



BOARD CHARTER

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BOARD CHARTER

Document Control

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1. Introduction

The Directors of BSP are committed to high standards in corporate governance and these are detailed in its **Corporate Governance Principles** document and in its compliance to Prudential Standards/ Statements, set down by the regulators in the countries in which BSP operates.

Consistent with BSP's **values** of integrity, professionalism, leadership, quality, people, community, teamwork and community, the Board of BSP (**Board**) has, over many years, developed and implemented a series of policies and practices which are consistent with the Principles and Standards.

This Board Charter is 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 Board Charter, that Charter can be endorsed by the Board of the Subsidiary or Joint Venture Partner and approved by the main Board of BSP.

2. Purpose

The Board Charter sets out the roles and responsibilities of the Board and of management; and describes the respective roles of the Board and the Chief Executive Officer (“CEO”) and their respective relationships with management.

In adhering to the responsibilities and powers as set out in this Charter, the Board members are expected to perform their duties with integrity, honesty and in a professional manner in accordance with the law. In striving to achieve the objectives, BSP endeavours to be a company that looks after its staff, values and services customers, rewards its shareholders and partners with the community.

3. Objectives and Vision

BSP's **Objective** is to create long term shareholder value for its shareholders through providing financial services to its customers, and producing sustained best-in- industry performance in safety, community reputation and environmental impact.

BSP's **Vision** is to be the leading financial services provider in our chosen markets helping customers, staff, shareholders and communities prosper.

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4. Board Structure

4.1 Board Size and Composition

The Directors will: -

- determine the number and composition of the Board, subject to limits imposed by BSP's Constitution.
- identify and evaluate possible future Directors for the Board (with the assistance of the Remuneration and Nomination Committee, where necessary).
- appoint Directors to fill casual vacancies, and
- make recommendations to BSP's shareholders for the appointment and removal of directors.

The maximum number of Directors, as prescribed by the Constitution and approved by shareholders, is **10**. The Board is currently comprised of 9 Non-Executive Directors, including the Chairman, and one Executive Director, the CEO.

The minimum number of Directors, as prescribed by the Bank of PNG under Prudential Standard BPS300: Corporate Governance, is **5** at all times.

The majority of Directors must be ordinarily resident in PNG.

4.2 Renewal & Term

Under the Constitution, at each annual general meeting one-third of BSP's Directors, in addition to any Director appointed during the year, excluding the Chief Executive Officer, must offer themselves for re-election by the shareholders.

A Director is normally appointed for an initial term of 3 years. At the end of the initial term, the Director will become eligible for reappointment by the shareholders for a further term of 3 years and if not reappointed would be retired automatically. A Director is not permitted to hold office for a period exceeding 3 terms of 3 years or 9 years whichever is the lesser.

The Board has established a plan and guidelines regarding Board renewal and succession planning, and for assessing the performance of the Board with the aim of maintaining a proactive and effective Board.

4.3 Meetings & Quorum

The Board will determine the frequency, duration and agendas of Board and Committee meetings.

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Scheduled meetings of the Board are held regularly throughout the year and the Board meets on other occasions to deal with matters requiring attention. Meetings of Board Committees are scheduled regularly during the year. 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 BSP operations and meets with local management and key customers.

A meeting of the Board can be convened by any of the Directors.

A **quorum** shall consist of a majority of directors unless the Board comprises an even number of directors then the quorum shall be half that number or such other numbers as allowed by BSP's constitution.

All proceedings of the Board, including papers submitted and presentations made to the Board, shall be kept confidential and will not be disclosed or released to any person other than Board members, except as required by law or as agreed by the Board.

The Company Secretary, in conjunction with the Chairman, will draw up the agenda for each meeting. The agenda and supporting documentation will be circulated in the manner approved by the Board (which may be electronically) to each Director, at least 5 working days prior to each meeting.

The Company Secretary will prepare the minutes of the Board meeting promptly after the conclusion of each meeting. Draft minutes will be provided to the Chairman for review, prior to distribution to all Directors. The draft minutes will also be included in the papers for the next Board meeting.

Members of senior executive management (**Group Senior Executives**) are invited to attend Board meetings and are available to be contacted by Directors between meetings.

4.4 Induction

On joining the Board new Directors will be provided with their Appointment Letter and a Board induction pack.

The Board has an induction procedure for new members to make sure new members are adequately acquainted with the Board's purpose, responsibilities and practices.

This includes provision of a copy of this Charter and information on the time commitment needed, as well as specific information about BSP. The induction procedure also includes meetings with relevant management.

4.5 Professional Advice

The Board collectively and each Director individually may take, at BSP's expense, such

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independent professional advice as is considered necessary to fulfil their relevant duties and responsibilities. Individual Board members seeking such advice must obtain the approval of the Chairman (which may not be unreasonably withheld) and the advice will be made available to all Board members as appropriate.

4.6 Chairman

The Directors will elect/ appoint the Chairman of BSP's Board. The

Chairman of the Board: -

- shall be a Non-Executive Director;
- shall be independent as defined in accordance with the Board policy on Director independence;
- must not have been a former executive officer of the BSP or the CEO in the last 3 years; and
- must not serve as Chairman for more than **6** consecutive years, unless in a certain exceptional instance.

5. Board Committees

The Board will: -

- determine the membership, composition and responsibilities of standing Board Committees, having regard to workload, skills and experience. At present these committees comprise:

5.1 Remuneration & Nomination Committee

5.2 Board Audit & Compliance Committee

5.3 Board Risk Committee

5.4 Disclosure Committee

- determine the membership and responsibilities of "ad hoc" Board Committees.

The various powers, duties and responsibilities of the Board set out herein may be delegated to one or more Committees of the Board. The powers delegated to these Committees will be described in Board resolutions.

All Board Committees will have a Charter approved by the Board setting out the composition, duties and responsibilities of that Committee.

Minutes of the proceedings of all meetings of Board Committees shall be maintained and

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copies of those minutes will be made available to all Directors.

6. Board Independence and Performance Assessment Review / Evaluation

The Board will: -

- assess the independence and competency of individual Non-Executive Directors; and
- evaluate the performance of the Board, the Board Committees and individual Directors

The Board is appointed by the shareholders to direct and control BSP. Non-Executive Directors will be in a clear majority on the Board, and be able to form an independent view of the recommendations and performance of management. This requires that Non-Executive Directors are not part of BSP's management.

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 security holders 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 Australian Securities Exchange 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 will annually review its performance, policies and practices and review the performance of its Committees and each Director. The results of the review of individual Directors will be taken into account by the Board in determining its assessment of the Directors to stand for re-election at the next annual general meeting.

The Board will annually review the Directors' compliance with the Fit & Proper Person Policy/ requirements of the Bank of Papua New Guinea.

The performance evaluation processes will be disclosed in each annual report. The current Evaluation Report will be available on BSP's website www.bsp.com.pg under Investor Relations

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7. Senior Executive Appointments

7.1 Chief Executive Officer

The Board will: -

- select and appoint the CEO.
- evaluate the performance of the CEO.
- determine the duration, remuneration and other terms of appointment of the CEO; and
- develop and maintain a succession plan for the role of the CEO.

The CEO is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of BSP.

The Board will monitor the performance of the CEO and the operations of BSP through:

- consideration of reports and presentations prepared by management for the Board and its Committees;
- discussion with and questioning of management at Board and Committee meetings; and
- dialogue with management outside formal meetings through arrangements agreed with the Chairman and CEO.

The Board and Committees may make direct requests for information including from the CEO, any employee of BSP, the external auditor or any third party.

The CEO will ensure that reports are provided to the Board and Committees in a timely manner and contain information adequate to:

- assist the Board establish, with management, and approve the strategies and financial objectives to be implemented by management;
- enable the Board to monitor the implementation of the strategies; and
- enable the Board to monitor the business and financial performance of BSP and material events in markets relevant to BSP.

The CEO will not engage in or permit any activity or behaviour that violates the highest standards of business practice and ethics.

7.2 Senior Executive Management

The Board (with assistance of the Remuneration and Nomination Committee, where necessary) will: -

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- oversee senior executive management in the implementation of BSP's strategic objectives, instil the values of BSP and generally oversee the performance of BSP;
- approve the appointment of senior executive management;
- evaluate the performance of senior executive management;
- determine the duration, remuneration and other terms of appointment of senior executive management; and
- develop and maintain a succession plan for senior executive management.

The Board also approves the appointment of the Heads of major subsidiaries;

7.3 Company Secretary

The Board will: -

- approve the appointment of BSP Company Secretary;
- evaluate the performance of BSP Company Secretary; and
- determine the duration, remuneration and other terms of appointment of BSP Company Secretary.

8. Board Business – Roles/ Functions/ Powers

The Board shall:

- have full and free access to executives and other employees of BSP;
- demonstrate leadership of BSP;
- define the purpose of BSP.

8.1 Strategy

The Board will: -

- provide strategic direction to BSP;
- approve significant corporate strategic initiatives and related objectives for BSP; and
- review progress in regards to corporate strategic initiatives.

8.2 Finance

The Board will: -

- approve BSP's budget on an annual basis;

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- monitor financial performance against approved budget;
- determine dividend policy;
- determine the amount, nature and timing of dividends to be paid;
- make determinations concerning the capital structure of BSP including, without limitations;
 - allotment of new capital;
 - share buy-backs;
 - changes of capital structure; and
 - capital raising.
- consider and approve interim and final Financial Statements and BSP's Annual Report; and
- determine the size of bonus / incentive pools as part of BSP's annual plan based on consideration of pre-determined business performance indicators and the financial soundness of BSP (with assistance of the Remuneration and Nomination Committee, where necessary).

Refer to the Dividend Reinvestment Plan for details on reinvestment options.

8.3 Risk Management and Internal Control

The Board will: -

- satisfy itself that BSP has in place an appropriate risk management framework (for both financial and non-financial risks).
- set the risk appetite within which the Board expects management to operate;
- consider and approve BSP's risk management strategy, having regard to the CEO's recommendations, and set key parameters.
- review and approve BSP's Risk Management Framework (including the risk appetite statement and risk tolerance limits), regulatory compliance and control and associated Group policies for managing the major areas of risk, including:
 - credit risk;
 - liquidity risk;
 - market risk;
 - interest rate risk; and
 - operational risk, including regulatory and legal risk, and reputation risk.
- monitor the effectiveness of risk management by BSP;
- satisfy itself that appropriate internal control mechanisms are in place and are being implemented;

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- maintain a direct and ongoing dialogue with BSP's auditors and, where appropriate, principal regulator, to provide reasonable assurance of compliance with all regulatory requirements; and
- when required, challenge management and hold it to account

8.4 External Auditors

The Board will: -

- on the recommendation of the Audit Committee select and nominate External Auditors to the shareholders;
- determine the duration, remuneration and terms of appointment of the Auditors; and
- evaluate the performance of the Auditors.

8.5 Internal Governance

The Board will: -

- determine the scope of authority delegated to the CEO or any other officer; and
- approve policies for appointments to the Boards of entities that are controlled by BSP.

8.6 Delegations/ Approval Authority/ Powers of Attorney

The Board will: -

- determine and approve the level of authority to be delegated to the CEO in respect of Group operating expenditures, capital expenditures, credit facilities, and risk-taking and approve the further delegation of those authorities to management by the CEO;
- approve operating and capital expenditure, credit facilities and risk-taking authorities in excess of the limits delegated to management; and
- delegate to the CEO authority to achieve BSP's Objectives

Directors may delegate their powers as they consider it appropriate. Ultimate responsibility for strategy and control of BSP rests with the directors.

Refer to the Delegations Manual for details on all delegations

8.7 Securities Dealing

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The Board will: -

- monitor dealings in securities by Directors and senior management.

Refer to the Securities Dealing Policy for details on security dealings.

8.8 Conflict of Interest

The Board will: -

- monitor compliance with the Managing Conflict of Interest Policy; and
- monitor declaration of interests by Directors.

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of BSP.

If any matter is to be discussed at a meeting of the Board which would involve one or more directors having a material conflict of interest, then those directors;

- will declare that conflict of interest;
- will not receive the relevant papers;
- will not be present at the meeting whilst the matter is considered; and
- will not participate in any decision on the matter or be informed the decision has been taken.

BSP's Company Secretary will maintain a record of Directors' dealings in securities and declarations of interests and potential conflicts.

Refer to the separate Managing Conflict of Interest Policy for full details.

8.9 Code of Conduct

The Board will: -

- approve BSP's statement of values and its Code of Conduct Policy to underpin the desired culture within BSP;
- monitor compliance with the Code of Conduct Policy; and
- periodically review the Code of Conduct Policy to check it is operating effectively and whether any changes are required to the Code

Refer to the separate Code of Conduct Policy for full details.

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8.10 Shareholders Communication

The Board will: -

- monitor compliance with the Shareholders Communication Policy

Refer to the separate Shareholders Communication Policy for full details.

8.11 Continuous Disclosure

The Board will: -

- monitor compliance with Continuous Disclosure requirements

Refer to the Continuous Disclosure Policy for details on market & other disclosures.

8.12 BSP Policy Review

The Board will: -

- approve all Corporate Governance level policies.

Corporate Governance level policies may be endorsed at subsidiary company or joint venture parent Board level (where applicable), and changes recommended by Board Audit and Compliance Committee prior to final approval by the main Board.

Group Operating level policies will be approved by EXCO (under Delegation from the Board).

Any exceptions to Corporate Governance policies will require approval by the Board.

BSP policies are to be reviewed at least every two years, or as required.

8.13 Charter Review

Board and Committee Charters are to be reviewed every two years, or as required.