

Tower Limited

External Audit Independence Policy

September 2023

Policy Name	Tower Limited External Audit Independence Policy
Policy Type	Board Policy
Management Owner	External Reporting Manager
Version Number	4.1
Approver	Tower Limited Board
Date of Approval	21 September 2023
Effective From	21 September 2023
Date of Next review	September 2025
Policies replaced by this policy:	Version 4.0 September 2021

Document History

Version	Date	Changes	Author	Approved by owner
1.0	September 2010	Version control added Review dates updated	Gillian Weavers	August 2010
1.1	August 2011	Annual review	Bronwyn Walsh	August 2011
2.0	February 2015	Annual review and update for Tower Group divestments	Jeremy Fergusson (Head of Finance)	
2.1	April 2015	Feedback from Board	Jeremy Fergusson (Head of Finance)	April 2015
3.0	November 2017	Amend to match terminology in current audit regulations Review for compliance with NZX Corporate Governance Code	Jeremy Fergusson (Head of Finance)	November 2017
3.1	November 2019	None	Angus Shelton (Head of Finance)	November 2019
4.0	September 2021	Removal of reference to Tower Insurance Limited, Update name of AC, Add audit fee approval policy	Rachel Gabriel (External Reporting Manager)	September 2021
4.1	September 2023	None	Lidiia Slonova (Acting External Reporting Manager)	September 2023



1. Purpose and Scope

- 1.1. Tower (defined as Tower Limited and its subsidiaries and related companies) recognises the importance to its shareholders and financial markets of ensuring the independence, quality and integrity of Tower's external auditor.
- 1.2. The objective of this policy is to ensure that external audit independence is maintained, consistent with regulatory and New Zealand Stock Exchange (**NZX**) requirements and current professional best practice.

2. Background

- 2.1. Oversight of Tower's external audit arrangements is the responsibility of Tower Limited's Audit Committee (**Audit Committee**). Ensuring that external audit objectivity, quality and independence are maintained is one of the key aspects in discharging this responsibility. This formal policy on external audit independence has been adopted by the Tower Limited Board to meet this requirement.
- 2.2. This policy covers the following areas:
 - a. approval of external auditor;
 - b. provision of non-audit services by Tower's external auditor;
 - c. auditor rotation; and
 - d. hiring staff from the audit firm.
- 2.3. Tower Limited appoints the external auditor on behalf of Tower Limited and signs the letter of engagement.
- 2.4. This Policy should be read alongside the Audit Committee Terms of Reference, which sets out procedures for communication between the Audit Committee and the external auditor.

3. Approval of External Auditor

- 3.1. Lay out and describe the principles of this policy.
- 3.2. The Audit Committee shall only recommend a firm to be external auditor if that firm:
 - a. is a registered audit firm in accordance with the Auditor Regulation Act 2011;
 - b. would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgement on all issues encompassed within the auditor's engagement;
 - c. has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team any member of Tower's management who has acted in a financial oversight role;
 - d. does not allow the direct compensation of its audit partners for selling non-audit services to Tower; and
 - e. agrees to relinquish any other contracts for services with Tower that are not allowed to be performed by an external auditor.



4. Provision of services by Tower's External Auditor

Allowable services

- 4.1. Tower has a strict policy prohibiting its external audit firm from providing any other services.
- 4.2. Tower's external auditor may only complete statutory financial statement audit engagements and directly related assurance engagements. Directly related engagements include assurance opinions on Solvency Returns; regulatory and other Pacific Island Insurance Act return audits; and opinions required by legislation such as shareholder meeting votes or proxy counts.
- 4.3. The Audit Committee will monitor the provision of additional services through regular communication with the Chief Financial Officer and the external auditors. Should a situation arise which may require Tower's external audit firm to provide services beyond those described above, any such engagement must first be pre-approved by the Audit Committee after investigation into the reasons for the provision of such services, and an assessment of any threat to audit independence or objectivity.
- 4.4. These prohibitions apply to all offices of Tower's external audit firm, including its overseas offices or affiliates.

Approval of audit fees

- 4.5. The proposed audit fee from Tower's external audit firm is to be approved annually by the Tower Limited Board.

Billing arrangements

- 4.6. The billing arrangements for services provided by Tower's external audit firm should not include any contingent fees (e.g. where a success fee is paid depending upon whether a transaction proceeds or not).

Certification

- 4.7. The external auditor shall annually confirm to the Audit Committee their compliance with professional standards and ethical guidelines of Chartered Accountants Australia and New Zealand to evidence their competence. Further, the external auditor shall annually confirm to the Audit Committee their continued independence and in particular confirm that they have not carried out any engagements during the year which would impair their professional independence.

Other procedural requirements

- 4.8. Regardless of Tower's policies, it is expected that Tower's external audit firm will rigorously comply with its own internal policies on independence and all relevant professional guidance, including independence rules and guidance issued by Chartered Accountants Australia and New Zealand; the NZX; the Financial Markets Authority (**FMA**); and other relevant overseas accounting bodies.



5. Auditor Rotation

- 5.1. The continued appointment of Tower's external audit firm is to be confirmed annually by the Audit Committee. A policy of regular rotation of audit firm is not mandated.
- 5.2. Rotation of engagement partner; other key audit partners and engagement quality review partners for Tower will be required every five years in accordance with the NZX and FMA guidance. Those partners will be subject to a five year stand down period following rotation.
- 5.3. It is expected that such a policy will be applied by Tower's external audit firm. Compliance with this requirement shall be reported to the Audit Committee annually.

6. Hiring of staff from audit firm

- 6.1. Hiring any former audit partner or any other member or former member of the external audit team by Tower must first be approved by the Chairman of the Audit Committee. There are no other restrictions regarding hiring other staff from Tower's external audit firm.

7. Review of Policy

- 7.1. This Policy will be reviewed every two years or more frequently if deemed necessary.