



FIT AND PROPER PERSONS POLICY

January 2024

Document Control

Document Information

	Information
File Name	Fit and Proper Persons Policy
Policy Level	Corporate Governance Policy
Document Owner	Board
Document Author	Company Secretary
Last Saved Date	31 January 2024

Document History

Version	Issue Date	Changes
1.0	19/10/2007	Original
2.0	1/12/2008	Revision
3.0	03/10/2017	Revision
4.0	14/11/2019	Revision
5.0	26/3/2021	Update to comply with ASX Listing Rules
5.1	26/05/2021	Update reference to Cook Islands Prudential Standards and add new logo
6.0	31/01/2024	Update

Document Approvals

Name	Signature(s)	Date
Executive Committee	Meeting Minute	03/10/17
Remuneration and Nominations Committee	Meeting Minute	
Board Risk & Compliance Committee (BRCC)	Meeting Minute	
BSP Board	Meeting Minute	
Remuneration and Nominations Committee	Meeting Minute	15/07/2020
Board Audit & Compliance Committee	Meeting Minute	15/07/2020
BSP Board	Meeting Minute	17/07/2020
Due Diligence Committee	Meeting Minute	26/3/2021
BSP Board	Meeting Minute	31/03/2023
Group Chief Risk Officer Mike Hallinan		26/05/2021
Board Audit & Compliance Committee	Meeting Minute	20/02/2024
BSP Board	Meeting Minute	21/02/2024

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1. INTRODUCTION

1.1 Mandate

- 1.1.1** The Board confers authority to Management to protect the reputation of BSP Financial Group Limited (**BSP**) by significantly reducing the risk of non-compliance with BSP's internal and external obligations, and to promote honesty and integrity through the efficient management of operational risk.

1.2 Link to Compliance Risk Management Framework

- 1.2.1** Compliance with this Policy is a component of the Compliance Risk Management Framework and is consistent with BSP's Constitution, Board Charter and Corporate Governance Principles.
- 1.2.2** This Policy document should be read in conjunction with the fit and proper requirements set out by the Central Banks of the various jurisdictions in which BSP operates.

2. OVERVIEW

2.1 Background

- 2.1.1** BSP as a listed company and licensed financial institution is subject to various regulatory requirements that require it to ensure that it is managed by sufficiently capable, fit and proper people.

- 2.1.2** The current fit and proper requirements of the respective regulatory bodies (collectively referred to as "the Central Banks") include the following governing regulations (collectively referred to as "the Prudential Standards"):

- (i) Bank of Papua New Guinea Banking Prudential Standard BPS310: Corporate Governance – Fit and Proper Requirements;
- (ii) Reserve Bank of Fiji Banking Supervision Policy Statement No. 10: Fit and Proper Requirements for Licenced Financial Institutions in Fiji;
- (iii) Central Bank of Solomon Islands Prudential Guideline No. 15: Fit and Proper Requirements for Persons Holding Responsible Persons Position in Licenced Financial Institutions in Solomon Islands;
- (iv) Financial Supervisory Commission Cook Islands Banking Prudential Statement BPS06 Fit & Proper;
- (v) National Reserve Bank of Tonga Prudential Statement No.8 Fit & Proper Requirements;
- (vi) Central Bank of Samoa Prudential Statement 1 Governance and Risk Management; and
- (vii) Reserve Bank of Vanuatu Domestic Banks Prudential Guideline No. 10 Management of Financial Institutions: Fit and Proper Requirements.

- 2.1.3** The purpose of the various Prudential Standards is to:

- (i) ensure that all persons who are directors (including alternate directors), executive officers, senior managers, shareholder controllers or indirect controllers of BSP are fit and proper persons; and
- (ii) safeguard the interests of depositors and stakeholders by ensuring BSP is soundly and prudently managed and directed by appropriate persons.

2.2 Objectives

- 2.2.1** This Policy ensures compliance with the Prudential Standards and is designed to provide stakeholders with clear direction on BSP's fit and proper process. This includes responsibilities, the overall assessment process and what action to take should there be any concerns regarding the ongoing fit and proper status of directors and/ or senior management.

2.3 Definition

For the purpose of this Policy, the following definitions apply:

“**BSP**” refers to all operations, branches, subsidiary companies and joint ventures (where BSP holds the controlling interest) making up BSP Financial Group Limited;

“**Responsible Person**” refers to any of the following: -

- (i) a Director;
- (ii) the CEO;
- (iii) a Senior Manager as defined in this section;
- (iv) an Auditor;
- (v) the Appointed Actuary of a Life Insurance Company;
- (vi) a person who performs activities for a subsidiary of BSP where those activities may materially affect the whole, or a substantial part, of BSP’s business, or its financial standing, either directly or indirectly;
- (vii) a Senior Manager that reports to a Board Committee; or
- (viii) any other person where the Central Banks have determined that that person plays a significant role in the management or control of BSP, or that the person’s activities may materially impact on prudential matters.

A responsible person need not be an employee of BSP, and may be a consultant, contractor or employee of a subsidiary or otherwise related company.

The list of Responsible Person positions for BSP is found in Appendix A of this Policy.

“**Senior Manager**” refers to any of the following: -

- (i) a person who makes, or participates in making, decisions that affect the whole, or a substantial part, of BSP’s business;
- (ii) a person who has the capacity to affect significantly BSP’s financial standing;
- (iii) a person who may materially affect the whole, or a substantial part, of BSP’s business, or its financial standing through their responsibility for:
 - (a) enforcing policies and implementing strategies approved by the Board;
 - (b) developing and implementing systems used to identify, assess, manage, or monitor risks in relation to the business; or
 - (c) monitoring the appropriateness, adequacy or effectiveness of risk management systems.

Any other term not defined in this section is defined within the Policy.

2.4 Scope

This Policy applies to all directors and employees of BSP.

2.5 Policy Statement

- 2.5.1** BSP has established this Policy to comply with its regulatory obligations under the Prudential Standards and Listing Rules. This Policy compliments BSP’s Corporate Governance Principles and Board Charter and acts as an avenue through which statements relating to how BSP complies with the Prudential Standards are communicated to the Board of Directors and staff.

3. REQUIREMENTS OF THE POLICY

3.1 Principles

The following principles are the underlying intentions from which mandatory requirements are derived:

- a) Business process have governance, management oversight and internal controls. Processes must provide assurance that accountabilities are established, communicated and understood;
- b) Controls have appropriate level of assurance.

3.2 Responsibility

The responsibilities outlined below are specifically in relation to the application and management of this Policy.

3.2.1 Board of Directors

- 3.2.1.1 It is the responsibility of the Board of Directors of BSP (**Board**) to ensure that every Responsible Person is at all times a fit and proper person for the respective role and that their appointment is in accordance with the various applicable Acts/ Prudential Standards.
- 3.2.1.2 The application of this Policy including the assessment of the fitness and propriety of Responsible Persons is the responsibility of the Board. However, the Board may, in accordance with this Policy, delegate all or some of its functions to a Committee of the Board or to particular officers or employees.
- 3.2.1.3 The Board must ensure that the holder of a Responsible Person position has the appropriate skill and experience commensurate with the role, and that the Board will make all final determinations on the fitness and propriety of Responsible Persons.

3.2.2 Board Audit and Compliance Committee (BACC)

- 3.2.2.1 As this Policy is a component of BSP's compliance risk management framework and relates to compliance with the Prudential Standards, the Board has delegated general responsibility for oversight of implementation of the Policy to the BACC.
- 3.2.2.2 The Board of Directors through the BACC must approve this Policy and any subsequent changes, oversee its effective implementation with a copy of the current Policy to be provided to the respective Central Banks.
- 3.2.2.3 The BACC is responsible for ensuring that all individuals and committees who have responsibility under this Policy fulfill their responsibilities in a timely and diligent manner.
- 3.2.2.4 The BACC (with the assistance of the Company Secretary) is responsible for the assessment in relation to responsible auditors and actuaries and providing recommendations to the Board on these matters accordingly.

3.2.3 Remuneration and Nominations Committee (RNC)

- 3.2.3.1 The RNC (with the assistance of the Company Secretary) is responsible for:
- (i) the fit and proper assessment of:
 - (a) existing directors;
 - (b) candidates for nomination as directors;
 - (c) the Group Chief Executive Officer, and
 - (ii) making recommendations to the Board on these matters.
- 3.2.3.2 The RNC has delegated this responsibility to the Fit & Proper Subcommittee, which comprises of the Group Chief Executive Officer, Group Chief Risk Officer, Group General Manager People & Culture and the Company Secretary.
- 3.2.3.3 The RNC must approve the list of Responsible Person Positions maintained by the GM People & Culture and any changes to that list. Any changes to the list will be advised to the BACC.
- 3.2.3.4 The Board (on advice from the RNC) will provide shareholders of BSP with all material information in the possession of BSP relevant to the decision on whether or not to elect or re-elect a director. In the case of a candidate standing for election for the first time (in addition to the information listed in Clauses 3.3 and 3.4 of this Policy), the information provided to shareholders will include:
- (i) confirmation BSP has conducted appropriate checks into the candidate's background and experience;
 - (ii) details of any information of concern arising from those checks.

3.2.3.5 The Board will provide a statement to shareholders as to whether it supports the election or re-election of a candidate to be a director of BSP and a summary of the reasons why.

3.2.4 People & Culture

The Group General Manager People & Culture (Group GM P&C) is responsible for:

- (i) ensuring that appropriate fit and proper assessments are carried out for each Senior Manager;
- (ii) making submissions about any matters that are relevant to a particular assessment of a Senior Manager's fitness and propriety;
- (iii) keeping and maintaining a current list of all Senior Manager positions and clearly defining and documenting the competencies and training required for each position;
- (iv) providing information to the RNC on matters concerning the procedure for fit and proper assessments; and
- (v) ensuring that BSP takes all reasonable steps to protect the information and documents collected for fit and proper assessments from misuse, unauthorized access, modification or disclosure.

3.2.5 Company Secretary

The Company Secretary is responsible for:

- (i) appropriate fit and proper assessments are carried out for each Director;
- (ii) making submissions about any matters that are relevant to a particular assessment of a Director's fitness and propriety;
- (iii) keeping and maintaining a current list of all Directors, and clearly defining and documenting the competencies and training required for each Director according to the board skills matrix;
- (iv) providing information to the BACC and the RNC on matters concerning the procedure for fit and proper assessments; and
- (v) ensuring that BSP takes all reasonable steps to protect the information and documents collected for fit and proper assessments from misuse, unauthorized access, modification or disclosure;
- (vi) ensuring that matters related to this Policy are brought to the attention of the BACC; and
- (vii) ensuring that appropriate reporting as required by the Banking Act, Companies Act or the Central Bank's Prudential Standards is completed.

3.2.6 Shareholder Controller / Indirect Controller

It is the responsibility of every person who is, or intends to become, a shareholder controller or an indirect controller of BSP to satisfy BSP that they are a fit and proper person. The Central Bank will conduct fit and proper assessments on each shareholder controller and indirect shareholder controller.

3.2.7 Country Heads in Foreign Jurisdictions/ Operations

The Board of BSP will delegate to the respective board or in the absence of one, the Country Head, the responsibility for ensuring that Responsible Persons in the foreign jurisdictions/ countries that BSP operates in are at all times fit and proper persons. This is also applicable to any joint ventures or subsidiaries under the management control of BSP.

3.2.8 Required notification

3.2.8.1 As soon as possible after a person is nominated or proposed for election or appointment to a Responsible Person position, People & Culture (for Senior Managers) and the Company Secretary (for Directors) will make available to that person a copy of this Policy and the details of the competencies and training required for the relevant position. This Policy will also form part of the induction process for all Responsible Persons.

3.2.8.2 BSP will also take reasonable steps to ensure that each Responsible Person is aware of, and fully understands this Policy, and receives a copy of the Policy before any assessment of their suitability to hold a Responsible Person position is conducted.

3.3 Criteria

The fit and proper status for Responsible Persons, as a minimum, will be assessed against the following criteria:

- (i) Reasonable conclusion that the person possesses the competence, capability character, diligence, honesty, integrity and financial soundness, judgement to perform properly the duties of the responsible person position;
- (ii) The person is not disqualified under any legislation administered by BPNG or other laws of PNG and that reasonable steps have been undertaken to determine whether the person would be disqualified under similar laws in other jurisdictions;
- (iii) The person either has no conflict of interest in performing the duties of the responsible person position; or, where a conflict of interest exists, it is reasonable to conclude the conflict will not create a material risk that the person will fail to perform properly the duties of the position and that all interests are accurately recorded in the Register and any conflicts of interest are recorded in the minutes;
- (iv) The person has undertaken the required level of training and professional development; and
- (v) For the Chair, CEO and Senior Managers, that the person is ordinarily resident in PNG.

3.4 Attributes for Consideration

3.4.1 Fit and Proper assessments undertaken by BSP with respect to a Responsible Person appointment must consider:

- (i) **Good Character** – qualities which include honesty, integrity, fairness and reputation, that are demonstrated over time;
- (ii) **Individual Qualifications**– whether the person has sufficient qualifications, in terms of relevant industry or business experience, public company directorship experience (for Directors) and academic qualifications, to reasonably conclude that he/she will be able to discharge satisfactorily the duties and responsibilities of his/her proposed position;
- (iii) **Collective Qualifications (for Directors)** – whether the board collectively has sufficient qualifications, in terms of relevant industry experience, business experience, public company directorship experience and academic qualifications, to reasonably conclude that it has been, and will continue to be, able to discharge satisfactorily its duties and responsibilities;
- (iv) **Individual Competence**– whether a person has exhibited competency, in relevant business, industry or board situations, to reasonably conclude that he/she will be able to discharge satisfactorily the duties and responsibilities of his/her proposed position;
- (v) **Collective Competence (for Directors)** – whether the board collectively has exhibited competency, in terms effective overview of the company's operations, effective strategic direction, effective financial and risk management, to reasonably conclude that it has been, and will continue to be, able to discharge satisfactorily its duties and responsibilities;
- (vi) **Mental Capacity** – whether a person has demonstrated sufficient mental capacity for BSP to reasonably conclude he/she is of sound mind and able to carry out satisfactorily the duties and responsibilities of his/her proposed position;
- (vii) **Removal or Suspension** – whether a person has not been, or is not being, removed or suspended, by order of a bank regulatory authority in countries where BSP operates (including subsidiaries and joint ventures) or in another foreign country, as a director, officer or shareholder controller of any bank licensed to operate those countries or in another foreign country unless such removal or suspension is solely the result of his/her political affiliation and in no way relates to his/her performance, conduct or competency as a director, officer or shareholder controller of a licensed financial institution;
- (viii) **Offences and Breaches** – whether a person has ever contravened any provision of the country's legislations or any rule or order issued thereunder, or has been guilty of gross negligence or willful or intentional misconduct as those terms contextually apply in the specific Acts;

- (ix) **Winding Up or Liquidation** – whether a person has been, or is, a director, executive officer, manager or shareholder controller of a bank licensed to carry on banking activities in countries where BSP operates in or in any other foreign country and which bank has been, or is being, wound up or liquidated compulsorily;
- (x) **Positions in Other Financial Institutions** – whether a person is or will be a director, executive officer, manager or shareholder controller of another bank or financial institution which is not a subsidiary or associate of BSP in the same countries where BSP operates in or in any other foreign country;
- (xi) **Censures** – whether a person has ever been censured, prosecuted, warned as to conduct, disciplined, or publicly criticized by, or made subject to a court order by any governmental department or agency, professional association, or regulatory body in countries where BSP operates in or in any other foreign country;
- (xii) **Convictions or Administrative Orders** – whether a person has ever been convicted of or imprisoned for any offense, or has had an administrative order served on the person in countries where BSP operates in or in any foreign country, within the last 10 years;
- (xiii) **Litigation** – whether a person has engaged or is expecting to be engaged in litigation in countries where BSP operates in or in any other foreign country, which may have a material adverse effect on the resources of BSP or its promoters;
- (xiv) **Judgments** – whether a person has, within the last 10 years, failed to satisfy within one year a judgment of debt under a court order in countries where BSP operates in or in any foreign country;
- (xv) **Fraud** – whether a person has ever been judged by a court, in countries where BSP operates in or in any foreign country, to be civilly liable for fraud, malfeasance, or any other misconduct;
- (xvi) **Bankruptcy or Debt Compromise** – whether a person has ever been judged bankrupt by a court, countries where BSP operates in or in any foreign country, or has made any compromise or otherwise failed to satisfy his/her creditors in full within the last 10 years;
- (xvii) **Taxes** – whether a person has not satisfied all undisputed obligations for taxes due and payable to the Internal Revenue Commission/ Taxation Office or any other taxation authority in countries where BSP operates in or in any foreign country;
- (xviii) **Political Office** – whether a person holds an appointed or elected position in Parliament, a Provincial Council, or a local authority in countries where BSP operates in or in any foreign country, or is an officer of a recognized political party as referenced in the Constitutions of countries where BSP operates in or in any foreign country;
- (xix) **Resources** – whether in the case of a body corporate, a person does not have, or have ready access to, sufficient financial, managerial, technological, intellectual or other relevant resources to reasonably conclude that the person will be able to discharge satisfactorily the duties and responsibilities of the proposed position;

3.4.2 The individual definitions for the above criteria may differ slightly between jurisdictions/ countries and therefore the respective legislation/ standards should be referred to.

3.5 Professional Development

3.5.1 Unless otherwise exempt in writing by the Central Bank, each director must undertake professional development training each year as part of meeting ongoing fit and proper requirements.

3.5.2 Further, each director's performance needs to be reviewed and assessed on an annual basis.

3.5.3 The Board shall ensure that directors and senior management collectively have the full range of skills and experience needed for BSP's effective and prudent operation. Further, that each director has the skills, knowledge and experience to understand the risks, financial, legal and prudential obligations to make an effective contribution to Board deliberations and processes.

3.5.4 The Board shall implement an independent Board evaluation process to:

- (i) assess the competency of the Board and each of the Board Committees by way of a competency matrix to:
 - (a) determine whether the Board arrangement covers the full range of required skills and expertise to be able to operate effectively as the Board of a bank/financial institution; and
 - (b) clearly identify the necessary skills training or the need for additional external support.
- (ii) evaluate the processes of the Board and its Committees relative to the Charters and business objectives;
- (iii) evaluate the process for assessing the performance of the Board, the Chairman and each individual director; and
- (iv) monitor and record the ongoing compliance with all Fit and Proper requirements.

3.5.5 A register must also be maintained by the Company Secretary of the training undertaken by each director to satisfy this requirement.

3.5.6 If required under the Prudential Standards, directors must maintain memberships with an appropriate directors' association.

3.6 Assessment Process

Assessment of a Responsible Person's fitness and propriety are to be built into:

- (i) the Board's and the RNC's procedures for considering candidates for nomination or appointment as a Director;
- (ii) the Board's and the BACC's procedures for considering candidates for appointment as an Auditor of BSP and a Related Entity; and
- (iii) BSP's recruitment and promotion processes for other Responsible Person positions.

3.6.1 Assessment Timeframe

3.6.1.1 Assessments of a person's fitness and propriety for a Responsible Person position must be made:

- (i) before the person is appointed; and
- (ii) after their appointment, on an annual basis, although if material information adverse to the assessment becomes known to BSP during the year, BSP must take steps without waiting for the annual review.

3.6.1.2 An assessment need not be made before appointment if the Central Bank determines that the position is a Responsible Person position and BSP had not previously considered that position a Responsible Person position. In any such case, an assessment must be completed within 28 days of appointment to the Responsible Person position.

3.6.1.3 However, the Board may:

- (i) carry out a full assessment of any person who is nominated for election as a director by the Board before that nomination is made; and
- (ii) carry out a preliminary assessment of any person who is nominated for election as a director.

3.6.2 Nomination and Appointment of Directors

The RNC, with the assistance of the Company Secretary is responsible for gathering information for assessments in relation to:

- (i) existing Directors; and
- (ii) candidates for nomination or appointment as a Director.

That information is to be assessed by the RNC and provided to the Board together with any recommendations.

3.6.3 Nomination and Appointment of Auditors

The BACC, with the assistance of the Company Secretary, is responsible for gathering information for assessments in relation to an Auditor. That information is to be assessed by the BACC and provided to the Board together with any recommendations.

3.6.4 Nomination and Appointment of Responsible Persons

3.6.4.1 The GM P&C is responsible for gathering information for assessments in relation to existing responsible persons or candidates for appointment to a Senior Manager position, and any other position other than a Director or Auditor. That information is to be assessed by the Fit & Proper Subcommittee, and provided to the Board together with any recommendations.

3.6.4.2 Any person conducting an assessment may seek further information from, or clarify any matter or information with, the person who is the subject of the assessment.

3.6.5 Information to be obtained

3.6.5.1 For appointments to Responsible Person positions, unless there is good reason not to do so, BSP will obtain:

- (i) a copy of the candidate's current Curriculum Vitae;
- (ii) certified copies of the candidate's educational qualifications;
- (iii) the candidate's personal financial statement to date including supporting documents;
- (iv) a copy of the candidate's passport bio page;
- (v) a copy of the candidate's work permit (if applicable);
- (vi) a declaration by the candidate relating to the criteria in Clauses 3.3 and 3.4 that the Central Bank requires or recommends that BSP consider when making an assessment of fitness and propriety;
- (vii) in addition to the above, the declaration is to include that there are no legal actions current or pending against the candidate; that none of the candidate's personal and business tax returns are overdue; and that there are no current or pending Internal Revenue Commission (or country equivalent tax office) actions or liabilities that are unlikely to be satisfactorily resolved;
- (viii) an assessment of the candidate's competence against the documented competencies and training required for the Responsible Person position, which may be in the form of a self-assessment questionnaire or otherwise in the form of requests for information regarding the person's qualifications and experience;
- (ix) appropriate public record checks including:
 - (a) criminal history checks;
 - (b) Investment Promotion Authority (IPA) (or country equivalent companies office) check to determine if the applicant is an authorised representative of another financial services licensee (FSL) or a credit representative of another credit licensee;
 - (c) IPA check to determine if the applicant is the subject of any banning order or disqualification (which includes persons disqualified from managing corporations, banned securities representatives pre-FSL, banned futures representatives, and banned and disqualified persons – FSL);
 - (d) IPA check to determine if the applicant has given an enforceable undertaking to IPA;
 - (e) commercial credit reference checks and bankruptcy checks;
 - (f) in the case of an auditor or actuary, IPA register of disqualified persons;
 - (g) checks of relevant sanction lists;
 - (h) IPA check of directorships and significant shareholdings;
 - (i) such other checks, including any relevant overseas checks, as are prudent from time to time;
- (x) interviews and information from referees or other persons deemed suitable for that purpose by BSP; and
- (xi) such other information as is prudent in particular circumstances.

- 3.6.5.2 Enquiries need not be made about matters that are unlikely to be material.
- 3.6.5.3 BSP recognizes that some of the information that it will gather is sensitive information. It will be a condition of appointment that the candidate provides consent for this information to be gathered and used by BSP for the purpose of the assessment. The consent must also include consent for the information to be provided to the Central Bank, if necessary.

3.6.6 Annual Assessments

- 3.6.6.1 GM P&C, with the assistance of the Company Secretary, will schedule annual assessments of responsible persons.
- 3.6.6.2 Unless special circumstances apply, such as absence on leave or similar matters, a Responsible Person's annual assessment should be conducted not more than 13 months after their previous annual assessment or assessment on appointment.
- 3.6.6.3 Unless there is a good reason not to do so, BSP will gather the following information listed in Clause 3.6.5.1 (i) to (vii) as part of the annual assessment, in addition to the following:
- (a) information on any adverse matters such as disciplinary action both internal and external to BSP, investigations, offences, prosecutions or other relevant matters;
 - (b) updated public record checks as set out in Clause 3.6.5.1 (ix) for candidates; and
 - (c) such other information as is prudent in the particular circumstances.
- 3.6.6.4 Enquiries need not be made about matters that are unlikely to be material.
- 3.6.6.5 It will be a condition of continuing appointment that the candidate provides their consent for this information to be gathered and used by BSP for the purpose of the assessment. The consent must also include consent for the information to be provided to the Central Bank, if necessary.

3.7 Decision Standards for Fit and Proper Assessments

- 3.7.1 BSP must apply prudent judgement in determining whether the person could be considered fit and proper for the Responsible Person position, and need not make enquiries about matters that are unlikely to be material.
- 3.7.2 If insufficient information is available to enable BSP to prudently conclude that the criteria in Clauses 3.3 and 3.4 is met, particularly as a result of lack of co-operation by the person, then the criteria is deemed not to be satisfied.
- 3.7.3 Where a disclosure or matter is relevant, it should be considered in conjunction with other relevant matters, such as materiality, elapsed time since the event, and repetition or duration of the behavior.
- 3.7.4 Notwithstanding that a person may be assessed as unfit for a particular Responsible Person Position as a result of a lack of competence for that position or because of a conflict of interest that applies to the duties of that position, the person may still be fit and proper for another Responsible Person Position as different competencies or conflict of interest considerations may apply to that position.
- 3.7.5 Where a person is found not to be fit and proper due to a lack of diligence, honesty, integrity, or judgement, then that person will not normally be suitable for any other Responsible Person Position.

3.8 Adverse Finding on Assessment

- 3.8.1 If an adverse finding is made such that a person is assessed not to be fit and proper to hold a Responsible Person position:

- (i) a person, whose appointment to that Responsible Person position is subject to a fit and proper assessment, must not be appointed to that Responsible Person position; and
- (ii) a person, who is currently acting in a Responsible Person Position, must not continue to hold that Responsible Person position.

3.8.2 Where an assessment is carried out on a Responsible Person of BSP or a related entity, and the person or committee responsible for the assessment forms the view on the basis of information available to them ("**Information**") that the person may not meet the criteria to be fit and proper to hold that Responsible Person position, that person or committee must provide the Information to the BACC and the person being assessed (the "**Person**").

3.8.3 The BACC will permit the Person a reasonable time to respond to the Information.

3.8.4 The BACC must consider the Information and any response received from the Person, in considering whether or not the Person is fit and proper to hold the Responsible Person position and make a recommendation to the Board. The Board's determination is final.

3.8.5 BSP may suspend the Person from duties until the Board has made the determination.

3.9 Action when a person is not fit and proper

3.9.1 If the Board makes a determination that a person is not fit and proper, then the Board may take such action as is appropriate, which may include:

- (i) determining not to appoint that person to a Responsible Person position;
- (ii) reassigning that person to a position which is not a Responsible Person position or which is a Responsible Person position for which the person meets the fit and proper criteria;
- (iii) if a contract of employment or appointment applies, dealing with that person in accordance with that contract which, in appropriate circumstances, may include termination of employment or appointment;
- (iv) removing that person from the Responsible Person position or, if the person is a Director, notify that person that an adverse assessment has been made and that the person must not continue to hold office, in which case the provisions of the Constitution and the Companies Act will apply.

3.9.2 Where there are no effective steps prudently available, to ensure that the person does not continue to hold the position, BSP may consider taking steps to facilitate the Central Bank independently considering the person's fitness and propriety. However, this in itself would not satisfy BSP's obligations to notify the Central Bank of information as required under the Central Bank's Prudential Standards.

3.9.3 If a responsible person has been assessed as fit and proper but BSP subsequently becomes aware of information that may result in the person being assessed as not fit and proper, the matter is to be referred to the BACC which must take reasonable steps to ensure that BSP can prudently conclude that no concern over fitness or propriety exists.

3.9.4 Where BACC decides that a concern exists, the Company Secretary (for Directors) and GM P&C (for all other Responsible Positions) must cause a full assessment to be conducted.

3.9.5 If the responsible person becomes aware of any matter which may prevent the person from continuing to be assessed as a fit and proper person, they must immediately notify the Company Secretary or GM P&C accordingly who will arrange for a new fit and proper assessment to be carried out.

3.9.6 If any person within the BSP becomes aware of any information which may be relevant to the continuing assessment of a Responsible Person as fit and proper, they must advise the Company Secretary (for Directors) and GM P&C (for all other Responsible Positions) who will arrange for a new fit and proper assessment to be carried out.

3.10 Reporting to the Central Bank when a responsible person is not fit and proper

3.10.1 The Board must cause a report to be made to the Central Bank of any assessment that a responsible person is not fit and proper within 10 business days of that assessment.

3.10.2 If the person remains in the Responsible Person position, the notification to the Central Bank must state the reason for this and the action that is being taken.

3.11 Central Bank exercising powers on fit and proper matters

The process in Clauses 3.8, 3.9 and 3.10 does not apply in circumstances where the Central Bank exercises its powers under the Banks & Financial Institutions Act, Life Insurance Act or Companies Act to (i) disqualify a person; or (ii) direct the removal of a person, from a Responsible Person position, in which case BSP may act immediately to remove the person from that position.

3.12 Appeal Process

If a person/ corporation, which BSP has deemed to be fit and proper:

- (i) has their fit and proper application rejected by the Central Bank; or
- (ii) during their appointment/ continuation of appointment, is disqualified by the Central Bank on the basis of no longer being fit and proper;

and BSP feels that the Central Bank's action is unjustified and not in the best interest of BSP, then BSP may take whatever action it considers necessary to appeal the decision with the Central Bank.

3.13 Whistleblowing

3.13.1 BSP has an approved Whistleblowing Policy which is available for all BSP employees and stakeholders to read. It is currently contained within BSP intranet and also available on BSP's website.

3.13.2 Employees and stakeholders are also encouraged to report any valid concerns they may have regarding a person(s)/ corporation(s) ongoing fit and proper status through avenues provided in the Whistleblowing Policy.

3.13.3 When an employee or stakeholder forms a reasonably held belief that they have no recourse under the BSP's current reporting structure, they may report directly to the Central Bank in the following instances:

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- (i) Where a Responsible Person is under the prudential standard of the relevant Central bank not a fit and proper person and continues to be employed by BSP in that capacity;
- (ii) On the inaction of BSP regarding a Responsible Person whom the Central Bank has declared to be not fit and proper and who continues to be employed by BSP;
- (iii) Where BSP has not complied with the various Central Banks' Prudential Standards on Fit and Proper Requirements or this Policy; and
- (iv) Where the responsible person has not complied with any other policies issued by the various Central Banks and that after the employee or stakeholder has raised the matter through normal channels with BSP it has not rectified the matter.

3.14 Reporting Requirements

3.14.1 The Board must ensure that, in consultation with the Company Secretary, BSP complies with all reporting requirements under the Prudential Standards. This responsibility is delegated to the Group Chief Risk Officer.

3.14.2 In addition to all the information collected under Clause 3.6.5, the following must also be reported to the Central Bank for each Responsible Person:

- (i) the person's position and main responsibilities (for Senior Managers); and
- (ii) a statement of whether the person has been assessed under this Policy.

3.14.3 It is the responsibility of People & Culture (for Senior Managers) and the Company Secretary (for Directors) to ensure that the information required above remains correct for all of its Responsible Persons. Notification must be made to the Central Bank within 28 days of any change in the above information as it pertains to a Responsible Person, or for any new appointment.

3.14.4 All required documentation is to be submitted to the Central Bank, when required and within the set deadlines/ timeframes.

3.14.5 The Central Bank requires the Board to report on the continuing compliance with fit and proper requirements by all Responsible Persons as part of the annual attestation made by the Chair on behalf of BSP. It is therefore fundamentally important that the assessment process detailed in Clause 3.6 of this Policy be complied with in order for the annual attestation on fit and proper to be included in the Chair's report.

3.14.6 Any changes in Responsible Person's fit and proper status (i.e. resignation, retirement or removal) must be immediately reported to the Central Bank within seven (7) working days.

3.15 Privacy

3.15.1 Collecting personal Information

3.15.1.1 In carrying out a fit and proper assessment, personal information (including sensitive information) about an applicant or employee may be collected.

3.15.1.2 If personal information (including sensitive information) is collected, it will be used to:

- (i) assess a person's fitness and propriety;
- (ii) comply with legislative and regulatory requirements; and
- (iii) perform administrative functions including risk management, record keeping, archiving, staff training.

3.15.1.3 Any personal information collected (including sensitive information) for the purposes of conducting a fit and proper assessment will be disclosed as required under this Policy and the applicable Prudential Standard, and legislative and regulatory requirements.

3.16 Document Retention

3.16.1 BSP must:

- (i) document all information considered in assessing the fitness and propriety of a person for a particular role;
- (ii) immediately destroy documentation gathered for an unsuccessful applicant relating to assessment conducted as a component of the recruitment process; and
- (iii) retain documentation relating to the assessment of a person for a role for a period of 7 years following the person ceasing to hold any role.

3.16.2 The Company Secretary and GM P&C must ensure that full documentation of all assessments carried out under this Policy are maintained and are available for inspection by the Board at any time.

3.17 Exceptions to the Policy

Any exceptions or deviations from this Policy must be approved by the BACC.

4. MAINTENANCE OF THIS POLICY

3.16 Location and Access

Approved versions of this Policy will be published on BSP's Intranet and made available to all staff.

3.17 Communication and Change Management

The Board through the Company Secretary will communicate any material amendments to this Policy to all relevant stakeholders.

3.18 Review Responsibilities

- 3.18.1** The Head of Compliance shall be responsible for reviewing this document on an annual basis and recommending any changes deemed necessary to the BACC. The Policy will be reviewed by the BACC with any modifications to be referred with recommendations to the Board.
- 3.18.2** Any proposed additions and revisions to Policy should be initially submitted through the Head of Compliance to the BACC, who if satisfied with the submission will refer the amendments to the Board for approval.
- 3.18.3** On receipt of an amendment, the following action is to be taken: -
- (i) All staff affected by the changes are to be advised of the amendments;
 - (ii) The document is to be amended;
 - (iii) The Policy Document Review Form is to be duly and correctly completed, noting the amendment and submitted to Compliance together with mark up and clean copies of the Policy.
- 3.19 Review Timetable**
- This Policy is reviewed annually or more frequently following major changes to legislation or business operations.
- 3.20 Measuring Effectiveness of this Policy**
- Business units must ensure that policy is adhered to, either through guidelines, work instructions, processes and procedures.
- 3.21 Escalation and Reporting of Contraventions of this Policy**
- Any contraventions of this policy must be escalated and reported to the Head of Compliance.

Appendix A

The list of Responsible Persons as currently advised by the various Central Banks is as follows: -

- 1. Papua New Guinea**
 - (i) Board Directors
 - (ii) Group Chief Executive Officer (GCEO)
 - (iii) Direct reports of the GCEO (i.e. all General Managers)
 - (iv) Chief Credit Officer
 - (v) Head of Internal Audit
 - (vi) Heads of Risk Management functions (Credit, Operational Risk, Treasury and Compliance)
 - (vii) Head of Credit Inspection
 - (viii) Company Secretary
 - (ix) Senior External Auditor
 - (x) Responsible Persons of subsidiaries, including joint-ventures; and
 - (xi) any other position as determined from time to time by the Bank of PNG

- 2. Fiji**
 - (i) Board Directors (including alternate directors)
 - (ii) Country Head (and/or senior managers responsible for the Fiji operations and as determined by the Reserve Bank of Fiji's Prudential Standard on Fit and Proper)
 - (iii) Direct reports of the Country Head

- 3. Solomon Islands**
 - (i) Board Directors
 - (ii) Country Head (and/or senior managers responsible for the Solomon Islands operations and as determined by Fit and Proper requirements of the Central Bank of Solomon Islands)
 - (iii) Direct reports of the Country Head

- 4. Cook Islands**
 - (i) Board Directors
 - (ii) People who will be significant shareholders of the Licensee
 - (iii) Country Head (and/or senior managers responsible for the Cook Islands operations and as determined by Fit and Proper requirements of the Financial Supervisory Commission)
 - (iv) Direct reports of the Country Head
 - (v) Compliance Officers
 - (vi) People providing audit or actuarial services

- 5. Tonga**
 - (i) Board Directors
 - (ii) Country Head (and/or senior managers responsible for the Tonga operations and as determined by Fit and Proper requirements of the National Reserve Bank of Tonga)
 - (iii) Direct reports of the Country Head

- 6. Samoa**
 - (i) Board Directors
 - (ii) Country Head (and/or senior managers responsible for the Samoa operations and as determined by Fit and Proper requirements of the Central Bank of Samoa)
 - (iii) Direct reports of the Country Head

- 7. Vanuatu**
 - (i) Board Directors

- (ii) Country Head (and/or senior managers responsible for the Vanuatu operations and as determined by Fit and Proper requirements of the Reserve Bank of Vanuatu)
- (iii) Direct reports of the Country Head