

Broker Disclosure Statement

The important disclosures in this document are made to ensure that you have sufficient information to make an informed decision about whether to use the services of First NZ Capital Securities (FNZC). FNZC owns and operates the Direct Broking platform and service. Therefore, throughout this document, we refer to services provided by FNZC (rather than Direct Broking) and your client agreement (which comprises your personal information and your acceptance of FNZC's Terms & Conditions) is with FNZC rather than Direct Broking.

Name and Registration Number: First NZ Capital Securities Limited, FSP3202 (FNZC)
Address: Level 14, 171 Featherston Street, Wellington 6140
Telephone Number: 04-474-4400
This disclosure statement was prepared on: 1 October 2018

No Criminal Convictions, Disciplinary Proceedings, Adverse Findings, Bankruptcy or Insolvency

FNZC, its directors and any other principal officers have not been convicted of any criminal offence or of a crime involving dishonesty, nor been a director or principal officer of a body corporate at the time the body corporate committed any such crime or offence, nor been adjudged bankrupt or insolvent, nor prohibited by law or a Court from taking part in the management of a company or business, nor been the subject of an adverse finding by a Court or disciplinary body in any proceeding or actions taken against them in their professional capacities.

What should you do if something goes wrong?

If you have a problem, concern or complaint about any part of our service, you should make a complaint, preferably in writing, to the Compliance Officer at the street address above or by email to complaints@directbroking.co.nz, so that we can try to fix the problem. We will let you know when we have received your complaint and will generally respond to it within 20 Business Days.

If we cannot agree on how to fix the issue or if you decide, you can contact our external dispute resolution scheme, Financial Services Complaints Limited (FSCL). This service will cost you nothing and will help us resolve any disagreements. You can contact FSCL at:

Address: PO Box 5967, 4th Floor
Lambton Quay 101 Lambton Quay
Wellington 6145 Wellington 6145

Telephone number: (freephone) 0800 347257 or (Wellington) (04) 472FSCL (472 3725)

Email address: info@fscl.org.nz

If you have not already given FNZC the opportunity to resolve the complaint, FSCL will forward your complaint to us.

You can also complain directly to the Financial Markets Authority (FMA) at: www.fma.govt.nz Level 2, Grey Street, Wellington 6140 **Telephone:** (04) 472 9830

Professional Indemnity Insurance

FNZC maintains professional indemnity insurance cover at a level that it considers appropriate for the nature and risks of its business. The interest insured is Professional Indemnity insurance, provided by leading international insurers and is renewed annually. The cover extends to all business activities.

As with all insurance, these covers have limitations and are subject to certain exclusions.

Procedures for Dealing with Investment Money or Investment Property

Custody Service

Where you do not wish to hold securities in your own name and have elected to receive the Safe Custody and Nominee Service (see clause 9 (Safe Custody and Nominee Service (and Appendix I thereto)) of the FNZC client agreement), FNZC will register and hold securities on your behalf in the name of First NZ Capital Custodians Limited as bare trustee (Custodian) and/or any appointed sub-custodians. Currently, all securities in custody are held by sub-custodians: in New Zealand FNZ Custodians Limited, and the rest of the world Citibank N.A. Written terms and conditions in the FNZC client agreement apply to this service.

Investment money received from you or on your behalf will be held by FNZC in a Client Funds Account on trust on your behalf, unless and until it is disbursed to settle transactions on your behalf or otherwise distributed in accordance with your instructions.

FNZC administers assets belonging to clients in a fiduciary capacity. This is a key area of regulation under the Financial Advisers Act 2008 (the "Act") and the NZX Limited ("NZX") Participant Rules (the "Rules"). The main purpose of broker conduct obligations under the Act and the Rules is to ensure that FNZC accounts for, and safeguards, client assets at all times. The Act and the Rules dictate a high standard of custodianship and associated record keeping.

FNZC will not use money, securities or other property held on your behalf for the benefit of itself or any other person. Therefore, in the unlikely event of FNZC's default or insolvency, client assets will be protected from the claims of general creditors and, in the case of client money, from any right of set-off by the bank providing the Client Funds Account in which the money is held. The internal controls that govern the receipt, holding and disbursement of client assets are subject to audit by external auditors and internal compliance checks.

Where securities are registered and held on your behalf in the custody service, FNZ Custodians Limited, as a sub-custodian and administration agent for the Custodian, will carry out the following functions on behalf of FNZC:

- Administering and accounting for the securities;
- Claiming dividends and interest payments;
- Exercising conversion and subscription rights on your instruction;

- Dealing with takeovers and other offers or capital re-organisations on your instruction;
- Producing a statement of holdings for you at least every three months;
- Producing an annual tax statement for you.

General

By instructing FNZC, at any stage, to acquire securities, you agree that where you fail to pay the amount necessary to settle that transaction, FNZC and/or the Custodian may:

- Charge interest on the amount owing; and/or
- Set off the amount owing (with any interest charged) against a credit balance in your account, offset any payment against a credit balance held on your behalf in a cash management account or term deposit; and/or
- Sell securities (including any securities held on your behalf in the safe custody service) and set off the amount owing (plus any interest charged) against the sale proceeds.

Client Money - Use of Cash Management Trust and Term Deposits

Cash Management Trust

On request, FNZC will administer funds held on your behalf in a pooled client funds cash management trust ("CMT") with, subject to compliance with the Act, ANZ Bank New Zealand Limited (or any successor or other registered bank in New Zealand or elsewhere).

Establishment or account fees are not charged to clients for the (multi-currency) cash management facility. Instead, the interest paid to you on money held on your behalf in the CMT(s) reflects a margin deducted and retained by FNZC by way of mark-down from the rate of interest that is paid to us by the bank as the holder of the CMT(s) on behalf of clients. The margin taken is the difference between the rate of interest we pay to you and the rate of interest we receive from time to time. The rate of interest we pay to you will depend in part on the amount you hold on deposit and the rate of interest that applies to that tier amount. Generally, the smaller the amount deposited, the lower the rate of interest that is paid. For example, the lowest rate paid to clients might be 1.25% pa gross, and the highest might be 3% pa gross, on the amount deposited. Accordingly, the margin earned by FNZC will typically be greater on smaller sized deposits and smaller on deposits of a larger size, however that may vary from time to time.

The cash management facility includes provision of a monthly transaction statement, an annual tax statement (for use with your tax return) and, subject to standard settlement instructions, the automatic settlement of transactions in securities on your account (by payment from the facility for purchases and deposit to the facility of sale proceeds) and the inclusion of the money balance(s) in portfolio reports. Account fees are not charged for these items.

Further details about this service are in section 7 of the FNZC client agreement (which includes informed consent by the client to deduct the margin described above).

Term Deposits

In regard to term deposits, on request FNZC will administer funds held on your behalf on term deposit in trust with, subject to compliance with the Act, a registered bank in New Zealand or elsewhere. Break fees (typically at the minimum amount stipulated by the bank deposit taker and at least \$100 in amount) may be charged by us to clients who request to withdraw funds on term deposit before the maturity date. The interest paid to you on money so held or arranged on your behalf on term deposit reflects a margin deducted and retained by FNZC as a mark-down from the rate of interest that is paid to FNZC by the bank as the holder of the term deposit on behalf of the client. The margin taken by FNZC will be a minimum of \$40 and may be applied as either a basis points charge or as a set flat fee. For example, the charge on a \$25,000 deposit might be a minimum of \$50.

The deposit details including the gross interest rate paid to the depositor, deposit face value and date, maturity date and any brokerage and break fees will be shown on the term deposit confirmation note.

Sections 3.18 – 3.22 (Payment by You), 3.24 – 3.25 (Delivery of Securities by You), 7 (Cash Management Facility), 7A (Depository Accounts), and 9 (Safe Custody and Nominee Service (and Appendix I thereto)) of the FNZC client agreement set out the full terms that apply to the receipt, handling and holding of client money and client property on behalf of clients.

Record Keeping

We keep a full set of accounting records showing the receipt and disbursement of all money and the movement of all securities and any other property held on your behalf. You may request details of your own transactions at any time. Depending on the services selected by you, you may be granted online access to view your account transactions. We hold account records for at least seven years. A fee may be charged for historical information requests.

Auditing

FNZC is audited by external qualified auditors.

Fees, charges, remuneration and other matters

Appendix 1 (attached) describes other interests, relationships and associations that may be relevant. We also note that all fees described in Appendix 1 are exclusive of GST, if any.

Appendix 2 (attached) describes the fees and charges that may apply in relation to the broker service provided.

If you need to know more, where can you get more information?

If you have a question about anything in this disclosure document or you would like to know anything more about FNZC, please contact our client experience team on 0800 805 777 or email info@directbroking.co.nz.

If you have a question about financial services generally, you can contact FMA.

Appendix 1: Other Interests, Relationships and Associations

Does FNZC receive any remuneration from third parties in relation to the services that are provided to you?

In the course of transactions, FNZC may receive or earn:

- Trading profit where it has acted as principal for its own account as the counterparty to the trade;
- Fees and brokerage, including brokerage and trail commission from third parties;
- Margin on cash management call account and/or term deposit balances (as described above);
- Margin on exchange rates in respect of transactions involving foreign exchange (as described below); and
- In respect of new issues of securities, brokerage, placement and firm allocation fees from issuers of securities.

Fees, brokerage and trail commission paid to FNZC by third parties will vary by product provider and product type. The level and/or amount of such fees, brokerage and trail commissions will typically be set out in the product offer document.

Foreign exchange

As set out in clause 8 (Foreign Exchange) of the FNZC client agreement, where foreign exchange transactions are arranged at your instruction (either on a stand-alone basis or in regard to the settlement of a transaction in securities in the base currency for that security) we may take a margin on the exchange rate. The exchange rate disclosed on the contract note will be marked-up or marked-down from the rate at which FNZC transacted. The rate applied to you will be competitive for reason that it is derived from a wholesale rate. Clause 8 includes informed consent by the client to deduct a margin.

Role in issues of securities

In addition to the remuneration set out above, FNZC may receive organising broker fees, arranger and manager role fees, underwriting fees, and/or discretionary incentive/performance fees for its role in an issue of securities from the issuer.

What other interests, relationships and associations should you know about?

Transactions

First NZ Capital Securities Limited is a trading participant on NZX markets and a clearing and depository participant of the New Zealand clearing house and depository. Overseas market transactions are undertaken by execution, settlement and custody agents appointed by FNZC.

Financial interests

FNZC, its employees and associated persons of FNZC may have:

- A financial interest as a shareholder of FNZC;
- An investment or a direct pecuniary or other interest in securities (or related securities) mentioned

in research published by FNZC and other marketing material provided to investors;

- May have provided investment services in relation to such securities in recent times; and
- May have other financial interests in the matters mentioned in such research reports and marketing material or in securities offered to investors.

Specific interests, such as the role of FNZC in acting for an issuer of securities and the payment of brokerage and/or firm allocation fees by the issuer, are disclosed as appropriate in marketing material.

Investment banking business

FNZC, its related companies and affiliated persons and the Credit Suisse Group, do and seek to do investment banking business with companies whose securities FNZC gives investment advice on and in respect of which we undertake and/or arrange transactions on behalf of investors, and which are covered in the research reports and marketing material produced by FNZC. Specific interests, such as for example the role of FNZC in acting for an issuer of securities and the payment of brokerage and/or firm allocation fees by the issuer, are disclosed as appropriate in marketing material. In addition, it is possible that you will wish to subscribe for or buy or sell securities which FNZC has an investment banking role in relation to.

Appendix 2: Fees and Charges

What fees will you be charged by FNZC for the broker services provided to you?

Depending on the nature of the services required by you, FNZC, through the operation of Direct Broking, will charge fees for the administration of portfolios and the safekeeping of assets held in custody for you.

Cash Management Trust (CMT) Internet Rates

Brokerage

CMT internet rates are only available to CMT Account holders with sufficient cleared funds available to fully cover the purchase of securities prior to submission of the order.

For trades for New Zealand listed securities (other than debt securities) with a trade value of up to NZ\$15,000	NZ\$29.90
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For trades for New Zealand listed securities (other than debt securities) with a trade value exceeding NZ\$15,000:	
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(i) for the first NZ\$15,000; plus	NZ\$29.90
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(ii) for the portion of the trade value exceeding NZ\$15,000	0.20%
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Trades for Australian listed securities with a trade value of up to AU\$30,000	AU\$29.00
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For trades for Australian listed securities with a trade value exceeding AU\$30,000:	
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(i) for the first AU\$30,000; plus	AU\$29.00
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(ii) for the portion of the trade value exceeding AU\$30,000	0.30%
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Standard Internet Rates

Brokerage

Trades for New Zealand listed securities (other than debt securities)	NZ\$29.90 plus 0.40%
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Trades for Australian listed securities	0.70% or AU\$40.00 (whichever is greater)
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Telephone Rates

Brokerage

Trades for New Zealand listed securities (other than debt securities) with a trade value of up to NZ\$50,000	0.80% or NZ\$30.00 (whichever is greater)
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For trades for New Zealand listed securities (other than debt securities)	
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with a trade value exceeding NZ\$50,000:

(i) for the first NZ\$50,000; plus	0.80%
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(ii) for the portion of the trade value exceeding NZ\$50,000	0.40%
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Trades for Australian listed securities with a trade value of up to AU\$30,000	0.70% or AU\$40.00 (whichever is greater)
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For trades for Australian listed securities with a trade value exceeding AU\$30,000:

(i) for the first AU\$30,000; plus	0.70%
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(ii) for the portion of the trade value exceeding AU\$30,000	0.50%
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One-off Sale Rates

Brokerage

Trades for New Zealand listed securities (other than debt securities)	1.25% or NZ\$100.00 (whichever is greater)
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Trades for Australian listed securities	1.25% or AU\$100.00 (whichever is greater)
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Fixed Interest Investments - Telephone Rates

Brokerage

Bonds, Capital Notes, Redeemable and Perpetual Preferences Shares.

Trades for New Zealand listed and unlisted debt securities with a trade value of up to NZ\$50,000	0.50% or NZ\$30.00 (whichever is greater)
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For trades for New Zealand listed and unlisted debt securities with a trade value exceeding NZ\$50,000:

(i) for the first NZ\$50,000; plus	0.50%
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(ii) for the portion of the trade value exceeding NZ\$50,000	0.35%
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Trades for Australian listed and unlisted debt securities with a trade value of up to AU\$50,000	0.50% or AU\$30.00 (whichever is greater)
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For trades for Australian listed and unlisted debt securities with a trade value exceeding AU\$50,000:

(i) for the first AU\$50,000; plus	0.50%
(ii) for the portion of the trade value exceeding AU\$50,000	0.35%

Fixed Interest Investments - Internet Rates

Brokerage

Bonds, Capital Notes, Redeemable and Perpetual Preferences Shares.

Trades for debt securities listed on the NZDX with a trade value of up to NZ\$50,000	0.50% or NZ\$30.00 (whichever is greater)
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Trades for debt securities listed on the NZDX with a trade value exceeding NZ\$50,000:

(i) for the first NZ\$50,000; plus	0.50%
(ii) for the portion of the trade value exceeding NZ\$50,000	0.35%

NZ Trade Fees

Trade Fee

A trade fee applies to all trades where NZX telephone orders are given to ANZ Securities, and to all Fixed Interest Investment orders. The trade fee is in addition to brokerage and other fees and charges.

NZX Telephone Rates - Trades for New Zealand Securities that are listed on the NZX	NZ\$5.50 per trade
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Fixed Interest Investments - Trades for listed and unlisted debt securities issued in New Zealand.	NZ\$5.50 per trade
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US Custodial Trading Rates

Brokerage

Approved NYSE and NASDAQ Listed Securities

US Telephone and Internet Rates, per trade for each trade	0.60% or US\$69.50 (whichever is greater)
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An order, if filled completely, must result in a custodial position either worth greater than US\$500.00 (for both buys and sells) or worth US\$0.00 in the case of a sell.

UK Custodial Trading Rates	Brokerage
Approved LSE Listed Securities, trading in GBP, EUR and USD.	
UK Telephone and Internet Rates, per trade for each trade.	0.60% or £69.50 (whichever is greater)
Orders for listed securities denominated in currencies other than GBP on the LSE will be charged as follows:	
<ul style="list-style-type: none"> - For Euro denominated securities, €95 per trade; and - For US denominated securities, US\$140 per trade; or - 0.6% of the trade value, in each case whichever is the greater amount 	
Stamp duty will apply on all UK buy orders. UK stamp duty is currently 0.5% of the value of any transaction resulting in a change of beneficial ownership.	
An order, if filled completely, must result in a custodial position either:	
<ul style="list-style-type: none"> - Worth greater than £500.00, €500.00 or US\$500.00 depending on the currency the security is traded in (for both buys and sells); or - Worth £0.00, €0.00 or US\$0.00 (in the case of a sell) 	
Custodial Administration Fees	Fee
Custody fees, charged on aggregate holdings. Value calculated in relevant currency daily and charged in NZD following the end of each month. NZD amount calculated by reference to a notional foreign exchange rate sourced from an independent market data provider.	0.25% per annum (total holding)
A minimum administration fee of NZ\$5.00 is charged each calendar month on aggregate holdings.	NZ\$5.00 per month
Electronic transfer of securities into ANZ Securities Custody	No charge
Electronic transfer of securities out of ANZ Securities Custody	NZ\$100.00 per security