



Tower Limited

Board and Director Protocols

January 2021

1. Introduction

- 1.1. These Protocols are established to facilitate the effective operation of the Tower Limited Board (**Board**) and its directors, and all of its subsidiaries and related companies and their directors, so that collectively and individually they add maximum value for shareholders and policyholders. The Remuneration and Appointments Committee will regularly review these Protocols for consistency with best practice and recommend any changes to the Board.
- 1.2. These Protocols align with Appendix 1 of the NZX Listing Rules; the NZX Corporate Governance Code (published in January 2020) ("**Code**"); the Financial Markets Authority's Corporate Governance in New Zealand Principles and Guidelines handbook (published in February 2018) and the Reserve Bank of New Zealand requirements for independence. They supplement Tower Limited's Board Charter and replace any existing policies where inconsistent.
- 1.3. Terms used in these Protocols have the meaning given to them in the Board Charter unless the context indicates otherwise.

2. Board Structure / Composition

- 2.1. Between them, the directors will have a range of skills, expertise and competencies that best allow the Board to operate effectively for the benefit of all Shareholders and policyholders. Collectively, the Board must have the necessary skills, knowledge and experience to understand the risks of each business which Tower Limited (**Tower**) and its subsidiaries operates, including each business's legal and prudential obligations. The Board may choose to adopt a skills matrix to assist with identifying required skills for new directors.
- 2.2. A majority of the Board will be independent directors (refer to paragraphs 2.6 and 2.7 below):
 - 2.2.1. The Board will regularly assess the independence of each director based on the interests disclosed by them.
 - 2.2.2. Directors considered by the Board to be independent will be identified in Tower's annual report and on Tower's website.
 - 2.2.3. Directors will advise the Board if their circumstances change such that their independence could be affected, and will, on request, provide all relevant information to the Chair to allow proper assessment of their independence. The market will be advised if an independent director loses that status.
- 2.3. The Chair will be elected by directors and will hold office until he or she dies or resigns or until the directors elect a chairperson in his or her place. The Chair will be an independent director.
- 2.4. The roles of Chair and Chief Executive Officer will not be exercised by the same person.
- 2.5. An independent director is a director who is not an employee of Tower and who has no Disqualifying Relationship. A Disqualifying Relationship means any direct or indirect interest, position, association or relationship that could reasonably influence, or could reasonably be perceived to influence in a material way, the director's capacity to:
 - 2.5.1. bring an independent view to decisions in relation to the Board;
 - 2.5.2. act in the best interests of Tower; and
 - 2.5.3. represent the interests of Tower's shareholders generally, having regard to the factors described in the NZX Corporate Governance Code 2020 that may impact director independence, if applicable.
- 2.6. Relationships that may impact a director's independence include but are not limited to:
 - 2.6.1. any financial or other obligation the director may have to Tower, its subsidiaries or its directors;
 - 2.6.2. being a Tower substantial product holder, or a senior manager, director or associated person of a Tower substantial product holder.

- 2.6.3. having a relationship (other than as a Tower director) with Tower or a Tower substantial product holder where, by virtue of the relationship, the director is likely to derive in Tower's current financial year more than 10% of his/her annual income.
- 2.6.4. where an associated person of the director has a relationship with Tower or a Tower substantial product holder where, by virtue of the relationship, the associated person is likely to derive in Tower's current financial year more than 10% of his/her or its annual revenue.
- 2.6.5. being an employee or executive of Tower or one of its subsidiaries within the last three years, or being a director after ceasing to hold such employment.
- 2.6.6. currently or within the last 12 months, holding a senior role in a provider of material professional services to Tower, or any of its subsidiaries. The Board will consider each situation on a case by case basis against quantitative and qualitative factors. In respect of quantitative factors, as a general rule, a material advisor or consultant is one that has received fees from Tower in excess of \$100,000 in any of the last three years.
- 2.6.7. currently or within the last three years, having a material business relationship (e.g. as a supplier or customer) with Tower or one of its subsidiaries, or a senior manager or director or otherwise associated with a material supplier or customer. The Board will consider each situation on a case by case basis against quantitative and qualitative factors. In respect of quantitative factors, as a general rule, a material supplier is one that has received revenue from Tower in excess of \$200,000 in any of the last three years, and a material customer is one that has provided revenue to Tower in excess of \$1,000,000 in any of the last three years.
- 2.6.8. currently or in the last three years, having a material contractual relationship with Tower or one of its subsidiaries, other than as a director of Tower. The Board will consider each situation on a case by case basis against quantitative and qualitative factors.
- 2.6.9. having close family ties with anyone in the categories listed above.
- 2.6.10. being a Board director for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Tower.
- 2.7. In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of Tower and to represent the interests of its shareholder's generally.
- 2.8. Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence and should be disclosed by directors to the Board.
- 2.9. A director must not vote on a Board resolution for, or be counted in a quorum for the consideration of, any matter in which that director is interested. For this purpose, the term "interested" bears the meaning assigned in section 139 of the Companies Act 1993. The Conflicts of Interest Policy has further information relating to the rules applicable to interested directors.
- 2.10. A company related to a Tower Substantial Product Holder will be regarded as a Tower substantial product holder.

3. Appointment of directors

- 3.1. The Remuneration and Appointments Committee will identify and recommend to the Board suitable candidates for appointment as directors, in accordance with the procedures set out in the Remuneration and Appointments Committee Terms of Reference. The Committee will consider a candidate's:
 - 3.1.1. experience as a director;
 - 3.1.2. skills, expertise and competencies, including in the financial services industry, and the extent to which they complement those of existing directors;
 - 3.1.3. independence;

- 3.1.4. relationships with Tower and other Tower directors;
 - 3.1.5. directorships held;
 - 3.1.6. ability to devote sufficient time to the directorship;
 - 3.1.7. ability to work constructively with existing directors in the best interests of all Shareholders;
 - 3.1.8. reputation and integrity; and
 - 3.1.9. any other relevant matters for both Tower and the candidate.
- 3.2. The Remuneration and Appointments Committee will undertake appropriate checks before appointing a person or putting forward to shareholders a new candidate for election, as a director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history. The Tower Limited Fit and Proper Policy sets out the process to be followed when assessing the fitness and propriety of Tower directors.
- 3.3. Tower will provide information to shareholders about directors seeking re-election at a general meeting to enable them to make an informed decision on whether or not to re-elect the director, including their relevant qualifications and experience and the skills they bring to the Board; details of any other material directorships currently held by the candidate; the term of office already served by the director; whether the director is considered to be independent; and a recommendation by the Board in respect of the re-election of the director. The information required by NZX Listing Rule 7.8.3 must be provided in the notice of meeting to consider a resolution to re-elect a director.
- 3.4. Tower will, in the case of a candidate standing for election as a director for the first time, provide information to shareholders about the candidate to enable them to make an informed decision on whether or not to elect the candidate, including material adverse information revealed by any checks the Remuneration and Appointments Committee has performed on the candidate, details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect the candidate's capacity to exercise judgement on board matters or to act in the best interests of Tower and its shareholders; the Board's view on whether the candidate will be considered to be an independent director; and a recommendation by the Board in respect of the election on the candidate.
- 3.5. A candidate for appointment or election as a Non-Executive director should provide the Remuneration and Appointments Committee with the information above and a consent for Tower to conduct any background or other checks it would ordinarily conduct. The candidate should also provide details of his or her other commitments and an indication of time involved, and should specifically acknowledge to Tower that he or she will have sufficient time to fulfil his or her responsibilities as a director.
- 3.6. New directors will sign a formal appointment agreement setting out the terms of the director's appointment. The agreement will include information about:
- 3.6.1. Tower's expectations of the director in his or her role;
 - 3.6.2. The director's expected time commitment to Tower (including other duties);
 - 3.6.3. Remuneration entitlements (including any superannuation included);
 - 3.6.4. Indemnity and insurance arrangements;
 - 3.6.5. The requirement to disclose interests that may affect the director's independence;
 - 3.6.6. A requirement to comply with corporate policies including the board charter, code of ethics and financial product dealing policy;
 - 3.6.7. The term of appointment;
 - 3.6.8. Ongoing rights of access to corporate information;
 - 3.6.9. The right to receive access to information for regulatory or litigation purposes for 6 years post leaving a Board; and

- 3.6.10. Ongoing confidentiality obligations
- 3.7. Agreements for Executive directors will include a description of their position, duties and responsibilities, and the person or body to whom they report.
- 3.8. In addition to the information contained in the appointment agreement, directors will be provided with a welcome pack containing the following documents:
 - 3.8.1. Overview of Tower's strategic focus.
 - 3.8.2. Board Charter, these Protocols, Tower's Code of Ethics, and all other relevant Board policies including those listed below.
 - 3.8.3. Tower's constitution.
 - 3.8.4. Last two Annual Reports.
 - 3.8.5. Insider Trading and Market Manipulation Policy.
 - 3.8.6. Corporate Disclosure Policy.
 - 3.8.7. Risk Management Programme.
 - 3.8.8. Deed relating to the directors' indemnity.
 - 3.8.9. Letter relating to disclosure of interests in Tower Securities.
 - 3.8.10. Chair's contact details.
- 3.9. Management, in consultation with the Remuneration and Appointments Committee Chair, will develop an induction process for new directors to assist them to participate fully and actively in Board decision making at the earliest opportunity. The Committee will review the effectiveness of the process from time to time.

4. Director Commitment

- 4.1. Each director will devote the necessary time to ensure they properly fulfil their obligations to Tower and its Shareholders. Directors will use their best endeavours to attend all meetings of Tower boards and committees of which they are members.
- 4.2. Directors will regularly review the demands on their time from non-Tower commitments and appointments, and their ability to devote the necessary time to their Tower obligations.
- 4.3. A director will advise the Chair before accepting a new appointment that could materially reduce their time available to fulfil their Tower obligations.

5. Procedure for Board, Committee and Director Evaluations

- 5.1. Evaluations of the Board, Committee and individual director performance will occur annually and may be carried out by an external consultant.
- 5.2. Where it is determined that an external consultant is required to assess Board, Committee or individual director performance, the Tower Board Chair, CEO and Company Secretary will work together to arrange for the engagement of an appropriate consultant. Consultants must be reputable. Assessments will take place in accordance with criteria agreed with the consultant, and should be conducted annually in accordance a timeline agreed between management and the Board Chair.
- 5.3. Each Board evaluation will be tabled at a Board meeting for discussion.

6. Remuneration

- 6.1. The Remuneration and Appointments Committee is responsible for assisting and advising the Board on Non-Executive director remuneration and the payment of other directors' fees. The Remuneration and Appointments Committee will develop a Remuneration Policy for remuneration of directors and senior managers in accordance with relevant guidance.

- 6.2. The total remuneration able to be paid to Non-Executive directors collectively by Tower (including Tower subsidiaries) must be approved by Shareholders.
- 6.3. Non-Executive directors will be paid for each Tower directorship held except where the directorship does not involve significant time commitment or where board meetings are combined. Additional remuneration is paid to members of certain Tower Committees.
- 6.4. Remuneration will be in the form of fees. Non-Executive directors will not receive options or bonus payments.
- 6.5. Tower directors will not receive retirement allowances in respect of services provided.
- 6.6. Executive directors will not receive additional remuneration on account of Tower directorships they hold.
- 6.7. All directors will be refunded by Tower (on presentation of receipts) for reasonable expenses incurred while on company business. Claims for expenses incurred by a director while on company business are to be sent to the Company Secretary (or similar position holders) who will refer any queries on such claims to the Chair of the Audit Committee.

7. Continuing Education and Training

- 7.1. The Company Secretary will bring to directors' attention:
 - 7.1.1. Relevant courses and conferences that may benefit some or all directors.
 - 7.1.2. Legal and other developments (for example, changes to Listing Rules, company law or insurance regulation) that affect director duties, responsibilities or liabilities.
 - 7.1.3. Material changes to corporate governance standards and best practice, and recommendations for any changes to Tower's corporate governance policies.
- 7.2. Each director is responsible for his/her continuing education to:
 - 7.2.1. Keep ahead of changes and trends in economic, political, social, financial and legal climates and governance practices.
 - 7.2.2. Enhance skills and competencies as a director, including compliance with the Institute of Directors' continuing professional development requirements.
 - 7.2.3. Enhance knowledge of Tower's industry and business environment.
- 7.3. Tower will, with the Chair's approval, meet the costs of relevant continuing education undertaken by a director, and related reasonable travel and accommodation costs incurred by the director.

8. Information sharing

Access to people/premises

- 8.1. Any requests for access to Tower people (including ELT and senior leaders) or premises are to be issued to the Tower Chair, copying in the Company Secretary.
- 8.2. The Company Secretary will undertake an assessment of reasonableness for the access request, including potential disruptions to the business and whether the request is for a proper purpose.
- 8.3. The Company Secretary will draft a response to the access request (and any protocols relating to information that may be provided during the course of such access) and provide that response to the Tower Chair to vet prior to responding to the request. If the access request is agreed to, the Company Secretary will engage with the director to arrange access.

Access to Board papers

- 8.4. The Company Secretary is responsible for the timely despatch of meeting agendas and Board papers, and for arranging Board meetings and required travel and accommodation. All directors have direct access to and can communicate freely with the Company Secretary.

- 8.5. Management are expected to provide the Board with information in a form, timeframe and quality to enable the Board to effectively discharge its duties.
- 8.6. All Board papers are shared with directors via Diligent Boardbooks, which has embedded security controls preventing insofar as possible the mis-use of information presented.
- 8.7. Prior to sending Board papers to the directors, the Company Secretary will make papers available to the Chair only via Diligent, at least 2 days in advance of the date they will be sent to the Board.
- 8.8. The Chair will indicate to the Company Secretary where any information or papers should be subject to potential redaction or other action.
- 8.9. The Chair will provide the Company Secretary with email approval when the papers are ready for release.

Other information requests

- 8.10. Directors may request additional information where that would assist informed decision making. Any requests for other information are to be issued to the Tower Chair, copying in the Company Secretary.
- 8.11. The Company Secretary will undertake an assessment of reasonableness for the information request, including confidentiality and whether the request is for a proper purpose.
- 8.12. The Company Secretary will draft a response to the access request and provide that response to the Tower Chair to vet prior to responding to the request. Paragraph 8.8 will apply, amended as required, to information requests under paragraph 8.10. If the information request is agreed to, the Company Secretary will issue the information to the director.

Confidentiality

- 8.13. All information acquired by a director is confidential to Tower and should not be disclosed either during their appointment or following termination (by whatever means) to third parties except as permitted by law and with prior clearance from the Tower Chair.
- 8.14. For the purposes of clauses 8.7 and 8.8 of the constitution and section 145 of the Companies Act, a director who is nominated by, or has special allegiance to, a particular shareholder or group of shareholders or other stakeholders, may only disclose information of the kind referred to in section 145 of the Companies Act to the nominating shareholder or other stakeholder with the written authority of the Chair and in accordance with any procedures prescribed in law, the constitution or confidentiality obligations owed to Tower.

Media requests

- 8.15. If any directors receive requests for information from the media, they must immediately forward such requests to the Tower Chair, copying in the Company Secretary.
- 8.16. The Chair will liaise with the CEO and Head of Corporate Communications and will formulate an appropriate response to the media query.

General communications with directors

- 8.17. All material communications with directors by Tower ELT, SLT, or other Tower staff must first be approved by the Chair.
- 8.18. The only exception to the above is where urgent Board approval is required for a continuous disclosure matter.

9. Company Secretary

- 9.1. The appointment and removal of the Company Secretary is a matter for the whole Board.
- 9.2. The Company Secretary is directly accountable to the Board on all matters to do with the proper functioning of the Board.

10. Independent Professional Advice

- 10.1. A director may obtain independent professional advice relating to the affairs of Tower or the discharge of his/her responsibilities as a director or Committee Member. Directors will inform the relevant Board or Committee Chair before they obtain independent professional advice.
- 10.2. Tower will meet the reasonable costs of such advice, subject to the Chair's approval.

11. Indemnity & Insurance

- 11.1. Directors are indemnified by Tower to the maximum extent allowed by New Zealand law. The indemnity is set out in regulation 13 of Tower's constitution.
- 11.2. Directors may approve Tower's changes to Directors' and Officers' insurance cover in accordance with regulation 13 of Tower's constitution, where they are satisfied that the cost of the cover is fair to Tower. Cover will be obtained on a Tower-wide basis unless there are good reasons for doing otherwise.

12. Review

- 12.1. These Protocols will be formally reviewed every two years.