

TOWER Australia Group Limited

ACN 003 401 698

Charter of the Board of Directors

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

Next Review: June 2008

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Charter of the Board of Directors

1. INTERPRETATION

In this Charter, unless the context indicates otherwise:

Act means the Corporations Act 2001.

Board means the Board of Directors of the Company.

Chairman means the Chairman of the Board and is used in a gender-neutral sense.

Chief Executive Officers means the Chief Executive Officers from time to time of the businesses conducted by the Company or the subsidiaries of the Company.

Committees mean the Audit, Compliance and Risk Management Committee, the Remuneration and Nominations Committee and the Investment Committee, and any other Committee appointed by the Board from time to time (and **Committee** means any one of those Committees).

Company means TOWER Australia Group Limited ACN 003 401 698.

Constitution means the constitution of the Company.

Director means a Director of the Company.

Group means the TOWER Group of Companies as set out in Annexure 1, as may change from time to time.

Managing Director means the Managing Director of the Company.

Life Company means TOWER Australia Limited ACN 050 109 450.

Management means the executive management personnel of the Group.

Non-Executive Directors means members of the Board, excluding the Managing Director.

Secretary means the Secretary of the Company or the person normally exercising the functions of a Board Secretary.

Shareholders mean the shareholders of the Company.

Strategic Objectives means the strategic objectives of the Group determined by the Board from time to time.

TOWER Australia means the Company.

2 BOARD GOVERNANCE

Introduction

- 2.1 The Company is a public company listed on the Australian Stock Exchange Limited (ASX). The principal businesses of the Company are conducted by subsidiaries that are prudentially regulated by the Australian Prudential Regulatory Authority (APRA).
- 2.2 The responsibilities of the Board include corporate governance for the Group.
- 2.3 The purpose of this document is to establish an effective governance framework for the Group and to promote a consistent standard of corporate governance practice that promotes sound and prudent management in the interests of all stakeholders.
- 2.4 This document provides the basis for good governance practices within the Group

Governance at Group level

The Role and Responsibilities of the Board

- 2.5 The Board has ultimate responsibility to the shareholders for the overall performance of the Group. The Board represents and promotes the interests of shareholders with a view to enhancing growth and returns and adding long-term value to the Company's shares.
- 2.6 The primary role of the Board is to govern the Group and to do all things necessary to ensure the objectives of the Group are carried out. In carrying out its role the Board's main task is to oversee the business of the Company and its subsidiaries and to exercise all of the powers of the Company which are not required to be exercised in General Meeting.
- 2.7 When fulfilling its roles and responsibilities the Board will have appropriate regard to the Company's values, the concerns of its shareholders, the interests of policyholders and beneficiaries of its APRA regulated Subsidiaries, its relationships with significant stakeholders and the communities and environment in which it operates.
- 2.8 The role of the Board includes:
 - 2.8.1 overseeing the Group including its controls and accountability systems;
 - 2.8.2 providing leadership to the Group by the promotion and support of a corporate culture and values which encourage ethical and responsible conduct in accordance with the Company's Code of Ethics;
 - 2.8.3 determining Group strategic objectives, annual operating plans, financial targets, capital expenditure plans and the like;
 - 2.8.4 the ongoing assessment and monitoring of performance, including managements' performance against strategic objectives, operating plans, financial targets and the like;
 - 2.8.5 approving all material changes and departures from approved Group strategic objectives, annual operating plans, financial targets and the like;
 - 2.8.6 approving all changes to the corporate structure, including tax and financial, which are of strategic importance to the Group;

- 2.8.7 determining Group financial and treasury strategy and policies, including approving all dividend policies and distributions to shareholders, lending and borrowing, tax, and investment and foreign exchange policies in respect of shareholders' funds;
- 2.8.8 determining the Group risk management policies, framework and profile;
- 2.8.9 monitoring systems of risk management, internal controls, legal compliance and codes of conduct and ensuring a risk management culture is embedded into all facets of TOWER Australia's activities and reporting;
- 2.8.10 overseeing and monitoring the business operations of the APRA related subsidiaries in the Group;
- 2.8.11 approving capital and operating expenditure above delegated limits;
- 2.8.12 approving the granting of all guarantees and indemnities that are other than in the normal course of business;
- 2.8.13 approving Group information technology strategy and policies;
- 2.8.14 approving the Company's annual and half-yearly financial statements;
- 2.8.15 approving the Company's annual report;
- 2.8.16 approving all transactions relating to major business and company acquisitions, mergers and divestments;
- 2.8.17 approving all asset acquisitions and divestments, other than in the normal course of business, above delegated limits;
- 2.8.18 settlement of legal proceedings above delegated limits;
- 2.8.19 approving and setting the Charters for the Committees, the matters referred to the Committees and all like and related matters (the current Charters for the Committees are set out in Annexure 2, Annexure 3 and Annexure 4);
- 2.8.20 receiving and acting on (as it sees fit) recommendations and reports from the Committees;
- 2.8.21 approving the appointment of any external Directors to subsidiary boards following a recommendation from the Managing Director and the Remuneration and Nominations Committee;
- 2.8.22 approving participation in any political lobbying;
- 2.8.23 approving any donations to political parties;
- 2.8.24 appointing, removing and determining the remuneration of, the Managing Director and ratifying the appointment, and as appropriate, the removal of the Chief Financial Officer and Secretary;

- 2.8.25 monitoring and evaluating the performance of senior executives including the Managing Director, the Chief Financial Officer and Secretary;
- 2.8.26 providing effective communication, ready access to balanced and understandable information regarding the Company and easy participation in General Meetings to shareholders including continuous disclosure to ASX;
- 2.8.27 fairly reviewing and actively encouraging enhanced Board and management effectiveness;
- 2.8.28 monitoring conflicts of interests of Directors;
- 2.8.29 considering and acting upon the legitimate interests of all stakeholders in the Group; and
- 2.8.30 determining and reviewing Board and Director protocols as set out in Annexure 6.

3 ROLE OF THE CHAIRMAN

3.1 The Chairman's responsibilities exist within and outside of the Boardroom and include:

3.1.1 Inside the Boardroom

Inside the Boardroom the Chairman's role is to:

- (a) provide leadership to the Board and the Group;
- (b) chair the Company Board meetings;
- (c) ensure that the membership of the Board has the appropriate balance of experience and expertise for the Company's needs;
- (d) set the agenda for Board meetings in consultation with the Managing Director, other Directors and the Secretary;
- (e) facilitate the effective organisation and work of the Board and discussion to ensure that the significant issues facing the Group are addressed in a timely manner;
- (f) ensure that Board meetings are effective so that the matters discussed are appropriate, timely and considered thoroughly before clear decisions and resolutions are made and noted;
- (g) monitor the performance of the Board;
- (h) mentor individual Directors for the development of an effective Board;

- (i) establish processes to ensure the flow of accurate and timely information to the Board and in particular the flow of financial information on such matters as solvency and cash reserves;
- (j) oversee the annual evaluation of and succession planning for the Managing Director; and
- (k) ensure decisions of the Board are implemented as intended.

3.1.2 Outside the Boardroom

Outside the Boardroom the Chairman's role is to:

- (a) chair and speak on behalf of the Company at the Annual General Meeting;
- (b) be the major contact between the Board and the Managing Director;
- (c) be briefed on and be kept fully informed by the Managing Director on events of significance to the Group; and
- (d) engage in appropriate public relations activities in conjunction with the Managing Director on events of significance to the Group.

4 ROLE OF THE SECRETARY

4.1 The Secretary is appointed and dismissed by the Board and is accountable to the Board through the Chairman for the corporate governance processes. All Directors have a right of access to the Secretary.

4.2 The tasks of the Secretary include:

4.2.1 Meetings and Minutes

- (a) notifying the Directors in writing in advance of a meeting of the Board;
- (b) ensuring that the agenda and Board papers are prepared and circulated to Directors prior to the Board meetings;
- (c) recoding, maintaining and distributing minutes of all Board and Board committee meetings as required;
- (d) maintaining a complete set of Board papers at the Company's main office;
- (e) preparing for and attending the Annual and any extraordinary General Meeting of the Company; and
- (f) recording maintaining and distributing the minutes of all General Meetings of the Company.

4.2.2 Compliance

- (a) oversight of the Company's compliance program for the Company's legislative obligations;
- (b) ensuring the requirements of the ASX, ASIC and ATO and any other regulatory body are brought to the attention of the Board in a timely manner so as to ensure the Board has the opportunity to consider the Company's compliance with its regulatory obligations;
- (c) ensuring that documents required to be lodged with ASX, ASIC, APRA and the ATO are lodged in accordance with the required timeframes unless the Board issues a direction to the contrary or consent for an extension of time has been granted to the Company by the relevant regulator; and
- (d) facilitating the provision of advice to Directors on corporate governance principles and their regulatory and statutory requirements.

4.2.3 Governance Administration

- (a) keeping statutory records up to date;
- (b) ensuring compliance with the Constitution;
- (c) reporting to the Board the documents executed under a power of attorney, executed in accordance with Section 127 of the Corporations Act 2001 or executed in accordance with the Board approved authorised signatory policy;
- (d) preparing and circulating the Director's Manual and maintaining the records generated from the Manual;
- (e) maintaining Registers for:
 - document execution;
 - Company's policies approved by the Board;
 - delegations of Authority;
 - conflicts of Interest and related party transactions; and
 - Directors attendance at training.

5 ROLE OF THE MANAGING DIRECTOR

- 5.1 The Managing Director is charged with the day-to-day leadership and management of the Group by way of delegations from the Board to implement the strategic policies and directions set by the Board.

- 5.2 The Managing Director is the principal representative of the Group's business operations, and manages and oversees the relationships between the Group and its customers. The Managing Director in turn sub-delegates certain roles and responsibilities to the Chief Financial Officer, the Chief Executive Officers, the Head of Corporate Governance and to other employees from time to time.
- 5.3 The Managing Director is responsible for the design, implementation and review of the Group's risk management and internal control system. The Group Executive Officer together with the Chief Financial Officer is required to provide the Board with an annual written assurance that the declaration provided by the Company in accordance with Section 295A of the Act is founded on a sound system of risk management and internal controls.
- 5.4 Ultimate responsibility for risk oversight and risk management rests with the Board.
- 5.5 The Managing Director is responsible for making recommendations to the Board in relation to the strategies, operating plans and annual budgets of the Company and managing the resources to implement the approved strategies, operating plans and annual budgets..

6 RESPONSIBILITIES AND DUTIES OF INDIVIDUAL DIRECTORS

General

- 6.1 All Directors have:
- 6.1.1 common law fiduciary obligations to the Company;
 - 6.1.2 obligations imposed by the Corporations Act;
 - 6.1.3 obligations imposed under the Life Insurance Act when acting as Directors of the Life Companies; and
 - 6.1.4 obligations imposed by Constitution of the Company.

Legal Responsibilities of Directors

- 6.2 The common law duties of Directors include a duty:
- 6.2.1 to act honestly and in good faith;
 - 6.2.2 to exercise powers properly for the purpose for which they were conferred;
 - 6.2.3 to avoid conflicts of interest;
 - 6.2.4 not to fetter the future exercise of the Directors' powers;
- and 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.

- 6.3 The legal responsibilities of the Directors under the Corporations Law are:
- 6.3.1 at all times to act honestly in the exercise of his or her powers and the discharge of his or her duties;
 - 6.3.2 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 Company's circumstances;
 - 6.3.3 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 Company;
 - 6.3.4 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 Company;
 - 6.3.5 not to vote on or be present at a meeting of the Board which considers a matter in which he or she has a material personal interest (unless the Board otherwise determines); and
 - 6.3.6 to disclose to the Company particulars of any interest where there is a potential conflict as noted in the Director's Conflict of Interest Policy

7 DIRECTOR'S CONDUCT

- 7.1 All Directors must:
- act in accordance with their legal responsibilities;
 - properly manage any conflict with the interests of the Company and comply with the Director's Conflicts of Interest Policy and the Company Code of Ethics 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 Directors;
 - not engage in conduct likely to bring discredit upon the Company;
 - at all times to comply with the spirit, as well as the letter, of the law and with the principles of this document; and
 - attend the relevant training sessions and in particular, induction training arranged by the Company for each Director to assist them to understand the business of the Group and the regulatory environment in which the Group operates.

8 MEETING WITH AUDITOR AND APPOINTED ACTUARY

- 8.1 The Board will meet annually with the Company's auditor and approved actuary of each APRA regulated subsidiary company without Management being present.

9 ACCESS TO MANAGEMENT

- 9.1 Directors are encouraged to seek out Management at any time to obtain information regarding the affairs of the Group.

10 EXTERNAL COMMUNICATION

- 10.1 External communications, including with shareholders, the media, investment community and announcements to Australian Stock Exchange Limited, may be undertaken by the Managing Director, the Chief Financial Officer, the Chairman or the General Manager Investor Relations.
- 10.2 All communications provided to the Australian Stock Exchange are to be in accordance with the Company's Continuous Disclosure Policy.

11 BOARD STRUCTURE

Board Composition and Size

- 11.1 The Directors determine the size of the Board with reference to the Constitution, which provides that there will be a minimum of three Directors and a maximum of ten. A majority of the Board will be independent Directors.
- 11.2 The size and composition of the Board will be reviewed annually having regard to regulatory requirements and principles of good governance in relation to Director's independence and to augment the skills of the Board by appointing individuals with relevant insurance, financial services, commercial or technical expertise.
- 11.3 Nominations of new Directors are considered and recommended by the Remuneration and Nominations Committee and approved by the Board. The recommendations of new Directors are evaluated having regard to the current size and composition of the Board, the strategic needs of the Group, regulatory requirements and the skills, knowledge, experience, independence and commitment of the candidate

Independence of Directors

- 11.4 An independent Director is a Non-Executive Director who is not a member of management and who is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

- 11.5 It is a requirement that all Directors declare all relevant information to allow the ongoing assessment of their independence.
- 11.6 When determining the independence of a Director family relationships and cross directorships will be considered by the Board.
- 11.7 When determining the independence of a Director who will be appointed to the board of an APRA regulated subsidiary, the Board will be guided by the additional tests of independence provided in the relevant APRA Prudential Standard.
- 11.8 Directors considered by the Board to be independent will be identified as such in the corporate governance statement in the Annual Report and in the notification to APRA if the Director is appointed to one of the APRA regulated Subsidiaries.
- 11.9 The Non-Executive independent Directors will meet informally on a regular basis without the Managing Director, Chief Financial Officer or any other member of management being present. At least one meeting a year will be attended by the external and internal auditor.

Separation of Roles

- 11.10 The role of the Chairman and management are separated.
- 11.11 The Chairman must be an independent Non-Executive Director to achieve a desirable separation between the Board's role of setting and monitoring strategy and the responsibility for the day-to-day management of the Company and its subsidiaries.

12 TENURE OF DIRECTORS

- 12.1 One third of the Non-Executive Directors must retire by rotation at each Annual General Meeting of the Company and any other Director who has been in office for three years or more since that Director's last election.
- 12.2 Any Director appointed to fill a casual vacancy must retire at the next Annual General Meeting of the Company after that Director's appointment. A Director so retiring is not taken into account in determining the Directors who must retire by rotation.
- 12.3 The Board will not recommend the re-election of a Director who has served **nine** years or more at the time that Director stands for re-election.

13 BOARD PERFORMANCE EVALUATION

- 13.1 The Remuneration and Nominations Committee will establish a process for an annual performance evaluation of the Board and individual Directors including the Chairman of the Company.
- 13.2 The evaluation of the Board will include:

- 13.2.1 the extent and effectiveness in which it has performed its role as set out in this document; and
- 13.2.2 the extent to which it has made key decisions in a timely manner.
- 13.3 The evaluation of individual Directors will include:
 - 13.3.1 a demonstration of the Director's required expertise for his or her role;
 - 13.3.2 attendance and participation at Board meetings;
 - 13.3.3 contribution to Board deliberations and the overall direction of the Group; and
 - 13.3.4 in the case of the Chairman, the performance of his or her additional role in that office.

14 BOARD COMMITTEES

- 14.1 Committees of the Board are only formed when necessary to facilitate efficient decision making.
- 14.2 Committees observe the same rules of conduct and procedure as the Board unless the Board determines otherwise.
- 14.3 Committees only speak or act for the Board to the extent authorised.
- 14.4 The Board currently has three standing Committees, namely the Audit, Compliance and Risk Management Committee, Remuneration and Nominations Committee and the Investment Committee.
- 14.5 The purposes and membership of the standing Committees are as follows:
 - 14.5.1 **Audit, Compliance and Risk Management Committee** comprises a minimum of three Non-Executive Directors appointed from time to time by the Board, one of whom will be appointed Committee Chairman by the Board. The Committee Chairman will not be the Chairman of the Board. The role of the Committee is to assist the Board in relation to their reporting of financial information, the appropriate application and amendment of accounting policies, the identification and management of risk, internal control systems and internal audit, and statutory and regulatory compliance. The Committee provides a forum for effective communications between the Board and the external and internal auditors, both of whom must report to the Committee.

The Committee is governed by the Charter set out in Annexure 2.
 - 14.5.2 **Remuneration and Nominations Committee** comprises a minimum of three Non-Executive Directors appointed from time to time by the Board, one of whom shall be appointed Committee Chairman by the Board. The role of the Committee is to assist the Board in relation to matters relating to composition of the Board, the nomination, remuneration and removal of Directors and the evaluation of Board and Director

performance. The Committee will also assist the Board in relation to reviewing the Company's remuneration strategies and policies, the appointment, remuneration, performance management and appraisals of the Managing Director, the supervision of any staff or executive share and incentive schemes, Committee Member fees, Non-Executive Directors' remuneration and in reviewing and recommending the appointment and succession of Non-Executive Directors. The Committee can itself decide on the Managing Director's recommendations as to the appointment and remuneration of senior executives which will then be ratified by the Board.

The Committee is governed by the Charter set out in Annexure 3.

- 14.5.3 **Investment Committee** comprises a minimum of three Non-Executive Directors appointed from time to time by the Board, one of whom will be appointed Committee Chairman by the Board. The Committee Chairman will not be the Chairman of the Board. The role of the Committee is to assist the Board to discharge its statutory duties and its oversight responsibilities in relation to the investment activities of the Group. This is achieved by monitoring the investment policy, strategy and implementation in respect of all investments managed by the Group..

The Committee is governed by the Charter set out in Annexure 4.

15 BOARD DELEGATIONS

Managing Director's Role and Delegations

- 15.1 The Board delegates to the Managing Director, subject to the Delegation of Authority set out at Annexure 5, all of its powers necessary for managing the day-to-day business affairs and operations of the Group.
- 15.2 All Board authority conferred on management is delegated through the Managing Director who is solely accountable to the Board for management performance so that the authority and accountability of management is considered to be the authority and accountability of the Managing Director, so far as the Board is concerned.
- 15.3 The Managing Director is authorised to make any lawful decision and take any action within the limitations prescribed in the Delegation of Authority, directed at achieving the strategic objectives of the Group.

16 PROTOCOLS FOR DIRECTORS OF GROUP SUBSIDIARY COMPANIES

- 16.1 The Board adopts certain protocols for the Boards of subsidiaries. These protocols are set out in Annexure 7. They provide guidance to the subsidiary Boards of both their roles and responsibilities, and the limitations imposed on their authority, in order to ensure that each Group subsidiary is managed on a basis consistent with overall Group protocols and strategy.
- 16.2 APRA regulated subsidiaries are required to comply with all relevant Prudential Standards.

17 REVIEW OF CHARTER

- 17.1 The Board will review this document and the Charters of the Committees annually (and more often if required by law or change in practice) to ensure that they remain consistent with the Board's objectives and responsibilities and relevant standards of corporate governance.

18. ANNUAL REPORT TO SHAREHOLDERS

- 18.1 The Corporate Governance Statement in the Annual Report to shareholders will include the following material in relation to the Board and Board Committees:
- i. the names and qualifications of the Directors;
 - ii. attendance details at each Board meeting by each Director; and
 - iii. the number of meetings of the Board.

19. PUBLICLY AVAILABLE MATERIAL

- 19.1 This Charter and the Charters of each Board Committee will be publicly available and posted on the website in the section marked "corporate governance":