



FIT AND PROPER POLICY

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INTRODUCTION

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.

For the purpose of this document references to BSP refers to all operations, branches, subsidiary companies and joint ventures (where BSP holds controlling interest) making up the BSP Financial Group Limited.

The current fit and proper requirements and the respective regulatory bodies (collectively referred to as “the Central Banks”) are as follows: -

Bank of Papua New Guinea - Prudential Standard BPS310 (2016) –Fit and Proper Requirements (BPNG)

Reserve Bank of Fiji - Banking Supervision Policy Statement No. 10 (2007) - Fit and Proper Requirements for Licenced Financial Institutions in Fiji (RBF)

Central Bank of Solomon Islands - Corporate Governance (Section on Fit and Proper Tests) (CBSI)

Financial Supervisory Commission Cook Islands - Prudential Statement BPS06 (2020) - Fit & Proper Persons (FSC)

National Reserve Bank of Tonga - Prudential Statement No.8 (Revised 2014) Fit & Proper Requirements (NRBT)

Central Bank of Samoa – Prudential Statement No.2 (1995) – Licensing, ownership and management of Banks (CBS)

Reserve Bank of Vanuatu – Prudential Guideline No. 10 (2003) – Management of Financial Institutions: Fit and Proper Requirements (RBV)

National Bank of Cambodia – Prakas (B7-08-212) on Fit and Proper Requirements for Applying Entities and Licensed Banks and Financial Institutions (2008) (NBC)

The Fit and Proper Policy document compliments BSP’s Corporate Governance Principles and acts as the means through which statements relating to how BSP satisfies and complies with the various sections of the “Fit and Proper Requirements” Prudential Standards are communicated to the Board of Directors and staff, especially those “directly affected” by the Prudential Standards. The persons directly affected by the legislation are referred to as “Responsible Persons”.

The Policy document is to guide Responsible Persons and also those staff responsible for compliance to the Policy, compliance with the Prudential Standards and to provide other staff with clear direction on what action to take should they have any concerns regarding the ongoing fit and proper status of directors and/ or senior management. This is a Group Policy and as such, it is intended to provide overall commitment and guidance in

managing fit and proper requirements through BSP operations including subsidiary companies and joint ventures.

FIT AND PROPER POLICY

1. STATEMENT OF POLICY

1.1 PURPOSE

The purpose of the various Prudential Standards in countries that BSP operates in, is to ensure that all persons who are directors (including alternate directors), executive officers, senior managers, shareholder controllers or indirect controllers of BSP are **(a)** fit and proper persons and **(b)** to safeguard the interests of depositors and stakeholders by ensuring BSP is soundly and prudently managed and directed by appropriate persons.

2. RESPONSIBILITY

The roles of BSP's Board of Directors and senior management are outlined in detail in the following Board approved documents and these should be made available and read/ fully understood by the person(s) concerned:

- a) **Board Charter**
- b) **Corporate Governance Principles**

The documents will also be made available on BSP's website and/or intranet for access by all BSP employees and stakeholders.

The roles of the various Board Committees are detailed in the specific Board Committee Charters and the Corporate Governance Principles.

Furthermore, the role of the External Auditors and the relationship with BSP are also covered in the Board Committee Charters and the Corporate Governance Principles.

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

2.1 Board of Directors

It is the responsibility of the Board of Directors of BSP to ensure that every Responsible Person who is, or who is to be, a director, executive officer or senior manager are at all times a fit and proper person for their role and that their selection is in accordance with the various Acts/ Prudential Standards of the countries that BSP operates in.

The application of this Policy and 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.

The Board is committed to ensuring that each person who holds a Responsible Person position has the appropriate skill and experience commensurate with the role that they hold, and will make all final determinations on the fitness and propriety of responsible persons.

2.2 Board Audit and Compliance Committee

As this Policy is a component of the Group's risk management system and relates to compliance with the Central Banks Prudential Standards, the Board has delegated general responsibility for oversight of implementation of the Policy to the Board Audit and Compliance Committee (BACC).

This Policy will be reviewed by the BACC at least annually with any modifications to be referred with recommendations to the Board.

The BACC is responsible for ensuring that all individuals and committees who have responsibility under this Fit and Proper Policy fulfill their responsibilities in a timely and diligent manner

2.3 Remuneration and Nominations Committee (RNC)

The Remuneration and Nominations Committee (with the assistance of the General Manager Human Resources and the Company Secretary) is responsible for the fit and proper assessment of existing directors or candidates for nomination as a director, and for the fit and proper assessment of the Group Chief Executive Officer, and making recommendations to the Board on these matters.

The Remuneration and Nominations Committee (RNC) must approve the list of Responsible Person Positions maintained by the GM Human Resources and any changes to that list. Any changes to the list will be advised to BACC.

The Board of Directors via the Remuneration and Nominations Committee (RNC) must approve a comprehensive and documented Fit and Proper Policy and oversee its effective implementation. A copy of the Policy is to be provided to the respective Central Banks along with any updates/revisions in the future.

The Board via RNC must also undertake regular (annual) reviews of the Fit and Proper Policy and supporting procedures and undertake steps to be satisfied as to effective implementation.

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 section 4.1 of this Policy), the information provided to shareholders will include:

- confirmation BSP has conducted appropriate checks into the candidate's background and experience;
- details of any information of concern arising from those checks.

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.

2.4 Board Audit & Compliance Committee (BACC)

The Board Audit & Compliance Committee (with the assistance of the Company Secretary) is responsible for:

- a) the assessment in relation to responsible auditors, and providing recommendations to the Board on these matters; and
- b) the assessment in relation to responsible actuaries, and providing recommendations to the Board on these matters.

2.5 Human Resources Responsibility

The General Manager Human Resources (GM HR) and the Company Secretary are responsible for applying this Policy. The GM HR is responsible for:

- a) ensuring that appropriate fit and proper assessments are carried out for each responsible person;
- b) making submissions about any matters that are relevant to a particular assessment of a responsible person's fitness and propriety;
- c) keeping and maintaining a current list of all Responsible Person positions and responsible persons, and clearly defining and documenting the competencies and training required for each Responsible Person position;
- d) providing information to the BACC on matters concerning the procedure for fit and proper assessments; and

- e) 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.

2.6 Company Secretary Responsibility

The Company Secretary is responsible for:

- a) ensuring that matters related to this Policy are brought to the attention of the BACC; and
- b) ensuring that appropriate reporting as required by the Banking Act, Companies Act or the Central Bank's Prudential Standards is completed.

3. Application of the Policy

3.1 Definition of a Responsible Person

This Policy applies to all persons who hold, or are to be appointed or elected to, a Responsible Person position in BSP. A Responsible Person is: -

- a) a director;
- b) a senior manager as defined in section 3.2 of this Policy (**Senior Manager**);
- c) an Auditor;
- d) the Appointed Actuary of a Life Insurance Company;
- e) 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;
- f) a manager that reports to a Board Committee; or
- g) 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 Responsible Persons for BSP are spelt out in detail in Appendix A of the Policy.

3.2 Senior Managers

The following persons will be taken to be Senior Managers of BSP (other than those persons who are Directors):

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

3.3 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.

3.4 Country Heads in Foreign Jurisdictions/ Operations

The Board of Directors of BSP will delegate the responsibility for ensuring that senior managers in the foreign jurisdictions/ countries it operates within are at all times fit and proper persons to the appointed "Country Manager". This is also applicable to any Joint Ventures under the management control of BSP.

3.5 Required notification

As soon as possible after a person is nominated or proposed for election or appointment to a Responsible Person position Human Resource (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 Responsible Person position. This Policy will also form part of the induction process for all Responsible Persons.

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.

4. CRITERIA TO DETERMINE IF A PERSON IS RESPONSIBLE OR FIT

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

- a) Honesty, integrity, reputation, good character and fairness;
- b) Education, competence, capacity, capability; and
- c) Financial soundness.

4.1 Attributes for Consideration

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

- a) **Good Character** – qualities which include honesty, integrity, fairness and reputation, that are demonstrated over time.
- b) **Qualifications Individual** – whether a person has sufficient qualifications, in terms of relevant industry or business experience, public company directorship experience and academic qualifications, to reasonably conclude that he/she will be able to discharge satisfactorily the duties and responsibilities of his/her proposed position.
- c) **Qualifications Collective** – 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.
- d) **Competence Individual** – 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.
- e) **Competence Collective** – 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.
- f) **Mental Capacity** – whether a person has sufficient mental capacities to reasonably conclude he/she is of sound mind and able to carry out satisfactorily the duties and responsibilities of his/her proposed position.
- g) **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.

- h) **Offences and Breaches** – whether a person has ever contravened any provision of the country's Banking/ Finance Acts 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.
- i) **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.
- j) **Positions in Other Financial Institutions** – whether a person is a director, executive officer, manager or shareholder controller of another bank or financial institution operating in PNG, Fiji and/or Solomon Islands which is not a subsidiary or associate of the bank in the same countries where BSP operates in or any other foreign country which is not a subsidiary or associate of the bank in which the person is or will be a director, executive officer, manager or shareholder controller.
- k) **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.
- l) **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 BSP operates in or in any foreign country., within the last 10 years.
- m) **Litigation** – whether a person has engaged or is expecting to be engaged in litigation, countries BSP operates in or in any other foreign country, which may have a material adverse effect on the resources of BSP or its promoters.
- n) **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 BSP operates in or in any foreign country.
- o) **Fraud** – whether a person has ever been judged by a court, in countries BSP operates in or in any foreign country, to be civilly liable for fraud, malfeasance, or any other misconduct.
- p) **Bankruptcy or Debt Compromise** – whether a person has ever been judged bankrupt by a court, countries 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.
- q) **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 BSP operates in or in any foreign country.
- r) **Political Office** – whether a person holds an appointed or elected position in Parliament, a Provincial Council, or a local authority in countries BSP operates in or in any foreign country, or is an officer of a recognized political party as referenced in the Constitutions of countries BSP operates in or in any foreign country.
- s) **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.

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

4.2 Professional Development – Directors

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

The Board shall ensure that directors and senior management have collectively the full range of skills and experience needed for its 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.

The Board shall implement an independent Board evaluation process to:

- a) Assess the competency of the Board and each of the Board Committees by way of a competency matrix to:
 - i. 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
 - ii. clearly identify the necessary skills training or the need for additional external support.
- b) Evaluate the processes of the Board and its Committees relative to the Charters and business objectives;
- c) Evaluate the process for assessing the performance of the Board, the Chairman and each individual director; and
- d) Monitor and record the ongoing compliance with all Fit and Proper requirements.

A register must also be maintained by Human Resource of the training undertaken by each director to satisfy the Professional Development requirements.

In terms of BSP Capital Limited and BSP Life PNG, all directors are required to be members of the Papua New Guinea Institute of Directors, in compliance with Bank of Papua New Guinea's Superannuation Prudential Standard 7/2012 on Corporate Governance and Life Insurance Prudential Standard 9/2012 on Corporate Governance, respectively.

5. Process for fit and proper assessments

5.1 When Assessments must be conducted

Generally, assessments of a person's fitness and propriety for a Responsible Person position must be made:

- a) before the person is appointed; and
- b) 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 performance review.

An assessment need not be made before appointment if the person will hold the Responsible Person position if the Central Bank determines that a particular person is a responsible person and BSP had not previously considered that person a responsible person. In any such case, an assessment must be completed within 28 days of appointment to the Responsible Person position. However, the Board may:

- a) 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
- b) carry out a preliminary assessment of any person who is nominated for election as a director.

5.2 Process of assessment and review

Assessments of fitness and propriety are to be built into:

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

5.3 Process of assessment for nomination and appointment of directors

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

- a) existing Directors; and
- b) 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.

5.4 Process of assessment for 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.

5.5 Process of assessment for nomination and appointment of Responsible Persons generally

The GM HR is responsible for gathering information for assessments in relation to existing responsible persons or candidates for appointment to a Responsible Person position, other than those referred to in paragraphs 5.2, 5.3 and 5.4 above.

That information is to be assessed by the Chief Executive Officer, with the assistance of the GM HR, and provided to the Board together with any recommendations.

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.

5.6 Information to be obtained

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

- a) a declaration by the candidate relating to the criteria in Clause 4 above that the Central Bank requires or recommends that BSP consider when making an assessment of fitness and propriety;
- b) 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;
- c) 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;
- d) appropriate public record checks including:
 - i. criminal history checks;
 - ii. 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;
 - iii. 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);
 - iv. IPA check to determine if the applicant has given an enforceable undertaking to IPA;

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- v. commercial credit reference checks and bankruptcy checks;
 - vi. in the case of an auditor or actuary, IPA register of disqualified persons;
 - vii. checks of relevant sanction lists;
 - viii. IPA check of directorships and significant shareholdings;
 - ix. such other checks, including any relevant overseas checks, as are prudent from time to time;
- e) interviews and information from referees or other persons deemed suitable for that purpose by BSP; and
 - f) such other information as is prudent in particular circumstances. Enquiries need not be made about matters that are unlikely to be material.

BSP recognises 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.

5.7 Annual assessments

The GM HR, with the assistance of the Company Secretary, will schedule annual assessments of responsible persons.

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.

BSP will gather the following information as part of an annual assessment, unless there is good reason not to do so:

- a) general information from the person's performance review and Human Resources record;
- b) a declaration by the responsible person relating to the criteria in Clause 4 above that the Central Bank requires or recommends that BSP consider when making an assessment of fitness and propriety, to the effect that the criteria continues to be satisfied;
- c) in addition to the above, as per Clause 5.6 (b), 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 IPA actions or liabilities that are unlikely to be satisfactorily resolved;
- d) information on the responsible person'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 a request for information regarding changes in the person's qualifications or experience in relation to their position;
 - e) information on any adverse matters such as disciplinary action both internal and external to BSP, investigations, offences, prosecutions or other relevant matters;
 - f) updated public record checks as set out in Clause 5.6 (d) above for candidates; and
 - g) such other information as is prudent in the particular circumstances.

Enquiries need not be made about matters that are unlikely to be material.

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.

6. DECISION STANDARDS FOR FIT AND PROPER ASSESSMENTS

6.1 Fitness and propriety considerations

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.

If insufficient information is available to enable BSP to prudently conclude that the criteria in paragraph 4 above are met, particularly as a result of lack of co-operation by the person, then the criteria are deemed not to be satisfied.

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 behaviour.

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.

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.

7. ADVERSE FINDING ON ASSESSMENT

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

- a) 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
- b) A person, who is currently acting in a Responsible Person Position, must not continue to hold that Responsible Person Position.

Where an assessment is carried out on a responsible person who is a Director or employee of:

- a) BSP; or
- b) 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:

- a) the BACC; and
- b) the person being assessed (the "**Person**").

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

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.

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

7.1 Action when a person is not fit and proper

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:

- a) determining not to appoint that person to a Responsible Person Position;
- b) reassigning that person to a position which is not a Responsible Person Position or which is a Responsible Person Position for which they meet the fit and proper criteria;

- c) 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;
- d) 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.

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.

7.2 When a responsible person is no longer fit and proper

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.

Where BACC decides that a concern exists, the GM HR must cause a full assessment to be conducted.

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 GM HR who will arrange for a new fit and proper assessment to be carried out.

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 GM HR who will arrange for a new fit and proper assessment to be carried out.

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

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.

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.

7.4 Central Bank exercising powers on fit and proper matters

The process in this Clause 7 does not apply in circumstances where the Central Bank exercises its powers under the Banking Act, Life Insurance Act or Companies Act to:

- a) disqualify a person; or

- b) 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.

8. APPEAL PROCESS

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

- a) has their application rejected by the Central Bank or
- b) during their appointment/ continuation of appointment is rejected/ disqualified;

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.

9. WHISTLEBLOWING POLICY

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.

BSP is committed to the highest possible standards of openness, probity, accountability, integrity, honesty & transparency, which are expressed in BSP's core values. In line with that commitment BSP expects employees who have serious concerns about any inappropriate or irregular aspect of the BSP's operations or management's actions or decisions to come forward and voice those concerns. It is recognised that wherever practical, and subject to any legal constraints, many cases will proceed on a confidential basis. The relevant Policy document makes it clear that employees and stakeholders can voice their concerns without fear of victimisation, subsequent discrimination or disadvantage. This Policy is intended to encourage and enable employees/ stakeholders to raise serious concerns rather than overlooking a problem or 'blowing the whistle' outside BSP. The Policy applies to all employees working for BSP.

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.

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

- a) Where a responsible person is under the Policy of the relevant Central bank not fit and proper person and continues to be employed by BSP in that capacity.
- b) On the inaction of BSP on a responsible person the Central Bank has declared to be not fit and proper and who continues to be employed by BSP.

- c) Where BSP has not complied with the various Central Banks' Fit and Proper Policies or BSP's internal Fit and Proper Policy.
- d) 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.

10. REPORTING REQUIREMENTS

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.

The following information must be reported to the Central Bank for each responsible person:

- a) the person's full name;
- b) the person's date of birth;
- c) the person's position and main responsibilities; and
- d) a statement of whether the person has been assessed under the Fit and Proper Policy.

It is the responsibility of Human Resources (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.

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

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 Chairman on behalf of BSP. It is therefore fundamentally important that assessment process detailed in Clause 5 and 6 of this Policy must be complied with in order for the annual attestation on fit and proper to be included in the Chairman's report.

Any changes in key person's fit and proper status (i.e. resignation, retirement or removal) must be immediately reported to the Central Bank, but no later than ten (10) working days.

11. PRIVACY

11.1 Collecting personal Information

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

The person to whom the information applies may gain access to the information by contacting Human Resources.

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

- a) assess a person's fitness and propriety;
- b) comply with legislative and regulatory requirements;
- c) perform administrative functions including risk management, record keeping, archiving, staff training;
and
- d) manage the Regulated Group Member's rights and obligations under its licences.

11.2 To whom will the Information be provided

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

12. DOCUMENT RETENTION

BSP must:

- a) document all information considered in assessing the fitness and propriety of a person for a particular role;
- b) immediately destroy documentation gathered for an unsuccessful applicant relating to assessment conducted as a component of the recruitment process;
- c) 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.

The GM Human Resources 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.

13. MONITORING AND REVIEW

13.1 Monitoring

This Policy will be monitored as to its application principally by the GM HR and the Company Secretary of BSP.

13.2 Amendments

The success of this Policy is measured by the usefulness of its contents. It is important that it is kept up to date and incorporates any changes/ new policies introduced by BSP and/ or the Central Bank.

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.

A Record of Amendment sheet is provided (in the front of this document) to ensure all authorised amendments are received and actioned.

On receipt of an amendment, the following action is to be taken: -

- a) All staff effected by the changes are to be advised of the amendment,
- b) The document is to be amended,
- c) Record of Amendment sheet is to be duly and correctly completed, noting the amendment.

13.3 Review

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.

Appendix A

The interpretation/ definition of senior management/ senior managers as currently advised by the various Central Banks is as follows: -

Papua New Guinea:

- Board Directors
- Chief Executive Officer (CEO)
- Direct reports of the Chief Executive Officer (i.e. General Manager level and above)
- Chief Credit Officer
- Head of Internal Audit
- Heads of Risk Management functions (Credit, Operational, Treasury and Compliance)
- Credit Inspection Manager
- Company Secretary
- - Senior external auditor
- Responsible persons from Subsidiary management, including joint-ventures; and
- as determined from time to time by the BPNG

Fiji

- Board Directors (including alternate directors)
- Head of Country (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)
- Includes direct reports of the Country Head

Solomon Islands

- Board Directors
- Head of Country (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)
- Includes direct reports of the Country Head

Cook Islands

- Board Directors
- People who will be significant shareholders of the Licensee
- Head of Country (and/or senior managers responsible for the Cook Islands operations and as determined by Fit and Proper requirements of the Financial Supervisory Commission)
- Includes direct reports of the Country Head
- Compliance Officers
- People providing audit or actuarial services

Tonga

- Board Directors
- Head of Country (and/or senior managers responsible for the Tonga operations and as determined by Fit and Proper requirements of the National Reserve Bank of Tonga)
- Includes direct reports of the Country Head

Samoa

- Board Directors
- Head of Country (and/or senior managers responsible for the Samoa operations and as determined by Fit and Proper requirements of the Central Bank of Samoa)
- Includes direct reports of the Country Head

Vanuatu

- Board Directors
- Head of Country (and/or senior managers responsible for the Vanuatu operations and as determined by Fit and Proper requirements of the Reserve Bank of Vanuatu)
- Includes direct reports of the Country Head

BSP Cambodia

- Board Directors
- Senior Management in the sense of members of the executive body
- Foreign bank branch managers, and
- Any person acting as an alternate or a proxy of any of any above-mentioned persons