products on behalf of issuers (whether or not the business is the entity's only business or the entity's principal business).

This Product Register for financial products to be held by FEI has the purpose to evidence the securities held by investors. It is not to be confused with the Disclose Register. The Disclose Register requirements relate to the offer of financial products. These requirements are set out below in **Schedule C**.

- (b) Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.
- (c) **Content** of Product Register, s 217 FMC Act
- (i) The Product Register must contain
 - (ii) the name and address of the Investor; and
 - (iii) the date on which the product was issued or transferred to the Investor, as the case may be; and
 - (iv) the nature of the product; and
 - (v) the amount of the product (if any); and
 - (vi) the due date of the product (if any).
 - (vii) Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$ 50,000.
 - (viii) The integrity of the Product Register is important as its records are prima facie evidence of the matters to which they relate (s 217(3) FMC Act).

(d) **Place of Product Register**, s 220 FMC Act

If the Product Register is kept at FEI registered office there is not duty to notify the Registrar of the place where the register is kept. If the register is not kept at the registered office, however, then FEI must send a notice to the Registrar of the place where it is kept. This includes any change in that place. Such notice must be sent **within 10 working days** after the register being established or after the change in place (as the case may be). Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.

(e) **Audit of Product Register**, s 218 FMC Act

FEI must ensure that the Product Register is audited or reviewed in accordance with the following requirements by a qualified auditor (regs 109, 110 FMC Regulations).

- (i) The audit must take place every year within 4 months after FEI's balance date being [31 March] if the register is kept by FEI. If the register is kept by an external register entity then register must be collectively audited at least once a year. FEI can however elect to have one or more of its registers audited within 4 months after FEI's balance date.
- (ii) The audit must be carried out in accordance with applicable auditing and assurance standards as issued by the External Reporting Board.
- (iii) The audit must determine whether, in the auditor's opinion, there is reasonable assurance that the register in all material respects correctly contains the information referred to above at (c).
- (iv) If the auditor considers that the register does not comply with the regulatory requirements, the auditor must advise FEI, the Supervisor, and the FMA of any such non-compliance (s 219 FMC Act).
- (v) FEI must ensure that the following terms are to be included in the terms of the auditor's appointment (cl 3 Schedule 10 FMC Regulations and see above at 2.5):
 - that the auditor will, at the beginning of the audit, review, or engagement, give the supervisor an opportunity to meet with the auditor, without any representative of FEI being present, in order to allow the supervisor an opportunity to raise any issues or concerns relevant to the exercise or performance of the powers or duties of the supervisor; and
 - that the auditor will give the supervisor an opportunity to meet with the auditor, without any representative of FEI being present, to discuss matters arising in the performance of the audit, review, or engagement and to answer any questions the supervisor may have concerning the audit, review, or engagement.
- (f) Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.

2.11 Public Inspection of Product Register s 221, 222 FMC Act, reg 111 FMC Regulations

- (a) FEI must make **parts** of the Product Register that concern the debt securities of a particular Investor **available for inspection**. FEI **will ensure** that it is a term of any Offer that:
 - the part of the Register that concerns the debt securities of a particular Investor (A) is available for inspection by A in the manner referred to in (b) if A serves written notice on FEI of intention to inspect; and
 - A may require a copy of, or an extract from, that part of the Register to be sent to A **within 5 working days** after A has made a written request for the copy or extract to FEI (free of charge).
- (b) FEI must ensure access between the hours of 9 am and 5 pm on each working day during the inspection period. Inspection period is the period commencing on the third working day after the day on which notice of intention to inspect is served on FEI by the person concerned and ending with the eighth working day after the day of service (s 6 FMC Act).

Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.

FEI **must ensure** the terms of any Offer provide for inspections of those parts of the Register that concern only the Investor requesting inspection in order to rely on the exemption for continuous issuers of debt securities and thereby avoid public inspection of all its Register.

2.12 Document request, ss 223-225 FMC Act

The Investor requesting inspection (see above at 2.11), may require a copy of, or an extract from, the Product Register to be sent to the Investor **within 5 working days** after the Investor has made a written request for the copy or extract to FEI. Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.

2.13 Record keeping/Document Retention and Inspection, s 227 FMC Act, reg 112 FMC Regulations

- (a) **Document Retention:** FEI must keep copies of each document **required by or for the purposes of the FMC Act**. FEI must keep a copy of the document for a period of **at least 7 years** after the date on which the document comes into the possession of FEI.
- (b) **Inspection and copies of documents:** The documents must be **available for inspection** at the place at which FEI's records are kept between the hours of 9 am and 5 pm on each working day during the inspection period which begins on the third working day after the day on which notice of intention to inspect is served on FEI and ends with the eighth working day after the day of service. The document must only be made available if the **document is relevant to that person** which is the case if the person has or had a right to access or obtain a copy of the document under the FMC Act and Regulations, a governing document, or the terms of the Offer of a financial product.
- (c) FEI may set a reasonable printing and administration fee.
- (d) Failure to comply with this requirement is an infringement offence under subpart 5 of Part 8 of the FMC Act and the maximum fine is \$50,000.

B LICENCE MANAGEMENT AND PRUDENTIAL OBLIGATIONS

FEI must ensure that it complies with its NBDT licence and its prudential obligations.

2.14 Credit Rating

FEI's rating must be by an approved rating agency and a local currency (New Zealand dollar), long-term, issuer rating. The Reserve Bank has approved Corporate Scorecard (CSC), Fitch ratings, Moody's Investors Service and Standard and Poor's Rating Services for the purposes of the NBDT Act. A credit rating is however not required where the consolidated liabilities of the borrowing group of the NBDT are less than \$40 million and fulfils certain capital ratio requirements (Non-bank Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2016 (effective 15 February 2016)).

2.15 Governance Requirements: Governing Body, ss 25-26 NBDT Act

FEI must ensure that its governing body includes **at least 2 independent directors** which means that the director

- (a) is not an employee of either FEI or a related party;
- (b) is not a director of a related party other than a related party that is a guaranteeing subsidiary;
- (c) does not, directly or indirectly, have a qualifying interest in more than 10% of the voting securities of FEI or a related party.
- (d) the **chairperson** of the governing body is not an employee of either the licensed NBDT or a related party.

A breach of this requirement is an offence with a maximum fine of \$1 million.

2.16 Risk Management Programmes, ss 27-29 NBDT Act

- (a) FEI must have a written risk management programme that outlines how it will identify and manage its key risks, such as credit and liquidity risk. The programme **must be approved by the Supervisor**. A breach of this requirement is an offence with a maximum fine of \$1 million.
- (b) The risk management programme must be in writing and
- (i) set out the procedures for effectively identifying and managing the following risks:
 - credit risk;
 - liquidity risk;
 - market risk;
 - operational risk; and
 - (ii) set out appropriate documentation and record-keeping requirements; and
 - (iii) describe the steps that FEI will take to ensure that the programme remains current, which must include procedures for—
 - regular review of the programme to systematically identify deficiencies in the effectiveness of the programme; and
 - obtaining Supervisor approval to amendments to the programme that are necessary to address such deficiencies; and
 - (iv) be appropriate to the operations of FEI, having regard to the factors relevant to the risks referred to above (for example, FEI's size, its funding structure, the market sector in which it operates, its business strategy, and its relationship with its borrowing group).
 - (v) follow the Risk Management Programme Guidelines published by the Reserve Bank.

FEI must implement a review process that ensures that

- the Risk Management Programme is reviewed regularly as well as whenever there is a significant change in its business;
- the results of the review are reported, as appropriate, to the operational personnel of FEI's business, Senior Management and the Board;
- any amendments are approved by the Supervisor; and that
- the changes are communicated and implemented by Senior Management, the Compliance Manager and the appropriate personnel.

2.17 Financial requirements

- (a) **Capital Ratios**, ss 33-35 NBDT Act, regs 7-21 NBDT Regulations
FEI must maintain the minimum capital ratio requirement contained in the Trust Deed. The minimum capital ratio specified in the Trust Deed must be at least 8 percent. A breach of this requirement is an offence with a maximum fine of \$1 million.
- (b) **Related Party Exposure**, ss 36-38 NBDT Act, regs 24-27 NBDT Regulations
FEI must ensure that it does not exceed the maximum limit of aggregate related party exposure of 15% of capital as set out in the Trust Deed. A breach of this requirement is an offence with a maximum fine of \$1 million.
- (c) **Liquidity**, ss 39-41 NBDT Act, regs 24-27 NBDT Regulations
FEI must ensure that it complies with the liquidity requirements set out in the Trust Deed. A breach of this requirement is an offence with a maximum fine of \$1 million.

2.18 Notification of Suitability Concerns, s 42 NBDT Act

- (a) **As soon as** a Director of FEI becomes aware that any Director or Senior Manager raises, or may raise, any suitability concerns, the Director **must notify** the Reserve Bank of the fact or possibility.
- (b) A Director who fails to notify the Reserve Bank **as soon as he or she becomes aware, or ought to be aware**, commits an offence with a term of imprisonment up to 12 months and/or a fine up to \$100,000.

2.19 Consent for Changes of Ownership, s 43 NBDT Act

- (a) A person must obtain the written consent of the Reserve Bank before giving effect to a transaction that will result, after the completion, in
 - (i) the person increasing the person's level of influence over FEI such that the person will
 - have the ability, directly or indirectly, to appoint 25% or more of the members of the governing body of FEI; or
 - have a direct or indirect qualifying interest in 20% or more of the voting securities issued or allotted by FEI; or
 - (ii) in the case of a person who, with the consent of the Reserve Bank, already has at least the level of influence described above, an increase in the person's level of influence beyond the level permitted by the existing consent; or
 - (iii) in the case of a person who, at the time FEI became licensed, had at least the level of influence over FEI described in paragraph (a), an increase in the person's level of influence beyond the level existing at that time.
- (b) A breach of this requirement is an offence with a penalty in the case of (i) an individual, imprisonment for a term not exceeding 3 months, a fine not exceeding \$50,000, or both; and (ii) in any other case, a fine not exceeding \$500,000.

Please note that such a transaction requires a report to the Supervisor as set out above at 2.3(a)(iv).

Schedule A - Code of Conduct

1 BOARD CODE OF CONDUCT

1.1 Obligations under Legislation

The following policies shall apply to the Board's obligations under legislation:

- (a) Directors will acquaint themselves with the obligations imposed on them and FEI by legislation including but not necessarily restricted to the Companies Act 1993, the Non-bank Deposit Takers Act 2013, the Financial Markets Conduct Act 2013, the Anti Money Laundering and Counter Financing of Terrorism Act 2009, applicable regulations and the Trust Deed. Directors will also familiarise themselves with other documents prepared by the Company to meet corporate governance requirements both internal and external;
- (a) Directors will act honestly, and exercise reasonable care and diligence at all times in the performance of their functions;
- (b) Directors will disclose conflicts of interests;
- (c) Directors or former directors will not make improper use of information acquired by virtue of their position;
- (d) Directors will not make improper use of their position to gain a direct or indirect advantage for themselves or any other person; and
- (e) Directors have a fiduciary duty to the Company and a duty to act with loyalty and in good faith.

1.2 Personal Behaviour

The following policies shall apply to the Board's obligations regarding standards for personal behaviour:

- (a) Directors will acquire a clear understanding of the role and purpose of the Board and the FEI, including the statutory and regulatory requirements. They will develop an understanding of FEI's business and the environment in which it operates, and stay informed of all relevant activities affecting the Board. Directors will strive to attend all Board and relevant committee meetings and other scheduled activities. Where attendance is not possible, Directors will as appropriate seek leave of absence or tender an apology.
- (b) Directors will treat each other with professionalism, courtesy and respect. They will work cooperatively with fellow members towards agreed goals, whilst accepting the obligation to be independent in judgement and actions. Directors will not attempt to improperly influence other Board members.
- (c) Directors who may communicate publicly material related to FEI's affairs (through lectures or papers) will in general convey views agreed by the Board. If material beyond this is made public, it should be clearly identified as the view of the individual. Any views attributed publicly to the Board or FEI should be cleared in advance – preferably with the full Board.
- (d) Directors will comply with all laws and regulations and will actively promote compliance within FEI.
- (e) Directors will encourage the reporting of unlawful/unethical behaviour and will actively promote such ethical behaviour and protection for those who report violations in good faith.

1.3 Conflict of Interest

The Board aspires to the highest standards of corporate governance, and will apply rigorous procedures to deal with actual, potential or perceived conflict situations.

These rely on the total acceptance by directors of the obligation to declare an interest, and to isolate themselves from any activity in which they may have a conflict. The procedures may be summarised as follows:

- (a) A Director is required to disclose their interests such as directorships, partnerships and consultancies to the Board on joining.

- (b) Directors will advise the Board promptly of any changes to relevant interests such as directorships, partnerships, and consultancy.
- (c) Where the director wishes to accept a new directorship, partnership or consultancy during their term as a Director of FEI, that Director will disclose the matter to the Board prior to accepting that new directorship, partnership or consultancy.

FEI's obligations and requirements as to managing conflicts of interest are set out in the Conflicts of Interest Policy in Annexure B.

1.4 Information and records

- (a) The Board will take prime responsibility for proper recording of Board proceedings and related matters – including storage and handling of documents, tapes, discs, etc. However, Directors receive a good deal of information in various forms as a result of their Board roles, and accept responsibility for careful and secure stewardship – particularly in relation to confidential material.
- (b) Discretion is exercised in regard to information handled via facsimile or other electronic transmission devices, to ensure that this is not inadvertently made available to unauthorised parties.
- (c) The obligations and procedures may be summarised as follows:
 - (i) Directors acknowledge that confidential information received in the course of exercise of Board duties remains the property of the originating organisation, whether this is FEI or another entity. It will not be disclosed unless either the originator has so authorised, or disclosure is required by law.
 - (ii) Directors will exercise discretion in regard to all Board information which is not in the public domain.
 - (iii) Former Directors can, if they so desire, exercise rights to access Board records, by contacting the Board.

2 CORPORATE CODE OF CONDUCT

2.1 Purpose

The purpose of this Corporate Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The document sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees.

2.2 Accountabilities

- (a) Senior Managers

Senior Managers are responsible and accountable for:

- (i) Undertaking their duties and behaving in a manner that is consistent with the provisions of the Code of Conduct;
- (ii) The effective implementation, promotion and support of the Code of Conduct in their areas of responsibility; and
- (iii) Ensuring employees under their control understand and follow the provisions outlined in the Code of Conduct.
- (iv) Ensure proper supervision and management at all relevant times of employees of FEI.

(b) Employees

All employees are responsible for:

- (i) Undertaking their duties in a manner that is consistent with the provisions of the Code of Conduct;
- (ii) Reporting suspected corrupt conduct; and
- (iii) Reporting any departure from the Code of Conduct by themselves or others.

2.3 Personal and Professional Behaviour

When carrying out your duties, you should:

- (a) Behave honestly and with integrity and report other employees who are behaving dishonestly;
- (b) Carry out your work with integrity and to a high standard and in particular, commit to the policy of FEI of operating a quality non-bank deposit taker and corporate performance generally;
- (c) Operate within the law at all times;
- (d) Follow the policies of FEI; and
- (e) Act in an appropriate business-like manner when representing FEI in public forums.

2.4 Conflict of Interest

Potential for conflict of interest arises when it is likely that you could be influenced, or it could be perceived that you are influenced by a personal interest when carrying out your duties. Conflicts of interest that lead to biased decision making may constitute corrupt conduct.

- (a) Some situations that may give rise to a conflict of interest include situations where you have:
 - (i) Financial interests in a matter that FEI deals with or you are aware that your friends or relatives have a financial interest in the matter;
 - (ii) Directorships/management of outside organisations;
 - (iii) Membership of boards of outside organisations;
 - (iv) Personal relationships with people the Company is dealing with which go beyond the level of a professional working relationship;
 - (v) Secondary employment, business, commercial, or other activities outside of the workplace which impacts on your duty and obligations to FEI;
 - (vi) Access to information that can be used for personal gain; and
 - (vii) Offer of an inducement.
- (b) You may often be the only person aware of the potential for conflict. It is your responsibility to avoid any conflict from arising that could compromise your ability to perform your duties impartially. You must report any potential or actual conflicts of interest to your manager.
- (c) If you are uncertain whether a conflict exists, you should discuss that matter with your manager and attempt to resolve any conflicts that may exist.
- (d) You must not submit or accept any bribe, or other improper inducement. Any such inducements are to be reported to your manager.

2.5 Use of Resources of FEI

Requests to the resources of FEI outside the normal course of FEI's business should be referred to management for approval. If employees are authorised to use FEI resources outside the normal course of FEI's business, they must take responsibility for maintaining, replacing, and safeguarding the property and following any special directions or conditions that apply. Employees using FEI resources without obtaining prior approval could face disciplinary and/or criminal action. FEI resources are not to be used for any private commercial purposes.

2.6 Security of Information

Employees are to make sure that confidential and sensitive information cannot be accessed by unauthorised persons. Sensitive material should be securely stored overnight or when unattended.

Employees must ensure that confidential information is only disclosed or discussed with people who are authorised to have access to it. It is considered a serious act of misconduct to deliberately release confidential documents or information to unauthorised persons, and may incur disciplinary action.

2.7 Intellectual Property/Copyright

- (a) Intellectual property includes the rights relating to scientific discoveries, industrial designs, trademarks, service marks, commercial names and designations, and inventions and is valuable to FEI.
- (b) FEI is the owner of intellectual property created by employees in the course of their employment unless a specific prior agreement has been made. Employees must obtain written permission to use any such intellectual property from the Board before making any use of that property for purposes other than as required in their role as employee.

2.8 Discrimination and Harassment

- (a) Employees must not harass, discriminate, or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender.
- (b) Such harassment or discrimination may constitute an offence under legislation. Managers should understand and apply the principles of Equal Employment Opportunity.

2.9 Corrupt Conduct

Corrupt conduct involves the dishonest or partial use of power or position which results in one person/group being advantaged over another. Corruption can take many forms including, but not limited to:

- (a) Official misconduct;
- (b) Bribery and blackmail;
- (c) Unauthorised use of confidential information;
- (d) Fraud; and
- (e) Theft.

Corrupt conduct will not be tolerated by FEI. Disciplinary action up to and including dismissal will be taken in the event of any employee participating in corrupt conduct.

2.10 Occupational Health and Safety

It is the responsibility of all employees to act in accordance with occupational health and safety legislation, regulations and policies applicable to their respective organisations and to use security and safety equipment provided.

Specifically all employees are responsible for safety in their work area by:

- (a) Following the safety and security directives of management;
- (b) Advising management of areas where there is potential problem in safety and reporting suspicious occurrences; and
- (c) Minimising risks in the workplace.

2.11 Legislation

It is essential that all employees comply with the laws and regulations of the countries in which we operate. Violations of such laws may have serious consequences for FEI and any individuals concerned. Any known violation must be reported immediately to management.

2.12 Fair dealing

FEI aims to succeed through fair and honest competition and not through unethical or illegal business practices. Each employee should endeavour to deal fairly with FEI's suppliers, customers and other employees.

2.13 Breaches of the Code of Conduct

Employees should note that breaches of certain sections of this Code of Conduct may be punishable under legislation. Breaches of this Code of Conduct may lead to disciplinary action. The process for disciplinary action is outlined in the Operations Manual of FEI, policies and guidelines, relevant industrial awards and agreements.

2.14 Reporting Matters of Concern

Employees are encouraged to raise any matters of concern in good faith with the head of their business unit or with the Board, without fear of retribution.

Schedule B - Product Disclosure Statement

Regulations 20 to 36 applies to all PDS generally. As FEI is a continuous offeror of debt securities, its PDS must follow the format prescribed in Schedule 2 of the FMC Regulations (**Schedule 2**).

FEI must ensure its PDS contains the following sections in the prescribed order:

1. Key information summary

For detailed requirements please see clauses 5 to 18 of Schedule 2. Note that as FEI is an NBDT and the PDS is a continuous issue PDS, the key information summary is not required to have a section headed "Purpose of the Offer"

2. Key dates and offer process

This section does not apply to a continuous issue PDS, see clause 19 and 20 of Schedule 2.

3. Terms of the Offer

When setting out terms of the Offer, the PDS must refer to the Trust Deed and that Stockholders and Depositors can obtain the same from the Public Offer register. Clauses 21 to 23 of Schedule 2 covers the requirements for this section.

4. FEI and what it does

Clauses 25 to 26 of Schedule 2 covers the requirements for this section.

5. Key features of Stock and Deposits

Clauses 30 to 34 of Schedule 2 covers the requirements for this section.

For continuous issue PDS, clauses 31(1)(d), 32(b), and 32(d) will not apply if the PDS incorporates by reference a publicly available document that contains that information in a diagram.

6. FEI's financial information

Clause 41 to 46 of Schedule 2 covers requirements for NBDTs under this section.

It is good practice to include financial information separate from the PDS (permitted pursuant to clause 46 of Schedule 2) for ease of updating from time to time. Furthermore, although it is not a mandatory requirement, the separate document should show a breakdown of how figures in the "Key ratios table" and "Other financial information table" are calculated.

7. Risks of investing

Clause 48 to 50 of Schedule 2 covers requirements for NBDTs under this section.

For the Risk section, FEI must identify and describe circumstances:

- (a) FEI is aware of **that exist** or are **likely to arise**;
- (b) That **significantly increase** the risk that the issuer may default on any of its payment obligations under the debt securities.

The term "likely to arise", which the FMA has suggested to mean "**more than a remote chance of arising**", might still prohibit most if not all risks. Coupled with the requirement

that the likelihood of those circumstances arising needs also to significantly increase the risk of Issuer default, this section would seem to exclude all but **current** or **imminent** risks from being stated. If a risk is likely to arise and will significantly impact on the likelihood of an issuer's default then even at a business management level, leaving aside FMC Act disclosure, FEI would be seriously considering continuing the Offer.

On this basis, it could be argued that any identifiable situation is likely to arise in some form. However, the combination of likelihood and significant increase of risk would tend to make the following statement a viable option:

"FEI is not aware of any circumstances that exist or are likely to arise which will significantly increase the risk that the FEI may default of any of its payment obligations under the debt securities".

Accordingly, please be aware that the risks section under the FMC Act is different from what was required under the Securities Act 1978 and in the prospectus. Issuers such as FEI are now required to identify and analyse risks that are specific to the company and its operations. This means that risks identified should be more likely than not to occur given FEI's own circumstances (as opposed to the industry's circumstances). This requirement therefore requires the issuer to carry out an exercise where the likelihood of an event happening, and if an event is more likely than not to happen, whether such event will significantly impact on the creditworthiness of FEI.

8. Tax

Clause 51 of Schedule 2 covers requirements for NBDTs under this section.

9. Who is involved?

Clause 53 of Schedule 2 covers requirements for NBDTs under this section.

10. How to complain

Clause 56 of Schedule 2 covers requirements for NBDTs under this section.

11. Where you can find more information

Clause 58 of Schedule 2 covers requirements for NBDTs under this section.

12. How to apply

Clause 60 of Schedule 2 covers requirements for NBDTs under this section.

13. Contact information

Clause 62 of Schedule 2 covers requirements for NBDTs under this section.

Schedule C - Public Register (Disclose) Maintenance

This section contains the information required to be uploaded onto Disclose pursuant to Part 2 of Schedule 2 of the Regulations.

1. General register entry information

- (a) Names & address for communications of FEI and the Supervisor;
- (b) An identification of the main industry in which FEI operates
- (c) Brief description of the Stock and/or Deposits on offer.
- (d) A description of the term of the debt securities
- (e) The following statement:

"Different accounts are subject to different interest rates. The interest rate is available in our PDS and on our website and is subject to change without notice. Interest is ordinarily calculated on the basis of the minimum monthly balance and paid monthly. The Issuer reserves the right to change the interest rate and the basis on which the interest is calculated."

- (f) Confirmation that Stockholders and Depositors will be subject to fees/charges:

"You may be liable to pay fees or charges depending on the type of account you hold. You can find more information about fees and charges applicable to all accounts on our website."

- (g) Confirmation that FEI has the right to extend the time for payment of the principal or interest, or to reduce or cancel the principal or interest, under the debt securities.
- (h) Quote of debt securities - Stock and Deposits are not quoted
- (i) Confirm this is a continuous Offer
- (j) State minimum amount of investment.

2. Financial information on register entry (clause 65, Part 2 of Schedule 5 FMC Regulations)

The Public Register must contain the following:

- (a) the financial statements for FEI for each relevant period for which financial information is required in Appendix 1 together with any auditor's report on those statements; if a these financial statements include interim financial information derived from interim financial statements, also include those interim financial statements.
- (b) The interim financial statements included in the register entry must be—
 - (i) prepared in accordance with NZ IAS 34 (but need not be audited); and
 - (ii) accompanied by the audit or review report on those statements (if any).

3. Material contracts and information about issue expenses

This section covers material contracts and terms entered into in relation to the Stock and/or Deposits. The following must be complied with unless no material contract has been entered into or the material contract was entered into in the ordinary course of business of FEI.

- (a) If the existence, or any of the terms, of a contract entered into by any Stockholder or Depositor is material information, then the register must contain:
 - the a copy or that contract; or
 - a summary of key terms of that contract (including the terms that are material information);
- (b) An estimate of the sum of the following (labelled as "Total estimated costs of offer and issue"):

- the total of the amounts paid or agreed to be paid by, or on behalf of, 1 or more relevant persons in connection of the Offer of the Stock or Deposits or the issue of those Stock or Deposits (or both); and
- the total value of all benefits given or agreed to be given by, or on behalf of, 1 or more relevant persons in connection of the Offer of Stock or Deposits or issue of those Stock or Deposits (or both)

4. Ongoing disclosure and updating register entry

1. The information to be lodged with the Registrar is as follows:

"Key ratios table" and "Other financial information table" as at the end of the most recently completed quarter (regardless of whether or not it is incorporated by reference in the PDS)

...within 20 working days after the end of each quarter.

2. If any of the following events occur (most will probably not be applicable for a debt security issuer):

- a person becomes or ceases to be a guarantor;
- a guarantee is materially changed;
- a new credit rating for the issuer, the issuer's holding company, or the debt securities is obtained (or an existing credit rating changes);
- the Issuer becomes subject to an insolvency event,

Then the following information must be made publicly available:

- a statement of the debt securities to which the information relates; and
- a brief description of the event; and
- a brief description of the implications of the event to assist an investor to assess its potential significance in terms of its impact on the investor's investment.

within 5 working days after the date of the event.

Schedule D - Effective Disclosure

The FMC Act requires an issuer to provide all material information relating to the Offer and issue of debt securities on the Disclose register.

The Act and Regulations does not specify exactly what other information must be provided, so it is up to FEI to determine what should be uploaded onto the register. Below provides some guidelines as to what may be appropriate to upload onto the register.

1. Information must be material to the Offer

The FMC Act requires any "material information" relating to an offer be lodged on the Disclose register. Information is "material" if it is information that a reasonable person would expect to, or be likely to, influence someone who commonly invests in financial products when deciding whether to acquire the financial products on offer. The information must relate to the particular financial products on offer or the particular issuer, rather than to financial products generally or issuers generally (s 59 of the FMC Act).

It is not possible to produce a definitive list of information that may be material to the Offer and issue of debt securities. You as the issuer should use a due diligence process to help you identify all the information material to the Offer and issue of debt securities. If immaterial information is uploaded onto the register, that information may be deemed false or misleading by the FMC Act.

2. Information must be clear and not misleading

Information may be false or misleading because of the form or context in which the statement or information is published, or by omission of any other information that is material in the form and context in which the information is published (s 13, FMC Act). Materiality of the information contributes to this criteria, but there are also other elements that you may need to consider when uploading documents so as to keep the information "clear and not misleading" by the FMC Act's standards. There is no one "correct" way to present documents in the "other information" section. However, below are some general do's and don'ts to keep in mind when uploading onto the register:

Describe

The Disclose register contains a section where you can add a short description of what a document contains. This is displayed to Disclose users and effectively helps them identify and find what they are looking for. It is therefore very important to clearly describe each document and ensure that the description does not mislead users about the actual content of the document. The filename of the document is also visible to users so make sure that name also accurately reflects the short description and content of the document.

Organise

Where "other material information" is grouped together in one or more documents, the grouping should follow a logical order. You can consider the frequency with which particular information may need to be updated when deciding how to group information in different documents.

Summarise

Where there are a large number of documents, a short summary explaining what documents have been uploaded may be useful. This summary document could organise the information into a logical order. It may include the filenames for each of the documents uploaded, and a brief description of the information in each document that matches the short form description used on the register.

Update

Information specified under the FMC Regulations must be kept updated while the Offer is still open. Other material information should also be kept up to date to avoid it becoming misleading over time.

Schedule E - Advertising Materials

1. Acceptable Advertising

FEI may at any time distribute the following documents in relation to its Offer of Stock and Deposit:

- (a) a PDS that has been lodged with the Registrar; and
- (b) a copy of any part of the Public Register or any document that is contained in the Public Register.

2. Advertising before Product Disclosure Statement is lodged

Before the Product Disclosure Statement is lodged with the Registrar, any advertisement in relation to FEI's Offer of Stock or Deposit may only be permitted if such advertisement contains a prominent statement (to the extent that it relates to FEI):

- (a) that no money is current being sought; and
- (b) that financial products cannot currently be applied for or acquired under the Offer; and
- (c) that, if the Offer is made, the Offer will be made in accordance with the FMC Act.

3. Advertising after Product Disclosure Statement is lodged

After the PDS is lodged with the Registrar, an advertisement is acceptable if it:

- (a) includes a statement that identifies FEI as the issuer of the Stock and/or Deposits;
- (b) includes a statement that indicates that the PDS for the Offer of Stock and/or Deposits is available and where and how it can be obtained; and
- (c) does not contain any information, sound, image, or other matter that is materially inconsistent with the PDS, or Public Register entry, for the Offer of Stock and/or Deposits to which it relates.

Annexure A - Pro forma Board Meeting Agenda

FE Investments Limited

1. **Apologies**
2. **Minutes from previous meeting**
3. **Matters arising from previous meeting**
4. **Finance**
 - Financial Plan tracking and review;
 - Audit.
5. **Compliance Officer's Report**
 - Checklist from Directors;
 - Spot checks undertaken by Compliance Officer;
 - Breaches of:
 - Non-bank Deposit Takers Act 2013;
 - Financial Markets Conduct Act 2013;
 - AML/CFT Act,
 - Trust Deed; or
 - PDS.
 - Complaints Register;
 - External Service Providers, breach of contracts.
6. **Product Disclosure Statement (PDS)**
 - Management reports on Risk assessment;
 - Risk assessment review;
 - Changes to circumstances;
 - Significant events.
7. **Details of any material changes warranting an amendment, addition, deletion or issue of supplementary document to the:**
 - Trust Deed;
 - FMA regulatory disclosures;
 - Risk Management Programme; or
 - Reserve Bank notifications.
8. **Non-bank Deposit Takers licence requirements:**

All terms and conditions are being adhered to by FE Investments Limited including:

 - credit ratings;
 - governance;
 - capital;
 - risk management programme;
 - related party exposure limits;
 - liquidity requirements;
 - suitability assessment of Directors and Senior Management; and
 - changes of ownership.
9. **Report on any area examined during the relevant period**
10. **Other Business**
11. **Date for next meeting**

Annexure B - Conflicts of Interest Policy

FEI Investments Limited (FEI)

Overview

This policy is designed:

- to define FEI's obligation and requirements as to managing conflicts of interest and related party transactions;
- to ensure the acceptance by FEI of its responsibility for this obligation;
- to establish arrangements to identify and assess such conflicts;
- to implement and monitor responses to such conflicts, and act on, and record any instance of non-compliance;
- to ensure that all representatives are familiar with and adhere to the conflict of interest policies of FEI;
- to ensure that all representatives are familiar with and adhere to the reporting of conflicts of interests; and
- to put in place measures to review and update these arrangements.

[Please note that it **does not** cover Related Party Exposure which is addressed in the Trust Deed]

1 Review

This policy will be reviewed by the Board not less than every 12 months. A report of the review, together with the recommendations, if any, will be tabled at the next meeting of FEI's board (**Board**). A table of the history of the reviews and amendments to this Policy appears at the end of this Policy.

2 Obligations

- 2.1** FEI as an issuer of debt securities accepts that it should have in place adequate arrangements for the management of conflicts of that may arise wholly, or partially, in relation to activities undertaken by FEI in the provision of financial services.
- 2.2** This specific conflicts management obligation is additional to the general obligations with which FEI must comply such as that it must:
- (a) do all things necessary to ensure that the financial services covered by the licence are provided efficiently, honestly and fairly;
 - (b) comply with its NBDT Licence;
 - (c) comply with financial services law including the Non-bank Deposit takers Act 2013 and Regulations (**NBDT Legislation**) and Financial Markets Conduct Act 2013 and Regulations (**FMC Legislation**); and
 - (d) comply with the other requirements and the relevant regulations.

3 Acceptance of responsibility

- 3.1 FEI accepts that as a financial services provider it is responsible for ensuring that it identifies potential and actual conflicts of interests.
- 3.2 What constitute adequate conflicts management arrangements will depend on the nature, scale and complexity of FEI business. These factors were considered by the Board in adopting and reviewing this policy.
- 3.3 The annual review of this section of this policy should ensure that changes to the nature, scale and complexity of FEI's business are reflected in this document on an ongoing basis.

4 Keeping of documentation

FEI must keep, for at least 7 years, records of:

- (a) conflicts identified and action taken;
- (b) any reports given to the Management team, Board or FEI shareholders about conflicts of interest matters; and
- (c) copies of written conflicts of interest disclosures given to investors or the public as a whole. Records will be kept in an electronic archiving systems.

Conflicts of Interest

5 Acknowledgement of principles behind the conflicts management and the benchmark and disclosure principles obligations

- 5.1 The Board believes that acknowledgement of the principles that sit behind the conflicts management obligation is necessary so that employees and representatives understand not only what they must and must not do, but also why these arrangements have been put in place.
- 5.2 Having adequate arrangements that deal with conflicts of interest assists in the promotion of consumer protection and maintenance of market integrity.
- 5.3 Whilst it is not the role of FEI to enforce this, FEI will do its part to ensure that the market it operates in, and the integrity of the market, is not disrupted by it.
- 5.4 In addition, adequate conflicts management arrangements help minimise the potential adverse impact of conflicts of interest on its investors.
- 5.5 The other benefit of complying with these arrangements is that it should help FEI ensure that the quality of its financial services is not significantly compromised by conflicts of interest.

6 What is a conflict of interest?

- 6.1 Conflicts of interests are circumstances where some or all of the interests of investors to whom an issuer provides financial services are inconsistent with, or diverge from, some or all of the interests of the licensee or its representatives. This includes actual, apparent and potential conflicts of interest.
- 6.2 The Compliance Manager is responsible for educating relevant staff and representatives to ensure they understand the meaning of "conflicts of interest".

7 In what context can a conflict of interest arise?

- 7.1 The conflicts management obligation relate to conflicts of interest that arise within the business of FEI as an NBDT and issuer of debt securities. It also applies to conflicts of interests that arise

between something within the business of FEI and something outside it. An example includes the situation where a conflict arises between staff or representative's personal interests and FEI's obligations to its investors. Such a conflict could arise where the employee, contractor or representative is an investor of FEI.

7.2 Some other situations that may give rise to a conflict of interest include situations where staff or representatives have:

- (a) Financial interests in a matter FEI deals with or are aware that friends or relatives have a financial interest in the matter;
- (b) Directorships/management of outside organisations;
- (c) Influence of Boards of outside organisations;
- (d) Personal relationships with people FEI is dealing with which go beyond the level of a professional working relationship;
- (e) Secondary employment, business, commercial, or other activities outside of the workplace which impacts on your duty and obligations to FEI;
- (f) Access to information that can be used for personal gain; and
- (g) Offer of an inducement.

7.3 Staff may be the only person aware of the potential for conflict. It is their responsibility to avoid any conflict from arising that could compromise their ability to perform duties impartially. Staff must report any potential or actual conflicts of interest to their manager.

7.4 If staff are uncertain whether a conflict exists, they should discuss that matter with their manager and attempt to resolve any conflicts that may exist.

7.5 Bribes or improper inducement must never be accepted.

7.6 A conflict may also arise where FEI has contracted for services in relation with a related or associated party. As at the date of adoption of this policy, FEI has not, and it is anticipated that it will not at a future date, enter into such a contract.

7.7 It does not, however, apply to conflicts of interest that occur wholly outside the financial services business of FEI. For instance, any potential conflict between the investment objectives of an investor and the objectives of FEI will not be considered by FEI unless FEI or a representative of it provided the financial product advice which led to the investment.

8 Do the conflicts management obligations apply to wholesale investors?

The conflicts management obligation applies equally to services provided to retail and wholesale investors.

9 Acceptance of the three mechanisms for managing conflicts of interest

9.1 The Board has considered and adopted, among other arrangements, three mechanisms for managing conflicts of interest preparing this policy.

9.2 Under the arrangements set out in this document, FEI has put in place procedures and processes for:

- (a) controlling conflicts of interest;
- (b) avoiding conflicts of interest; and
- (c) disclosing conflicts of interest.

9.3 These arrangements are set out in more detail below.

10 Policy for controlling conflicts of interest

10.1 In order to control conflicts of interest, FEI will put in place procedures to:

- (a) identify the conflicts of interest relating to the business of FEI;

- (b) assess and evaluate those conflicts; and
- (c) decide upon, and implement, an appropriate response to those conflicts.

- 10.2** The Board is responsible for carrying out the above policy in the manner specified below. The COO is responsible for ensuring that this occurs.

11 Controlling conflicts of interest - Procedures for identifying conflicts of interest

Board consideration

- 11.1** On adoption of this Policy, the Board identified a number of potential conflicts of interest within the financial services business operated by FEI and between the financial services business of FEI and investors of FEI.
- 11.2** Areas considered by the Board and marked for ongoing review included:
- (a) the remuneration practices of the business and ensuring that it operated efficiently, honestly and fairly;
 - (b) the fair treatment of all investors particularly where any action unfairly puts the interests of FEI ahead of investors.

Annual review

- 11.3** The Directors will consider and, if necessary, update the identifies conflicts of interest at the time that it reviews this policy or at such additional times determined by the Board. The COO, in consultation with the Compliance Manager is responsible for:
- (a) scheduling this agenda item at the relevant Board meeting;
 - (b) reviewing the complaints reporting prior to the Board meeting to identify any complaints that may indicate the existence of a conflict of interest that has not been previously considered by the Board; and
 - (c) updating the Board with their findings.

Itemising new conflicts on meeting agendas and calling emergency meetings

- 11.4** Where a new and material conflict of interest has arisen, or has been identified, during the course of the year, the COO, in consultation with the Compliance Manager, is responsible for placing that conflict of interest on the agenda for the next scheduled Board meeting.
- 11.5** If the conflict of interest identified is of a serious nature, the Compliance Manager must notify the COO or another Director of FEI immediately of the existence and nature of that conflict. It is for the Director to then decide whether to call an urgent meeting of Directors to consider the issue. If the Director does not call a meeting, the Compliance Manager must follow the procedures set out in paragraph 11.4.

Internal reporting

- 11.6** All Directors and staff are required and encouraged to report any new or potential conflicts of interest to the COO or the Compliance Manager. The COO or the Compliance Manager will discuss the conflict with the Board as required.
- 11.7** All Directors and staff must on commencement of employment, and at least every 12 months thereafter, disclose:
- (a) interests (including beneficial interests) in securities, of themselves and their related parties in entities providing services to FEI;
 - (b) interests (including beneficial interests) in FEI, of the Director or staff member or his or her related parties;
 - (c) any transactions that are:
 - (i) loans, leases, guarantees, or borrowing or leasing arrangements entered into with FEI by the representative's related parties; and
 - (ii) acquisitions of property from, or disposals of property to, FEI by such related parties;

- (d) the Director's or staff member's directorships of any company;
- (e) transactions in which interests in securities, or loans, are acquired by the representative or his or her related parties; and
- (f) any outside business interests of the representative.
- (g) Directors and staff will advise the Compliance Manager promptly of any changes to relevant interests such as Directorships, Partnerships, and Consultancies. Where a Director wishes to accept a new Directorship, Partnership or Consultancy during their term as a Director of FEI, that Director will discuss the matter with and obtain consent from the Board to accept that new Directorship, Partnership or Consultancy.

11.7.2 A pro forma **Disclosure of Personal Interests Declaration** is contained in **Schedule 1** to this section. The Compliance Manager will maintain, a central registry of all relevant interest disclosure documents. Failure to comply with the requirement to disclose and update the disclosure as required, without adequate reason, will be treated as a compliance breach.

12 Controlling conflicts of interests - Procedures for assessing and evaluating conflicts of interest

The Executive Directors together with the Chairman of the Board will be responsible for assessing and evaluating conflicts of interest. The Chairman of the Board will prepare a report including recommendations on how to deal with conflict of interests. The Chairman is entitled to seek external legal advice to evaluate such conflicts of interests. The Chairman's report (including any legal advice) shall be tabled at the next board meeting

13 Controlling conflicts of interests - Procedures for resolving conflicts of interest

13.1 The Board must decide upon, and implement, an appropriate response to new and potential conflicts of interests.

13.2 Depending on the circumstances and nature of any conflict of interest, it may be appropriate to:

- (a) disclose the conflict of interest to the relevant investor;
- (b) allocate another representative to provide the service to the particular investor;
- (c) decline to provide services the particular investor; or
- (d) initiate internal or external disciplinary action where warranted.

The above is not an exhaustive list. What constitutes an appropriate response to a particular conflict of interest will always depend on the facts and circumstances.

13.3 In considering what is an appropriate response the Board must have regard to the various duties that apply at law. For instance, the Directors of FEI have certain duties:

- (a) when exercising powers or performing duties as a Director, must exercise the care, diligence, and skill that a reasonable Director would exercise in the same circumstances taking into account, but without limitation,—
 - (i) the nature of the company; and
 - (ii) the nature of the decision; and
 - (iii) the position of the Director and the nature of the responsibilities undertaken by him or her;
- (b) to exercise their powers and discharge their duties in good faith, in the best interests of the company, and for a proper purpose; and
- (c) to not improperly use their position to gain advantage for themselves or someone else, or cause detriment to the company.

13.4 In addition staff and Directors have separate duties:

- (a) to act honestly;
- (b) to act in the best interests of investors and, if there is a conflict between the investors interest and the interests of FEI, give priority to the investors interest;
- (c) to not make use of information acquired through their role at FEI to gain an improper advantage for themselves or another person, or cause detriment to the investors of FEI;

- (d) to not make improper use of their position to gain, directly or indirectly, an advantage of for themselves or for any other person or to cause detriment to the investors of FEI; and
- (e) to take all steps that a reasonable person would take to ensure that FEI complies with the NBDT Licence conditions, and the Trust Deed.
- (f) From employee's perspective –Head of Compliance will assess the employee declaration and provide an approval if no conflicts occur.
- (g) If there is a potential conflict the matter would be addressed to the General Manger and seek approval.
- (h) If the General Manger is not able to approve, he would then seek Executive Directors and Board approval to resolve the potential conflict.
- (i) Once signed off, Head of Compliance will file the declaration and close the case.
- (j) A. We have issued a Conflict of Interest Policy to all employees in line with group conduct policy where all employees are required to be disclosing all "Directorships" any personal shareholdings and any other conflicting Interests they have with FEI. Employees are required to report any new or potential conflicts of interest to the Head of Compliance. These declarations will then be assessed if required, the Executive Directors will table any potential conflicts to the attention of the Board.
- (k) Related party and disclosure requirements are incorporated as part of the standing Board Agenda (monthly);
- (l) Disclosures and conflicts of interest are updated by FEI's directors at each monthly board meeting and minutes alongside an extensive directorship and shareholder register which is controlled by the Head of Compliance, Terence Miranda.

13.5 FEI itself must also comply with separate duties:

- (a) to act honestly;
- (b) to exercise the degree of care and diligence that a reasonable person would exercise if they were in FEI's position;
- (c) to act in the best interests of the investors and, if there is a conflict between the investors' interests and its own interests, give priority to the investors' interests;
- (d) to treat the investors who hold interests of the same class equally and investors who hold interests of different classes fairly;
- (e) to not make use of information acquired through FEI's business in order to gain an improper advantage for itself or another person or cause detriment to the investors;
- (f) to report to the Supervisor any breach or possible breach of its issuer obligations in a material respect and that has had, or is likely to have, a materially adverse effect on the interests of investors as soon as practicable after it becomes aware of the breach.

Schedule 1 (to Annexure B)

Disclosure of Personal Interests Declaration

Internal document to be provided on appointment and updated every 12 months



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Auckland
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FE Investments Limited Disclosure of Personal Interests

CONFIDENTIAL

Full Name: _____

Position: _____

1. Background

- (a) In accordance with the Code of Business Conduct Policy of FEIG each Director and Employee must make the following declaration, at any point in time that an actual or potential conflict arises and at least every 12 months. This disclosure is applicable to directors and employees of FEI.
- (b) This Disclosure of Personal Interests is essential to ensure that FEI continues to meet its regulatory obligation, maintains good governance and meets the industry best practice standards. It also forms part of the fit and proper assessment for Directors.
- (c) Please ensure that the declaration is completed by you and returned to the General Manager within 5 days.
- (d) If you are unsure of any question of as to how you should answer in your personal circumstances, you should discuss this with the General Manager.
- (e) The information on this document will be treated as confidential.



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2. Conflicts of Interest

- (a) A conflict of interest is a situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional interest. A conflict of interest occurs when a director, relevant officer or employee's interests interfere, or appear to interfere, with the Company's interests.
- (b) You agree that you have been provided with and have read and understand the Code of Business Conduct of the Company.
- (c) Do you have any conflict or potential conflict of interest (direct or indirect) that affects, or may affect, your proper performance of the duties of the position that you hold in the Company?

YES then please provide details of the actual or potential conflict as requested in section 3.

NO then please sign and date where indicated in Section 4,

3. Details of Actual or Potential Conflicts of Interest

Information is only required in respect of any actual or potential conflicts of interest.

- (a) Directorships include acting as a director of any company, including any trustee company.
- (b) Disclosure of securities owned or beneficially owned by you and your associates:
- (c) Transactions to be disclosed include any loan or lease contracts or borrowing or leasing arrangements, and any acquisition or disposal of property between the Company and your associates.
- (d) Any outside interest of the director or employee that is or could be a conflict of interest. Eg other employment, professional associations or relationships with other organisations, personal associations with other groups/organisations etc.



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(A) DIRECTORSHIPS

Date of Entry	Name of Company	Particulars of Change	Date of Change

(B) SECURITIES (shareholder, either listed or non-listed company)

Date of Entry	Description	% of Securities	Nature of Interest (e.g. direct/joint ownership, as trustee for minor)	Particulars of Change	Name of person registered (if not yourself)

(C) OUTSIDE BUSINESS ACTIVITIES

Describe in detail the nature of the business activity in which you are involved that is in addition to your involvement in the business of the Company.



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Could this activity involve any customers of the Company? YES NO

If Yes, then please describe:

.....

4. Declaration

I, _____, confirm that the information provided in this disclosure is complete, true and correct.

Signature:

Date:

Policy Review History

The following Table sets out the history of modifications to this *Disclosure of Personal Interest Policy* of the Compliance Manual as from 16 November 2018:

Version No.	Issue / Review Date	Reviewed by	Synopsis of Review	Board Adoption Date
1.00	16-11-2018	Compliance General Manager Executive Directors	Original version adopted by the Board of Directors of FEI.	22-08-2019

Schedule 2 (to Annexure B)

Disclosure of Directors Declaration



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FE Investments Limited FES/FEC disclosure register

CONFIDENTIAL

Full Name: _____

Position: _____

1. Background

- (a) In accordance with the Code of Business Conduct Policy and Corporate Governance Policy of FEI each Director must make the following declaration, on a monthly basis and sign the attached as part of the board meeting.
- (b) The information on this document will be treated as confidential.

(A) Income /Management Fees from Related Parties

Date of Entry	Name of Company	Particulars of Change	Date of Change

(B) Loan sold/advanced by FEI to Related Parties

Date of Entry	Description	Amount	From	To	Name of person registered (if not yourself)



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(c) OUTSIDE BUSINESS ACTIVITIES

Describe in detail the nature of the business activity in which you are involved that is in addition to your involvement in the business of the Company.

Could this activity involve any customers of the Company? YES NO

If Yes, then please describe:

.....

2. Declaration

I, _____, confirm that the information provided in this disclosure is complete, true and correct.

Signature:

Date:

The following Table sets out the history of modifications to this *Disclosure of Directors Interest Policy* of the Compliance Manual as from 16-11-2018

Version No.	Issue/Review Date	Reviewed by	Synopsis of Review	Board Adoption Date
1.00	16-11-2018	Compliance General Manager Executive Directors	Original version adopted by the Board of Directors of FEL.	12-08-2019

Schedule 3 (to Annexure B)

Disclosure of Staff & Directors Register

Staff Annual Disclosure Record				
Name	Position	Disclosure Received	Date Received	Comments
Philip Harkness	General Manager			
Terence Miranda	Head of Compliance			
Gayatri Sridhar	Head of Credit	Yes	20/11/2018	
Loiuse B	Credit Manager			
Louise C	Credit Controller	Yes	20/11/2018	
Carey Bliss	Head of Operations	Yes	19/11/2018	
Juri Zacest	Head of Leasetech			
Ketaki Bhosale	Territory Manager			
Darshi Sharma	Head of Finance			
Quentin Peng	Accountant			
Doreen Cai	Assistant Accountant			
Max Jiang	Senior Consultant			
Andrew Pike	Head of Lending	Yes	19/11/2018	
Cherry Chen	Head of Deposits			
Melinda Lew	Legal executive			

Directors Monthly Disclosure Record				
Name	Position	Disclosure Received	Date Received	Comments
January				
TK Shim	ED			
Mel Stewart	ED			
Marcus Ritchie	EL			
Andrew Schnauer	ID			
Jacob Pleog	ID			

Schedule 4 (to Annexure B)

Disclosure of Directors Interest Declaration



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Monthly FEI - Disclosure of Interest, Record Keeping & Management of Conflicts of Interest

I _____ a Director of FE Investments Limited hereby confirm and truly declare that I have disclosed all directorships details along with related party transactions and personal shareholdings to the best of my knowledge.

Please accept this letter as an acknowledgement to the Related Party & Disclosure Register.

Date:

Signature:

Annexure C: Compliance Process

FE Investments Limited (FEI)

1 Regulatory Compliance Manual

FEI's obligations under the FMC Act and NBDT Act are set out in the Compliance Manual which forms part of the Corporate Governance Manual. The Compliance Manual covers the following obligations

- Disclosure under Part 3 FMC Act;
- Governance of Debt Securities under Part 4 FMC Act;
- Financial Reporting under Part 7 FMC Act;
- Licensing Requirements under the NBDT Act.

2 Regulatory Compliance Processes

The Compliance Officer is responsible for establishing, implementing and reviewing processes for the following compliance requirements:

(a) Offer requirements

- Ensuring that changes to the Trust Deed are lodged with the Disclose register
- Ensuring that changes to the PDS are lodged with the Disclose register
- Ensuring that material information about the stock and deposits are disclosed and updated on the Disclose register

(b) Reporting to Supervisor

- Ensuring that regular reports are provided to the Supervisor including maintaining a reporting schedule
- Ensuring that any information request by the Supervisor is processed
- Ensuring that reports on any contraventions or serious financial problems are provided to the Supervisor

(c) Product Register/Record keeping

- Keep and update Product Register
- Ensure annual audit of Product Register
- Ensure that Inspection Requests and Document Requests are processed
- Keep records for at least 7 years

(d) Financial Records & Financial Reporting as an FMC Reporting Entity

- Keep proper accounting records that record FEI's transactions
- Keep accounting records in English and at registered offices
- Keep records for at least 7 years
- Make records available for inspection to the Directors, Supervisor, FMA, RBNZ or any other person authorised
- Ensuring preparation of financial statements
- Lodge financial statements with the Registrar

(e) Audit of Financial Statements as required under the FMC Act

- Ensure that audit is carried out by either licensed auditor or registered audit firm
- Ensure consultation with Supervisor before recommending appointment or reappointment of auditor Notify Supervisor if auditor resigns.

- Ensure that Supervisor had opportunity to be party to a specified engagement or has been consulted on the nature and scope of the specified engagement as further defined in the FMA Act and Regulations.
- Ensure that prescribed terms are included in the terms of the appointment
- Keep accounting records in English and at registered offices

(f) NBDT Licence Management

- Ensuring compliance with credit rating requirements
- Ensuring compliance with governing body requirements
- Ensuring compliance with the Risk Management Programme including approval from Supervisor
- Ensuring compliance with the financial requirements such as capital ratios, related party exposure and liquidity.
- Ensuring that the Reserve Bank is notified of any suitability concern
- Ensuring that Reserve Bank consent is obtained in case of change of ownership.

3 Review of the Compliance Process

- Upon any alteration to the law affecting any element of the process
- Upon Supervisor, FMA or RBNZ request
- Upon Compliance Officer's internal annual review. The Compliance Officer will report the results of the review to the Board.