

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Disclosure Statement

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As the leading financial service provider in PNG and the South Pacific, BSP recognises that our business decisions and those of our customers have the potential to impact the communities and environment that we operate in.

BSP ensures that for certain industries and activities, we must consider the environmental and social impacts of our lending along with financial risks.

Our Environmental and Social Risk Management (ESRM) policy approach supports our objective of being an environmentally and socially responsible financial group and ensure our customers invest in a sustainable environment.

The application of BSP's ESRM policy and its due diligence requirements provides a process to identify, evaluate and assess the environmental and social risks associated with lending decisions.

Our ESRM requirements are aligned to international best practices and standards to understand and manage present and evolving issues with regards to environmental and social risks. Through this policy, we ensure customers, projects and business activities that we finance are conducted in a manner that is socially responsible and reflects sound environmental management practices.

BSP ESRM assessment involves a risk based approach to identification and managing environmental and social risks and impacts. The approach is formalised through a Group wide ESRM policy that applies a consistent approach to understanding, assessing, and considering environmental and social risks in our decision-making.

The Policy is incorporated in our credit risk and governance framework with assessment criteria to readily identify and manage transaction related potential environmental and social risks.

Our ESRM assessment is conducted in the following sequence;

- Screening: of proposed transaction and activities;
- Categorisation: from low to high risk;
- Due Diligence Assessment: risk based approach;
- Approval: assessment and decision within risk appetite;
- Supervision and Monitoring: compliance with loan covenants and undertakings; and
- Review and Reporting: customer and portfolio risks.

EVALUATING E&S RISKS

We consider all transactions and the sector or industry in which the client operates when conducting environmental and social due diligence on a transaction. We perform our assessment using a range of tools such as questionnaires, checklists, report guidelines, and external consultants for high risk or complex projects. The information obtained is evaluated and the outcome is incorporated into our standard credit process. Our environmental and social due diligence requirements are founded on international best practices such as the Equator Principles Association Guidelines and International Finance Corporation (IFC) Performance Standards, applicable environmental and social laws and regulatory requirements of the jurisdictions in which the business operates.

Based on the outcome of our investigations, we may require clients to manage or mitigate environmental and social issues before we proceed with financing. Higher-risk, project-related transactions receive in-depth reviews by independent environmental and social consultants as required to benchmark against international standards. If gaps are found between a client's environmental and social plans, policies or practices and international standards, we develop an Environmental and Social Action Plan (ESAP) to satisfactorily remediate the identified areas. As a pre-condition of financing, we require the client to implement the ESAP by specifying covenants in the loan agreement, and we monitor progress over time.

MONITORING & REPORTING

Environmental and Social risk monitoring is an ongoing requirement throughout the term of the loan agreement. We conduct annual performance review to ensure environment and social risk of a customer and its activities remain compliant with our ESRM requirements. Our monitoring activities include review of compliance performance reports, site visits to review and revalidate risk management practices onsite.

We require our clients to engage independent specialist or consultants to provide a professional technical opinion in the case of projects with potential sensitive environmental and social risks.

INDUSTRY COLLABORATION

As part of our Environment strategy, we collaborate with partners and stakeholders such as Forest Stewardship Council (FSC), IFC, University of PNG and other NGO's to support the objective of an effective ESRM Policy and seek innovative ways to reduce environmental impact.

PROJECT SUPPORT

BSP has specific requirements for certain industry sectors including forestry, fishing and agriculture.

BSP continues to work with sponsors and industry partners to support expansion and finance projects that promote environmental sustainability throughout our operations.