



# **Remunerations & Nominations Charter**

**March 2023**

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## 1. Purpose

The purpose of the Remuneration and Nomination Committee (Committee) is to assist the Board of Directors (Board) of BSP Financial Group Limited (BSP) in fulfilling its oversight responsibilities relating to the effectiveness, integrity and compliance of BSP's remuneration and nomination policies and procedures. It ensures that the overall remuneration arrangements support the strategic aims of the business and enables the recruitment, motivation and retention of Senior Executives and Directors while complying with all rules and regulations. The Committee must review and endorse for Board approval, the selection criteria and appointment procedures for the Board of Directors and Senior Executive Management and ensure that the overall nomination policy fits the strategic goals.

This document defines the responsibilities and operations of the Committee which is a Committee of the BSP Group Board.

The primary responsibilities of the Committee are:

- 1.1. To oversee the *fit and proper* assessments of existing Directors, candidates for nomination as a Director and of the Group Chief Executive Officer (GCEO), and setting of an appropriate remuneration and benefits package for the GCEO for recommendation to the Board,
- 1.2. To determine and review appropriate remuneration and benefits of Directors for recommendation to the Board, and subsequently to the shareholders,
- 1.3. In conjunction with the GCEO, evaluate the performance of the Senior Executive Management and identify and maintain a clear succession plan to ensure an appropriate mix of skills and experience as well as appropriate remuneration and benefits packages which are reviewed regularly,
- 1.4. To ensure that the Board itself maintains an appropriate mix of skills and experience necessary to fulfill its responsibilities to shareholders while maintaining a world class Corporate Governance regime,
- 1.5. To make recommendation to the Board in relation to review of the BSP Group Remuneration Policy and to assess its effectiveness in compliance with laws, regulations and prudential standards,
- 1.6. To review and make recommendations to the Board on corporate objectives and key responsible areas relevant to the remuneration and performance of the GCEO,
- 1.7. To review and make recommendations on short-term incentive plans (STIP) and long-term incentive plans (LTIP). Any adjustment including forfeiture to the incentive will be determined by GCEO, any Accountable Person or the Board,
- 1.8. To review and make recommendations to the Board in relation to approving any and all future equity based plans (Equity Plans); and

- 1.9. To oversee general remuneration practices across the BSP.

The ultimate responsibility and power to make, company decisions with respect to these matters remains with the full Board.

In performing its duties, the Committee will maintain effective working relationship with the Board and management. To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership.

## **2. Authority**

The Board authorises the Committee within the scope of its responsibilities, to:

- 2.1. Seek any information it requires from external parties and or any BSP employee (and all employees are directed to co-operate with any request made by the Committee);
- 2.2. Obtain external legal or other professional advice; and
- 2.3. Ensure the attendance of BSP officers at scheduled committee meetings as appropriate.

## **3. Organisation**

### **3.1. Membership**

- 3.1.1 The Committee will consist of at least three (3) Directors, all of whom must be Non-Executive Directors. Wherever possible these Directors should also be independent.
- 3.1.2 Each member should be capable of making a valuable contribution to the Committee.
- 3.1.3 The Chairman of the Committee shall be one of the independent Directors of the Board.
- 3.1.4 A quorum for any meeting will be two (2) members.
- 3.1.5 The secretary of the Committee shall be the Company Secretary of BSP or such other person as nominated by the Committee.

### **3.2. Meetings**

- 3.2.1. The Committee may invite such other Senior Management Personnel to its meetings, as it deems appropriate.
- 3.2.2. GCEO shall be available to attend all meetings at the invitation of the Committee Chairman.

- 3.2.3. Group General Manager People & Culture shall be available to attend all meetings at the invitation of the Committee Chairman.
- 3.2.4. Meetings shall be held as necessary in order to fulfill its responsibilities but no less than once a year, with the schedules for such meetings established in conjunction with the establishment of Board Meeting schedules.
- 3.2.5. Special meetings may be convened as required at the discretion of the Chairman of the Committee.
- 3.2.6. All minutes of the Committee will be recorded and available at all times for inspection by any Director.

## **4. Roles and responsibilities**

### **4.1. Corporate Governance**

The Committee will:

- 4.1.1 Maintain an awareness of current “world class” Corporate Governance standards; periodically review BSP’s stated principles against such standards and recommend to the Board any amendments that it deems appropriate from time to time;
- 4.1.2 Receive information on, Directors who are appointed (as Directors) to the boards of other companies and where the Committee considers it appropriate, review such appointment to determine whether the Directors concerned should continue to hold office as Directors of the other companies.
- 4.1.3 When requested by the Board or where the Committee considers it appropriate, review the performance of the three (3) BSP Management Committees, namely the Executive Management Committee, Group Assets and Liabilities Committee, and the Credit Committee sufficient to be satisfied that delegated authorities have not been breached and ethical standards and corporate governance principles have been maintained in the functioning of these committees;
- 4.1.4 Receive and review any alleged breaches of the Code of Conduct applicable to Directors and Executive Management; and
- 4.1.5 Evaluate whether Executive Management is setting the appropriate Corporate Governance culture by communicating the importance of ongoing ethical behaviour being maintained at all employee levels.

### **4.2. Appointment of New Directors**

The Committee will:

- 4.2.1 Approximately six (6) months prior to BSP’s Annual General Meeting (AGM), review the composition of the Board in respect to:

- a) those Directors due to retire by rotation at the following AGM in accordance with the provisions of the Constitution;
- b) any Directors resignation, or intended resignation;
- c) the mix of skills and experience of remaining Directors;
- d) the need to maintain a degree of continuity within the Board;
- e) BSP policy relating to institutional shareholders having no automatic right to a seat on the Board

4.2.2 Resulting from such review; prepare and submit a recommendation to the Board:

- a) as to the Board's position relating to its endorsement or otherwise of the Directors retiring by rotation;
- b) as to the need or otherwise for the Board to make one or more appointments at or prior to the next BSP AGM, and;
- c) the preferred background and or expertise to be sought in nominees.

4.2.3 On acceptance of the Committee's recommendations by the Board (in its original or amended form) proceed, in the manner it shall determine, to:

- a) without gender bias, identify potential nominees ensuring in the first instance that no apparent conflict of interest exists;
- b) if so determined by the Committee, seek independent advice as to the potential nominees identified to suit the criteria established and or to identify other potential nominees;
- c) prepare and submit to the Board a short list of nominees in order of preference established by the Committee for preliminary ratification or otherwise by the Board;
- d) seek all appropriate and relevant information on a confidential basis from Board ratified nominees and arrange that such material be submitted to the Bank of Papua New Guinea (BPNG), and thereafter receive confirmation or otherwise from the BPNG that its nominees meet the "fit and proper person" criteria; and
- e) provide the Board with the name/s of acceptable nominees so that it may proceed to effect the appointment appropriate at the time in accordance with the Constitution.
- f) ensure induction is conducted for the new director using the induction format in Appendix 1.

### **4.3. Succession Planning – Executive Management Team**

The Committee will:

- 4.3.1 At least once every year, evaluate the performance of the Executive Managers and disclose whether a performance evaluation has been undertaken in respect of that year.
- 4.3.2 At a minimum of at least once each year and or subsequent to any major change to the organisational structure of BSP, receive from and review with the Management positions. The Committee shall satisfy itself that such plans:
  - a) incorporate appropriate training and or “job exposure” strategies; and
  - b) will at a minimum, maintain the level of skills, experience and expertise within the senior management ranks of BSP in the event of non-renewal of contracts, resignations and or terminations.
- 4.3.3 Ensures through the GCEO that management maintains and routinely reviews a full and detailed succession plan for all management levels throughout BSP.

### **4.4. Appointment, Remuneration and Termination of Senior Executive Employees**

The Committee will:

- 4.4.1 Receive and endorse positions/ titles recommended by the GCEO from time to time, which are to be identified as Senior Executive Management positions for the purpose of applying this Committee’s Charter;
- 4.4.2 Review the procedures in place to ensure that all new senior executive appointees are adequately qualified and experienced, and that proper recruitment procedures are followed;
- 4.4.3 Review and approve standard contract of employment to be used for the employment of senior executive appointees (senior executives must be employed personally, except in the case of an outsourcing arrangement);
- 4.4.4 When requested by the Board or where the Committee considers appropriate, review transactions between BSP and any of the Directors or relevant senior executives;
- 4.4.5 Review and make recommendations to the Board on employee remuneration and benefits policies and practices generally; and
- 4.4.6 Engage external consultants as and when deemed appropriate to benchmark remuneration packages for senior executives and senior management personnel.

### **4.5. Group Remuneration Policy**

- 4.5.1 Review annually fees paid to Directors and Committee members.

- 4.5.2 Make recommendations to the Board in relation to regular reviews of the BSP Group Remuneration Policy and to assess its effectiveness in compliance with laws, regulations and prudential standards.
- 4.5.3 Review the Group Remuneration Policy every three (3) years or when there are any proposed amendments, and the Committee must be satisfied that the Group Remuneration Policy:
- a) covers all applicable provisions regarding remuneration and superannuation, and its disclosure in adherence to relevant laws, regulations and prudential standards;
  - b) supports BSP's vision in alignment to customer and shareholder interests, and encourages prudent risk management;
  - c) indicates a clear relationship between individual performance and remuneration; and
  - d) outlines an applicable combination of remuneration plans for short and long term performance objectives appropriate to BSP's goals.
- 4.5.4 In consultation with an appropriate advisory consultant, the Committee will take into account the Non-Executive Directors remuneration principles as approved by the Board. Frequency of review and remuneration framework is subject to Board approval.
- 4.5.5 Annually review and recommend to the Board on the contractual and remuneration arrangements for the GCEO having regard to the Group Remuneration Policy, including:
- a) fixed remuneration;
  - b) STIP and LTIP targets and outcomes (including performance targets);
  - c) superannuation arrangements;
  - d) any termination payments;
  - e) retention and buy-out awards;
  - f) the development of any Equity Plan to apply to the GCEO; and
  - g) Any other forms of remuneration.
- 4.5.6 In conjunction with the Chairman of the Board:
- a) evaluate the performance of the GCEO, based on his/her goals and objectives as assessed against the Group's performance and specific outcomes including:
    - i) risk and reputation issues; and
    - ii) any other criteria the Board considers relevant;



- b) review and determine the outcome of any performance hurdles in relation to any Equity Plan in which the GCEO may participate, and provide written notification to the GCEO of any such performance determination; and
- 4.5.7 Annually review and recommend to the Board on the contractual and remuneration arrangements for the Executives who report directly to GCEO having regard to the Group Remuneration Policy, including:
- a) fixed remuneration levels;
  - b) superannuation arrangements;
  - c) any termination payments to be made;
  - d) all STIP and LTIP targets and outcomes;
  - e) retention and buy-out awards; and
  - f) Any other forms of remuneration.
- 4.5.8 Review and make recommendations to the Board in relation to the remuneration structures for each category of persons covered by the Group Remuneration Policy.
- 4.5.9 Review and make recommendations to the Board, in relation to specific individual contractual arrangements for Group Executives, other executives who are direct reports of the GCEO and any other executive who is an Accountable Person.
- 4.5.10 Review recommendations to the Board and recommend the application of claw back to vested deferred variable remuneration in accordance with the policies, plans and guidelines.
- 4.5.11 Review the design and terms of any future Equity Plans for approval by the Board, including plan rules and applicable performance hurdles.
- 4.5.12 Approve the provision of 'financial assistance' under the *Corporations Act* (Cth), relating to any invitation under any Equity Plan.
- 4.5.13 Keep all Equity Plans under review in light of legislative, regulatory and market developments.
- 4.5.14 Review and approve total proposed awards under each Equity Plan, including the minimum parcel, the issue of shares and/or the approval of the acquisition of BSP shares for the purpose of any Equity Plan.
- 4.5.15 Approve the introduction of sub-plans or minor amendments to the Equity Plan rules.
- 4.5.16 Exercise the discretions of the Board as permitted in the rules of each Equity Plan (but not to the exclusion of the Board or of any other individual(s) to whom discretions may be delegated) and make all such determinations that are required for the effective administration of any of the Equity Plans.

- 4.5.17 Approve policies in relation to minimum shareholding guidelines (being the minimum number of shares to be held by employees in their own name and beneficially) for the purposes of any one or more Equity Plans.
- 4.5.18 The Board is permitted to exercise full discretion in relation to the staff superannuation plan in accordance to each country regulation.
- 4.5.19 Review and recommend to the Board the percentage of variable rewards (STIP & LTIP) as part of BSP's annual business financial performance.
- 4.5.20 Review and note remuneration trends across the BSP Group.
- 4.5.21 Be aware of and advise the Board on any major changes in employee benefit structures throughout the BSP Group.

#### **4.6 Reporting Responsibilities**

The Committee will:

- 4.6.1 Regularly update the Board about committee activities and make appropriate recommendations;
- 4.6.2 Ensure the Board is aware of matters in a timely manner, which may significantly impact on Corporate Governance, appointment of and remuneration for Senior Executive positions within BSP together with matters relevant to appointments of Directors;
- 4.6.3 Impact on Corporate Governance, appointment of and remuneration for Senior Executive positions within BSP together with matters relevant to appointments of Directors; and
- 4.6.4 Ensure any share option agreements with Senior Executive are approved by shareholders and disclosed in financial statements. Appropriate accounting treatment for expensing of options is to be adhered to.

#### **4.7 Other Responsibilities**

The Committee will:

- 4.7.1 Perform other oversight functions as delegated and or requested by the Board;
- 4.7.2 Review this Charter from time to time and recommend any proposed amendments to the Board for approval; and
- 4.7.3 Evaluate the committees' own performance on a regular basis.

### **5. Disclosure regarding the Charter**

The following details will be disclosed in BSP's annual report each year:

- 5.1.** The charter or a reference to where it can be found;
- 5.2.** The members of the Committee;
- 5.3.** The number of times the Committee met during the relevant year and the individual attendances of the Committee at those meetings.

## Document Control

### Document Information

	Information
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Policy Level	Corporate Governance Policy
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### Document History

Version	Issue Date	Changes
5.0	Oct 2016	Revision
6.0	3/3/2017	Revision
7.0	3/4/2019	Revision
8.0	9 April 2020	Revision. Corrected numbering on page 3, section 5 and Appendix 1 on page 7.  Changed section 5.1.2 and 5.1.3; Corporate Governance  Changed sections 5.4.3 and 5.4.4; Appoint of Senior Executives
9.0	11 March 2021	Changes were made to achieve ASX Corporate Governance Principles compliance. Sections 2.1, 2.3, 5.3.1, 5.4.3 and 6 were revised for ASX Corporate Governance recommendations compliance requirements and the charter was updated accordingly.
10.0	31 March 2022	Format changes
11.0	28 March 2023	Inclusion of purpose clause and other minor edits.

### Document Approvals

Name	Signature /Approval	Date
Board Risk & Compliance Committee (BRCC)	Meeting Minute	1/3/2017
BSP Group Board	Meeting Minute	3/3/2017
BSP Group Board	Meeting Minute	26/4/2019
BSP Group Board	Meeting Minute	24/4/2020
BSP Group Board	Meeting Minute	19/5/2021
BSP Group Board	Meeting Minute	21/4/2022
BSP Group Board	Meeting Minute	21/4/2023

## APPENDIX 1 - Director Induction Program Template

A well-developed and implemented Director Induction Program is critical to a newly appointed director being able to make a contribution to the Board in as short a time frame as possible.

Upon appointment, the director should receive a formal letter of appointment that details:

- a) Terms of appointment;
- b) Expectations of the board;
- c) Remuneration;
- d) Board policy on retirement age;
- e) Access to information;
- f) Authority to engage outside specialists for advice;
- g) Indemnity and insurance arrangements;
- h) Induction training and continuing education arrangements; and
- i) Additional responsibilities of the director (for example board committees).

Director induction is the responsibility of the chair assisted by the company secretary. The chair's close involvement in director induction and ongoing director development can do much to build a director's knowledge and ensure the board has an appropriate mix of skills and experience.

Prior to the formal board induction program, the chair should have an informal meeting with the new director. Topics the chair may wish to cover include:

- a) Clearly articulating the board's expectations of a new director's behaviour in the boardroom;
- b) Any special contribution the new director may be expected to make;
- c) The role of personal development;
- d) Board relationships and dynamics;
- e) How board effectiveness is assessed;
- f) What feedback directors receive on their performance; and
- g) Time commitments

A Director Induction Program as the minimum should include:

- a) Meeting with the chair;
- b) Meeting with fellow directors;
- c) Meeting the GCEO and other key executives;
- d) Product/service familiarisation;
- e) Industry/competition familiarisation;
- f) Review of:
  - Constitution of the company;
  - Strategic plan; and
  - Codes of conduct, board protocols, and policies including the board charter.
- g) Role and charter of each board committee; and
- h) Understanding the role of the regulator.

## APPENDIX 2 - Sample meeting schedule

#	Activity	Purpose
1	Meeting with the chair	<ul style="list-style-type: none"> <li>▪ Explain the governance framework;</li> <li>▪ Discuss the role of a director and the specific expectations of the board; and</li> <li>▪ Overview strategic direction and key initiative;</li> <li>▪ Role of each board committee and the new director's role.</li> </ul>
2	Meeting with the GCEO	<ul style="list-style-type: none"> <li>▪ Overview of role of GCEO in governance framework;</li> <li>▪ Detail strategic direction and initiatives, SWOT and key issues as well as summarise operations; and</li> <li>▪ Introduce key members of management team.</li> </ul>
3	Meeting with key executives	<ul style="list-style-type: none"> <li>▪ Discuss financial structure and reporting format;</li> <li>▪ Review current performance and key items;</li> <li>▪ Overview of the insurance policy;</li> <li>▪ Overview of operations; and</li> <li>▪ Overview of key risks; systems and processes.</li> </ul>
4	Meeting with board committee chair on which the director will sit	<ul style="list-style-type: none"> <li>▪ Role and accountability of the committee;</li> <li>▪ Review of the committee charter; and</li> <li>▪ Role of the director on the committee.</li> </ul>
5	Meeting with the full board and company secretary	<ul style="list-style-type: none"> <li>▪ Introduce directors and company secretary and discuss roles in governance;</li> <li>▪ Understanding of the role of the regulator;</li> <li>▪ Discuss current director's experiences and impressions of the position and its responsibilities; and</li> <li>▪ Question-and-answer session.</li> </ul>
6	Attended the International Australian Institute of Company Director's Internal Course or the PNGID Directors program.	If he/she has not already passed this course.