



BOARD RISK COMMITTEE CHARTER

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Document Control

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3.0	21/8/2019	Revision. Amend the name from Board Risk and Compliance Committee to Board Risk Committee and amended responsibilities.
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Document Approval

Name	Signature	Date
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RISK COMMITTEE CHARTER

POLICY STATEMENT

It is the policy of BSP (**BSP**) to maintain and fully support the Board Risk Committee (**BRC**) as an independent appraisal function to:

- Review and monitor all of the risk management activities in all of the operational areas of the BSP; and
- Review whether such activities/ operations are in compliance with overall BSP policies, procedures and properly approved plans and objectives plus monitor the effectiveness of risk controls that are in place.

1. Overall Purpose / Objectives

BRC will assist the Directors in discharging the Board's responsibilities of oversight and governance in relation to the implementation of BSP's risk management frameworks.

The responsibilities of BRC are to review and monitor the following:

- The principles, policies, strategies, processes and control frameworks for the management of risk (i.e. Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Reputational Risk and other risks); and
- Oversee the risk profile, the Risk Management Strategy and approve BSP's Group Risk Appetite Statement.

In performing its duties, BRC will maintain effective working relationships with the Board, senior executive management, and risk management functions. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as BSP's business, operations, and risks (including banking, asset finance and insurance risks).

2. Authority

The Committee reports to the Board.

The Board authorises BRC, within the scope of its responsibilities and charter, to:

- Seek any information or explanation it requires from external parties and/ or any employee (and all employees are directed to co-operate with any request made by BRC);
- Obtain outside legal or other professional advice as necessary to assist the Committee; and
- Ensure the attendance of BSP employees at scheduled Committee meetings as deemed appropriate.

Access

The Committee has free and unrestricted access to all records and employees of BSP and has the right to seek explanations and additional information from management and auditors.

3. Organisation

Membership

1. Members of the Committee will be formed from amongst the Non-Executive Directors, excluding the Chairman. The Committee shall have a minimum of 3 Non-Executive Directors, the majority of whom must be independent. The Board may appoint to the Committee additional non-executive non-Directors with specialised skills to assist the Committee;
2. Membership will be reviewed annually by the Board;
3. Each member must be capable of making a valuable contribution to the Committee. Each member must have a working familiarity with risk management practices;
4. The Chairman of the Committee will be an appropriately experienced independent Non-Executive Director, other than the Chairman of the Board (or other Board Committees) and will be appointed by the Board;
5. A quorum for any meeting must be a minimum of 2 members;
6. The secretary of the Committee shall be a representative from the BSP Company Secretariat or such other person as nominated by the Committee;
7. The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee, unless otherwise approved by the Board; and
8. The Audit Committee Chair will be a member of BRC and vice versa to ensure relevant information flows between these committees.

Meetings and Attendance

9. Routine Committee meetings shall be attended by Group Chief Executive Officer (GCEO), Group Chief Risk Officer, Group Chief Financial Officer, Group Chief Operating Officer, Chief Credit Officer (PNG), General Manager Treasury, Head of Group Operational Risk, Head of Information Security, Head of Information Technology and Head of Credit Inspection. Any other BSP Directors, members of management, risk management units, internal audit, and/or parties external to BSP may be invited to attend any meeting of the committee or part thereof.
10. There shall be a minimum of 6 meetings per annum, with the schedules for such meetings established in conjunction with the establishment of Board Meeting schedules;
11. Special meetings may be convened as required. Risk management units, internal audit, and/or the external auditors may request the Committee Chairman to convene a meeting if they consider that it is necessary;
12. Should the Committee Chair be absent from the meeting, the members of the Committee present at the meeting have the authority to choose one of their members to chair that particular meeting;
13. The Agenda and supporting papers will be delivered to the Committee members in advance of the meeting. At the discretion of the chair of the meeting, additional papers may be tabled for

discussion at the meeting;

14. The Agenda will normally comprise reports/ presentations by Operational Risk (including Whistleblower incidents), Credit Risk, Treasury, Market & Liquidity Risk, Information Security, Group COO (Project Compass Progress Update & Issues) and Credit Inspection;
15. With respect to risk governance, receive reports from major subsidiary Operational Risk Committees, on a basis as the Committee determines within BSP and respond to issues raised as appropriate; and
16. The proceedings of all meetings will be minuted and after adoption by the Committee, tabled at the subsequent BRC Meeting. The Committee through its Chairman, will report to the Board, at the earliest possible Board meeting after each Committee meeting, any matters that should be brought to the attention of the Board and any recommendations requiring Board approval and/or action.

Voting

Any matters requiring decision generally will be decided by consensus, or if a consensus is not achievable, then by a majority of votes of members present.

Conflicts of Interest

Committee members and invitees will be invited to disclose conflicts of interest at the commencement of each meeting. Directors are required to disclose their interest to the Company Secretary, in accordance with the law and BSP's principles of corporate governance, who will maintain a register for all disclosures. Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from Committee discussions on the issue where a conflict exists.

4. Roles and Responsibilities

The Committee will:

Risk Management

1. Review BSP enterprise risk management framework for identifying, monitoring and managing significant business risks, credit risks, market risks, liquidity risks, operational risks, financial risks, information security risks and reputational risks across BSP and consider whether the enterprise risk management framework and internal controls effectively identify areas of potential material risk. This includes Legal Risk, as well;
2. Provide regular reports and recommendations to the Board on the risk management activities of BSP, especially relating to risk issues that are outside of the authority of BSP's Executive Committee, Group Asset & Liability Committee and/or Credit Committee to approve;
3. The Board is responsible for taking appropriate action and monitoring Risks rated HIGH. All risks that fall into this category are to be immediately escalated to the Board, through BRC, for deliberation. BRC will investigate the risk event and provide a report with its recommendations to the Board. Risks within these parameters could result in a loss to BSP of K3,000,000 or more, in a single loss event;

4. Review and approve limits and conditions that apply to credit risk approval authority delegated to the Group Chief Risk Officer by the Board;
5. Gain an understanding of the current areas of highest business and financial risk to BSP, and the systems and controls established by management in terms of delegations approved by the Board to monitor and manage those risks. Half yearly review of BSP's top risks taken from the SBU Risk Registers/ Dashboards;
6. Review and recommend BSP's Group Risk Appetite Statement (and this includes the risk limits and thresholds for each country that we operate in) to the Board for approval;
7. Make recommendations to the Board concerning BSP's current and future risk appetite, risk management strategy and particular risks or risk management practices;
8. Oversight of stress testing of BSP's risk portfolio including both scenario analysis and sensitivity analysis;
9. Review the performance, objectivity, independence and effectiveness of the risk management functions;
10. Meet separately with the risk management functions to discuss any matters that the Committee believe should be discussed privately;
11. Ensure that significant findings and recommendations made by the risk management committees are received and discussed on a timely basis; and
12. Ensure that management responds to recommendations by the risk management committees, and in a timely manner.

Credit Inspection

13. Review and approve the annual Credit Inspection Plan to ensure it covers all material credit & counterparty risks;
14. Review the scope of work activities of the Credit Inspection function and ensure no unjustified restrictions or limitations are made;
15. Review the qualifications of Credit Inspection personnel and concur in the appointment, replacement, reassignment or dismissal of the Manager, Credit Inspection;
16. Review the performance, objectivity, independence and effectiveness of the Credit Inspection function;
17. Meet separately with the Credit Inspectors to discuss any matters that the Committee or the Credit Inspectors believe should be discussed privately;
18. Ensure that significant findings and recommendations made by the Credit Inspectors are received and discussed on a timely basis; and
19. Ensure that management responds to recommendations by the Credit Inspectors, and in a timely manner.

Prudential Regulation

20. The Chairman of BRC shall have the right to approach a regulator directly in the event of a prudential issue with such regulator arising.

Reporting Responsibilities

21. Regularly update the Board about Committee activities and make appropriate recommendations; and

22. Ensure the Board is aware of matters in a timely manner, which may significantly impact the financial condition or affairs of the business.

Other Responsibilities

23. Ensure the requirements of the Corporate Governance Principles, in relation to Bank of Papua New Guinea Guidelines, are complied with;

24. Perform other oversight functions as delegated and or requested by the Board;

25. If necessary, institute special investigations and, if appropriate, hire special counsellor experts to assist; and

26. Evaluate the committee's own performance on a regular basis.

AMENDMENTS TO THIS CHARTER

The Chairman of BRC shall be responsible for reviewing this document on a 2 year basis to keep it up to date and consistent with the Committee's authority, objectives and responsibility and recommend any proposed amendments to the Board for approval.
