



# **CORPORATE GOVERNANCE PRINCIPLES**

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## Document Control

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## DEFINITION

These Corporate Governance Principles are applicable to BSP and all its Subsidiaries plus Joint Venture Partners. In the event it is a requirement of a local regulator that a Subsidiary or Joint Venture Partner should have its own Corporate Governance Principles, that document can be endorsed by the Board of the Subsidiary or Joint Venture Partner and approved by the main Board of BSP.

# CORPORATE GOVERNANCE PRINCIPLES

## INTRODUCTION

This statement outlines the Corporate Governance Principles adopted by the Board of Directors of BSP (**Board**). In the interest of transparency, the Board has stipulated that these principles (as amended from time to time) be reproduced in BSP's Annual Report for the benefit of shareholders.

BSP has adopted an approach to Corporate Governance that is underpinned by its core values of Integrity, Professionalism, Leadership, Quality, People, Teamwork and Community. This approach is supported by a comprehensive framework of Corporate Governance principles and policies. The BSP Board has demonstrated its commitment to developing and maintaining a standard of corporate governance that seeks to match global practice.

The Board ensures that it complies with the requirements of the Papua New Guinea Stock Exchange (**PNGX**) and the Australian Securities Exchange (**ASX**).

BSP's Corporate Governance Principles are intended to provide a framework that will help to ensure that BSP deals fairly and openly with all its stakeholders – shareholders, customers and staff alike.

BSP publishes its Corporate Governance Principles on its website. This is available at [www.bsp.com.pg](http://www.bsp.com.pg) in the Investor Relations section.

BSP also complies with Prudential Standards/ Statements dealing with corporate governance issued by the regulators/ Central Banks in the various countries that it operates in. These Prudential Standards/ Statements currently include: -

- The Bank of Papua New Guinea introduced its new Banking Prudential Standard BPS300: Corporate Governance (issued under Section 27 of the *Banks and Financial Institutions Act 2000*) in August 2016. The Effective Date of this Prudential Standard is 1 January 2017, with full compliance by 31 December 2018;
- The Reserve Bank of Fiji Banking Supervision Policy Statement No. 11: Governance (Oct 2007); and
- The National Reserve Bank of Tonga Prudential Statement No. 9 (revised 2014): Governance

## THE BOARD OF DIRECTORS

The Board, with the support of its Committees, is responsible to the shareholders for the overall corporate governance and performance of BSP including its strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimising Group performance and increasing shareholder value.

Functions of the Board are set out in the Board Charter and include:

- overall strategy of BSP, including operating, financing, dividend, and risk management;
- appointing the Chief Executive Officer of BSP (**CEO**) and setting an appropriate remuneration package;
- appointing the Company Secretary of BSP and setting an appropriate remuneration package;
- approving and endorsing appropriate policy settings for management;
- reviewing Board composition and performance;
- reviewing the performance of senior management;
- approving a strategic plan, and an annual budget, for BSP and monitoring results on a regular basis;
- ensuring that appropriate risk management systems are in place, and are operating to protect BSP's financial position and assets;
- ensuring that BSP complies with the law and relevant regulations, and conforms with the highest standards of financial and ethical behaviour;
- acquisition and disposals material to the business;
- establishing and delegating authority levels;
- Directors' remuneration via the Remuneration and Nomination Committee;
- selecting, with the assistance of the Board Audit & Compliance Committee, and recommending to shareholders, the appointment of external auditors; and
- approving financial statements.

## THE CHAIRMAN OF THE BOARD

The Chairman of the Board (**Chairman**) is elected by the Directors. The Chairman's role includes:

- ensuring all new Board members participate in an appropriate induction program and are fully aware of their duties and responsibilities;
- providing effective leadership on BSP's strategy;
- presenting the views of the Board to the public;
- ensuring the Board meets regularly throughout the year, and that Minutes are taken and recorded accurately;
- setting the Agenda of meetings and maintaining proper conduct during meetings; and
- reviewing the performance of Non-Executive Directors.

## COMPOSITION OF THE BOARD

The maximum number of Directors, as prescribed by the Constitution approved by shareholders, is 10. The Board is currently comprised of 9 Non-Executive Directors, all of whom are considered by the Board to be independent; and the CEO who is not considered to be independent by reason of being an executive of BSP. The Board tests independence of its members using the following criteria: -

- the Director is not an executive of BSP;
- the Director is not a substantial shareholder of BSP or otherwise associated directly with a substantial shareholder of BSP (substantial shareholder is currently defined as more than 15%);
- the Director has not within the last 3 years been a material consultant, or a principal of a material professional adviser, to BSP or a group member, or an employee materially associated with the service provided;
- the Director is not a material supplier to, or customer of, BSP or other group member or a material consultant to BSP or other group member or an employee; materially associated with the material supplier or customer;
- the Director has no material contractual relationship with BSP or other a related entity other than as a Director of BSP; and
- the Director is free from any interest and any business or other relationship which could, or could reasonable be perceived to, materially interfere with the Director's ability to act in the best interests of BSP.

Independent Board members are required to review their independence annually; materiality will be assessed on a case-by-case basis.

BSP regards a Director as independent if he or she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of BSP and its shareholders generally.

The following will be disclosed in each annual report:

- the names of the Directors considered by the Board to be independent Directors;
- if a Director has an interest, position, association or relationship of the type described in the recommendation 2.3 of the ASX Corporate Governance Principles, but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and
- the length of service of each Director.

The Board accepts that it has a responsibility to shareholders to ensure that it maintains an appropriate mix of skills and experience (without gender bias) within its membership and consequently gives careful consideration to setting criteria for new appointments it may recommend to shareholders in accordance with BSP's Constitution. It has delegated the initial screening process involved to its Remuneration and Nomination Committee which, in accordance with its Charter, may seek independent advice on possible new candidates for Directorships. All Directors must be satisfied that the best candidate has been selected.

Consistent with ASX Corporate Governance Principles and Recommendation 2.2, BSP has a Board skills matrix process, which sets out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. These skills are to include Risk Management, Regulatory/ Government Policy, Business & Financial acumen, experience as a Non-Executive Director, remuneration and corporate governance. The skills and diversity attributes identified will be disclosed in each annual report.

Nominees, of the Board and/ or shareholders, must meet the "Fit and Proper Person" criteria established by the Bank of Papua New Guinea (and other Regulators or Central Banks where BSP operates) before they can take their place on the Board. The Board does not accept that any office bearer and/ or employee of an Institutional shareholder; by virtue only of his/her position within that organization, has an automatic right to be appointed to the Board.

Consistent with ASX Corporate Governance Principles and Recommendation 2.6, BSP has a program for inducting new Directors and providing appropriate professional development opportunities for Directors.

On joining the Board, new Directors will be provided with an Appointment Letter and a Board induction pack and undertake a comprehensive induction program. Directors will also be invited to participate in BSP's Director Professional Development Program, to provide Directors with opportunities to allow them to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

## **BOARD PERFORMANCE REVIEW**

Consistent with ASX Corporate Governance Principles and Recommendation 1.6, BSP has a process for periodically evaluating the performance of the Board, its Committees and individual Directors.

The Remuneration and Nomination Committee reviews the processes by which the Board regularly assesses its own performance in meeting its responsibilities. It is intended to extend the assessment of the Board as a whole to include an assessment of the contribution of each individual Director.

The Board is cognisant of the need to continually identify areas for improvement; to ensure that



it meets the highest standards of corporate governance; and for the Board and each Director to make an appropriate contribution to BSP's objective of providing value to all its stakeholders. The performance review is conducted annually, and may involve assistance from external consultants.

## **INDEPENDENT ADVICE TO DIRECTORS**

The Board recognises that in certain circumstances individual Directors may need to seek independent professional advice, at the expense of BSP, on matters arising in the course of their duties. Any advice so received is made available to other Directors. Any Director seeking such advice is required to give prior notice to the Chairman of his or her intention to seek independent professional advice.

## **DISCLOSURES BY DIRECTORS**

Prior to appointment a Director Designate is required to provide information to the Board for it to assess their independence, in terms of the criteria set out earlier.

This information is assessed by the Board to determine whether on balance the relationship could, or could reasonably be perceived to, materially interfere with the exercise of the Director's responsibilities. Materiality is assessed on a case-by-case basis.

The Board is cognisant of the need to avoid conflicts of interest and it has in place policies and procedures for the reporting of any matter which may give rise to a conflict between the interests of a Director and those of BSP. These arrangements are designed to ensure that the independence and integrity of the Board are maintained.

The Bank of Papua New Guinea (and other Central Banks where BSP operates) sets prudential limits on loans to "associated/ related persons ": BSP fully conforms to these requirements.

## **BOARD'S RELATIONSHIP WITH MANAGEMENT**

The management of the business of BSP is conducted by and under the supervision of the CEO, and by those other officers and employees to whom the management function is properly delegated by the CEO.

The Board is responsible for:

- defining the limits to management's responsibilities; and
- approving the corporate objectives for which the CEO is responsible.

All Directors have unrestricted access to Group records and information and receive regular detailed financial and operational reports to enable them to carry out their duties. The General Managers make regular presentations to the Board on their areas of responsibility. The Chairman and the other Non-Executive Directors have the opportunity to meet with the CEO and the General Managers for further consultation, and to discuss issues associated with the fulfilment of their roles as Directors.

Non-executive Directors meet on their own periodically to review the performance and management processes of BSP.

## THE ROLE OF SHAREHOLDERS

The shareholders of BSP are responsible for voting on the election of Directors at the Annual General Meeting (**AGM**) in accordance with the Constitution. All Directors, apart from Executive Directors, are subject to re-election by rotation no less than every 3 years.

Shareholders are provided with all material information about potential and existing Directors prior to the shareholders making a decision on whether or not to elect a potential Director or to re-elect an existing Director to the Board. Specifically, the following details about prospective or existing Directors are outlined in the notice of meeting material provided to shareholders when a resolution to elect or re-elect a Director is proposed:

- biographical details;
- details of other material directorships; and
- any material adverse information or interest.

The AGM also provides shareholders with the opportunity to express their views on matters concerning BSP and to vote on other items of business for resolution by shareholders.

## BOARD COMMITTEES

To assist in the execution of its responsibilities, the Board has established three Board Committees, comprised of Non-Executive Directors only. Each Committee has a formal Charter approved by the Board.

Committee members are chosen for the skills, experience and other qualities they bring to the

Committee. At the next Board meeting following each Committee meeting, the Board is given a report by the Chairman of the respective Committee and Minutes of the meeting are tabled.

## **BOARD AUDIT & COMPLIANCE COMMITTEE (BACC)**

The BACC is comprised of at least 3 Non-Executive Directors, a majority of whom should be independent, and who are duly appointed by the Board. The Chairman of the BACC must be one of the independent Directors, other than the Chairman of the Board. Each member should be capable of making a valuable contribution to the Committee and membership is reviewed annually by the BSP Board.

The responsibilities of this Committee, as detailed in its Charter, include reviewing and monitoring:

- the integrity of BSP's financial statements and the independent audit thereof;
- the financial reporting principles and policies, controls and procedures;
- BSP's internal audit processes;
- the effectiveness of internal controls;
- the systems for ensuring operational efficiency and cost control; and
- the systems for approval and monitoring of expenditure including capital expenditure.

In the course of fulfilling its mandate, the Committee meets with both the internal and external auditors without management present.

## **BOARD RISK COMMITTEE (BRC)**

The BRC is comprised of at least 3 Non-Executive Directors, a majority of whom should be independent, and who are duly appointed by the Board. The Chairman of the BRC must be one of the independent Directors, other than the Chairman of the Board. Each member should be capable of making a valuable contribution to the Committee and membership is reviewed annually by the BSP Board.

The responsibilities of this Committee, as detailed in its Risk Charters, Policies and Frameworks, include reviewing and monitoring:

- 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, Cyber Risk and other risks);

- oversee the risk profile, the Risk Management Strategy and approve BSP's Group Risk Appetite Statement;
- review BSP's risk management framework, at least annually, to be satisfied it is sound and that BSP is operating with due regard to BSP's Group Risk Appetite Statement;
- review any material incident involving fraud or a breakdown of BSP's risk controls and "lessons learned" ;
- receive reports from internal audit and from management on new and emerging sources of risk and risk mitigation measures put in place to deal with those risks;
- make recommendations to the Board for changes to BSP's risk framework or risk appetite set by the Board;
- oversee BSP's insurance program having regard to the insurable risks associated with BSP's business; and
- the processes for monitoring compliance with laws and regulations (both in PNG and in overseas jurisdictions, where BSP operates) and the implementation of Board decisions by management.

In performing its duties, the BRC will maintain effective working relationships with the Board, senior executive management, and risk management functions.

## **REMUNERATION and NOMINATION COMMITTEE (RNC)**

The RNC comprises at least 3 Non-Executive Directors, the majority of whom should be independent, and who are duly appointed by the Board. The Chairman of the RNC must be one of the independent Directors, other than the Chairman of the Board. Each member should be capable of making a valuable contribution to the Committee, and membership is reviewed annually by the BSP Board.

The RNC has been established to assist the Board in fulfilling its oversight responsibilities in respect of Board and Executive Management selection, appointment, review and remuneration.

The responsibilities of this Committee, as detailed in its Charter, include;

- to oversee the selection and appointment of a CEO or his/her direct reports and recommend an appropriate remuneration and benefits package to the full Board;
- identify and maintain a clear succession plan for the Executive Management Team, ensuring an appropriate mix of skills and experience as well as appropriate remuneration and benefits packages are in place and reviewed regularly;
- determine and review appropriate remuneration and benefits of Directors for recommendation to the full Board, and subsequently to the shareholders;

- ensure that the Board itself maintains an appropriate mix of skills and experience necessary to fulfil its responsibilities to shareholders while maintaining a world class corporate governance regime;
- receive and endorse positions/titles recommended by the CEO from time to time as applying to designated Executive Management positions;
- review the procedures in place to ensure that all new Senior Executive appointees are adequately qualified and experienced, and that proper recruitment procedures are followed;
- review and make recommendations to the Board on the appointment to, and terms and conditions of employment for, all Executive Management positions;
- review and approve all termination arrangements for such Senior Executives;
- review transactions between BSP and any of the Directors or relevant Senior Executives;
- review and make recommendations to the Board on Executive Management remuneration and benefits policies and practices generally;
- engage external consultants as and when deemed appropriate to benchmark remuneration packages for Executive Management at comparable market rates using the “market midpoint” of peer group organisations;
- review Board performance, tenure, and succession planning;
- on an annual basis, appraise the performance of Executive Management, including the CEO and recommend bonus payments for Board approval;
- review annual salary adjustment recommendations for all BSP operations, including Executive Management for Board approval; and
- review annual BSP Group Corporate KPIs recommendations for Board approval.

The CEO has also established the following management committees, which are governed by approved Charters: -

- Executive Committee (EXCO);
- Group Asset & Liability Committee (GALCO);
- Operational Risk Committee;
- Credit Committee; and
- Restructure Committee.

## **DISCLOSURE COMMITTEE**

The Board has established a Disclosure Committee and has formally approved a Disclosure Committee Charter. This committee was established in 2017 and administers the Continuous Disclosure Policy.

## **BOARD AND BOARD COMMITTEE MEETINGS**

Scheduled meetings of the Board and Board Committees are held regularly during the year and the Board meets on other occasions to deal with matters requiring attention. The Board has a policy of regularly rotating its meetings between locations where BSP has a significant presence. On these occasions the Board also visits Group operations and meets with local management and key customers.

The Chairman, in consultation with the CEO, determines meeting agendas. Meetings provide regular opportunities for the Board to assess BSP's management of financial, strategic and major risk areas. To help ensure that all Directors are able to contribute meaningfully, papers are provided to Board Members at least one week in advance of the meeting. Broad ranging discussion on all agenda items is encouraged, with healthy debate seen as vital to the decision making process.

## **EXTERNAL AUDITOR**

The BACC is responsible for making recommendations to the Board on appointment and terms of engagement of BSP's external auditor. The selection is made from appropriately qualified companies in accordance with Board policy. The Board submits the name of the recommended appointee to shareholders for ratification. In line with the policy of the Bank of Papua New Guinea (and other Central Banks where BSP operates), the signing partner in the external audit firm must be rotated at least every 5 years.

The BACC reviews annually the performance of the external auditors and makes recommendations to the Board regarding the continuation or otherwise of their appointment, consistent with the Bank of Papua New Guinea's Prudential Standard No. 7/2005 – "External Auditors" (and other Regulators or Central Banks Prudential Standards/ Statements, where BSP operates), while ensuring their independence is in line with Board policy

There is a review of the external auditor's proposed audit scope and approach, to ensure there are no unjustified restrictions. Meetings are held separately with the external auditor to discuss any matters that the BACC or the external auditor believe, should be discussed privately.

The external auditor attends meetings of the BACC at which the external audit and half yearly review are agenda items.

The BACC ensures that significant findings and recommendations made by the external auditor are received and discussed promptly, and that management responds to recommendations by the external auditor in a timely manner.

The duly appointed external audit firm may not be engaged by BSP to provide specialist consultancy services.

The external auditor is invited to the AGM of shareholders and is available to answer relevant question from shareholders.

The Bank of Papua New Guinea's (and other Central Bank) Prudential Standards provide for a tri-partite meeting between the Central Bank, the external auditor, and BSP, if required.

## **INTERNAL AUDIT**

BSP maintains an independent internal audit function, governed by BSP Internal Audit Charter, with direct reporting lines to the BACC and functional reporting to GCEO. The BACC approves, on the recommendation of management, the appointment of the Head of Group Internal Audit. The BACC meets regularly with the Head of Group Internal Audit.

Reviews are undertaken of the scope of the work of the internal audit functions to ensure no unjustified restrictions or limitations have been placed upon the Internal Audit Business Unit. The BACC also reviews the qualifications of internal audit personnel and endorses the appointment, replacement, reassignment or dismissal of the internal auditors.

The BACC meets separately with the internal auditors to discuss any matters that the Committee, or the internal auditors, believe should be discussed privately. The Internal Auditor has direct access to the BACC and to the full Board. The BACC ensures that significant findings and recommendations made by the internal auditors are received and discussed promptly, and that management responds to recommendations by the internal auditors on a timely basis.

Internal Audit meets with the external auditor half yearly, to review the scope and findings of internal audit's annual audit plan, and the extent of the external audit plan, having regard to internal audit's findings.

## **COMPLIANCE**

The BACC reviews the effectiveness of the systems for monitoring compliance with all legal, statutory and regulatory obligations, and the Constitution of BSP. It also reviews the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts, or non-compliance.

The BACC obtains regular updates from management, and BSP's legal and compliance officers, regarding compliance matters, and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements.

Reviews of the findings of any examinations by regulatory/ supervisory agencies are undertaken and the Chairman of the BACC has the right to approach a Regulator/ Supervisor directly in the event of a prudential issue arising.

## RISK MANAGEMENT

BSP's Risk Management activities are aligned to the achievement of BSP's Goals, Objectives and Strategic Plans. The Board, in consultation with the Executive Committee, determines BSP's appetite and tolerance of risk. The Group Risk Appetite Statement and Risk Tolerance Level benchmarks are used in the risk identification, analysis and risk evaluation processes.

Consistent with ASX Corporate Governance Principles and Recommendation 7.2, the Board or a Committee reviews the risk management framework at least annually.

BSP distinguishes the following major risk areas:

**Credit Risk** - The potential for financial loss where a customer or counterparty fails to meet their financial obligation to BSP.

**Market Risk** - The potential financial loss arising from the BSP's activities in financial, including foreign exchange, markets. More detailed commentary on financial risk management is provided in the Notes to the published financial accounts.

**Liquidity Risk** – The risk of failure to adequately meet cash demand in the short term without incurring financial losses.

**Interest Rate Risk** - Risk to earnings from movement in interest rates.

**Operational Risk** - The risk of loss resulting from inadequate or failed Systems, internal processes, people, or from external events, including legal and compliance risk, and reputation risk.

**Information Security Risk** - The current and potential threat to earnings or capital as a result of inadequate controls managing access to information technology systems and data.

BSP's Asset & Liability Committee monitors market risk, interest rate risk, and liquidity risk, the Credit Committee monitors credit risk and the Operational Risk Committee monitors operational risk. Operational risk is managed at Business Unit level and an incident management system has been implemented across BSP. The Executive Committee and the Board will overview the highest tier of risks within these risk registers.

BSP's risk management policy ensures that BSP has in place acceptable limits for the risks identified by BSP's employees. The risk management approach encompasses the following:

- defining the types of risks that will be addressed by each functional or policy area (i.e., credit risk, interest rate risk, liquidity risk, operational risk, etc.);
- ensuring that mechanisms for managing (identifying, measuring, and controlling) risk are implemented and maintained to provide for organisation wide risk management;
- developing information systems to provide early warning, or immediate alert, of events or situations that may occur, or already exist, that could create one or more types of risk for BSP;



- creating and maintaining risk management tools, including those requested by the Board, such as frameworks, policies, procedures, risk registers, controls and independent testing, personnel management and training, and planning;
- instituting and reviewing risk measurement techniques that Directors and management may use to establish the BSP's risk appetite, risk tolerance, risk identification approaches, risk supervision or controls, and risk monitoring processes;
- developing processes for those areas that present potential risks; and
- establishing appropriate management reporting systems regarding these risks so individual managers are provided with a sufficient level of detail to adequately manage and control BSP's risk exposures.

The Board accepts responsibility for ensuring it has a clear understanding of the types of risks inherent in BSP's activities. Therefore responsibility for overall risk management in BSP is vested with the Board. However every employee from Executive Management to the newest recruit has a responsibility and a part to play in the process.

There is a formal system of financial and operational delegations from the Board to the CEO, and from the CEO to Senior Management. These delegations reflect BSP's risk appetite, and are cascaded down to line managers who have skills and experience to exercise them judiciously.

The Board defines the accountabilities (including delegated approval/control authorities/ limits) and reporting/ monitoring requirements for the risk management process. The severity of risks identified in the risk identification, analysis and evaluation processes, and noted in the Strategic Business Unit Risk Registers, is used to determine the approval/ control authorities/ limits. The Board will review these risk limits annually along with an annual review of BSP's significant risks.

The Board has adopted guidelines, with the help of management analysis, covering the maximum loss exposure BSP is able and willing to assume. These guidelines are detailed in BSP's Risk Appetite Statement, which is reviewed annually and approved by the Board.

The Board has also delegated to the BRC responsibility for overview of loss control and for overseeing the risk management function.

To this end BSP has established separate Credit Inspection functions and Operational Risk functions, both governed by Board approved Charters, which have direct reporting lines to the BRC and regularly present reports to the BRC's meetings.

The BRC and BACC are responsible for providing regular reports and recommendations to the Board on the risk management and compliance activities of BSP, especially relating to risk issues that are outside of the authority of BSP's Executive Committee to approve.

BSP's Executive Committee is responsible for deliberating on risk management issues which are outside of the delegated authorities/ limits of the Credit Committee, GALCO, Operational Risk Committee, Compliance Risk Committee and General Managers, with escalation of these issues to the BRC and BACC, and the Board itself, in case of need.

## LOCAL ADVISORY BOARD (FIJI)

The Reserve Bank of Fiji requires the establishment of a Local Advisory Board (**LAB**) for all Foreign Banks with Fiji Branch Operations, and whose Board of Directors is based outside Fiji.

BSP, a Bank incorporated in Papua New Guinea, is a Foreign Bank in Fiji as defined by the Banking Act in Fiji. BSP has a Branch operation in Fiji (**BSP Fiji**).

The purpose of the Local Advisory Board is where appropriate to provide advice and guidance to the Head of BSP's operations/ Country Manager on;

- Fiji's regulatory and supervisory environment, national development objectives and BSP's potential role, initiatives and participation in it; and
- community matters including cultural, economic and social norms and needs and the provision of financial services that are of mutual benefit to banks and the community.

The LAB has been established in Fiji and its full role and responsibilities are contained/ detailed in its Board approved Charter.

Nominees, of the LAB, must meet the "Fit and Proper Person" criteria established by the Reserve Bank of Fiji before they can take their place on the LAB.

## ETHICAL BEHAVIOUR

BSP acknowledges the need for Directors and employees at all levels to observe the highest standards of ethical behaviour when undertaking Group business. To this end, the Board has adopted

- a Code of Conduct for both Directors and members of the Executive Management team of BSP and stipulated that each Director, and relevant employees, acknowledge in writing having read, understood and agreed to abide by such a Code; and
- a Corporate Mission, Objectives and Core Values Statement, which establishes principles to guide all employees in the day to day performance of their individual functions within BSP.

To ensure the maintenance of high standards of corporate behaviour on an ongoing basis, the Board further stipulates that senior management periodically undertake an appropriate communication program to reinforce both the Code and Core Value Statements. All Directors are encouraged to maintain membership of an appropriate Directors Association to keep abreast of current trends in Director's duties, responsibilities and corporate governance issues.

BSP is committed to a culture in which it is safe and acceptable for employees, customers and suppliers to raise concerns about poor or unacceptable practices, irregularities, corruption, fraud and misconduct.

BSP has adopted a Fraud & Whistleblower Policy that is designed to support and encourage staff to report in good faith matters such as:

- unacceptable practices;
- irregularities or conduct which is an offence or a breach of laws (actions and decisions against the laws including non-compliance);
- corruption;
- fraud;
- misrepresentation of facts;
- decisions made & actions taken outside established BSP policies & procedures;
- sexual harassment;
- abuse of Delegated Authorities;
- misuse of Group assets;
- disclosures related to miscarriages of justice;
- health and safety risks, including risks to the public as well as other employees;
- damage to the environment;
- other unethical conduct;
- failure to comply with appropriate professional standards;
- abuse of power, or use of BSP's powers and authority for any unauthorised purpose or personal gain; and
- breach of statutory codes of practice.

Directors and management of BSP are subject to the Capital Markets Act restrictions for buying, selling or subscribing for securities in BSP if they are in possession of inside information, i.e. information which is not generally available and, if it were generally available, a reasonable person would expect to have a material effect on the price or value of the securities of BSP.

Further, Directors and management may only trade in the securities of BSP, subject to the foregoing insider trading restrictions, during each of the eight weeks following the announcements of half yearly and yearly results, or the date of issue of a prospectus. Management should discuss proposed share trades with the CEO in advance, who in turn will keep the Chairman of the Board appraised of management activities. Directors should discuss proposed share trades with the Chairman in advance.

In addition, Directors and management must not trade in any other entity if inside information on such entity comes to the attention of the Director, or management, by virtue of holding office as, Director and/ or Officer of BSP.

## **MARKET DISCLOSURE**

BSP's continuous disclosure regime is fundamental to the rights of shareholders to receive information concerning their securities. BSP has adopted a Continuous Disclosure Policy which

outlines the practices and procedures BSP has adopted to ensure it will comply with the ASX Listing Rules and the PNGX Listing Rules. Each Director, employee and contractor of BSP must comply with the continuous disclosure policy. A copy of this policy is available on BSP's website. Certain features of the continuous disclosure policy are also outlined in BSP's Shareholder Communication Policy.

Market announcements are posted to BSP's website immediately after release to the market. Where BSP provides financial results' briefings to analysts or media, these briefings are published on the website as soon as possible after the event. In any event, no material information which has not been previously released to the market is covered in such briefings. The material upon which the briefing is based (such as slides or presentations) is released to the market prior to the briefing.

BSP's insider trading rules are important adjuncts to the continuous disclosure regime in ensuring that shareholders are given fair access to material information regarding securities. BSP seeks to limit the opportunity for insider trading in its own securities through its continuous disclosure policies and the dealing rules applying to its employees and Directors. (BSP has adopted a Securities Dealing Policy. This is available at [www.bsp.com.pg](http://www.bsp.com.pg) in the Investor Relations section.)

## SHAREHOLDERS COMMUNICATION

BSP's Code of Conduct requires its employees to act with high standards of integrity, transparency, accountability and equity in all aspects of their employment with BSP.

With this in mind, BSP commits to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to communicate widely and promptly. Consistent with ASX Corporate Governance Principles and Recommendation 6.4, BSP gives shareholders the option to send and receive communications from BSP and its share registry electronically. BSP commits to facilitating participation in shareholder meetings, and dealing promptly with shareholder enquiries.

Our Shareholder Communication Policy is built around compliance with disclosure obligations and aspiring to be at the forefront of best practice in disclosure. Our framework for communicating with shareholders is to concisely and accurately communicate:

- our strategy;
- how we implement that strategy; and
- the financial results consequent upon our strategy and its implementation.

BSP uses shareholder forums such as the AGM, and group meetings with larger shareholders, within disclosure policies, to communicate financial performance and strategies.

## REMUNERATION

BSP remuneration policy for senior management is comprised of a fixed component and an at risk component that is a combination of short term rewards and long term incentives. The remuneration packages of General Managers and the CEO are approved by the Remuneration and Nominations Committee, and details are provided by the committee to the Board.

Fixed remuneration of senior management is reviewed at the time of contract renewal taking into account the nature of the role, the pay position relative to comparable market pay levels, and individual and business performance.

## DIRECTORS' FEES

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is determined by shareholders at AGMs of BSP in accordance with the Constitution. Fees are intended to remunerate Non-Executive Directors for time spent on Board and Board Committee matters, including review and preparation time, meeting attendance, visits to Group operations and travel. The Chairman spends additional time attending to his/her special responsibilities.

Annual fees are paid to the following, with the actual fees paid each year being disclosed in the Annual Report: -

- Chairman;
- Non-Executive Director; and
- Board Committee members – per Committee meeting.