

TOWER LIMITED CORPORATE GOVERNANCE STATEMENT

The Tower Limited (**Tower**) Board is committed to achieving the highest standards of corporate governance, ethical behaviour, and accountability and has implemented corporate governance practices that are consistent with best practice. Where developments arise in corporate governance, the Board reviews Tower's practices and incorporates change where appropriate.

This Corporate Governance Statement (**Statement**) supplements the Annual Report dated 22 December, 2021 and discloses the extent to which Tower has followed the recommendations of the NZX Corporate Governance Code (**NZX Code**) during the year ending 30 September, 2021 (**FY21**). This statement is current as at 30 September, 2021 and was approved by the Board on 21 December, 2021.

Governance Framework

Tower is a company incorporated in New Zealand under the Companies Act 1993 (NZ) (**Companies Act**), whose fully paid ordinary shares (**Shares**) are listed on the NZX Main Board and Australian Stock Exchange (**NZX** and **ASX**). As an ASX Foreign Exempt Listing, Tower is primarily regulated by the listing rules of its home exchange (being the NZX Main Board) and is exempt from complying with most of the ASX's Listing Rules.

Compliance

In addition to compliance with the NZX Listing Rules, Tower's corporate governance framework also requires compliance with the NZX Code. Tower is licensed to undertake general insurance business in New Zealand under the Insurance (Prudential Supervision) Act 2010 (NZ) (**IPSA**) and is required to comply with the requirements of IPSA. Tower is regulated by the Reserve Bank of New Zealand (**RBNZ**).

For the reporting period to 30 September 2021, the Board considers that Tower's corporate governance practices have materially adhered to the NZX Code, as outlined in this Statement.

The NZX Listing Rules require Tower to report against the NZX Code and explain any non-compliance with recommendations under the NZX Code. This Statement follows the structure of the NZX Code.

PRINCIPLE 1

CODE OF ETHICAL BEHAVIOUR

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Recommendation 1.1: *The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics). The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy.*

Tower is committed to acting responsibly and ethically, and meeting its legal and other obligations to shareholders, customers, employees and the wider community. Maintaining Tower's reputation for honesty and fairness is crucial to its success as a financial services business. To help achieve these goals, Tower has a Code of Ethics which sets out minimum standards of ethical behaviour. Tower's Directors, executives, employees and contractors must comply with Tower's Code of Ethics Policy which complies with the specific requirements of Recommendation 1.1 and is available on Tower's website (www.Tower.co.nz).

The behavioural expectations set out in the Code of Ethics include:

- Minimum standards of conduct and behaviour that Tower expects of its directors, executives, employees and contractors in all their business dealings
- Acting honestly, with personal integrity, and in the best interests of Tower, its shareholders and stakeholders
- Avoiding situations in which personal interests interfere or appear to interfere with the interests of Tower, and advising of any such conflicts
- Exercising proper receipt and use of Tower's corporate information, assets and property
- Taking appropriate action when giving and receiving gifts
- Adhering to internal whistleblowing procedures

The Code of Ethics requires any person who becomes aware of a breach or suspected breach of the Code to report it to their manager and the Head of Risk and Compliance or the People and Culture Team. Failure to comply with the Code of Ethics may lead to disciplinary action and, in serious cases, dismissal.

Tower has an internal Whistleblower Policy that provides protection to all persons who disclose a breach of the Code of Ethics.

The Code of Ethics is available to Tower's people on its staff intranet and website. Tower's internal document "How we Roll" summarises the material components of the Code of Ethics including the organisation's values, behavioural expectations including in relation to conflicts of interest, and the whistleblower process. Copies of the Code of Ethics and "How we Roll" are made available as part of the new staff onboarding and Director orientation processes.

Refresher training on Tower's "How we Roll" [planned for during the Financial Year] was postponed while a review of the Code of Ethics was completed. Training will be undertaken when the updated Code of Ethics comes into effect.

Recommendation 1.2: *An issuer should have a financial product dealing policy which applies to employees and directors*

Tower's Insider Trading and Market Manipulation Policy governs dealings in Tower's financial products. The policy is available on Tower's website (www.Tower.co.nz) and on Tower's staff intranet. Staff who are subject to bespoke restrictions on dealings in Tower's shares receive regular reminders about their obligations under the policy.

The policy applies to all Directors, officers, employees, consultants and contractors and sets out requirements in relation to financial product dealing, with the intention of protecting Tower's people from the risk of breaching insider trading and market manipulation laws. The policy reiterates the requirements of the insider trading laws and contains additional restrictions adopted by Tower's Board. These include a requirement on Directors and designated employees to obtain prior consent to trade, and the introduction of blackout periods where all trading is prohibited.

PRINCIPLE 2

BOARD COMPOSITION & PERFORMANCE

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Recommendation 2.1: *The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.*

Tower's Board operates in accordance with a written charter which sets out the roles and responsibilities of the Board. The Charter is available on Tower's website (www.Tower.co.nz). It provides that the primary role of the Board is to effectively represent and promote the interests of shareholders with a view to enhancing growth and returns across Tower and its subsidiaries, adding long-term value to Tower shares. The Board, when fulfilling its roles and responsibilities, is required to have appropriate regard to Tower's values, the concerns of its shareholders, policy holders, its relationships with significant stakeholders and the communities and environment in which it operates.



The Board reserves certain functions to itself. These include:

- Approving and overseeing the implementation of the company's strategic objectives, annual operating plans, financial targets and capital expenditure plans
- Ongoing assessment and monitoring of performance, including management's performance against the strategic objectives, operating plans and financial targets
- Approving all changes to the company's corporate structure, including tax and financial, where these are of strategic importance
- Determining company financial and treasury strategies and policies, including approving all dividend policies and distributions to shareholders, lending and borrowing, charging of assets, tax, and investment and foreign exchange policies in respect of shareholders' funds
- Approving capital expenditure, operating expenditure, asset acquisitions and divestments, and settlement of legal proceedings, in all cases where this is outside the normal course of business and/or above delegated limits
- Approving all transactions relating to major business and company acquisitions, mergers and divestments

The Charter provides that the day-to-day leadership and management of Tower is undertaken by the Chief Executive Officer and senior management. The Chief Executive Officer is solely accountable to the Board for management performance. The Chief Executive Officer has also formally delegated decision making to senior management within their areas of responsibility and subject to quantitative limits to ensure consistent and efficient decision making across the company. Senior management's powers under delegated authority are limited to the extent of the authority delegated to the Chief Executive Officer. Within this formal delegation framework those executives who report directly to the Chief Executive Officer have authority to sub-delegate certain authorities to their direct reports. The Board meets regularly with management to provide strategic guidance for Tower and effective oversight of management.

Please refer to page 90 of Tower's 2021 Annual Report for a description of indemnity and insurance provided to Directors and employees of Tower.

Recommendation 2.2: *Every issuer should have a procedure for the nomination and appointment of directors to the board.*

Tower's procedure for the nomination and appointment of Directors to the Board is set out in Tower's Remuneration and Appointments Committee (**RAC**) Terms of Reference. The RAC will identify and recommend to the Board suitable candidates for appointment as Directors. In considering the suitability of candidates, the RAC will assess, among other attributes, a candidate's:

- Experience as a Director
- Skills, expertise and competencies (the Board aims to have an appropriate mix of relevant skills on the Board, with particular competencies in the insurance and financial services sector) and the extent to which those skills complement the skills of existing Directors
- Ability to devote sufficient time to the directorship
- Reputation and integrity

To ensure Directors and officers have appropriate skills, knowledge, experience and integrity to perform their duties and to fulfil their roles, Tower has developed a Fit and Proper Policy benchmarked to the requirements of IPSA and the Fit and Proper Standard for Licensed Insurers, along with the Fit and Proper Policy Guidelines for Licensed Insurers issued by the RBNZ. All candidates for appointment are subject to Fit and Proper assessments prior to appointment. The Fit and Proper assessment considers a candidate's character, experience, education, criminal record, and credit history.

In the case of a candidate standing for election as a Director for the first time, Tower will provide information to shareholders about the candidate to enable them to make an informed decision when voting on the appointment, including:

- Any material adverse information revealed by any Fit and Proper checks
- 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 would qualify as an Independent Director
- If appropriate, a recommendation by the Board in respect of the candidate's election



Recommendation 2.3: *An issuer should enter into written agreement with each newly appointed director establishing the terms of the appointment*

All Tower Directors have entered into written agreements establishing the terms of their appointment.

These written agreements include information relating to:

- Tower's expectations of the Director in his or her role
- Expected time commitment to Tower (including other duties)
- Remuneration entitlements (including any superannuation included); and
- Indemnity and insurance arrangements.

Recommendation 2.4: *Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and director attendance at board meetings.*

Tower publishes information about its Directors in its Annual Report (see pages 26 and 27 of Tower's 2021 Annual Report) and on its website.

Director independence is assessed in accordance with the requirements for independence set out in Tower's Board and Director Protocols. Those independence requirements are benchmarked against the RBNZ and NZX independence requirements.

At 30 September 2021, the Board comprised of six non-executive directors, including one non-independent Director (Marcus Nagel, employed by Bain Capital Credit LP, Tower's largest shareholder at 30 September 2021) and five independent Directors. Tower's constitution requires a minimum of five Directors and permits a maximum of eight Directors.

Recommendation 2.5: *An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.*

Tower has a written Diversity and Inclusion Policy which embodies Tower's commitment to pursuing an inclusive and flexible workplace. The policy is available on Tower's website (www.Tower.co.nz). The Board is responsible for overseeing the implementation of Tower's Diversity and Inclusion Policy. On page 84 of Tower's 2021 Annual Report there is an assessment by the Board of Tower's performance against the Diversity and Inclusion Policy.

The Board set measurable diversity and inclusion objectives in August 2019 against which to measure Tower's performance under its Diversity and Inclusion Policy. The RAC has delegated responsibility to review the measurable objectives annually and provide a status report to the Board.

Diversity, inclusion and belonging are an integral part of Tower's culture. Tower's business operations are spread across 14 sites in 9 different countries and Tower recognises the value of its diverse employee population as an essential driver of performance culture, brand and shareholder returns. An inclusive environment improves the quality of decision making, enhances productivity, and creates innovation through collaboration. Tower's Board is committed to further developing an inclusive culture that encourages Tower's people to have opportunities to grow and perform to their highest potential.

All employees have the opportunity to work together to determine key initiatives that support the achievement of the objectives of the Diversity and Inclusion Policy.

We:

- Provide ongoing training and education to raise employee awareness of diversity and inclusion and associated benefits
- Ensure merit-based recruitment and selection, development and talent management approaches that encourage and support diversity and inclusion at all levels
- Create and maintain a flexible and inclusive work environment that values difference and enhances business outcomes
- Increase the focus on the diversity of our workforce at senior levels
- Encourage and recognise leadership behaviour that supports our belief in the value of diversity and inclusion

We have launched a new Diversity and Inclusion workstream which is focused on developing a clear road map for Tower including:

- Refreshing our Diversity and Inclusion strategy
- Development and definition of updated objectives
- Increased governance for our employee interest groups
- Consideration of how to leverage our diversity through commercial opportunities e.g., Targeted product and marketing

During FY21, Tower actioned a number of initiatives in line with Tower's Diversity and Inclusion objectives and celebrated the diversity of its people:

Leadership Development/Culture

A variety of People Leaders programmes (with great uptake in our women leaders) were introduced including:

- A leaders' programme for new People Leaders – a two-month programme made up of weekly two-hour learning sessions supported by online content. 64% of participants were women
- Leading Remotely for all People Leaders – one-hour remote sessions, we ran two sessions at the start of the first lock-down. 60% of participants were women
- The Pacific Leadership Programme - a three-month programme made up of weekly 30-60 minutes sessions, supported by online content and coaching sessions has run three times. 70% of participants were women.
- Unconscious bias workshops - delivered to 70 leaders across NZ and the Pacific, supported by a new unconscious bias e-learning module for all staff which is now part of our New Starter Induction requirements
- Domestic violence training - six employees were trained as Domestic Violence First Responders (training facilitated by SHINE) with the intention of creating a safe environment where employees experiencing domestic violence can seek help or information
- Utilising Workplace (Facebook for Work) to maximise events to all our employees across NZ and the Pacific
- Supported Pink Shirt Day to drive awareness of anti-bullying

Employee Resource Groups

- Reaccreditation of the Rainbow tick

Flexibility & Wellness

We have introduced a number of initiatives to allow employee flexibility and promote wellness:

- Flexible working arrangements/options with now over 70 employees working from home permanently.
- Accessibility — the new sustainable building on Fanshawe Street is a proud achievement and improves accessibility for staff with the provision of lifts, bike parks, bathrooms, wheelchair access, standup desks and its location generally, on Auckland Transport routes and close to multiple transport hubs.
- Marked Mental Health Awareness Week with education and tools to combat COVID-19 lockdown fatigue, alongside a mindfulness guest speaker webinar
- Full year calendar of events to celebrate multiple aspects of diversity across NZ and Pacific,

Recommendation 2.6: *Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.*

Directors are expected to develop their skills, competencies and industry knowledge and to take responsibility for their continuing education. In addition, Directors are regularly informed of developments that affect Tower's industry and business environment, as well as relevant company and legal issues. Directors receive comprehensive papers and briefing information before Board meetings, including reports from the Chief Executive Officer and senior management. Directors have unrestricted access to management and any additional information they consider necessary for informed decision making. Senior management also attend Board meetings, when required, in order to provide presentations to the Board and answer any queries Directors may have.

Recommendation 2.7: *The board should have a procedure to regularly assess directors, board and committee performance.*

The Board regularly reviews its own performance and that of the Board Committees in accordance with the terms of the Board Charter.

As at 30 September 2021 the Board was part way through a formal review, and this was concluded early in FY22.

Recommendation 2.8: *A majority of the board should be independent directors*

Five of Tower's six Directors are Independent Directors.

Tower has one Non-Independent Director (Marcus Nagel (who is employed by Bain Capital Credit LP, Tower's largest shareholder as at 30 September 2021).

Recommendation 2.9: *An issuer should have an independent chair of the board. If the chair is not independent, the chair and the CEO should be different people.*

Tower's Chair is responsible for leading the Board, facilitating the effective contribution of all Directors and promoting constructive and respectful relations between the Board and management. The Chair of the Board is elected by the Directors. The Board supports the separation of the roles of Chair and Chief Executive Officer, and these roles are separate at Tower. Michael Stiasny was appointed Chair of Tower on 21 March 2013 and is independent.

PRINCIPLE 3 BOARD COMMITTEES

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

Recommendation 3.1: *An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not the chair of the board*

Tower has a separate Audit Committee, which operates under a written terms of reference which is available on Tower's website.

During FY21, the members of the Audit Committee were:

Graham Stuart (Chair), Michael Stiasny, Steve Smith, Warren Lee, Wendy Thorpe, Marcus Nagel.

The terms of reference for the Audit Committee require that the committee must comprise of a minimum of three Directors, with all members being non-executive Directors. The majority of the Committee must be independent. At least one Committee Member must have a financial or accounting background. The Board appoints the Chair of the Committee, who cannot also be Chair of the Board, and must be an Independent Director.

The Audit Committee has the following duties and responsibilities as set out in the terms of reference:

- Ensure processes are in place so that the Board is regularly informed about significant financial matters relating to Tower
- Review Tower's draft half yearly and annual financial statements and reports
- Obtain reports from management, external audit, legal counsel or internal audit on any regulatory, accounting or financial reporting issues of significance
- Review adequacy of accounting policies and actuarial methodologies
- Recommend the appointment and removal of, and oversee the performance of, the external auditor and be satisfied as to the auditor's independence to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired
- Review internal control systems and internal audit
- Monitor and review compliance with regulatory and statutory requirements and obligations
- Monitor the internal audit function and receive regular reports from the internal auditors on risks, exposures and compliance
- Maintain unrestricted and direct lines of communication with the external and internal auditors

The Committee meets with the external auditors at least twice per year and has regular contact with the internal audit function.

The Chair of the Committee provides an annual report to the Board summarising the Committee's activities, findings, recommendations and results for the past year.

Recommendation 3.2: *Employees should only attend audit committee meetings at the invitation of the audit committee*

The terms of reference of the Committee state that a Tower employee may only attend a meeting by invitation of the Committee. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, General Counsel and Company Secretary attend all Audit Committee and Risk Committee meetings by standing invitation, but do not always stay for the entire meeting.

Recommendation 3.3: *An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee*

Tower has a Remuneration and Appointments Committee which operates under a written terms of reference which is available on Tower's website (www.Tower.co.nz).

During FY21 the members of the Remuneration and Appointments Committee were:

Michael Stiasny (Chair), Graham Stuart, Steve Smith, Warren Lee, Wendy Thorpe, Marcus Nagel.

The Remuneration and Appointments Committee advises the Board in respect of a number of matters, including:

- Performance management and appraisals for individual Directors' performance and any training requirements
- Performance evaluations of the Board Committees and the Board as a whole
- Review of Directorships in terms of ongoing compliance with relevant NZX Listing Rule and NZX Corporate Governance Code requirements
- The Board's composition, structure and succession planning
- The Chief Executive Officer and senior executive appointments, performance appraisal and remuneration

The terms of reference for the Committee require that the Committee comprises of a minimum of three suitably qualified non-executive Directors, the majority of whom are independent. The Board appoints the Chair of the committee, who will be an independent, non-executive Director.

Following each meeting, the Chair of the Committee reports material findings and recommendations to the Board. The Chair is also required to provide an annual report to the Board summarising the Committee's activities, findings, recommendations and results for the past year.

Management may attend committee meetings by invitation only. The Chief Executive Officer, Chief People Officer, General Counsel, and the Company Secretary have a standing invitation to attend the Remuneration and Appointments Committee meetings, but may be excluded from the meeting from time to time as appropriate.

Recommendation 3.4: *An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors*

Tower's Remuneration and Appointments Committee carries out the functions of a nominations committee. The Committee's authority, duties, responsibilities and relationship with the Board are set out in the Committee's written terms of reference which is available on Tower's website (www.Tower.co.nz). Tower's Board considers that due to its size and the nature of Tower's business, and because all Board members are members of the Committee it is appropriate for its remuneration and nomination committees to be combined as an alternative governance practice.

The terms of reference require the Committee to include a minimum of three suitably qualified non-executive Directors, the majority of whom are independent. It is the committee's responsibility to make recommendations to the Board on, among other things, the appointment and remuneration of Directors.

Recommendation 3.5: *An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.*

In addition to the Audit Committee and the Remuneration and Appointments Committee, Tower has a Risk Committee. This Committee also operates under a written terms of reference.

In FY 21 the members of the Risk Committee were:

Warren Lee (Chair), Michael Stiasny, Graham Stuart, Steve Smith, Wendy Thorpe, Marcus Nagel.

Other committees are established from time to time to examine specific issues as required by the Board. During FY21, the Audit Committee established a Disclosure sub-committee which met once on 17 May 2021. The members were Graham Stuart (Chair), Michael Stiasny, Steve Smith, Warren Lee, and Wendy Thorpe. During FY21, Tower's Board established a Results sub-committee which met twice on 25 November 2020 and 26 May 2021. The members of the Results sub-Committee were Michael Stiasny (Chair), Graham Stuart, and Steve Smith.



Member attendance at Board and Committee meetings during the year ended 30 September 2021 is set out below:

| | TOWER LIMITED BOARD | AUDIT COMMITTEE | RISK COMMITTEE | REMUNERATION AND APPOINTMENTS COMMITTEE | DISCLOSURE SUB-COMMITTEE | RESULTS SUB-COMMITTEE |
|------------------|---------------------|-----------------|----------------|---|--------------------------|-----------------------|
| Meetings held | 17 | 4 | 8 | 4 | 1 | 2 |
| Michael Stiassny | 17 | 4 | 8 | 4 | 1 | 2 |
| Steve Smith | 16 | 4 | 8 | 4 | 1 | 2 |
| Graham Stuart | 16 | 4 | 8 | 4 | 1 | 2 |
| Warren Lee | 17 | 4 | 8 | 4 | 1 | N/A |
| Wendy Thorpe | 17 | 4 | 8 | 4 | 1 | N/A |
| Marcus Nagel | 15 | 4 | 8 | 4 | N/A | N/A |

Recommendation 3.6: *The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee*

Tower's Board has a takeover response manual which sets out actions to be taken in the event of a takeover offer or third-party approach. The manual covers the establishment of a response committee, communications during the different phases of an offer, and how to prepare for an independent adviser's report.

PRINCIPLE 4 REPORTING & DISCLOSURE

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Recommendation 4.1: *An issuer's board should have a written continuous disclosure policy.*

Tower has a Corporate Disclosure Policy which is available on Tower's website (www.Tower.co.nz).

Tower recognises that public confidence in Tower is based on continuous, full and open disclosure of information about its activities to the market and relevant stakeholders. Tower's Corporate Disclosure Policy provides for a planned, proactive communication programme with shareholders and the wider investment community to encourage their participation and interaction with Tower. Tower believes this communication programme assists in creating a fully informed market and enhances shareholder value. The policy explains the respective roles of Directors, officers and employees in relation to:

- Complying with Tower's continuous disclosure obligations
- Safeguarding the confidentiality of corporate information to avoid premature disclosure
- External communications, including analyst briefings
- Responding to or avoiding the emergence of a false market

The policy provides that only authorised spokespersons can communicate on behalf of Tower with the investment community, shareholders and the media.

Tower makes the following regular announcements to the market and shareholders:

- Annual results in November each year
- Annual reports in December each year
- Notice of Annual Shareholders' Meeting each year in December or January
- Annual Shareholders' Meeting is generally held in February or March
- Half year results in May each year

Recommendation 4.2: *An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.*

The following key governance documents are available at the Investor Centre section of Tower's website, (www.tower.co.nz/investor-centre).

- Tower Limited Constitution
- Corporate Governance Statement
- Board Charter
- Board Protocols
- Audit Committee Terms of Reference
- Risk Committee Terms of Reference
- Remuneration and Appointments Committee Terms of Reference
- Insider Trading and Market Manipulation Policy
- Corporate Disclosure Policy
- External Audit Independence Policy
- Director and Executive Remuneration Policy
- Code of Ethics
- Diversity and Inclusion Policy
- Health and Safety Policy

Recommendation 4.3: *Financial reporting should be balanced, clear and objective.*

Tower's audited financial statements are included in the Annual Report and are prepared in a manner that is balanced, clear and objective. They have been audited by Tower's external auditors, PricewaterhouseCoopers (PwC), and comply with all relevant financial reporting requirements including under the Companies Act 1993, Financial Markets Conduct Act 2013, and the NZX Listing Rules.

Tower has a structure to independently verify and safeguard the integrity of its financial reporting. The principal components of this are the operation of the Audit Committee, the reviews undertaken by external and internal auditors, and the certifications provided to the Board by senior management. These certifications include a representation letter from the CEO and CFO provided to the Board prior to the Board's approval of Tower's financial statements, certifying that, to the best of the CEO and CFO's knowledge and belief, adequate accounting records have been maintained, that Tower's accounting policies and financial statements comply with the appropriate accounting standards, and that the financial statements fairly represent the financial position of Tower as at the balance date. The letter is provided on the basis that Tower has maintained an internal control structure which is sufficient to produce reliable accounting records.

Recommendation 4.4: *An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.*

Tower has provided some non-financial disclosure reporting on environmental, economic and social sustainability factors and practices as recommended by the NZX Code. Tower has conducted a carbon audit of its New Zealand and Pacific operations and has disclosed its full carbon footprint. A focus for FY21 was to establish Tower's environmental, social and governance (ESG) framework with a view to adopting sustainability measures to record, measure and report against these going forward. Tower developed its ESG framework and a carbon action plan with science-based targets which was approved by the Board in December 2021. Tower will report on this annually against the following goals:

- To have a diverse and inclusive workplace that builds people's physical and emotional wellbeing
- To provide no-surprises, easy to understand insurance that is accessible and affordable
- To champion informed dialogue about climate change and pursue win-win outcomes that tackle sustainability issues
- To move all aspects of our business towards zero-carbon and zero waste, as well as looking across all aspects of our business to ensure we are having a positive impact on Aotearoa and the Pacific, now and in the future.

Current areas of focus and recent activity include:

- Diversity and inclusion: achieving Rainbow Tick re-certification, achieving SHINE (Safer Houses New Zealand) accreditation, introduction of a flexible work from home policy, aligning people policies with ESG standards, and incorporating ESG issues into learning and development.
- A trusted insurance partner: plain-English policies that are easy to understand, transparent risk-based pricing, reducing barriers through digital access, innovative new products that foster sustainability.
- Navigating climate change - scholarships for Waikato University Bachelor of Climate Change degree, university partnerships and paid internships to advance climate hazard data research, partnership with NZ Coastguard, improving access to hazard data in the Pacific.
- Reducing our carbon footprint - measured carbon footprint for NZ and Pacific operations, developed a carbon action plan with clear deliverables and actions, moved our Auckland corporate head office to a NZGBC 6 star rated building, transitioned to a hybrid fleet, put waste management practices in place..

PRINCIPLE 5 REMUNERATION

“The remuneration of directors and executives should be transparent, fair and reasonable.”

Recommendation 5.1: *An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.*

The Board's approach is to remunerate Directors at a similar level to comparable Australasian companies, with a small premium to reflect the complexity of the insurance and financial services sector.

At the Annual Shareholders' Meeting in February 2004 shareholders approved a maximum payment of NZ\$900,000 per annum for director fees. In February 2021 at Tower's Annual Shareholder Meeting, Tower's Board Chair announced that, following a review of current non-executive director's fees practices by Ernst & Young, the Board had agreed to raise directors' fees. The total payment remained below the maximum of \$900,000 approved by shareholders in 2004, so the decision did not require a shareholder vote.

Tower seeks external advice when reviewing Board remuneration. The Remuneration and Appointments Committee is responsible for reviewing Directors' fees. The Committee's terms of reference require that any Director remuneration package is required to be clearly expressed to shareholders, including an explanation of the reasons for that compensation.

Non-executive Directors are paid fees for sitting on certain Board committees, and these fees are included in the fee they receive for acting as a Director of Tower.

Director remuneration is disclosed on page 85 of Tower's 2021 Annual Report.

Recommendation 5.2: *An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.*

Tower has a Director and Executive Remuneration Policy which is available on Tower's website (www.Tower.co.nz). The policy details matters for consideration when setting remuneration levels.

Director remuneration

Board members receive an annual cash fee for the time and expertise they provide to the Tower Board. There is no performance-based component to director remuneration. Fees may also be paid to a Director for sitting on a Board committee or a board of one of Tower's subsidiaries, and these fees are paid included in the fee they receive for acting as a Director. The Chairs of the Board, the Audit Committee, and the Risk Committee received a higher fee than other Directors, which reflects the additional responsibility and accountability associated with those roles. Directors fees are paid from a total available pool.

Executive remuneration

The Chief Executive Officer and other key executives receive market-based remuneration packages comprising a blend of fixed and incentive-based remuneration with clear links between individual and company performance, and reward. The Remuneration and Appointments Committee reviews the remuneration packages of the Chief Executive Officer and other senior executives at least annually. This approach is intended to encourage Tower's executives to meet Tower's objectives. The weightings and criteria applicable to incentive-based remuneration may change on an annual basis to reflect the needs of the business. On this basis the policy does not contain the weightings and criteria applicable to incentive-based remuneration. The Board considers it appropriate for the variable remuneration component for senior executives to be weighted differently each year depending on the needs of the business. This alternative governance practice has been approved by the Board.

Recommendation 5.3: *An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short-term incentives and long-term incentives and the performance criteria used to determine performance-based payments.*

The CEO's remuneration arrangements are disclosed in Tower's 2021 Annual Report at page 86.

PRINCIPLE 6 RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Recommendation 6.1: *An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.*

Risk management framework

Tower has established a framework to identify, assess, monitor and manage exposure to risk. The framework applies to Tower and all of its subsidiaries and related companies, and all staff and contractors employed by Tower and any of its subsidiaries. At the forefront of this are the internal audit and compliance processes, and the risk management process for each operating company. Tower faces a range of risks that are inherent to the business activities undertaken. Executive and senior management and staff must be able to demonstrate that reasonable steps have been taken to effectively manage Tower's risks.

Tower maintains a risk register which records the likelihood and impact of relevant risks on Tower's business. Tower's Risk and Compliance team actively monitors the risk register, identifies key risks and notes steps taken to mitigate the risks. A Risk and Compliance report is provided at each Risk Committee meeting so that the committee is aware of the relevant risks and how they are being managed.

Tower's Board has adopted a Risk Appetite Statement, which articulates the amount and type of risk that Tower is willing to take in order to meet its strategic objectives and provides direction to management on how to manage risks.

The Risk Committee regularly reviews the risk management procedures and framework to ensure that they comply with relevant legal obligations. The Risk Committee is responsible for assessing whether Tower has any material exposure to any economic, environmental and social sustainability risks, and to develop strategies to manage any such risks, and present such strategies to the Board. For the reporting period to 30 September 2021, no material exposure to these risks was identified.

Tower is also committed to ensuring its risk management framework and processes ensure fair customer outcomes. As part of Tower's internal Conduct and Culture review, Tower identified several areas to strengthen its risk management and governance frameworks to effectively manage conduct risk.

Recommendation 6.2: *An issuer should disclose how it manages health and safety risks and should report on its health and safety risks, performance and management.*

The health, safety and wellbeing of Tower's people is a key Board priority. Management provide regular monthly updates to the Board on health and safety performance and the Board is directly involved in site visits to ensure processes and procedures are upheld. In FY21 some scheduled site visits could not be undertaken by the Board due to government restrictions imposed in response to Covid -19 pandemic.

Tower employs a Health and Safety Advisor to assist with the implementation and socialisation of policies and processes relating to health and safety. In addition, Tower has designated health and safety representatives at each of its sites in New Zealand and the Pacific and a monthly Health and Safety Committee meeting is held in New Zealand and a separate meeting for all the Pacific Countries. All of Tower's people are required to complete a health and safety e-learning module when they begin with Tower, and extensive information about health, safety and wellbeing is available on Tower's staff intranet. Additional health and safety training is undertaken by all Tower people in the field, including site assessors. Tower has robust health and safety standards in place for contractors and third-party providers.

Tower has a Health and Safety Management System where incidents are reported and investigated.

PRINCIPLE 7 AUDITORS

“The board should ensure the quality and independence of the external audit process.”

Recommendation 7.1: *The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures (a) for sustaining communication with the issuer's external auditors; (b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired; (c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; (d) To provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.*

The framework for Tower's relationship with its external auditors is set out in the terms of reference of Tower's Audit Committee and in Tower's External Audit Independence Policy, which are both available on Tower's website (www.Tower.co.nz). These include procedures in relation to the matters described in (a) to (d) of Recommendation 7.1.

The Board is fully committed to ensuring the quality and independence of the external audit process. As part of this process, Tower encourages full and frank disclosure and discussions between the Board, Tower's internal auditors, management and our external auditors, PwC.

PwC was re-appointed as auditor by shareholders at the Annual Shareholders' Meeting in February 2021 to audit the financial statements for Tower and its subsidiaries. PwC has acted as Tower's external auditor since 2003. PwC's Karen Shires was appointed lead audit partner starting with the audit for FY19. A formal engagement letter with PwC sets out the respective obligations and responsibilities of PwC and Tower in relation to the preparation and audit of financial statements.

Tower's External Audit Independence Policy covers the provision of non-audit services to Tower by the external auditor. The policy describes the Board's process for the approval of Tower's external audit firm; the services that the external auditor may and may not provide to Tower; auditor rotation requirements; and the hiring of staff from the audit firm. The Board reviews external auditor quality and effectiveness by reference to obligations described in the policy. Tenure and reappointment of the external auditor is managed through compliance with relevant legislation and NZX and Financial Markets Authority guidance.

The Board mitigates any potential threat to auditor independence by regulating the services that Tower's external audit firm can provide for Tower. Allowable services are limited to statutory financial statement audit engagements and directly related assurance engagements (including assurance opinions on solvency returns; regulatory return audits; and opinions required by legislation such as shareholder meeting votes or proxy counts). Should a situation arise which may require Tower's external audit firm to provide services beyond these, any such engagement must first be pre-approved by Tower's Audit Committee.

Under the policy, PwC is required to provide the Audit Committee with an annual certification of its continued independence, and in particular confirm that it has not carried out any engagements during the year which would impair its professional independence. The policy is overseen by the Audit Committee. The external auditor generally attends two Audit Committee meetings per year.

Details of PwC's fees for audit and other services provided to Tower are set out in Tower's financial statements on page 70 of the Annual Report.

Recommendation 7.2: *The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.*

Tower's external auditor attends the Annual Shareholders' Meeting each year and shareholders are given an opportunity to ask questions of the auditor regarding the conduct of the audit and preparation and content of the auditor's report.

Recommendation 7.3: *Internal audit functions should be disclosed.*

Tower has an internal audit function which is governed by the Tower Internal Audit Charter. The purpose of this charter is to define the responsibility of the internal audit function and to ensure that Tower and its subsidiaries establish and maintain an effective internal control framework.

The mission of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and to improve Tower's operations by providing risk-based and objective assurance,

advice, and insight. The Internal Audit function assists Tower to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control processes and governance processes. This includes the examination and evaluation of the adequacy and effectiveness of Tower's governance, risk management process, system of internal controls, and the quality of performance in carrying out assigned responsibilities to achieve Tower's stated goals and objectives.

The Internal Audit function reviews the company risk profile regularly and proposes adaptations to the internal audit plan accordingly. The Head of Internal Audit will review and adjust the plan, as necessary, in response to changes in the Company's business, risks, operations, programmes, systems, controls and the economy. Any significant deviations from the approved internal audit plan will be communicated to the Audit Committee through quarterly activity reports and updates.

The Internal Audit function is managed within the Risk, Compliance and Assurance function under the Chief Risk Officer, whilst maintaining full and free access to the chairperson of the Audit Committee and the Board.

PRINCIPLE 8 SHAREHOLDER RIGHTS & RELATIONS

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Recommendation 8.1: *An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.*

Tower's website (www.tower.co.nz) provides information to shareholders and interested stakeholders about Tower. The website includes copies of past annual reports, results announcements, media releases (including NZX and ASX announcements) and general Tower information, including the documents described in Recommendation 4.2 and other information described in Recommendation 8.1.

Recommendation 8.2: *An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.*

Tower encourages shareholders to receive communications from, and send communications to, Tower and the share registry electronically, for reasons of speed, convenience, cost and the environment. Tower shareholders can receive company information electronically by registering their email addresses online with Tower's share registry www.investorcentre.com/nz.

Tower's shareholders can contact Tower at investor.relations@tower.co.nz.

Tower has an investor relations programme and policies in place to encourage investor participation at meetings.

Recommendation 8.3: *Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested.*

Tower confirms its compliance with the Companies Act 1993 and NZX Listing Rule requirements in respect of obtaining shareholder approval. In accordance with the NZX Listing Rules, voting at meetings of shareholders is conducted by poll.

Recommendation 8.4: *If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.*

Tower did not undertake a capital raise during FY21. However, if Tower were to seek additional equity capital in the future, it would take into account Recommendation 8.4.

Recommendation 8.5: *The board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.*

For its most recent annual meeting, Tower issued its notice of meeting on 22 January 2021 which was more than 20 working days prior to the Annual Meeting held on 23 February 2021.

Tower's next shareholder meeting will be held on 2 February 2022 and a notice of meeting was issued on 22 December 2021.