



Tower Limited

Charter of the Board of Directors

January 2021



1 Interpretation

1.1 This Charter is supplemented by Board and Director Protocols. In this Charter, unless the context indicates otherwise:

Act means the Companies Act 1993.

Board means the Board of Directors of the Company.

Chair means the Chair of the Board and is used in a gender-neutral sense.

Chief Executive Officer means the most senior executive role reporting directly to the Board and responsible for management of the Company, whether titled Chief Executive Officer, or similar.

Committees mean the Tower Limited Audit Committee, Risk Committee, Remuneration and Appointment Committee and any other Committee appointed by the Board from time to time (and **Committee** means any one of those Committees).

Company means Tower Limited and its subsidiaries.

Executive Leadership Team means Tower's executive team as constituted by the Chief Executive Officer from time to time.

IPSA means the Insurance (Prudential Supervision) Act 2010.

Non-Executive Directors means members of the Board, excluding any director deemed to be 'non-executive' in accordance with relevant policies, legislation or Stock Exchange Listing Rules.

Secretary means the Board Secretary or the person normally exercising the functions of a board secretary from time to time.

Shareholder(s) means the shareholder(s) of the Company.

Strategic Objectives means the strategic objectives of Tower, determined by the Board from time to time.

Tower means Tower Limited and related companies, which may change from time to time.

2 Board Governance

Governance

2.1 The Board is responsible for the performance of the Company, subject to the restrictions set out in this Charter. In practice, this is achieved through delegation to the Chief Executive Officer and the Committees.



- 2.2 The Chief Executive Officer is charged with the day-to-day leadership and management of the Company by way of delegations from the Board. The Chief Executive Officer is the principal representative of the Company's business operations, and manages and oversees the relationships between the Company and its customers and the relationships between the Company and other Tower companies. The Chief Executive Officer in turn sub-delegates certain roles and responsibilities to members of the Executive Leadership Team and to other employees from time to time in accordance with approved delegated authorities.

Constitution

- 2.3 Provisions of Tower Limited's constitution relating to meeting proceedings and quorum of directors will apply to the Board.

The Role of the Board

- 2.4 The primary role of the Board is to govern the Company, by ensuring that there is a proper governance framework in place to represent and promote the interests of shareholders with a view to enhancing growth and returns across Tower, adding long term value to the Company's shares. When fulfilling its roles and responsibilities, the Board is required to consider the interests of all shareholders, but in doing so it is expected that appropriate account should be taken of Tower's values, its relationships with significant stakeholders (including policyholders) and the communities and environment in which it operates.
- 2.5 The Board recognises that the Company, as a licensed insurer, is subject to IPISA and that this regime imposes specific governance requirements on licensed insurers, which are reflected in this Charter and the Company's Constitution.
- 2.6 The Board reserves to itself the principal roles and responsibilities in respect of the Company set out in Appendix 1.

Board composition

- 2.7 Requirements for Board composition are set out in the Tower Limited Board and Director Protocols.
- 2.8 A majority of the directors of the Company are to be independent. Independence shall be assessed in accordance with the guidance issued from time to time by the Reserve Bank of New Zealand and, while the Company is listed, NZX. At least two directors will be ordinarily resident in New Zealand.
- 2.9 The roles of Chair and Chief Executive Officer shall be separate. The Chair shall be an



independent, non-executive director. The position of Chair shall be reviewed annually.

Board certification

2.10 The Board's policy on Board tenure and certification is as follows:

- Directors will complete an annual certification as to independence;
- Directors will complete an annual fit and proper certification in accordance with the requirements of Tower's Fit and Proper Policy; and
- The skills, knowledge and experience of the Board shall be reviewed when there are outgoing Directors or proposed new appointments in order to ensure the Board has the full range of skills, knowledge and experience needed to govern the licensed insurer.

Meetings

2.11 The Board will meet a minimum of six times each calendar year and will hold additional meetings as the occasion requires. The Non-Executive Directors of the Board will meet together without management present at least once each year and at any other time requested by any independent Director.

2.12 The Company's constitution governs procedures at Board meetings.

2.13 At each meeting, the Board generally considers:

- a report from the Chief Executive Officer on overall Tower operations;
- financial matters, including reports on investment matters;
- matters relating to risks and issues at Tower, including legal issues or disputes;
- any specific proposals for capital expenditure and acquisitions;
- any major issues and opportunities for the Company or related companies;
- the latest entries in the conflicts and related party transactions registers;
- the latest Audit Committee Report and Risk Committee Report (if any);
- the latest Remuneration and Appointments Committee Report (if any);

In addition, the Board will, at intervals of no more than one year:

- review the Company's strategic objectives;
- review the strategies for achieving the strategic objectives;



- review the Company operating plans and budgets;
- review Tower's structure;
- approve the Company's annual and half-yearly financial statements;
- approve the Company's annual report;
- approve all Company financial and dividend policies;
- review the Board governance (including size, composition (considering range of skills, knowledge and experience), independence, structure, policies and succession, having regard to the size and nature of the Company) and delegations;
- review the role of Chair;
- review the fitness and propriety of the Directors;
- review the performance of, necessity for and composition of the Committees and the need for any additional Committees;
- undertake Board and individual Director evaluations;
- receive and consider reports from the Audit Committee and Risk Committee summarising:
 - each Committee's activities and findings;
 - each Committee's compliance with its Terms of Reference;
 - Tower's internal audit and external auditor's findings and performance (in the case of the Audit Committee); and
 - Tower's risk policies and performance (in the case of the Risk Committee Committee);
- receive and consider a report from the Remuneration and Appointments Committee on the:
 - Chief Executive Officer's performance and remuneration; and
 - Tower's remuneration policies and practices, including any employee share and incentive schemes;
- review Tower's Risk Management framework;
- review remuneration policies and practices in general;
- review Directors' remuneration;
- review Tower's insurance cover;
- review Tower's code of conduct and formal ethical standards;
- review Tower's donations and sponsorships; and



- review Tower's Health and Safety Framework.

2.14 Representatives from management will attend meetings at the invitation of the Board and provide such reports and information as the Board requires.

Board Committees

2.15 Committees of the Board are only formed when necessary to facilitate efficient decision-making.

2.16 Committees observe the same rules of conduct and procedures as the Board, unless the Board determines otherwise.

2.17 Committees only speak or act for the Board to the extent authorised.

2.18 The Board currently has three standing Committees, namely the Audit Committee, Risk Committee, and the Remuneration and Appointments Committee.

2.19 The purposes and membership of the standing Committees are set out in their Terms of Reference.

Role of the Appointed Actuary

2.20 The Appointed Actuary is a 'relevant officer' for the purposes of IPSA. The specific responsibilities of the Appointed Actuary under IPSA are set out in IPSA and in the solvency standards issued by the Reserve Bank of New Zealand. Under IPSA, the Company has a requirement to provide the Appointed Actuary with reasonable access to records. The Board will ensure that effective communication is maintained with the Appointed Actuary, in particular on financial, shareholder capital requirements and solvency matters, in order to support both the Board and the Appointed Actuary in their respective roles under IPSA.

Conflicts of interest

2.21 Conflicts of interest arising in relation to the Company are to be managed in accordance with the Tower Conflicts of Interest Policy and Related Party Transactions Policy.

3 Board Delegations

Chief Executive Officer's Role and Delegations

3.1 The Board delegates to the Chief Executive Officer, subject to the approved Delegations of Authority, all of its powers necessary for managing the day-to-day business affairs and operations of the Company and implementing the strategic objectives set by the Board.

3.2 All Board authority conferred on management is delegated through the Chief Executive Officer who is solely accountable to the Board for management performance so that the authority and accountability of management is considered to be the authority and accountability of the Chief Executive Officer, so far as the Board is concerned.

3.3 The Chief Executive Officer is authorised to make any lawful decision and take any action



within the limitations prescribed in the Delegation of Authority, directed at achieving the strategic objectives of the Company.

Board and Director Protocols

3.4 The Board adopts certain protocols for the Board and Directors. They provide guidance to the Board and Directors of both their roles and responsibilities, and the limitations imposed on their authority, in order to ensure compliance with overall Tower protocols and strategy.

4 Review

4.1 The Board will formally review this Charter every two years.



APPENDIX 1 – Board Roles and Responsibilities

The Board reserves to itself the following principal roles and responsibilities in respect of the Company.

- approving and overseeing implementation of Company strategic objectives, annual operating plans and financial targets, capital expenditure plans and the like;
- ongoing assessment and monitoring of performance, including management’s performance against strategic objectives, operating plans, financial targets and the like;
- approving all material changes and departures from approved Company strategic objectives, annual operating plans and financial targets and the like;
- governing the solvency, capital adequacy and liquidity of the Company;
- determining Company financial and treasury strategy and policies, including approving all dividend policies and distributions to shareholders, lending and borrowing, charging of assets, tax, investment and forex policies in respect of shareholders’ funds;
- determining the Company’s risk management policies, framework and profile, including the Company’s compliance with legal requirements and Tower policies and procedures;
- monitoring and reviewing the Company’s health and safety risks, determining the Company’s health and safety framework and policies, and monitoring compliance with these;
- managing conflicts of interest that arise in relation to the Company, including ensuring that any exposures to, and interactions with related parties are on arms’ length terms and conditions;
- approval of capital project expenditure in respect of the Company in excess of an amount to be determined by the Board from time to time;
- approval of operational expenditure (excluding commissions) in respect of the Company in excess of an amount to be determined by the Board from time to time, except if specifically provided for in the current and approved operating plan;
- approving the granting of all guarantees and indemnities that are other than in the normal course of business;
- approving company information technology strategy and policies;



- approving Tower Limited's annual and half-yearly financial statements;
- approving Tower Limited's half-year and full-year solvency returns;
- approving the annual financial statements and full year solvency returns of the subsidiaries of Tower Limited, where required;
- approving all transactions relating to major business and company acquisitions, mergers and divestments of the Company;
- approving all asset acquisitions and divestments in excess of an amount to be determined by the Board from time to time, except if specifically provided for in a current and approved business plan or in the normal course of business;
- settlement of legal proceedings other than in the ordinary course of business or for a sum in excess of an amount to be determined by the Board from time to time;
- setting the terms of reference for the Committees, the matters referred to the Committees and all like and related matters;
- receiving and acting on recommendations and reports from the Committees other than where instructed by the Board;
- approving participation in any political lobbying;
- making donations other than as specifically approved by the Board;
- the appointment and removal of any directors to the Board or to boards of subsidiary companies;
- the appointment and removal of the Appointed Actuary of the Company;
- approval of any new products and pricing except in accordance with the protocols approved by the Board from time to time;
- determination and regulation of policyholder rights;
- determining or limiting who may have access to the Committees; or determining or limiting who members of the Committees may have access to within Tower;
- entering into any arrangement to outsource operational or other activities of the Company;
- entering into any contract outside the normal course of business or for a term exceeding the period approved by the Board from time to time; and
- such other powers which may be reserved by the Board from time to time following consultation with the Chief Executive Officer.