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**PROTOCOLS FOR DIRECTORS**

**OF TOWER AUSTRALIA SUBSIDIARY COMPANIES**

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## **1. BACKGROUND**

- 1.1 With the exception of TOWER Australia Limited and PrefSure Life Limited, (together “Subsidiaries” or individually “Subsidiary Company”) only Executive Directors will be appointed to the Boards or the Boards of any subsidiary within the Group.
- 1.2 Terms used in this document have the meaning given to them in the Charter of the Board unless the context indicates otherwise.

### **Subsidiaries**

- 1.3 The constitution of each Subsidiary Company continues to provide that its business and affairs are to be managed by its Directors in accordance with Australian law. Each constitution also expressly authorises the Directors of each Subsidiary Company to act in the best interests of any holding company of that Subsidiary Company (rather than the Subsidiary itself). That is provided each Subsidiary Director actually does act in the best interests of the relevant TOWER Australia holding company and provided the relevant Subsidiary is not insolvent at the time of the relevant act (or as a result of that act).
- 1.4 In practical terms, this means that the Directors of each Subsidiary may act in the best interests of TOWER Australia Limited (“TAL”), TOWER Holdings (Australia) Pty Limited (“THA”), PrefSure Holdings Limited (“PHL”), or PrefSure Life Limited (“PLL”) as appropriate and provided the current wholly-owned structure remains in place within the Group. Certain matters are also subject to shareholder approval under the terms of each Subsidiary constitution. In respect of those matters, TAL, PLL, THA and PHL, as appropriate, each have all the powers necessary for either directly approving or managing the downstream approval of those matters.

## **2 OBJECTIVES**

- 2.1 The objectives of these protocols and policies are:
  - 2.1.1 To provide guidance to Subsidiary Directors on their role and responsibilities
  - 2.1.2 To define the limitations placed by the Company on the powers and authority of Subsidiary Directors.
  - 2.1.3 To promote compliance and consistency with overall Group protocols and strategies.

## **3 STATUTORY RESPONSIBILITIES, DUTIES AND OBLIGATIONS**

- 3.1 Even though the Company has the power to direct and supervise the management of the business and affairs of its Subsidiaries, Directors of Subsidiary Companies are still subject

to the duties and obligations on directors in the Corporations Act 2001 to the extent those are not modified by the constitution.

3.2 The common law duties of Directors of Subsidiary Companies include a duty to:

3.2.1 Act honestly and in good faith – Directors should not put their personal interests before the interests of the Subsidiary or the Company. They must avoid entering into transactions that create a conflict of interest, unless they first disclose any personal interest to the Subsidiary.

3.2.2 Exercise their powers – Directors must exercise their powers for the purpose for which they were conferred.

3.2.3 Avoid conflicts of interest.

3.2.4 Not fetter the future exercise of the director's duties

3.2.5 A fiduciary duty to act in any circumstances in a way honestly believed to be in the best interests of the Company as a whole.

3.3 The legal responsibilities of the Directors of Subsidiary Companies under the Corporations Law are to:

- at all times to act honestly in the exercise of his or her powers and the discharge of his or her duties;
- in the exercise of those powers and the discharge of those duties, to exercise the degree of care and diligence that a reasonable person in like position would exercise in the Subsidiary's circumstances;
- not to make improper use of information acquired by virtue of his or her position, to gain, directly or indirectly, an advantage for himself or herself or for any other person or to cause detriment to the Subsidiary;
- not to make improper use of his or her position to gain, directly or indirectly, an advantage for himself or herself or for any other person or to cause detriment to the Subsidiary.
- not to vote on or be present at a meeting of the Subsidiary Board which considers a matter which he or she has a material personal interest (unless the Subsidiary Board otherwise determines).
- to disclose to the Subsidiary particulars of any interest where there is a potential conflict as noted in the Company or Subsidiary's Conflict of Interest Policy.

3.4 All Directors of Subsidiary Companies must comply with the "Director's Code of Conduct" and

- act in accordance with their legal responsibilities;

- recognise that the primary responsibility is to the shareholders as a whole but, where appropriate, have regard for the interests of all stakeholders;
- properly manage any conflict with the interests of the Company and comply with the Company and the Subsidiary Company's Conflicts of Interest Policy;
- be independent in judgement and actions and take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of the Subsidiary Company;;
- not engage in conduct likely to bring discredit upon the Subsidiary Company;
- at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this document;
- attend the relevant training sessions and in particular, induction training arranged by the Subsidiary Company for each Director to assist them to understand the business of the Group and the regulatory environment in which the Group operates.
- ensure statutory and regulatory compliance with the law and the requirements of regulators such as the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission – Directors must not cause the Subsidiary, either through act or omission, to breach any statutory or regulatory requirement.
- not cause, allow or agree to the Subsidiary Company carrying on business in a manner likely to cause a substantial risk of serious loss to the Subsidiary Company's creditors – otherwise known as reckless trading. A Director who causes, allows or agrees to reckless trading could be liable to compensate creditors on liquidation of the Subsidiary Company.
- not agree to the Subsidiary Company incurring an obligation which it will not be able to perform when required to do so – Directors must have a belief on reasonable grounds that the Subsidiary can perform the obligations it incurs.
- Must avoid, on pain of personal liability, the company incurring a debt in circumstances where it was insolvent at the time the debt was incurred or where incurring the debt resulted in the company's insolvency.

3.5 In the case of APRA regulated Subsidiaries, Directors have additional specific obligations including the requirement that they

- 3.5.1 prefer the interests of actual and prospective policy owners over shareholders,
- 3.5.2 the duty to apportion correctly between income and outgoings relating to non-life business (or to business involving two or more statutory funds); and
- 3.5.3 the duty to ensure the company's records for a financial year are audited.

## **4 RESPONSIBILITIES OF SUBSIDIARY DIRECTORS**

4.1 TOWER Australia expects Directors of Subsidiary Companies to:

- 4.1.1 Comply with their statutory duties and regulatory obligations;
- 4.1.2 Act, where appropriate, in the best interests of the Company, the Subsidiary Company and adhere to Group policies.
- 4.1.3 Where required by the constitution or the relevant holding company, seek the prior written consent of the applicable company before exercising a power. All Subsidiary constitutions include a list of matters for which prior consent is required.
- 4.1.4 Meet as required by the relevant holding company, and at least annually, to keep minutes of meetings and provide a copy of those minutes to the relevant Chief Executive Officer.

## **5 SPECIFIC LIMITATIONS AND EXCEPTIONS**

5.1 In the absence of an express authority or delegation from the applicable holding company or the Group Chief Executive Officer, the functions listed below must be managed and coordinated at Group level. This means these functions will be managed by the Board, or the Group Chief Executive Officer pursuant to his delegated authority from the Board. The relevant functions are:

- 5.1.1 determining Group strategic objectives, annual operating plans and financial targets, capital expenditure plans and the like;
- 5.1.2 ongoing assessment and monitoring of performance, including managements' performance against strategic objectives, operating plans, financial targets, business plans and the like;
- 5.1.3 approving all material changes and departures from approved Group strategic objectives, annual operating plans and financial targets, and the like;
- 5.1.4 approving all changes to corporate structure, including tax and financial, which are of strategic importance to the Group;

- 5.1.5 determining Group financial and treasury strategy and policies, including approving the Company's dividend policies and distributions to shareholders, lending and borrowing, tax, investment and forex policies in respect of shareholders' funds;
- 5.1.6 determining the Group Risk Management Policies, framework and profile;
- 5.1.7 approving capital expenditure;
- 5.1.8 approving operational expenditure;
- 5.1.9 approving the granting of all guarantees and indemnities that are other than in the normal course of business;
- 5.1.10 Group information technology strategy and policies;
- 5.1.11 approving all transactions relating to major business and company acquisitions, mergers and divestments;
- 5.1.12 approving all asset acquisitions and divestments;
- 5.1.13 settlement of legal proceedings;
- 5.1.14 establishing any Board Committee;
- 5.1.15 approving participation in any political lobbying;
- 5.1.16 making donations to any political party;
- 5.1.17 the appointment of external directors on to Subsidiary boards;
- 5.1.18 appointment and removal of the appointed actuary of a TOWER life insurance company;
- 5.1.19 approving of any new life insurance policy or similar product;
- 5.1.20 determining and regulating policyholder rights;
- 5.1.21 determining any annual bonus for participating life policyholders;
- 5.1.22 such other powers and functions which may from time to time be reserved by the Board.

Acknowledged and accepted by:

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**TOWER Australia Subsidiary Board  
Director**

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**Date**