

# TOWER Australia Group Limited

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## Board and Director Protocols

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**Adopted by the TOWER Australia Group Limited Board on 18 December 2007**

TOWER Australia Group Limited

ACN 003 401 698.

# BOARD AND DIRECTOR PROTOCOLS

## Introduction

These Protocols are established to facilitate the effective operation of the TOWER Australia Group Limited Board and its Directors so that collectively and individually they may add maximum value for shareholders and policyholders. The Remuneration and Nominations Committee will regularly review these Protocols for consistency with best practice and recommend any changes to the Board.

These Protocols supplement the Board Charter and replace any existing policies where inconsistent.

These Protocols are based on the requirements of the ASX Listing Rules and its Corporate Governance Principles and Recommendations and relevant APRA Prudential Standards and Guidelines

Terms used in this document have the meaning given to them in the Charter of the Board unless the context indicates otherwise.

## 1 Board structure/composition

- 1.1 The Charter of the Board sets out the role, structure, composition and responsibilities of the Board.
- 1.2 The composition, structure and conduct of the Board is also governed by the Constitution of the Company, the Corporations Act, 2001 (Cth), the ASX Corporate Governance Principles and Recommendations and APRA Prudential Standards made under the Insurance Act that apply to the composition and governance of the APRA regulated subsidiaries of the Company.
- 1.3 The Board will comprise an appropriate balance of Directors with recognised experience and skills and will include at least one Non-Executive Director with significant experience in the financial services industry and at least one Non-Executive Director with significant financial expertise.
- 1.4 Between them the Directors will have a range of skills, expertise and competencies that best allow the Board to operate effectively for the benefit of all shareholders and policyholders. Collectively the Board must have the necessary skills, knowledge and experience to understand the risks of each business in which the Group operates, including its legal and prudential obligations.
- 1.5 The Board must have a minimum of three Directors at all times.
- 1.6 A majority of the Board will be independent Directors (refer to paragraphs 1.9 to 1.11 below):
  - 1.6.1 the Board will regularly assess the independence of each Director based on the interests disclosed by them;

- 1.6.2 Directors considered by the Board to be independent will be identified in the Annual Report; and
  - 1.6.3 Directors will advise the Board if their circumstances change such that their independence could be affected, and will on request provide all relevant information to the Chairman to allow proper assessment of their independence. The market will be advised if an independent Director loses that status.
  - 1.7 The Chairman will be elected by Directors and will hold office until he or she dies or resigns or until the Directors elect a Chairman in his or her place. The Chairman will be an independent Non-Executive Director. The Chairman must be available to meet with APRA on request.
  - 1.8 The roles of Chairman and Managing Director cannot be exercised by the same person.
  - 1.9 An independent Director is a Non-Executive Director whose independence has been assessed by references to the criteria approved by the Board, such criteria to be consistent with the ASX Corporate Governance Principles and Recommendations and APRA Prudential Standards. An independent Director of the Company does not have any direct or indirect interest or relationship that could, or could reasonably be perceived to:
    - 1.9.1 reasonably influence, in a material way, his/her decisions relating to the Company; or
    - 1.9.2 materially interfere with his/her ability to act in the best interests of the Company or the Group.
  - 1.10 When determining the independent status of a Director the Board will consider whether the Director:
    - 1.10.1 is a Non-Executive Director;
    - 1.10.2 is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
    - 1.10.3 within the last three years has been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
    - 1.10.4 within the last three years has been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
    - 1.10.5 is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
    - 1.10.6 has a material contractual relationship with the Company or another Group member other than as a Director of the Company;
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- 1.10.7 has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- 1.10.8 is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.
- 1.11 For the purpose of the determination of "independence", a substantial shareholder is a person with a substantial holding as defined in Section 9 of the Corporations Act, 2001(Cth).
- 1.12 A majority of the Directors on the Board must be ordinarily resident in Australia.
- 1.13 A majority of Directors present and eligible to vote at all Board meetings must be independent Directors.

## **2 Appointment of Directors**

- 2.1 The Remuneration and Nominations Committee will identify and recommend to the Board suitable candidates for appointment as Directors.
  - 2.2 The Committee will determine the criteria for appointment having regard to the needs of the Company and the Group as a whole but will include in its criteria such matters as the candidate's:
    - 2.2.1 experience as a Director;
    - 2.2.2 skills, expertise and competencies, including in the financial services industry, and the extent to which they complement those of existing directors;
    - 2.2.3 independence;
    - 2.2.4 ability to act as a Director of an APRA regulated Subsidiary Company;
    - 2.2.5 relationships with TOWER Australia Group Limited and directorships of other Group companies;
    - 2.2.6 directorships held;
    - 2.2.7 ability to devote sufficient time to the directorship;
    - 2.2.8 ability to work constructively with existing Directors in the best interests of all shareholders;
    - 2.2.9 reputation and integrity;
    - 2.2.10 results of the candidate's fit and proper assessment as conducted in accordance with the Board's Fit and Proper Policy; and
    - 2.2.11 any other relevant matters for both the Board and the candidate.
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- 2.3 New Directors will be given a formal letter of appointment and a Directors Kit which will include a copy of the:
- 2.3.1 Director's Manual which includes the following Corporate Governance documents:
- (a) Board and Committee Charters;
  - (b) Board and Director's Protocol;
  - (c) Code of Ethics;
  - (d) Director's Conflict of Interest Policy;
  - (e) Trading Policy;
  - (f) Whistleblower Policy; and
  - (g) Corporate Disclosure Policy
- 2.3.2 TOWER Australia Group Limited's Constitution;
- 2.3.3 last two Annual Reports;
- 2.3.4 Compliance Manual;
- 2.3.5 Deed relating to Directors indemnity;
- 2.3.6 letter relating to disclosure of interests in TOWER Australia securities;
- 2.3.7 Director's Conflict of Interest Declaration; and
- 2.3.8 Chairman's and Company Secretary's contact details;
- 2.4 The Remuneration and Nominations Committee is responsible for the development of the induction process for new Directors to assist them to participate fully and actively in Board decision making at the earliest opportunity.
- 2.5 The Committee will review the effectiveness of the appointment process from time to time.

### **3 Director commitment**

- 3.1 Each Director will devote the necessary time to ensure they properly fulfil their obligations to the Board, shareholders and other stakeholders. Directors will use their best endeavours to attend all Board meetings and Committees of which they are members.
- 3.2 Directors will regularly review the demands on their time from non-Company commitments and appointments and their ability to devote the necessary time to their Company obligations.
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- 3.3 A Director will advise the Chairman before accepting a new appointment that could materially reduce their time available to fulfil their Board obligations.

#### **4 Board and Director evaluations**

- 4.1 The Remuneration and Nominations Committee is responsible for recommending a process for evaluating the Board, Board Committee and individual Director performance. Evaluations will occur each financial year and may be carried out by an external consultant.
- 4.2 Each Board evaluation will be tabled at a Board meeting for discussion.

#### **5 Remuneration**

- 5.1 The Remuneration and Nominations Committee is responsible for assisting and advising the Board on Non-Executive Director remuneration and the payment of other Directors' fees (if any). The total remuneration able to be paid to Non-Executive Directors collectively by the Group must be approved by shareholders.
- 5.2 Non-Executive Directors will be paid for each Group directorship held except where the directorship does not involve significant time commitment or where Board meetings are combined. Additional remuneration is paid to Committee Members.
- 5.3 Remuneration will be in the form of fees. Non-Executive Directors will not receive options or bonus payments.
- 5.4 The Company's Constitution authorises a maximum sum of \$900,000 per annum as remuneration to be paid to the Non-Executive Directors for services rendered.
- 5.5 Executive Directors will not receive additional remuneration on account of Group directorships they hold.
- 5.6 All Directors will be refunded by the Company (on presentation of receipts) for reasonable expenses actually incurred while on Company business. Claims for expenses incurred by a Director while on Company business are to be sent to the Company Secretary who will refer any queries on such claims to the Chairman of the Audit, Compliance and Risk Management Committee.

#### **6 Continuing education**

- 6.1 The Company Secretary will bring to Directors' attention:
- 6.1.1 relevant courses and conferences that may benefit some or all Directors;
- 6.1.2 legal and other developments (for example, changes to the ASX Listing Rules) that effect Director duties, responsibilities or liabilities; and
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- 6.1.3 material changes to corporate governance standards and best practice, and recommendations for any changes to the Company's corporate governance policies.
- 6.2 Each director is responsible for his/her continuing education to enhance their:
  - 6.2.1 skills and competencies as a Director; and
  - 6.2.2 knowledge of the Company's and the Group's industry and business environment.
- 6.3 The Company will, with the Chairman's approval, meet the costs of relevant continuing education undertaken by a Director, and related reasonable travel and accommodation costs actually incurred by the Director.

## **7 The Company Secretary and access to information**

- 7.1 The Company Secretary is responsible for the timely despatch of meeting agendas and Board papers, and for arranging Board meetings and required travel and accommodation. All Directors have direct access to the Company Secretary.
- 7.2 The appointment and removal of the Company Secretary is a matter for the whole Board.
- 7.3 Management are expected to provide the Board with information in a form, timeframe and quality to enable the Board to effectively discharge its duties.
- 7.4 Directors may request additional information where that would assist informed decision making. Such information will be supplied to all Directors except those who are precluded or have disqualified themselves from voting on the issue, and those who indicate they do not require the information.
- 7.5 The Company Secretary is the first point of contact for such requests.

## **8 Independent professional advice**

- 8.1 A Director may obtain independent professional advice relating to the affairs of the Company or his/her responsibilities as a Director or Committee member.
- 8.2 Where the Director has the approval of the Chairman or Committee Chairman to obtain independent professional advice, the Company will meet the reasonable costs of the advice.

## **9 Indemnity & insurance**

- 9.1 Directors are indemnified by the Company to the maximum extent allowed by Australian law. The indemnity is set out in clause 34.1 of the Company's Constitution.
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9.2 The Company may under clause 34.4 of the Constitution, pay the premium on a policy of insurance for any person who is or has been an Officer or auditor of the Company to the full extent permitted by the Corporations Act 2001 (Cth).

Adopted by the Board:

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**Chairman**

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**Date**

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