



Tower Limited

# Related Party Transactions Policy

February 2023

## Document Information

<b>Policy Name</b>	Tower Limited Related Party Transactions Policy
<b>Policy Type</b>	Board Policy
<b>Policy Preparer</b>	Corporate Governance Counsel
<b>Policy Owner</b>	Tower Limited Board
<b>Policy applies to</b>	Tower Limited and all of its subsidiaries, and all directors, staff and contractors of Tower Limited and any of its subsidiaries
<b>Version Number</b>	5.0
<b>Approver</b>	Tower Limited Board
<b>Date of Approval</b>	27 February 2023
<b>Effective From</b>	27 February 2023
<b>Date of Next Review</b>	1 February 2024
<b>Policies Replaced by this Document:</b>	Tower Limited Related Party Transactions Policy version 4.0

## Document History

Version	Date	Changes	Reason change for	Author	Date Approved
1.0	February 2020	<p>New policy in replacement of the Conflicts of Interest and Related Party Transactions Policy version 2.0 to reduce the complexity of the content of that policy and to enable each matter to be more accessible to relevant audiences within Tower</p> <p>The new policy addresses the different definitions of “related party” under the Insurance (Prudential Supervision) Act 2010 and the NZX Listing Rules 2019 Incorporates the NZX Listing Rules</p>	New policy	Hannah Snelling	February 2020
2.0	July 2020	Remove references to subsidiaries of Tower Limited to reflect the amalgamation of TL and TIL	Amalgamation of TL, TIL, TFSG and TNZL	Hannah Snelling	
3.0	September 2020	Further updates to reflect amalgamation and general tidy up changes	Amalgamation	Rachael Watene	
4.0	January 2021	Update to consolidate director conflict and confidentiality documentation	Simplification	Rachael Watene	January 2021
5.0	January 2022	<p>General grammar, formatting and consistency with other Tower policies</p> <p>Additional wording added to paragraph 2.11 regarding consideration of disclosure obligations to NZX/ASX</p> <p>Update to record that the policy be reviewed annually</p> <p>Amendments to reflect current roles and titles</p>	Review	Hannah Snelling	February 2022
5.1	August 2022	Changed owner to ‘Tower Limited Board’ as per Board request	Board request	Joel Kirk	August 2022
5.2	February 2023	Simplification	Review	Arna Neems	February 2023

## 1. Background and Purpose

- 1.1. This Related Party Transactions Policy (**Policy**) sets out the process to be followed by Tower Limited's (**Tower**) executive and non-executive directors, officers, employees, consultants and contractors (collectively called **Personnel**) when entering into transactions with Tower's related parties. Tower is committed to responsible corporate governance, which includes complying with all the legal and statutory requirements regarding the entry into transactions with a Related Party of Tower.

### *Related party transactions*

- 1.2. Related party transactions are transactions or other dealings between Tower and a "Related Party" of Tower. Broadly speaking, a related party is any person who has a relationship with Tower that could influence, or could be perceived to influence, Tower entering a transaction on terms that are not commercial and/or are not at arm's length.
- 1.3. All Related Party transactions will be dealt with in accordance with the requirements of the Companies Act 1993, the NZSX Listing Rules and any other regulatory requirements.
- 1.4. It is the responsibility of all Personnel to ensure that they are familiar with and abide by all appropriate policies and procedures of Tower as well as all standards and obligations imposed by applicable legislation and regulations relating to the management of dealings with Related Parties.
- 1.5. If you do not understand how this Policy applies or what it requires then talk to your manager in the first instance. If you have identified a proposed transaction that may be a Related Party transaction, then please contact the Chief Risk Officer and the General Counsel.

### *Related policies and procedures*

- 1.6. Tower has adopted several policies and procedures which reflect and incorporate legal and regulatory requirements to ensure that dealings with Related Parties and the associated risks are appropriately managed by all Personnel. These include:
  - Conflicts of Interest Policy
  - Code of Conduct Policy
  - Insider Trading and Market Manipulation Policy
  - Whistleblower Policy
  - Corporate Disclosure Policy
  - Internal Audit Policy
  - External Audit Independence Policy.

## 2. Related Party Transactions

### *Who is a Related Party?*

- 2.1. Tower is subject to obligations in respect of Related Party transactions under both the Listing Rules

and IPSA as a licensed insurer in New Zealand, and the accounting standard IAS24.

- 2.2. A non-exhaustive list of what may be treated as a Related Party under each regime is set out below.

#### ***Related Parties under the Listing Rules***

- 2.3. Under the Listing Rules, a Related Party means a person who, at the time of a Material Transaction, as that term is defined in the Listing Rules, or at any time with in the previous six months, was:

- 2.3.1. a director or senior manager of Tower or any of its subsidiaries;
- 2.3.2. a person who holds, controls or has the right to acquire 10 percent or more of the voting shares in Tower;
- 2.3.3. an "associated person" of Tower or any of the persons referred to in 2.4.1 or 2.4.2 above. A person (**A**) is associated with, or an "associated person" of, another person (**B**) if:
  - (a) A is able, directly or indirectly, to exert a substantial degree of influence over the activities of B (or vice versa);
  - (b) A has the power, directly or indirectly, to exercise or control the exercise of, more than 50 percent of the voting shares in Tower (or vice versa);
  - (c) A and B are relatives or related bodies corporate (in some cases, this may also extend to trustees of a trust where a Related Party is a beneficiary);
  - (d) A and B are partners under the Partnership Act 1908;
  - (e) A is a director or senior manager of B (or vice versa); or
  - (f) A and B are acting jointly or in concert.

- 2.4. This list is not exhaustive, and exceptions apply in certain circumstances. If you consider a person may be a Related Party under these, or any other criteria, you should consult with the Chief Risk Officer and the General Counsel.

#### ***Related Parties under IPSA***

- 2.5. A person is a Related Party of Tower under IPSA if it is/they are:

- 2.5.1. An "associated person" of Tower. A person (**A**) is associated with Tower if:
  - (a) A is a holding entity or subsidiary of Tower, or vice versa;
  - (b) A (together with its associates) holds directly or indirectly more than 50 percent of the voting shares of Tower, (other than voting shares that carry no right to participate beyond a specified amount in a distribution of profits or capital), or vice versa;
  - (c) A directly or indirectly holds more than 50 percent of the voting shares of Tower, (other than voting shares that carry no right to participate beyond a specified amount in a distribution of profits or capital), or vice versa;
  - (d) The businesses of A and Tower have been so carried on that the separate business of A and Tower, or a substantial part of it, is not readily identifiable; or
  - (e) There is another person with which both A and Tower are associated;
- 2.5.2. A director, the CEO, CFO or appointed actuary of Tower;
- 2.5.3. A person who occupies a position allowing the exercise of significant influence over the

- management or administration of Tower;
- 2.5.4. A relative of a person at 2.6.1, 2.6.2 or 2.6.3 or the nominee or trustee for any of those persons;
- 2.5.5. A director of an associated person of Tower;
- 2.5.6. A person who owns, or in any way has the power to control (whether directly or indirectly), or has the right to acquire, 10 percent or more of the voting rights in Tower;
- 2.5.7. A person who has control (whether directly or indirectly) or significant influence over 25 percent or more of the composition of the Board of Tower.

2.6. This list is not exhaustive, and exceptions apply in certain circumstances. If you consider a person may be a Related Party under these, or any other, criteria, you should consult with the Chief Risk Officer and the General Counsel.

### ***Tower Related Party transactions***

2.7. In respect of all proposed Related Party transactions involving Tower companies, the Personnel involved must consider whether the:

- transaction is material and requires shareholder approval;
- transaction is a major transaction under the Companies Act;
- transaction derogates from Tower's ability to carry on business in a prudent manner;
- transaction is compatible with Tower's risk management programme; and
- e transaction would require disclosure to NZX and ASX.

2.8. The Chief Risk Officer and General Counsel must be consulted as part of such consideration.

2.9. If approved by the Board such Related Party transactions must be:

- in writing; and on arm's length terms.

2.10. Examples of where Related Party transactions may occur within Tower in day-to-day operations include the following:

- Dividend payments;
- Transfers of capital;
- Reinsurance arrangements;
- where a Tower company provides intra-group services to another Tower company;
- the allocation of overhead expenses and shared services to individual Tower companies and the basis on which those expenses are met; and
- where a Tower company makes a loan to, or takes a loan from, another Tower company or guarantees the obligations of, another Tower company.

### ***Shareholder Approval***

2.11. Where a Related Party transaction under the NZX Listing Rules requires shareholder approval, shareholders should generally be given the following information:

- the circumstances of the Related Party transaction.

- the Board’s recommendations and the reasoning behind those recommendations.
- any alternative options to the Related Party transaction; and
- an outline of forecasted impact the Related Party transaction will have on Tower.

***Material Transactions with Tower Related Parties***

2.12. Pursuant to rule 5.2.1 of the NZX Listing Rules, Tower shall not enter into a “Material Transaction” if a Related Party is, or is likely to become, a direct party to the Material Transaction or a beneficiary of a guarantee or other transaction which is a Material Transaction, unless the Material Transaction is approved by an ordinary resolution of shareholders of Tower.

2.13. The definition of “Material Transaction” is generally based on the size of a transaction (or a related series of transactions) and includes (but is not limited to):

- Buying, selling, leasing (as landlord or tenant) assets of an aggregate net value in above 10 percent of the average market capitalisation of Tower;
- Tower issuing its own financial products or acquiring its own shares having a market value above 10 percent of Tower’s average market capitalisation;
- Borrowing, lending, paying or receiving money or incurring an obligation of amount above 10 percent of the average market capitalisation of Tower;
- Entering into a guarantee, indemnity, underwriting or similar obligation or giving any security, which could expose Tower to liability above 10 percent of the average market capitalisation of Tower;
- Providing or obtaining services (including the underwriting of financial products) where the gross cost to Tower in any financial year is likely to exceed an amount equal to 1 percent of the average market capitalisation of Tower; or
- Tower undertaking an amalgamation (in certain circumstances).

2.14. There are exceptions to the requirement to obtain shareholder approval, including where a waiver is obtained from NZX or ASX and other exceptions contained in the NZX Listing Rules.

2.15. Tower may apply for a waiver of the ordinary resolution requirement for Material Transactions. Tower should only apply for a waiver if it is satisfied that the personal connections and/or involvement, or personal interest of any Related Party is immaterial, or is unlikely to have influenced Tower in its decision to enter into the Material Transaction or acquiesce to its terms and conditions.

***Additional consideration for directors of Tower Entities***

2.16. IPSA prudential requirements mean that licensed insurers must have robust procedures for managing Related Party transactions.

2.17. Directors of a NZ Licensed Insurer have a duty to act in the best interests of the licensed insurer and cannot act in a manner that they believe to be in the best interests of the insurer’s holding company where it may not be in the best interests of the insurer. This requirement overrides any contrary provision in the Companies Act and the relevant company’s constitution. In each case, the Board of a licensed insurer must satisfy itself that the arrangement overall is in the best interests of that licensed insurer as a separate entity. Effectively, the Board should treat other

Tower companies as arm's-length unrelated parties, to be dealt with on a "market value" basis.

- 2.18. In its decision making, the Board must specifically consider whether a matter for decision is in the best interests of that company and the rationale for that determination will be minuted. Board papers being presented to should specifically consider the issue.
- 2.19. Tower's subsidiaries within the Pacific are subject to the legislative requirements applicable to insurance companies in the relevant jurisdiction.

### **3. Disclosing and managing Related Party transactions**

#### **Content and manner of disclosure**

- 3.1. Disclosure of a proposed Related Party transaction (excluding insurance policies entered in the ordinary course of business) must be made in writing to the Chief Risk Officer and General Counsel. The following should be disclosed:
  - the matter to which the proposed Related Party transaction relates;
  - the names of the relevant parties;
  - details of the proposed Related Party transaction, providing sufficient detail for the matter to be assessed;
  - any suggested course of action; and
  - any other information that may be relevant to the assessment of the Related Party transaction.
- 3.2. After disclosing the proposed Related Party transaction, you should not proceed with the transaction pending assessment in accordance with this Policy, unless both the Chief Risk Officer and the General Counsel have provided written consent to do so, noting that the Chief Risk Officer and/or the General Counsel will need to obtain approval from the Board of the relevant Tower company.
- 3.3. An interested director or shareholder must be excluded from voting on any resolution involving a Related Party transaction where required by the NZX Listing Rules, Companies Act 1993 or any other applicable laws or rules, and, in any event, should consider whether it is appropriate to abstain from voting even if permitted to do so.

#### **Continuous Disclosure**

- 3.4. Tower is also required to disclose transactions with Related Parties in its annual financial reporting. The finance team periodically considers whether any Related Party transaction disclosures are required under the financial reporting framework. If so, the details of the relevant transactions, including the nature of the relationship between Tower and the Related Party all need to be reported.

#### **Managing Related Party transactions**

- 3.5. After a proposed Related Party transaction has been disclosed, the matter will be assessed by the Chief Risk Officer and the General Counsel in conjunction with the impacted business unit, where relevant, and disclosed to the Board of the relevant Tower company. Following assessment, the



Chief Risk Officer and General Counsel will make a recommendation to the Board of the relevant Tower company and a determination will be made by the Board of the relevant Tower company as to the course of action to be followed to manage the proposed Related Party transaction. This will be communicated in writing. Required courses of action may include one or more of the following or any other course of action considered appropriate:

- obtaining expert and/or independent advice.
- obtaining evidence of or means of confirming that the transaction is on arm's length terms.
- changing terms and conditions so that they are arm's length.
- providing more detailed documentation of the transaction.
- establishing information barriers or other means to control the passing of information, including in relation to any interested directors.
- requiring disclosure to be made to third parties, including NZX and ASX.
- referral to the Board of Directors of Tower Limited and/or the relevant Tower company.
- ceasing, avoiding or limiting involvement with the Related Party.
- seeking shareholders' approval.

3.6. The determination made will be entered in the Related Party Transactions Register

## **4. Reporting**

4.1. Reported instances of non-compliance with this Policy will be recorded in Protecht.

4.2. Related Party transactions will be reported on to the Board of Tower and the Boards of other Tower companies as relevant, as part of regular reporting.

## **5. Review**

5.1. This Policy will be reviewed annually or sooner if changes to legal, regulatory or business requirements occur that require an earlier or more frequent review.