



# Tower Limited

## Risk Committee Terms of Reference

September 2020

## 1. Introduction

- 1.1** The Board of Directors of Tower Limited (the “Board”) has established the Risk Committee (the “Committee”) to assist the Board in fulfilling its responsibilities in respect of Tower Limited’s risk management framework and statutory compliance.
- 1.2** The Committee is a sub-committee of the Board. The Committee has no decision-making powers except where expressly provided by the Board; its role is to make recommendations to the Board, ensure that the Board is properly and regularly informed about risk, compliance, governance, statutory and regulatory matters relating to Tower Limited, to review risk management and capital frameworks and ensure that Tower Limited’s processes for managing risk are robust.
- 1.3** These Terms of Reference govern the Committee and replace any prior terms of reference and similar governing documents.
- 1.4** Terms used in these Terms of Reference have the meaning given to them in the Board Charter unless the context indicates otherwise.

## 2. Constitution

- 2.1** Provisions of Tower Limited’s Constitution relating to meetings, proceedings and quorum of Directors shall, so far as not altered by these Terms of Reference, apply to the Committee.

## 3. Functions and objectives

- 3.1** The primary functions and objectives of the Committee are to assist the Board to discharge its statutory duties and its oversight responsibilities in relation to the matters set out at paragraph 7.1. In general terms, this is achieved by monitoring the risk management processes and the compliance requirements for relevant statutes, regulations and Company policies, and reporting these matters to the Board.
- 3.2** Other Committee functions and objectives are to:
  - 3.2.1** Monitor the adequacy of surveillance measures within Tower Limited in relation to:
    - reliability and integrity of systems
    - the risk management framework and compliance requirements
    - fraudulent practice of any kind
    - the Codes of Conduct
  - 3.2.2** Be satisfied that Tower Limited is conforming to appropriate risk management and compliance practices.
  - 3.2.3** Review the effectiveness and efficiency of management processes.
  - 3.2.4** Handle any other matter referred to it by the Board.

## 4. General scope and authority

- 4.1 The Committee has no executive powers with regard to its findings and recommendations, except where expressly provided by the Board.
- 4.2 The Committee has all necessary access and authority to seek information from management to fulfil its objectives, duties and responsibilities.
- 4.3 The Committee also has the ability and is authorised to take such independent professional advice as it considers necessary. The Committee may arrange for external third parties with relevant experience and expertise to attend meetings, at the expense of Tower Limited, as it considers necessary.

## 5. Membership

- 5.1 The Board will annually confirm the membership and chairmanship of the Committee.
- 5.2 The Committee will comprise solely of non-executive Directors of Tower Limited.
- 5.3 The Committee will comprise of a minimum of three Non-Executive Directors, the majority of which are independent as assessed in accordance with the guidance issued by the Reserve Bank of New Zealand and other applicable guidance related to the Company from time to time.
- 5.3 The Chief Executive Officer will not be a member of the Committee.
- 5.4 At least one Committee Member will have an accounting or financial background.
- 5.5 New Committee members will undertake a robust orientation process to enable them to understand their role and responsibilities. Ongoing training will be provided as required.
- 5.6 Members of the Committee will be appointed for an initial term of two years, after which their appointment may be subject to annual rotation at the Board's discretion.
- 5.7 Election and removal of Committee members will be the responsibility of the Board and will occur by majority vote.
- 5.8 The Committee Chair will be appointed by the Board and will be an independent Non-Executive Director, who is not also the Chair of the Board.
- 5.9 Committee Members will be remunerated for their services. Such remuneration will be included in the shareholder approved remuneration cap.

## 6. Meetings

- 6.1 The Committee shall meet a minimum of three times per year. Meetings are scheduled to be held specifically to review internal risk and compliance programmes.

- 6.2** In addition, the Committee Chair may call a meeting of the Committee at his/her discretion or if requested to do so by any Committee member, the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer.
- 6.3** Any director of the Board or a Tower Limited employee may attend a meeting, provided that their attendance is at the invitation of the Committee.
- 6.4** Representatives from management will attend meetings at the invitation of the Committee Chair and provide such reports and information as the Committee requires. The Chief Executive Officer, Chief Financial Officer and Chief Risk Officer will usually represent management.
- 6.5** Reasonable notice of meetings and the business to be conducted will be given to members, along with briefing materials.
- 6.6** The quorum for any Committee meeting is two Committee Members and normal Committee voting procedures apply.
- 6.7** An appropriately qualified and experienced person will act as Secretary to the Committee. The Secretary is responsible for circulating the meeting agenda and supporting material to all Committee members and any other person advised by the Chair. The Secretary will prepare minutes of each meeting. Normal Committee distribution requirements for minutes, agendas and supporting material will apply.

## **7. Duties and responsibilities**

- 7.1** The Committee shall assist the Board in relation to:
- identification and management of risk.
  - internal control systems.
  - statutory, regulatory and Tower Limited's policy compliance, including compliance with regulation and the Insurance (Prudential Supervision) Act 2010 (**IPSA**).
  - Oversight of Tower Limited's Internal Capital Adequacy Assessment Process, Capital Management Framework, Risk Management Framework
  - Oversight of conflicts of interest with a particular focus on intercompany conflicts and the structure of Tower Limited's governance to ensure these are fit-for-purpose and meet IPSA and RBNZ requirements.
  - Policies reviews of documents not within the ambit of the duties and responsibilities of Tower Limited's Audit Committee.
- 7.2** The Committee's duties and responsibilities are to:

### **(a) General**

Consider and respond to any matters:

- relating to its functions, objectives, duties and responsibilities.
- referred to it by the Board.
- referred to it by the Chief Executive Officer, Chief Financial Officer or Chief Risk Officer.
- relating to emerging issues within Tower Limited and the sector.
- relating to its status as a licensed insurer under IPSA.

**(b) Risk Management**

- monitor the adequacy and effectiveness of Tower Limited’s risk management framework including reviewing reports from the Chief Risk Officer in relation to Tower Limited’s key risks and exposures and how they are being managed by reference to the Board’s risk appetite.

**(c) Statutory and Regulatory Compliance**

- monitor and review policies and practices established to comply with regulatory and statutory requirements and obligations including, but not limited to, the requirements of IPSA.
- review material non-financial compliance matters including training in key regulatory and compliance areas, contact with regulatory authorities, quality assurance reporting and litigation.
- receiving reports and recommending actions to be taken by the Board where appropriate to ensure that Tower Limited is in compliance with all legislative and reporting requirements.
- receiving reports and recommending actions to be taken by the Board where appropriate to ensure that Tower Limited is in compliance with all laws and regulation.
- obtain reports from management, legal advisers and external consultants on any legal or regulatory issues of significance.

**(d) Conflicts of Interest**

- monitor and review policies and practices established to avoid and manage conflicts of interest (pecuniary or otherwise) by Tower Limited, directors, management and staff.
- take an active interest in ethical considerations regarding Tower Limited’s policies, practices and Codes of Conduct.

**(e) Special Investigations**

- identify and recommend to the Board and/or Chief Executive Officer any special investigations deemed necessary to fulfil Committee functions, objectives, duties and responsibilities.
- investigate any matter itself, including matters relating to possible improprieties that are raised by any Tower Limited personnel. Matters may be raised through the Chief Risk Officer or Chief Executive Officer, or through Tower Limited’s Whistleblower process as set out in the Tower Limited Whistleblower Policy. Such matters will be treated in the strictest confidence.

**(f) Assessment**

- conduct an annual self-assessment of its objectives, responsibilities and Terms of Reference, and of the performance of the Committee as a whole.

**(g) Disclosure**

- Tower Limited’s Corporate Governance Counsel will ensure that the Committee’s Terms of Reference appears on the Tower Limited website.

**h) Other Duties**

- review other risk or regulatory issues as delegated by the Board.
- undertake other duties as delegated from the Board from time to time.

## 8. Reporting

- 8.1** The Committee Chair will report material findings and recommendations to the Board after each Committee meeting. The minutes of all Committee meetings will be circulated by the Secretary of the meeting to Non-Executive Directors of the Board.
- 8.2** The Committee will maintain direct lines of communication with the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, including those responsible for non-financial risk management. All parties are responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition or solvency of Tower Limited, any material breakdown in internal controls, any matters relating to breach of compliance requirements and any material event of fraud or malpractice.
- 8.3** The Committee Chair will submit an annual report to the Board summarising the Committee's activities, findings, recommendations and results for the past year. That annual report will include a report on the Committee's compliance with these Terms of Reference.
- 8.4** Tower Limited must identify the members of the Committee in its annual report to shareholders.

## 9. Review

- 9.1** The Committee will formally review these Terms of Reference every two years and confirm to the Board their appropriateness. Changes will be recommended to the Board for approval.