



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. Tower believes that good corporate governance is important, as it protects the interests of all stakeholders and creates and enhances value over the short and long term. Tower regularly reviews its corporate governance systems.

This Corporate Governance Statement (**Statement**) supplements the Annual Report dated 16 December 2022 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 2022 (**FY22**). This statement was approved by the Board on 16 December 2022.

Governance Framework

Tower is incorporated in New Zealand under the Companies Act 1993 (NZ) (**Companies Act**). Its 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 Corporate Governance Code. Tower is licensed to undertake general insurance business in New Zealand under the Insurance (Prudential Supervision) Act 2010 (**IPSA**) and is required to comply with the requirements of IPSA. Tower is regulated by the Reserve Bank of New Zealand (**RBNZ**) and the Financial Markets Authority (**FMA**).

For the reporting period to 30 September 2022, 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 Conduct, which is a Board approved policy that sets out the standards and expectations for how Tower's directors, executives and employees must act, behave and make decisions, to uphold Tower's values.

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



- acting honestly, with integrity, and treating people with care, respect and empathy
- protecting Tower's reputation, identifying conflicts of interest and managing them responsibly
- compliance with the law, internal policies and procedures, and upholding Tower's values
- striving to meet the expectations of our stakeholders, including shareholders, customers and regulators.
- speaking up.

Tower has a Whistleblower Policy that provides protection to all persons who speak up in accordance with the Protected Disclosures Act, or any replacement legislation, or otherwise to identify wrongdoing in or by Tower.

The Code of Conduct is available to Tower's people on its staff intranet and website. Copies of the Code of Conduct are provided as part of new staff onboarding and director induction processes. Tower's people are required to complete training on the Code of Conduct annually, and there are regular communications on, and training in, conduct issues.

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 and on Tower's staff intranet. Staff who are subject to Tower specific restrictions on dealings in Tower's shares receive regular reminders about their obligations under the policy, which is reviewed every two years, or as required.

The policy applies to all directors, officers, employees, consultants and contractors of Tower and its subsidiaries. It sets out requirements in relation to financial product dealing. The policy reiterates the requirements of the insider trading laws and contains additional restrictions adopted by Tower's Board. These include a requirement for 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 is elected by our shareholders and is accountable to them for Tower's performance. It is responsible for Tower's strategic direction and operation and has delegated certain responsibilities to the Chief Executive. It operates in accordance with a written Charter which sets out its roles and responsibilities. The Charter is reviewed every two years, or as required and is available on Tower's website. 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 several functions to itself. A full list of these functions can be found in the Charter.

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 Board maintains a set of delegated authorities that clearly define the responsibilities delegated to management and those retained by the Board. These delegated authorities are subject to review and approval by the Board annually. The Board meets regularly with management to provide strategic guidance for Tower and effective oversight of management.

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.

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. The Board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates.

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 range of factors relevant to a candidate's character, including 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

On appointment, each director signs a written agreement that outlines the terms of their appointment. These written agreements include information relating to:

- The role of the Board
- Tower's expectations of the director in his or her role and independence and disclosure requirements
- Shareholding qualification requirements
- Expected time commitment to Tower (including other duties)
- Remuneration
- 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 64 and 65 of Tower's 2022 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 2022, the Board comprised of five non-executive directors, including four independent directors and one non-independent director (Marcus Nagel, an advisor to Bain Capital Credit LP, Tower's largest shareholder on 30 September 2022). Tower's constitution requires a minimum of five Directors and permits a maximum of eight Directors.

Geraldine McBride was appointed as a non-executive independent director with effect from 1 October 2022. Warren Lee retired from the Board on 30 November 2022, and as at the date of this statement there are five directors, comprising four non-executive directors and one non-independent Director.

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 providing an inclusive and flexible workplace where our people are encouraged to be themselves. 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, which was updated in 2021, and provides the framework for diversity and inclusion initiatives at Tower. On page 130 of Tower's 2022 Annual Report there is an assessment by the Board of Tower's performance against the Diversity and Inclusion



Policy.

Diversity, inclusion and belonging are an integral part of Tower's culture. Tower's business operations are spread across 14 sites in 8 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. Diversity is considered across a range of factors including gender, religion, ethnicity, disability, age and sexual identity.

Tower:

- provides ongoing training and education to raise employee awareness of diversity and inclusion and associated benefits
- ensures merit-based recruitment and selection, development and talent management approaches that encourage and support diversity and inclusion at all levels
- creates and maintains a flexible and inclusive work environment that values difference and enhances business outcomes
- has increased the focus on the diversity of our workforce at senior levels
- encourages and recognises leadership behaviour that supports its belief in the value of diversity and inclusion.

During FY22, Tower actioned several initiatives in furtherance of its Diversity and Inclusion objectives and celebrated the diversity of its people, including by establishing an emerging talent program, to provide growth opportunities for our people and a diverse pipeline of talent into the business, with the aim of over time, increasing diversity across all levels at Tower.

Tower has introduced several initiatives to allow employee flexibility and promote wellness. In addition to supporting individual employees, these initiatives help to create a more inclusive workplace. Among the initiatives are the development of Te Whare Tapa Whā wellbeing model, focusing on taha wairua (spiritual wellbeing, taha hinengaro (mental and emotional wellbeing), taha tinana (physical wellbeing, taha whanau (family and social wellbeing). Tower has also introduced wellbeing leave, to replace sick leave, and the ability to purchase eight annual extra leave days a year, together with a paid day off to celebrate birthdays.

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 understand the company's operations and develop their skills, competencies and industry knowledge and to take responsibility for their continuing education. All new directors participate in tailored induction programmes to become familiar with Tower's business and industry. Board strategy days are held on an annual basis to consider matters of strategic importance. 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 to provide presentations to the Board and answer any queries directors may have.

Each director maintains a register of their own training and provides a copy of that register to the Company to assist in the assessment of ongoing training requirements.

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 and the relevant Committee terms of reference.

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

Five of Tower's six directors as at 30 September 2022 were independent. The Board confirmed that those five directors met the formal criteria for "independent directors" according to the NZX Listing Rules, the NZX Corporate Governance Code and the Financial Markets Authority and RBNZ guidelines.

Tower has one Non-Independent Director (Marcus Nagel, who is an adviser to Bain Capital Credit LP, Tower's largest shareholder as at 30 September 2022).

Directors consider their independence on an annual basis, and report on any change in their interests as required.

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 roles of Chair and Chief Executive Officer are separate at Tower. Michael Stiassny 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."

The Board has established committees to perform work and provide specialist advice in particular areas. The committees review and analyze policies, strategies and performance and provide recommendations to the Board on certain matters.

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 FY22, the members of the Audit Committee were:

Graham Stuart (Chair), Michael Stiassny, Steve Smith (retired 1 February 2022), Warren Lee (retired 30 November 2022), 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 meets at least 3 times a year and 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, if considered appropriate, 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's Remuneration and Appointments Committee operates under a written terms of reference, which is available on Tower's website.

During FY22 the members of the Remuneration and Appointments Committee were:

Michael Stiassny (Chair), Graham Stuart, Steve Smith (retired 1 February 2022), Warren Lee (retired 30 November 2022), Wendy Thorpe, Marcus Nagel.

The Remuneration and Appointments Committee assists the Board with:

- 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 is an independent, non-executive director.

Following each meeting, the Chair of the Committee reports its activities and recommendations to the Board. The Chair also provides an annual report to the Board summarising the Committee's activities, findings, recommendations for the past year.

The Chief Executive Officer, Chief People Officer, General Counsel and 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 RAC 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 terms of reference (available on Tower's website.). 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.

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.

The procedures for director removals and appointments are governed by Tower's constitution and the requirements of the NZX Listing Rules. The Remuneration and Appointments Committee terms of reference also set out the process which Tower follows when appointing a new director, to ensure compliance with all regulatory and legislative requirements.

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, which meets at least 4 times a year. This Committee also operates under a written terms of reference. The Committee is required to assist the Board in relation to:

- Identification and management of risk



- Internal controls systems
- Statutory and regulatory compliance, together with compliance with internal policies
- Oversight of the Internal Capital Adequacy Assessment Process, Capital Management Framework and Risk Management Framework
- Oversight of conflicts of interest, with a focus on intercompany conflicts and group structure

In FY22 the members of the Risk Committee were:

Warren Lee (Chair until 1 September 2022, retired on 30 November 2022), Michael Stiassny, Graham Stuart, Steve Smith, Wendy Thorpe (Chair from 1 September 2022), Marcus Nagel.

Other committees are established from time to time to examine specific issues as required by the Board. During FY22, Tower's Board established a Results sub-Committee which met twice on 24 November 2021 and 26 May 2022. The members of the Results sub-Committee in November 2021 were Michael Stiassny (Chair), Graham Stuart, and Steve Smith. The members of the Results sub-Committee in May 2022 were Michael Stiassny (Chair) and Graham Stuart.

Member attendance at Board and Committee meetings during the year ended 30 September 2022 is set out below:

	Board	Audit Committee	Risk Committee	Remuneration and Appointments Committee	Results Sub-Committee
Meetings held	12	3	4	6	2
Michael Stiassny	11	2	3	6	2
Steve Smith	6	1	2	3	1
Graham Stuart	12	3	4	6	2
Warren Lee	12	3	4	6	
Wendy Thorpe	12	3	4	6	
Marcus Nagel	11	3	4	4	

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 financial and non-financial activities to the market and relevant stakeholders. Tower's Corporate Disclosure 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.

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 Conduct
- Diversity and Inclusion Policy
- Health and Safety Policy

- Modern Slavery Statement

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

Tower publishes interim and audited full year financial statements that are prepared in accordance with relevant financial standards. Tower’s audited financial statements are included in the Annual Report and are prepared in a manner that is balanced, clear and objective. They are audited by Tower’s external auditors, PricewaterhouseCoopers (PwC), and comply with all relevant financial reporting requirements including those in 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. Tower continues to work towards 4 goals:

<p>to have a diverse and inclusive workplace that builds people’s physical and emotional wellbeing</p>	<p>Employee NPS increased from 7.7 in FY21 to 7.8 in FY22 Diversity and Inclusion score 8.8 in FY22</p>
<p>to provide no-surprises, easy to understand insurance that is accessible and affordable</p>	<p>Continued simplification and improvement of customer self-service offering through digitisation New Zealand General Insurer of the Year – Insurance Business Awards 2022 Canstar Car Insurer of the Year 2022 Canstar 2022 Outstanding Value Car Insurance Award Celent Model Insurer 2022 New Zealand Insurtech Initiative of the Year Award – Insurance Asia Awards 2022 Introduction of a pilot scheme for parametric cyclone response cover in the Pacific</p>



to champion informed dialogue about climate change and pursue win-win outcomes that tackle sustainability issues	Expansion of risk-based pricing strategy to include more climate hazards
	Development of a Supplier Code of Conduct, which sets out environmental, social and governance expectations for all Tower’s suppliers
	Innovative insurance offerings to support sustainable choices
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	Corporate fleet has been replaced with PHEV Move to Auckland 6 Green star building Implementation of a new Sustainable Business Travel Policy

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 134 of Tower’s 2022 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. The policy details matter for consideration when setting remuneration levels. The Remuneration and Appointments Committee reviews the remuneration packages of the Chief Executive Officer and other senior executives at least annually.



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 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. 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.

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 2022 Annual Report at page 129.

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

Risk management is ingrained in Tower's strategic and operational activities, including business planning, investment analysis, portfolio and project management and day-to-day operations. 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 risk, compliance, conduct and internal audit processes 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. The framework ensures that responsibilities are assigned to individuals to manage identified risks and that any material changes to Tower's risk profile are monitored.



Each business unit within Tower maintains a risk register which records the likelihood and consequence of risks on Tower's business and processes. Each business unit actively identifies, assesses and monitors the risks, defines controls in place to mitigate those risks. actively. A Risk and Compliance report is provided at each Risk Committee meeting so that 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 to meet its strategic objectives and provides direction to management on how to manage risks. Reporting on key risk appetite metrics is provided to the Risk Committee.

The Risk Committee regularly reviews the supporting risk management procedures and framework to ensure that they comply with relevant compliance 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 when escalating significant risks. For the reporting period to 30 September 2022, inflation, climate and cyber risks were identified as material risks to Tower and are regularly reviewed as part of risk reporting to the Risk Committee.

Tower is also committed to ensuring its risk management framework and processes ensure fair customer outcomes. A Conduct Governance Framework was implemented in June 2022 to set out Tower's approach to good conduct.

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 updates to the Board on health and safety performance and the Board is directly involved in site visits to satisfy itself as to the safety of the working environment.

Tower's commitment to health, safety and the environment is outlined in its Health and Safety Policy and underpins its core values and behaviour. Under this policy, health, safety, wellbeing and environmental risks are managed through effective leadership and by engaging Tower's people in health, safety and environment activities. The policy acknowledges the increase in remote and flexible working, and the requirement for safe working environments in all situations. It promotes a positive safety culture with a focus on all aspects of mental and emotional health.

In focusing on these areas, Tower has a written Health and Policy Statement, which sets out its aim for everyone to complete their workday and return home safe and well and strives for a positive safety culture and continuous improvement of in health and safety management.

Tower has developed Te Whare Tapa Whā wellbeing model focusing on taha wairua (spiritual wellbeing), taha hinengaro (mental and emotional wellbeing), taha tinana (physical wellbeing), taha whanau (family and social wellbeing). Tower works with its people to develop robust processes and procedures that lay the foundation for safe and sustainable work. There are many initiatives in place to ensure staff safety and health, including a management system for accurately reporting, recording and investigating health and safety incidents, including near misses, improving awareness of site hazards and safety audits. Tower regularly promotes health campaigns to its people in New Zealand and the Pacific.

Tower employs a Health and Safety Advisor to assist with the development, 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

monthly Health and Safety Committee meetings are held in New Zealand, and separately 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 did not record any lost time injuries in FY22. Incidents, including near-miss incidents are reported to the Board.

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. These include procedures in relation to the matters described in (a) to (d) of Recommendation 7.1. The Chair of the Committee has a direct line of communication with the external auditor, and material communications are reported to the Audit Committee.

The Board is 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 2022 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 from and including 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 confirm that it has not carried out any engagements during the year which would impair its professional independence. 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 108 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 Internal Audit function provides 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. Internal audit and assurance activity updates are provided to each meeting of the Audit Committee.

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 Finance function under the Chief Financial Officer, with the Head of Internal Audit having 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 welcomes the opportunity to engage with its shareholders, to find out the issues that matter to them, and to share information about Tower and its aspirations for its future. 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 investorrelations@towerco.nz.

Tower has an investor relations programme and policies in place to ensure Tower meets best practice for investor relations, while meeting all applicable statutory and listing rule obligations and guidance. The primary aim of Tower's investor relations activities is to support financial market participants' understanding of Tower's business, governance, financial performance and prospects. The Board reviews Tower's investor relations activities to ensure the full, fair and timely disclosure of relevant information to Tower's shareholders and the investment community on a broad, non-exclusive basis.

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 is committed to timely and balanced disclosure, which includes advising shareholders on any major decisions. During FY22, there have been no decisions which would change the nature of Tower. Where any such matters are considered, Tower would seek shareholder approval in accordance with the requirements of the NZX Listing rules and the Companies Act 1993, and its constitution.

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 FY22. 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 December 2021 which was more than 20 working days prior to the Annual Meeting held on 2 February 2022.

Tower's next shareholder meeting will be held on 28 February 2023.