
TOWER AUSTRALIA GROUP LIMITED

Audit, Compliance and Risk Management Committee

Charter

Adopted by the Tower Australia Group Limited Board on 24 November 2008

AUDIT, COMPLIANCE AND RISK MANAGEMENT COMMITTEE
Committee Charter
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1. Introduction

This Charter sets out the membership, responsibilities, authority and operation of the Audit, Compliance and Risk Management Committee for TOWER Australia Group Limited.

This Charter encapsulates and satisfies relevant regulatory requirements and statutory obligations including those set out in the Australian Prudential Regulation Authority's Prudential Standard LPS 510 Governance; the Life Insurance Act 1995 (Cth); and the Corporate Governance Principles and Recommendations of the Corporate Governance Council of the Australian Securities Exchange,

2. Definitions

Unless the context indicates otherwise, the following definitions apply to this Charter:

- "Board" means the Board of the Company
- "Chair" means the chair of the Committee
- "Committee" means the Audit, Compliance and Risk Management Committee
- "Company" means TOWER Australia Group Limited
- "Group" means the Company and its subsidiary companies
- "Meetings" means the meetings held by the Committee

3. Authority

The Committee has authority to:

- exercise the power and authority delegated to it by the Board;
- make recommendations to the Board;
- conduct or direct any investigation required to fulfil its responsibilities;
- obtain all information necessary for the performance of its functions;
- obtain (at the Company's expense) legal, accounting, financial, corporate governance or other advice to perform its duties;
- require the attendance of members of management at Committee meetings;
- form and delegate full power and authority to sub-Committees comprised of one or more Committee members; and
- meet with External Auditors.

4. Responsibilities

The Committee has responsibility over Internal Audit, Risk Management, Compliance and such other responsibilities as listed below.

4.1 Internal Audit

The Committee's responsibilities with respect to Internal Audit include:

- ensuring the Chief Internal Auditor has a reporting line and direct access to the Committee;
- monitoring the adequacy of the internal audit charter, scope, plans and budgets;
- review the internal audit processes to ensure that these are in accordance with the internal audit charter;

- review significant findings of Internal Audit including management action plans to address the internal audit findings;
- appointment and dismissal of the Chief Internal Auditor; and
- assessing the independence of the internal audit function.

4.2 Risk Management

The Committee will receive and review the Group's risk management policies and programmes and submit a report of its review to the Board.

When reviewing the system of risk management and internal controls the Committee will consider the following matters:

- all material business risks including but not limited to all risks within the risk classifications in the Risk Management Strategy and in particular, the Key Material Risks;
- whether the risk management policies reflect the Company's risk profile/appetite;
- the elements of the risk management and internal control systems in place within the Group;
- the role of Internal Audit in the risk management framework and the reports submitted by Internal Audit in relation to its analysis of the adequacy and effectiveness of risk management and internal control systems;
- the Group's legal and regulatory obligations;
- the strategies, policies, frameworks, models and procedures in place to govern the identification, management and mitigation of material risks;
- the monitoring of the Group's financial risk management internal control systems for accounting and external reporting;
- on a regular basis, the Group's risk management profile and the quarterly report to the Committee in relation to such matters;
- the Crisis Management, Business Continuity and Disaster Recovery Plans in place for the Group and monitoring of the processes in place to determine their effectiveness and ongoing relevance; and
- the processes in place across the Group to ensure that current and emerging risks are identified and managed effectively.

4.3 Compliance

The Committee will assist the Board to fulfill its obligations in respect of compliance of the Group and act as an advisory and oversight body that provides guidance to the Board on compliance issues by:

- obtaining an assurance from management at least annually that the policies and controls to maintain compliance with the laws and regulatory obligations are in place and are adequate for the needs of the Group;
- reviewing the compliance structure and documentation to determine that the compliance reporting structures and systems are in place and effective;
- monitoring and reviewing policies and practices established to comply with regulatory and statutory requirements and obligations;
- monitoring and considering compliance breaches or incidents reported to the Committee and considering the changes to be implemented to reduce the potential for future breaches;
- maintaining a record of all breaches of the Company's risk management policies; and
- reviewing financial information required by regulators including APRA and ASIC.

4.4 Independence of External Audit

The Committee's responsibilities with respect to External Audit include:

- Obtain at least annually from the External Auditor a formal written statement identifying the relationships between the External Auditor and the Group to assess the Auditor's independence;
- Regularly review the External Auditor's engagement, at least annually, including making an assessment of whether the Auditor meets the audit independence requirements set out in regulatory standards and guidelines that apply to the Group;
- Monitor controls in place to ensure that the partner and lead review partner for the Group audit are prevented from being reassigned to the Group's audit for a minimum of five years after they have acted in that capacity in relation to the Group's audit for at least five successive years in five out of the previous seven years;
- Make recommendations to the Board as to the appointment or discharge of External Auditors, including ensuring that the External Auditor or lead audit partner is changed at least every 5 years;
- Evaluate the overall effectiveness and quality of, and level of co-ordination between, internal and external audit;
- Satisfy itself that management has not placed inappropriate restrictions on external audit;
- Confirm and assure the independence of the external audit function.

4.5 Financial Statements

The Committee's responsibilities with respect to Financial Statements include:

- Review with management and the internal and external auditors the audited half yearly and annual financial statements and any reports which accompany published financial statements including any narrative reporting to be released to the market, in order to recommend their approval by the Board, or when authorised by the Board, to approve the release of such financial statements to regulators and the market;
- Review with management the adequacy of accounting policies and actuarial methodologies, and any significant accounting and financial reporting issues raised by internal and external audit; and
- Review with management, external audit, or internal audit any regulatory, accounting or financial reporting issues of significance and advise the Board of any significant new policies or significant changes in policy that should be adopted by the Board; and
- satisfy itself that management jointly with the External Auditor and if necessary, General Counsel, have adequately reviewed any litigation, claim or other contingency, write-offs, provisions and changes in accounting policy and methodology which could have a material impact on the Group's financial statements.

4.6 Financial Sector Regulatory Reporting

The Committee's responsibilities with respect to the Financial Sector Regulatory Report include:

- Review the controls and processes that are used to form the basis for the regulatory certifications given by the Managing Director and Chief Financial Officer;
- Review reports to be made to regulators and the ASX and make recommendations on their approval or amendment if required;
- Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
- Determine whether employees are able to make confidential, anonymous reports in relation to matters of accounting, internal financial controls or auditing matters.

The Committee will receive and review the statement, given by the Managing Director and the Chief Financial Officer in accordance with Section 259A of the Corporations Act, to the effect that there is a sound system of risk management and internal controls in place which implements the policies adopted by the Board in relation to material risks, and that the system is operating effectively.

The Committee will submit a report to the Board before it considers the annual financial statements.

4.7 Other Responsibilities

Other responsibilities of the Committee include:

- Maintain and encourage open lines of communication with subsidiary audit committees of the Group;
- Monitor and review policies and practices established to avoid conflicts of interest (pecuniary or otherwise) by Directors, management and staff;
- Take an active interest in ethical considerations regarding the Group's policies, practices and codes;
- Identify and recommend to the Board and/or Managing Director any special investigations deemed necessary to fulfill Committee functions, objectives, duties and responsibilities;
- Examine any other matters referred to it by the Board;
- Be available to meet with APRA on request;
- Ensure that information on the procedures for the selection and appointment of the External Auditor, and for the rotation of External Audit engagement partners appears on the Company's website; and
- Ensure that the ACRMC Charter appears on the Company's website.

5 Membership

5.1 Appointment, removal and replacement

The Board may appoint, remove or replace the members of the Committee. This will occur by majority vote of the Board.

5.2 Composition

The Committee must:

- consist of a minimum of three members;
- consist of non-executive directors of the Board, the majority of whom are assessed by the Board as independent;
- not include the Managing Director of the Company; and
- include at least one member who has accounting or financial expertise in the area of life insurance.

5.3 Chair

The Chair:

- will be appointed by the Board annually;
- must be an independent non-executive director of the Board;
- must not be the chair of the Board; and
- will report either in writing or verbally material findings and recommendations to the Board after each Committee meeting.

If the Chair is absent from a meeting and no acting Chair has been appointed, the Committee members present at the meeting have authority to elect a Committee member present to be the Chair for that particular meeting.

5.4 Qualifications of Committee members

Committee members must be financially literate with appropriate understanding of the Group's business and must collectively have the range of financial and strategic risk or compliance skills and experience which is appropriate to the needs of the Group.

5.5 Term

With the exception of the Chair, Committee members will be appointed for an initial term of 2 years or less.

5.6 Fees

Committee members are entitled to receive remuneration as determined from time to time by the Board.

5.7 Performance review

The Chair will, in conjunction with the chair of the Board, review the performance of each Committee member annually.

6 Secretary

6.1 Identity

The Secretary to the Board will also act as the Secretary to the Committee.

6.2 Duties

The Secretary is responsible for:

- circulating the meeting agenda and supporting material to all Committee members and any other person advised by the Chair;
- preparing and circulating the minutes of each Committee meeting; and
- other usual company secretarial duties.

7 Meetings

7.1 Frequency of meetings

The Committee must meet at least 3 times per year.

The Chair can call a meeting at any time.

7.2 Attendance by Committee members

Committee members may attend meetings in person or by electronic means.

7.3 Quorum

The quorum of any Committee meeting is at least 2 Committee members.

7.4 Specific meetings

Meetings are specifically to be held to:

- review internal audit and external audit plans and budgets;
- review progress against audit plans together with the results of audit activity;
- review internal compliance and risk management programs; and
- review the draft half-yearly and Annual Report and financial statements, together with the external audit report(s).

The Committee will hold formal, one-on-one meetings with each of the following at least 2 times per year:

- Internal Audit;
- external audit;
- compliance and risk management; and
- Head of Corporate Governance.

The independent Committee members must meet in the absence of the non-independent Committee members and in the absence of management, at least once per year.

7.5 Attendance by non-Committee members

- Non-executive directors of the Board may attend Committee meetings (on a non-remunerated basis) by providing reasonable notice to the Chair.

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- The following persons will attend meetings at the invitation of the Committee to represent management (but will not sit on the Committee):
 - Managing Director;
 - Chief Financial Officer;
 - Head of Corporate Governance;
 - Board's Auditor;
 - Appointed Actuary; and
 - Company Secretary.
- Representatives from management, Corporate Governance, Internal Audit and External Audit may attend meetings at the invitation of the Chair and provide such reports and information as the Committee requires.
- Non-Committee members do not have the right to vote and may be asked to withdraw for all or part of any meeting.