

Tower Limited

External Audit Independence policy

November 2019

Policy name	Tower Limited External Audit Independence Policy
Policy type	Board Policy
Policy preparer	Head of Finance
Policy owner	Board Chair
Policy applies to	Tower Limited, Tower Insurance Limited and its subsidiaries and related companies
Version number	3.0
Approver	Tower Limited Board
Date of approval	20 November 2019
Effective from	20 November 2019
Date of next review	November 2021
Policies replaced by this his document:	Version 3.0 November 2017

V	Date	Changes	Reasons for change	Author	Approved by owner
1.0	September 2010	Version control added Review dates updated	Annual stakeholder review	Gillian Weavers	August 2010
1.1	August 2011	Annual review	Update reference in item 3 to persons in roles having financial oversight	Bronwyn Walsh	August 2011
2.0	February 2015	Annual review and update for Tower group divestments	Update name of ARC Remove references to APRA and life insurance Update policy with reference to FMA Corporate governance handbook Update policy with reference to Auditor Regulation Act 2011 Reflect separate Tower Insurance Limited ARC	Jeremy Fergusson (Head of Finance)	
2.1	April 2015	Feedback from Board	Revision of guidelines regarding provision of services	Jeremy Fergusson (Head of Finance)	April 2015
3.0	November 2017	Amend to match terminology in current audit regulations Review for compliance with NZX Corporate Governance Code	2-yearly review	Jeremy Fergusson (Head of Finance)	November 2017
3.1	November 2019	None	2-yearly review	Angus Shelton (Head of Finance)	November 2019

1. Objective

Tower (defined as Tower Limited, Tower Insurance Limited, and its subsidiaries and related companies) recognises the importance to its shareholders and financial markets of ensuring the independence, quality and integrity of Tower's external auditor.

The objective of this policy is to ensure that external audit independence is maintained, consistent with regulatory and New Zealand Stock Exchange (**NZX**) requirements and current professional best practice.

2. Background

Oversight of Tower's external audit arrangements is the responsibility of Tower Limited and Tower Insurance Limited's Audit and Risk Committees. Ensuring that external audit objectivity, quality and independence are maintained is one of the key aspects in discharging this responsibility. This formal policy on external audit independence has been adopted by the Tower Limited Board to meet this requirement.

This policy covers the following areas:

- approval of external auditor;
- provision of non-audit services by Tower's external auditor;
- auditor rotation; and
- hiring staff from the audit firm.

Tower Limited appoints the external auditor on behalf of Tower Limited and Tower Insurance Limited, and signs the letter of engagement.

This Policy should be read alongside the Tower Limited and Tower Insurance Limited Audit and Risk Committee Terms of Reference, which sets out procedures for communication between the Tower Limited and Tower Insurance Limited Audit and Risk Committees and the external auditor.

3. Approval of external auditor

The Tower Limited Audit and Risk Committee (TLARC) shall only recommend a firm to be external auditor if that firm:

- is a registered audit firm in accordance with the Auditor Regulation Act 2011;
- would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgement on all issues encompassed within the auditor's engagement;
- has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team any member of Tower's management who has acted in a financial oversight role;
- does not allow the direct compensation of its audit partners for selling non-audit services to Tower; and
- agrees to relinquish any other contracts for services with Tower that are not allowed to be performed by an external auditor.

4. Provision of services by Tower's external auditor

4.1 Allowable services

Tower has a strict policy prohibiting its external audit firm from providing any other services.

Tower's external auditor may only complete statutory financial statement audit engagements and directly related assurance engagements. Directly related engagements include: assurance opinions on Solvency Returns; regulatory and other Pacific Island Insurance Act return audits; and opinions required by legislation such as shareholder meeting votes or proxy counts.

The TL ARC will monitor the provision of additional services through regular communication with the Chief Financial Officer and the external auditors. Should a situation arise which may require Tower's external audit firm to provide services beyond those described above, any such engagement must first be pre-approved by the TL ARC after investigation into the reasons for the provision of such services, and an assessment of any threat to audit independence or objectivity.

Where any non-statutory financial statement audits or directly related engagements are approved by the TL ARC, the ratio of 'other' service fees to core audit fees should be monitored by the TL ARC. Accordingly, the nature of services provided by Tower's external audit firm and the level of fees incurred should be reported to the TL ARC in detail on a half yearly basis to enable the TL ARC to perform its oversight role.

These prohibitions apply to all offices of Tower's external audit firm, including its overseas offices or affiliates.

4.2 Billing arrangements

The billing arrangements for services provided by Tower's external audit firm should not include any contingent fees (e.g. where a success fee is paid depending upon whether a transaction proceeds or not).

4.3 Certification

The external auditor shall annually confirm to the TL ARC their compliance with professional standards and ethical guidelines of Chartered Accountants Australia and New Zealand to evidence their competence. Further, the external auditor shall annually confirm to the TL ARC their continued independence and in particular confirm that they have not carried out any engagements during the year which would impair their professional independence.

4.4 Other procedural requirements

Regardless of Tower's policies, it is expected that Tower's external audit firm will rigorously comply with its own internal policies on independence and all relevant professional guidance, including independence rules and guidance issued by Chartered Accountants Australia and New Zealand; the NZX; the Financial Markets Authority (**FMA**); and other relevant overseas accounting bodies.

5. Auditor rotation

The continued appointment of Tower's external audit firm is to be confirmed annually by the TL ARC. A policy of regular rotation of audit firm is not mandated.

Rotation of engagement partner; other key audit partners and engagement quality review partner for Tower will be required every five years in accordance with the NZX and FMA guidance. Those partners will be subject to a five year stand down period following rotation.

It is expected that such a policy will be applied by Tower's external audit firm. Compliance with this requirement shall be reported to the TL ARC annually.

6. Hiring of staff from the audit firm

Hiring any former audit partner or any other member or former member of the external audit team by Tower must first be approved by the Chairman of the TL ARC. There are no other restrictions regarding hiring other staff from Tower's external audit firm.

7. Review of policy

This Policy will be reviewed every two years or more frequently if deemed necessary.