



Managing Conflicts of Interest

January 2025

Document Control

Document Information

	Information
File Name	Managing Conflicts of Interest
Policy Level	Corporate Governance Principles
Document Owner	Group General Manager Compliance
Document Authors	Head of Regulatory and Policy Compliance

Document History

Version	Issue Date	Author/ Changes
1.0	17/11/2016	Reviewed by Compliance Manager -PNG
1.1	21/12/2016	Reviewed by NPCs
1.2	17/02/2017	Reviewed by Group Chief Risk Officer and Group CEO
1.3	27/06/2017	EXCO Approval
2.0	09/01/2020	Amended to reflect new Group Compliance structure
3.0	11/01/2021	Amended to include Online submission of declaration form and cosmetic changes
4.0	01/11/2022	Amended to include requirement for annual declarations by Directors and Third Parties.
5.0	18/02/2025	Amended to include People & Culture risk assessment on external appointments, PIM/Subsidiary Compliance Managers responsibilities and cosmetic changes

Document Approvals

Name	Signature/Approval	Date
Executive Committee(EXCO)	Meeting Minute	27/06/2017
Board Risk and Compliance Committee (BRCC)	Meeting Minute	13/07/2017
BSP Board	Meeting Minute	21/07/2017
EXCO	Meeting Minute	09/11/2022
Management Audit & Compliance Committee	Meeting Minute	12/02/2025
Board Audit and Compliance Committee (BACC)	Meeting Minute	18/02/2025

Statement of Confidentiality

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1. INTRODUCTION

This document sets out the BSP Financial Group's policy on the management of conflicts of interest. The term "BSP" refers to all operations, branches, subsidiary companies and joint ventures (where BSP holds the controlling interest) making up the BSP Financial Group Limited.

1.1 Mandate

To protect the reputation of BSP by significantly reducing the risk of non-compliance with regulatory and governance obligations and to promote honest and integrity through the efficient management of conflicts of interests. The Policy underpins the Corporate Governance Principles of BSP.

1.2 Link to the Compliance Risk Management Framework

Compliance with this Policy is an element of BSP's Compliance Risk Management Framework (CRMF).

2. OVERVIEW

2.1 Background

BSP is obliged under its Corporate Governance Principles and Code of Conduct to:

- (a) Identify and monitor the conduct of its directors, employees, agents, representatives, service providers and other *third parties* for conflicts of interest.
- (b) Report to Regulatory and Policy Compliance Business Unit (BU) on any breach of relevant laws or internal *standards* by anyone as soon as they become aware of them.

This policy is an extension of BSP's Code of Conduct, which relates to Honesty and Integrity and should be read together with the Anti-Bribery and Anti-Corruption Policy, Gifts and Entertainment Policy and the Fraud and Whistle-blower Policy

BSP expects that its directors, employees, agents, representatives, customers, service providers and other third parties will at all times conduct themselves with the highest standard of personal integrity and honesty and carry out their duties in a professional manner.

2.2 Objectives

This Policy sets out the minimum requirements to enable compliance with local regulations, BSP's Corporate Governance Principles and BSP's Board Charter obligations to manage conflicts of interest that arise in the provision of a financial service (or other service that the BSP provides or receives) across all countries in which BSP operates.

It is designed to provide guidance to BSP to assist in establishing and maintaining procedures to effectively identify, disclose and manage any actual, potential or perceived conflicts of interest.

This Policy aims to provide guidelines on:

- (a) What constitutes a conflict of interest, and how conflicts need to be managed and resolved: and through disclosure, control and/or avoidance.
- (b) The requirement to keep written records regarding conflicts of interest.

2.3 Definition of Conflict of Interest

For purposes of this policy, a conflict of interest arises when an individual's own interests conflict with their responsibility to act in the best interests of BSP.

Conflicts of interests may include personal interests such as relationships and associations with family, friends and close associates or organisational such as interests in other organisations as directors or shareholders and involvement in community, professional or sporting associations.

A conflict of interest may be actual, potential or perceived and may be financial or non-financial. These situations present the risk that a person will make a decision based on, or affected by, these influences, rather than in the best interests of BSP and must be managed accordingly.

Appendix A – Definitions provides a list of other definitions.

2.4 Scope

This Policy applies to:

- (a) all Directors of BSP companies including companies in which BSP has at least 50% shareholding; (Directors);
- (b) all employees of BSP, whether fulltime, part time or casual (Employees);
- (c) all agents and representatives (individuals and businesses doing business on behalf of BSP); and
- (d) customers and service providers to the extent of:
 - (i) Provision of financial services (or other service that BSP provides) to both corporate and retail clients.
 - (ii) Provision of services to BSP by external parties.
- (e) other third parties.

3. REQUIREMENTS OF THE POLICY

3.1 Principles

BSP conducts its business according to the principle that it must manage conflicts of interest fairly between BSP and its Directors, BSP and its employees, BSP and its customers, BSP and its service providers and between BSP and other third parties that it deals with from time to time.

Conflicts of interest should be managed in a way that enhances consumer confidence, fairness, honesty, professionalism and market integrity.

A failure by BSP to effectively manage conflicts of interest may damage our brand and reputation among regulators, customers and the public. In certain instances, there may be legal and regulatory repercussions if conflicts of interest are not managed effectively.

3.2 Identifying Conflict of Interests

A conflict of interest can arise across a broad range of financial (& other) services provided by BSP. Directors and employees must be aware of the circumstances that can give rise to a conflict and be able to identify when a conflict arises or may arise.

The following are some areas where particular care needs to be taken:

Circumstances	
Interests of relatives and close associates	<p>A conflict of interest might arise from a family relationship, friendship, or any other sort of personal relationships and close associations. If there is an interest that overlaps with the duties of a BSP personnel whilst currently employed at BSP, then there might be a conflict of interest</p> <p>For example, a conflict of interest exists where a staff member is the direct report of his/her spouse or intimate partner</p> <p>All BSP personnel are required to disclose any relationship they have with their <i>immediate family, extended family, business associates</i> and friends when they are placed in a decision making position as an individual or as part of a committee that makes a decision for and on behalf of BSP which involves one of the persons stated above.</p>
Conflict of roles and outside employment	<p>A conflict of roles can arise in any situation where you have outside employment or work that may interfere with your loyalty, commitment and normal employment at BSP. Involvement in an external organization that offers that same services (financial or others) that BSP does places you in a position of conflict.</p> <p>Outside employment includes Director or trustee in any company that is owned by family, village, association, society, trust, private limited liability, Government /Quasi-Government, etc. plus any other similar scenarios not covered in this list. Participation in any form of business, sole business, partnership, joint venture (e.g. taxi business, grocery business, van or mini bus business), plus any other business that the BSP director and employee is involved in is also considered outside employment.</p> <p>The Bank discourages staff being involved in Boards and Committees of competing organizations that may affect loyalty and commitment to the bank. However, staff may be involved in Boards of schools and membership to non-profit making, charity and community based organisations, provided that they declare their involvement in such organisations to their respective General Manager and Group Compliance simultaneously.</p> <p>With respect to appointment to Government or Quasi-Government Boards, staff may become directors or members only with the approval of the Group CEO</p> <p>In line with the above, some of the positions that you must disclose are:</p> <ul style="list-style-type: none"> • Director or trustee in any company that is owned by family, village, association, society, trust, private limited liability, Government /Quasi-Government, etc. plus any other similar scenarios not covered in this list; • Participation in any form of business, sole business, partnership, joint venture (e.g. taxi business, grocery business, van or mini bus business), plus any other business that the BSP director and employee is involved in.
Fiduciary Duties	<p>A conflict of interest can arise where a fiduciary duty and/or relationship exist. For example where a BSP entity holds funds in trust for the benefit of external parties, manage funds, or</p>

Circumstances	
	<p>where there is a statutory requirement to give priority to outside parties, such as the priority obligations a life insurance company has to policyholders.</p> <p>It should be noted that this requirement would apply to BSP Life and its agents</p>
Financial and Remuneration interests	<p>The employment contract signed between BSP and BSP employees allows a regular salary to be paid to the employee for services rendered to the Bank. BSP employees are not allowed to receive any kind of commission for performing their lawful duties.</p> <p>All BSP personnel are required to disclose any other sources of income outside of their normal employment with BSP. Any gifts and/or entertainment received in the normal course of business must be declared in accordance with the Gifts and Entertainment Policy.</p>
Conflict of self-dealing	<p>A conflict of interest can arise from situations where BSP personnel take advantage of their position to further their own personal interest rather than those of BSP. A clear example of a conflict is where distressed assets and company assets are sold and purchased within BSP. Tipping off and insider trading where kickbacks are received presents a conflict of interest situation where the duty to maintain confidentiality is breached.</p>

3.3 Managing Conflicts of Interest

Business Units, Pacific Market branches and Subsidiaries must ensure that a Conflict of Interest does not adversely affect the interests of BSP and it is managed by the principles of Control, Disclosure or Avoidance. This may be achieved with the assistance of the Head of Regulatory and Policy Compliance who should be consulted in all cases where the conflict appears significant to ensure that the matter is escalated to the Group Chief Compliance Officer (GCCO) or Group Chief Executive Officer (GCEO), if necessary.

3.3.1 Control

(a) Adequate arrangements

As part of the Risk Assessment process and related controls, Business Units must ensure that adequate processes and procedures are in place to:

- i. Identify conflicts of interest;
- ii. Assess and evaluate those conflicts;
- iii. Decide upon and implement an appropriate response to those conflicts (which will include disclosing, and may include controlling and/or avoiding them);
- iv. Ensure that where there are any conflicts, the quality of the financial services BSP provides is not materially compromised; and
- v. If any clarification is required refer to the Head of Regulatory and Policy Compliance for guidance.

(b) Implement and maintain arrangements

The processes (refer Appendix C and D) for controlling conflicts of interest need to be:

- i. Effectively implemented;
- ii. Regularly monitored and reviewed, and updated as needed (including taking appropriate action where non-compliance is identified);
- iii. Overseen by Head of Regulatory and Policy Compliance who takes responsibility for their implementation and monitoring; and
- iv. Inclusive of a requirement that any conflict of interest must be reported to the Head of Regulatory and Policy Compliance and included in a Disclosure of Interest Register.

(c) Regular reviews and updates on existing processes must be done to ensure:

- i. Effective controls, which may include confidentiality agreements are in place;
- ii. Use of grey/restricted lists;
- iii. Chinese Walls policies and procedures are established;
- iv. Adequate monitoring and testing procedures are performed.

There are also some examples in Employment Contracts and in the People and Culture policies (such as the Code of Conduct) of conflicts that may be controlled within BSP.

3.3.2 Disclosure

Disclosure of any conflict of interest must be done in a timely manner and sufficient information must be provided to ensure that the potential impact is clearly understood and appropriate or corrective actions are taken to mitigate or prevent any undesirable consequences.

Directors and employees must avoid placing themselves in a position where they may stand to benefit, even indirectly, from a transaction between BSP and another party. Where there is any likelihood of such a conflict arising;

- For Directors, they need to report to the Company Secretary pursuant to section 3.4 of this Policy;
- For employees they need to report to their immediate line managers who may escalate to General Managers depending on the nature of the conflict. The line Manager and General Manager will provide guidance and approval on the appropriate actions to take.

Directors and employees need to ensure that their personal relationships with customers and or other third parties do not influence or prejudice their obligations to BSP. In particular, they must comply with BSP's policies on Anti-Bribery and Anti-Corruption Policy and the Gifts and Entertainment Policy in situations where gifts, hospitality or payments are offered by customers and or third parties.

While disclosure can be an effective mechanism for controlling conflicts of interest, remuneration practices that place the interests of the BSP or its representatives or employees in direct and significant conflict with those of the customers or third parties need to be avoided rather than merely addressed by disclosure.

3.3.3 Avoidance

Some conflicts of interest cannot be adequately addressed by disclosure and/or control. In some cases, the continuing presence of a conflict (even where disclosed) will be incompatible with the fair, honest and professional provision of the affected service. In these cases, the conflict must be avoided for example by declining to offer the particular financial service at that time.

The avoidance approach also applies to BSP employees where often the simplest method of ensuring that no conflict or perceived conflict exists is to avoid the conflict.

In some cases, it is not the seriousness of the conflict, which warrants its avoidance but rather that it cannot be dealt with adequately by other means. For example, where disclosure cannot be made due to sensitive information or confidentiality requirements, the conflict may need to be avoided altogether. Appendix B of this policy provides some examples of conflicts, which may need to be avoided.

3.4 Disclosure of Interests

3.4.1 Annual and Continuous Conflicts of Interest Declarations

Conflicts of Interest Declarations must be submitted annually by a date to be advised, to the Regulatory and Policy Compliance business unit by completing the Disclosure of Interest Declarations Form online and/or manually. Appendix D provides for a template of Disclosure of Interest Declarations Form.

The Disclosures must be updated as and when there are changes in circumstances that may result, or has already resulted, in a conflict of interest.

All Directors, Employees, and third parties (including Agents and Representatives) must disclose their interest in the following manner:

- (a) Directors must disclose their interest to the Company Secretary annually, in accordance with the Law, Prudential Requirements and BSPs policies on Corporate Governance, and must provide an update at every regular board meeting. Clause 8.9 of the Board Charter requires directors to declare their interest on any matter that they have a material interest in. Where a Director has declared a conflict of interest, he/she should not participate in making decisions concerning that matter.
- (b) All Employees including Executives must disclose their conflicts of interest to their Strategic Business Unit Head by completing the Conflict of Interest Disclosure Form. Whilst employment contracts require employees to declare conflicts of interest at the point of employment, they will also be required to declare any conflict of interest situation that may arise during the course of their employment.
- (c) Business Units and Strategic Business Unit Heads must obtain a written disclosure of conflicts of interest for Agents, Representatives, Service providers and other third parties engaged by their business. A copy of this disclosure must be provided to the Regulatory and Policy Compliance Business Unit (BU).

3.4.2 Maintenance of Registers

To assist with the identification and management of conflicts of interest, all Disclosures of Interest must be recorded in a Conflict of Interest Register, which shall be maintained as follows:

- (a) For Directors, the Company Secretary will maintain a Register to manage issues of conflict of interest.
- (b) For Employees, the Conflict of Interest Register shall be maintained at Group Compliance for the PNG operations whilst the Compliance Units of the Pacific Market branches will be required to maintain their respective registries.
- (c) For agents and representatives and other third parties, each SBU/BU/ Pacific Market branches /Subsidiary must maintain a Conflict Of Interest Register, with copies to the Regulatory and Policy Compliance BU.

An example of the type of register to be established to record conflicts of interest may be found in **Appendix C**.

3.4.3 Confidentiality of Disclosures

All disclosures of interest provided by Directors and Employees are confidential information and must not be disclosed to any internal or external third parties to the extent that we are not obliged to make public disclosures elsewhere. This requirement for confidentiality and privacy of information is also stipulated in BSP's Code of Conduct and staff are expected to comply with this requirement at all times. The SBU/BU Heads, Company Secretary and Regulatory and Policy Compliance BU shall be accountable for maintaining confidentiality of disclosures of interest and the respective registers.

3.5 Reporting Arrangement

In the event that a conflict of interest arises, appropriate action must be taken, through established procedure, to control or manage the conflict. This shall include:

- (a) Consultation with the Regulatory and Policy Compliance BU to decide an appropriate course of action;
- (b) Disclosing the conflict of interest to the relevant stakeholder;

- (c) Allocating an alternative employee or representative to provide the service to the customer;
- (d) Declining to provide the service.

Where a director, employee, agent, representative, service provider or other third party fails to disclose their interest and the conflict of interest is identified, the person who identified the conflict must report the incident to the Operational Risk BU and Compliance Unit.

Once a potential, perceived and or actual conflict of interest has been established, the conflict of interest must be disclosed by way of completion of a Disclosure of Interest and recorded in the Register. Where an actual conflict of interest is established as material, the matter will then be escalated to GCEO and GCRO for decision and actions to take.

3.6 Monitoring and Reporting (at Group Compliance)

In line with section 3.3.1 of this policy, Strategic Business Units, Pacific Market branches and Subsidiaries and the Regulatory and Policy Compliance Business Unit must establish procedures and process to ensure adherence to this Policy. All incidents of conflict reported to Regulatory and Policy Compliance BU should include the following in the Incident Report:

- (a) Parties involved;
- (b) Conflicts identified; and
- (c) Action taken to manage and or remediate.

The Regulatory and Policy Compliance BU shall report all conflict of interest incidents and the management and remediation thereof to the GCCO.

3.7 Control Environment

Business units/Subsidiaries/ Pacific Market branches must ensure that the Compliance Risk Management Framework is integrated into business activities. Business units must maintain an effective control environment and system of internal controls and they must ensure that their significant business processes and controls are documented. This includes processes to provide assurance that accountabilities are established, communicated and understood.

3.8 Key Controls

The key controls identified to manage conflict of interest are:

- (a) Conflicts of Interest Declarations;
- (b) Gifts and entertainment Declarations;
- (c) Training and awareness;
- (d) Vendor/Supplier due diligence procedures; and
- (e) Employee Due Diligence procedures.

4. ROLES AND RESPONSIBILITIES

4.1 Compliance with this Policy

It is the responsibility of the Board, Senior Management, Strategic Business Unit Heads and staff throughout BSP to ensure that this Policy is followed.

All managers must be familiar with the requirements of this Policy together with any additional requirements that Business Units may choose to impose. Managers must ensure their staff are aware of the contents of this Policy and where to find it.

4.2 Specific Roles & Responsibilities

(a) The Company Secretary will be responsible for:

- i. Maintaining a register for Conflicts of Interest for all Directors;
- ii. Ensuring that all Directors sign the annual conflict of interest declaration;
- iii. Annually reviewing each Director's directorship/membership to external entities and updating the Directors Interest Register; and
- iv. Updating the register at every board meeting as and when changes in circumstances are updated and declared.

(b) The Head of Regulatory and Policy Compliance will be responsible for:

- i. Ensuring that the requirements of this policy are fully complied with by working closely with Compliance staff of SBU/BU/ Pacific Market Branches /Subsidiaries
- ii. Maintaining Conflicts of Interest Registers for all Employees and copies of registers for agents, representatives, and third parties.
- iii. Working with the Compliance Training Manager to provide Conflicts of Interest training and provide communications at least annually, which is to be cascaded to all employees. Ensuring that Business Units/Subsidiaries/Pacific Market branches embed this policy (and other related policies) into their business.
- iv. Providing guidance and acting as a reference point for Business Units/Subsidiaries/ Pacific Market Branches /JVs on conflicts of interest issues.

(c) Heads of Business Units/ Pacific Market Branches Subsidiaries/JVs (controlling interest by BSP) will be responsible for:

- i. Identifying conflicts of interest within the Business Unit/Subsidiary
- ii. Evaluating the risk posed by those conflicts
- iii. Deciding how to manage those conflicts
- iv. Reporting the matter to the Head of Regulatory Policy & Compliance and copy the Line Manager
- v. Recording the action taken
- vi. Monitoring the conflicts on an ongoing basis if required
- vii. Ensuring that any new and existing Business Unit specific procedures and processes are consistent with this policy and other related policies

(d) The People and Culture SBU will be responsible for:

- i. Ensuring all new employees complete the Conflict of Interest Declaration at recruitment, and that any interest disclosed is advised to the relevant SBU to enable it to evaluate the risks posed by that conflict.
- ii. Ensuring that disclosures made by new employees of Pacific Market Branches and Subsidiaries should be forwarded to the Compliance Officer for that Pacific Market Branches or Subsidiary for noting in the relevant Conflicts Register.
- iii. Ensuring that disclosures made by employees in relation to external appointment to positions is reviewed to evaluate risks posed by the appointment

- (e) Compliance Unit Managers of Pacific Market Branches/Subsidiaries/JVs (controlling interest by BSP) will be responsible for:
- i. Maintaining Conflicts of Interest Registers for all Employees and registers for agents, representatives, and third parties for each Pacific Market Branch/Subsidiaries;
 - ii. Ensuring that all Employees complete the annual conflict of interest declaration;
 - iii. Monitoring the management actions on conflicts on an ongoing basis if required;
 - iv. Updating the register at the end of every month and as and when changes in circumstances are updated and declared; and
 - v. Submitting copies of the registers to the Regulatory Policy & Compliance BU on a monthly basis.

5. NON-COMPLIANCE TO POLICY

If an investigation of an actual or potential compliance or legal breach or failure occurs, it is expected that employees will co-operate fully with BSP's Regulatory and Policy Compliance BU and provide them with information in a complete, accurate, fair, comprehensible and timely manner.

BSP has zero tolerance for dishonest or unethical behaviour by employees or customers.

Those who violate the Code of Conduct, this Policy or related BSP policies and procedures will be subject to disciplinary action, up to and including dismissal.

Disciplinary measures will also apply to anyone who directs or overrides any provision of the Conflicts of Interest Policy or has knowledge of breaches and does not promptly move to correct them.

Head of Regulatory and Policy Compliance will recommend exemptions from the Policy to GCEO when there is a legitimate reason for not meeting all or part of the requirements. Any exemption must first be supported by the General Manager of the relevant Strategic Business Unit/Subsidiary/JV.

Exemption approval may involve an action plan for future compliance or a timetable to review the exemption status.

6. MAINTENANCE OF DOCUMENTS

Proper record keeping and documentation of conflict of interest matters is important in ensuring that actions and decisions made are consistent with this policy and meeting any compliance requirements.

6.1 Record Keeping

The Head of Regulatory and Policy Compliance has overall responsibility of this policy and will work consultation with respective Compliance Managers, Business Unit Managers, Branch Managers and General Managers in ensuring that arrangements and processes for managing and monitoring conflicts of interest in accordance with this policy are documented.

They must ensure that records are kept in compliance with this policy including:

- (a) Identification of conflicts of interest;
- (b) Recording disclosure of conflicts of interest;
- (c) Non-compliance with this Policy;
- (d) Actions taken with respect to particular conflicts;
- (e) Reports given to senior management, Head of Regulatory & Policy Compliance & AML, and escalation processes;
- (f) Disclosures given to particular customers or the public as a whole; and

(g) Ongoing monitoring of conflicts.

All centralised records at Group Compliance must be kept for at least seven (7) years and are subject to the requirements under BSP's Policy for Records Acquisition, Retention, Storage and Destruction.

The Business Units and Head of Regulatory & Policy Compliance must regularly review procedures to ensure they are up to date and adequate to manage conflicts of interest.

7. LEGAL ADVICE

The Head of Regulatory and Policy Compliance in consultation with the [Group Chief Compliance Officer](#) responsible for the management of compliance risk for BSP and reference of all potential material conflicts arising in BSP should be made to Head of Regulatory and Policy Compliance for advice as necessary. The Head of Regulatory and Policy Compliance may seek legal advice (internally or externally) to satisfy obligations of different interests in BSP.

Appendix A: Terms & Definitions

Term	Definition/Meaning
Accountability/Accountable	Held answerable to lead, decides, direct, justify and report actions to achieve outcomes
Business Unit	The management and staff working within a specific business area of BSP
Business Associates	Business Associates refers to: (i) Associates that you acquaint yourself with at work and they are external suppliers or company representatives that BSP deals with. (ii) Other employees of the bank that you are acquainted to base on a contractual relation.
Chinese Walls	Maintaining client confidentiality is crucial to any firm, but particularly large multi-service businesses. Where firms are providing a wide range of services, clients must be able to trust that information about themselves will not be exploited for the benefit of other clients with different interests. It is an imaginary barrier constructed to ensure information from one section does not permeate to another.
Controlling Interest	It means the right to exercise, directly or indirectly, more than 50% of voting rights attributable to the shares of an entity.
Customers	Customers include depositors, borrowers, policy holders, unit holders, investors, clients, and the like.
Conflict of Interest Disclosure(declaration)	Conflict of interest disclosure is a document filled by those having decision-making authority to propose, perform, and report the work. It helps to disclose details about potential conflicts of interest concerning employment, financial concerns, and public appearances. This is to ensure that the relationships between employees, vendors, suppliers and the Management are free of conflicts of interest.
Extended family	Are defined as spouses (current and former/ de facto partners) immediate family, paternal and maternal aunts and uncles, grandparents and cousins (including step relatives).
Friends	Friend(s) refers to person(s) that you like and know well, share the same interest and share confidence in.
Guideline	An indication or outline of Policy or conduct
Immediate family	Are defined as the employees spouses (current and former), biological or adoptive parents, siblings and children, including stepparents, step children and step siblings.
Monitoring	Monitoring includes the measures, processes and procedures that BSP has in place to check that the controls are actually working and being applied.
Policy	Predetermined course of action established as a guide toward accepted objectives and strategies of the organisation or it lays out what management wants employees to do
Procedure	The step by step actions necessary to carry out a policy or documented processes that are used when work affects more than one function
Process	A series of activities conducting to an end which normally begins with a customer's need and ends with a customer's need fulfilled
Regulation	A rule or order issued by an executive authority or regulatory agency of a government and having the force of law.
Responsibility and Responsible	Held answerable for doing the work to achieve outcomes
Standard	Something established by authority, custom or general consent as a model or

Term	Definition/Meaning
	example.
Third Parties	Third parties are suppliers to BSP, customers, and other non-customer parties with whom BSP may deal with from time to time.

Appendix B: Examples of Conflicts Of Interest

It is not possible to determine all of the situations where a conflict of interest can arise. Some of the instances where conflicts could occur and whether they need to be avoided, controlled or disclosed are included below. This is not an exhaustive list and how the conflict will be dealt with, i.e., whether it is avoided, controlled or disclosed will need to be determined on a case by case basis. The seriousness of the conflict and the impact it could have on the quality of financial service (*or other services*) provided by BSP and/or the effect it could have on the *BSP's* reputation need to be considered in determining how to manage the conflict of interest.

Controlling Conflicts of Interest

Some examples of conflicts that may need to be controlled so as to ensure the service provided by BSP is not materially lessened as a result of the conflict:

- Where there is a fiduciary duty owed to policy holders or fund members, for example, as a trustee compared with the duty to BSP's shareholders
- The holding of common directorships of different entities within BSP and possibly outside of BSP need to be disclosed and may be controlled through relevant policies
- When a Responsible Entity, life company or health company insurer seeks legal advice, consideration should be given to whether there is any conflict between the relevant businesses and BSP (or other shareholder). Independent legal advice should be obtained where necessary, which will control any conflict.
- Where one of BSP's subsidiaries acts as the responsible entity for a managed investment scheme, that entity has a duty to act in the best interests of the scheme members. If there is a conflict of interest between that of the entity and the member, the member's interests must be given priority

Disclosing Conflicts of Interest

Some examples of conflicts of interest which need to be disclosed to the *customer* and/or BSP:

- Any gifts or entertainment obtained by an employee from an existing or potential *customer* need to be disclosed and recorded in line with BSP

In many cases, a conflict may be managed through a combination of internal controls and disclosure. This list is not exhaustive and there may be other conflicts of interest that may arise and require management in each *Business Unit*.

Avoiding Conflicts of Interest

Some examples of situations where the conflicts may be great enough to warrant avoidance of the conflict:

- When ordering goods and/or services from an external provider and the person placing the order has an interest in the external provider, for example the external provider is a company run by the family of the person making the order.
- Where information obtained from or about a customer is used for an improper purpose.

- Where the objectivity of research is compromised by the analyst's personal interests or relationships (e.g. recommendation to purchase investments on behalf of policyholders or unit-holders where you have a personal interest in the investment).

Transactions Between Related Parties - Central Bank examples of Conflict of Interest

Extract from Bank of PNG – Prudential Standard 7/2005 – Transactions with Related Parties

Purpose – This standard is intended to ensure that all transactions between a bank and a related party of the bank (a) are on substantially the same terms and conditions (“arm’s length” basis) as the same or similar transactions between a bank and an unrelated party, (b) do not result in capital or income being transferred to a related party in a manner that gives unwarranted preference to a related party, (c) do not adversely affect the solvency, liquidity or profitability of a bank, and (d) are not used as a means of evading capital or other regulatory requirements.

“Related Party” – means any person who is a director, officer and/or shareholder controller of the bank that is in a policy-making position, together with his/her financially-dependent children or other relatives, his/her business associates, the holding company of which the bank is a subsidiary, or other company that is affiliated with the bank or holding company through common ownership, control or management.

“Transaction” – means any transaction with a related party, other than a loan or credit exposure to a related party; for purposes of this standard, transactions include the following transactions between a bank and a related party of the bank:

- (a) purchases, leases or sales of assets whether financial or non-financial, tangible or intangible, or movable or immovable property;
- (b) agreements or contracts for the provision or receipt of services, with or without fees, such as accounting, advisory, appraisal, consulting, credit administration and collateral control, data processing, insurance, legal, loan guarantees or agreements of protection, loan processing, safekeeping, staff secondments, technical assistance, training, and other similar financial, operational or professional services;
- (c) borrowings from a related party in the form of notes, subordinated debentures, securities sold under an agreement to repurchase, assumptions or incurrence of a liability, or any similar forms of indebtedness;
- (d) investments in the shares of a related party; or
- (e) any other transaction which, on the basis of its structure, terms or conditions, can reasonably be construed as being, or intended to be, a transfer of value to a related party.

1: Minimum Requirements –

The following minimum requirements shall apply to all transactions with a related party:

- (a) Conformance to policy - All transactions between a bank and a related party shall conform to a written policy that has been approved and adopted by a majority of the entire board of directors and that is adequate to ensure compliance with this standard and with prudent banking practices;
- (b) Non-preferential terms - All transactions between a bank and a related party shall be at arm’s length, i.e. on substantially the same terms and conditions in respect of charges, fees, interest rate, liability, maturity, price, repayments, risk, security, etc. as the same or similar transactions between a bank and an unrelated party;
- (c) Prior Board approval - Any single transaction between a bank and a related party, or group of transactions so closely-related or sufficiently similar that they should be treated as a single transaction, that exceeds the lesser of K100,000 or 5% of a bank’s capital base must be approved in advance by a majority of the entire board of directors; for purposes of this standard, the amount of a

Transactions Between Related Parties - Central Bank examples of Conflict of Interest

transaction, or group of closely-related transactions, is the aggregate amount to be paid (or received) for services received (or given), or the book value at the time of the transaction of an asset to be sold or purchased or a liability to be assumed or incurred.

2: Prohibited Transactions –

No bank shall:

1. purchase a low quality asset from a related party, and no bank shall incur a liability for or to a related party in respect of a low quality asset; for purposes of this standard, a low quality asset is any asset that is, or should be, classified as Special Mention or a lower grade according to Prudential Standard 2/2003 Asset Classification; or
2. sell or otherwise transfer an asset to a related party at a price or value that is below the current fair market value of that asset; or
3. purchase or otherwise receive an asset from a related party at a price or value that is above the current fair market value of that asset.

Appendix C: Conflict of Interest Register

A register will be maintained by the Regulatory and Policy Compliance BU to record and help manage conflicts of interest. An example of the type of register established to record conflicts of interest is shown below. The register contains an example of how you could complete the register. Where possible, for conflicts that are inherent in the way that the *Business Unit* conducts its business. You may also want to integrate your conflicts register with your *Business Unit* Gifts and Entertainment register.

Conflicts of Interest Register

Name of Employee	Description of interest	Has Senior management been notified of the interest?	Date of disclosure	Steps taken by Senior Management for dealing with the conflict	Actions taken by the Employee to address the conflict

Appendix D: Conflicts of Interest Declaration Forms (as Approved and published on SharePoint)

The conflicts of interest forms are available on BSP's Intranet in the Group Compliance, Regulatory and Policy Compliance Business Unit SharePoint page and these forms are;

1. Conflict of Interest Declaration Form (PDF document for Manual Submission) (For Staff Only)
This form is available on Regulatory and Policy Compliance Business Unit's Intranet Page and staff can download to complete manually and submit to Compliance Unit. A copy of this form is marked as **Sample Form- A**
2. Online Conflict of Interest Form (SharePoint Workflow for Online submission) (For Staff Only)
This form Build is also available on Regulatory and Policy Compliance Business Unit's Intranet page and can be completed and submitted online. The snipped image from SharePoint is marked as Sample Form-B
3. Conflict of Interest Declaration Form (PDF document for Manual Submission) (For Third Parties)
This form is available on Regulatory and Policy Compliance Business Unit's Intranet Page and staff can download to complete manually and submit to Regulatory and Policy Compliance Business Unit. A copy of this form is marked as Sample Form- C

Sample Form A - PDF Form on SharePoint (for manual submission)

CONFLICT OF INTEREST DISCLOSURE FORM

Conflicts of Interest must be managed to ensure that the quality, honesty and integrity of the services that BSP provides are upheld, a failure to manage conflicts of interest can affect the reputation of and public perception of BSP.

Under the Managing Conflict of Interest Policy, all BSP employees are required to disclose their conflicts of interests. Disclosure of any conflict of interest must be done in a timely manner and sufficient information must be provided to ensure that the potential impact is clearly understood and appropriate actions are taken to prevent any undesirable consequences. Records of all these disclosures will be kept with the Head of Regulatory & Policy Compliance.

Examples of Conflicts of Interest situations:

Whilst being currently employed at BSP you:

- (a) Are also participating in any form of external business whether as a sole trader, partnership, joint venture etc.
- (b) Hold shares or convertible notes in a company
- (c) Are officer bearers in any committee or association (family, school, community, religious etc.) and are a signatory to that committee or association's bank account.
- (d) Have part-time employment elsewhere after normal working hours and/or during weekends
- (e) Hold a directorship or board or trustee position in a company or companies (owned by family, clan, village, association, society, trust, private limited liability, Govt/Quasi-Govt and any other scenario not covered in this list)

Submit completed form to email **_Regulatory and Policy Compliance (compliance unit)**

Conflict of Interest Disclosure & Declarations:

As at the date of this Disclosure, I make the following declarations regarding my employment with the BSP Financial Group (BSP) *(Please tick or mark all boxes which apply to you)*

- ☐ I have no interest in any business, organisation or entity and no other source of employment or income apart from my employment at BSP
- ☐ I have no personal relationship with any other person employed at BSP
- ☐ I have a personal relationship with a person or persons employed at BSP. (Please provide the name of the employee(s) and the nature of your relationship).

-
- ☐ I have an interest in the following business, organisation or entity (ies). (An entity may be a sole trader or partnership business; a private or public company; a family, clan or village association; a society; trust; a Government or quasi government organisation and any other form of organised activity)

1 Name of business, entity or organisation:

Nature of the Business or business activities:

Nature of your interest and position of influence¹:

2 Name of business, entity or organisation:

¹ For example Owner, Director, Shareholder, Partner, Adviser, Sales Representative, Committee Member, Treasurer, Secretary etc. Approval must be obtained from the Group Chief Executive Officer or the Group Chief Risk Officer for positions of Director, Secretary, Public Officer or Executive Officer of a private or public company, or a Trust.

Nature of the Business or business activities:

Nature of your interest and position of influence:

Bank Details

Where applicable please provide bank details for the business, entity or organisation listed above:

Account Name: _____

Account Number: _____

Name of Bank: _____

Branch Name: _____

Note: If you have interests in more than 2 entities or organisations, please continue on another piece of paper, sign and attach to this declaration.

I am aware of an actual or potential conflict of interest between the entity (or one of the entities) listed above and my employment with BSP. Please provide details of the actual or potential conflicts:

Declarations:

(a) I declare that the disclosures made above are complete and true.

(b) I declare that I will immediately inform BSP:

if any change in circumstances in respect of my declarations above, including any new positions which I accept or any new interests created the date of this declaration

if I become aware of any inform on that might indicate this disclosure is inaccurate or that I have breached the conflict of interest policy

(c) I declare that I have read and understand BSP's Conflict of Interest Policy and that I will make full disclosure of interests, relationships and holdings that could potentially result in a conflict of interest.

Signature:

Date

Name:

Business Unit:

Certification by Head of Regulatory & Policy Compliance/Group GM Compliance

I have noted this interest declaration. I am satisfied that any conflict can be managed, and I authorise the dealing described below (if applicable), subject to any conditions listed below.

1. AUTHORISED DEALING

2. CONDITIONS

(a) The employee will take no part in BSP's decision making process regarding the business interest, and or regarding the employee with whom a personal relationship exists.

(b) The employee will not utilise any of BSP's facilities or property related to the declared business interests.

Signature:

Date:

**Head of Regulatory & Policy Compliance/
Group Chief Compliance Officer**

Certification By Group CEO For Appointment Of Director, Secretary, Public Officer Or Executive Officer




I agree to the appointment of _____ to the position of _____ in the company, _____ provided that if any potential or actual conflict of interest should arise, the employee withdraws from any BSP or Company dealing with the matter concerned.

Signature

Date:

Group Chief Executive Officer

Sample Form B - COI Form via SharePoint Workflow (for online submission)

 	
CONFLICT OF INTEREST DISCLOSURE FORM	
Staff Information	
Title: <input type="radio"/> Mr <input type="radio"/> Mrs <input type="radio"/> Miss <input type="radio"/> Ms	Staff Name: <input type="text"/>
Staff Number: <input type="text"/>	Phone: <input type="text"/>
Position Title: <input type="text"/>	Date: <input type="text"/> 
Line Manager: <input type="text"/>	General Manager: <input type="text"/>
SBU: <input type="text" value="Please select a value..."/>	
BU: <input type="text" value="Please select a value..."/>	
Conflict of Interest Declaration	
I make the following Declaration regarding my employment with Bank of South Pacific Limited (BSP). <i>(Please check those that applies to you)</i>	
a) <input type="radio"/> I have <input type="radio"/> I have no personal relationship with another person employed at BSP.	
Staff Name: <input type="text"/>	Position Title: <input type="text"/>
BU/Branch: <input type="text"/>	Location: <input type="text"/>
SBU: <input type="text"/>	Manager Name: <input type="text"/>
Type of Relationship <input type="checkbox"/> Immediate Families <input type="checkbox"/> Extended Families <input type="checkbox"/> Business Associates	
Are you and the other staff in the same BU or SBU? <input type="radio"/> Yes <input type="radio"/> No	
Are you reporting to each other? <input type="radio"/> Yes <input type="radio"/> No	
If you have answered "Yes" to questions above, please provide comments on roles and reporting obligations	
<input type="text"/>	
Do you have any work interactions with the other staff? <input type="radio"/> Yes <input type="radio"/> No	
Please provide comments on daily interactions	
<input type="text"/>	

b) ☒ I have ☐ I have no interest in a business, organization, entity(ies);

c) ☒ I have ☐ I have no other source of employment or income apart from my employment with BSP

I further declare that I will immediately inform BSP:

- Of any change in circumstances in respect of my declaration above, including any of position which I accept or any new interests created after the date of this declaration.
- If I become aware of any information that might indicate this disclosure is inaccurate or that I have breached that conflict of interest policy.

☐ I confirm that I have read and understood BSP's Conflict of Interest Policy and that I will make full disclosure of interests, relationships or holdings that could potentially result in a conflict of interest. I also confirm that the disclosures made above are complete and true.

SAVE

CANCEL

Sample Form C - PDF Form on SharePoint (for manual submission of Third Party conflicts)

CONFLICT OF INTEREST DISCLOSURE FORM

Under the Managing Conflict of Interest Policy, BSP employees dealing with or who has personal relationship with Third Parties are required to disclose their conflicts of interests. Third Parties include suppliers to BSP, customers, and other non-customer parties with whom BSP may deal with from time to time. Disclosure of any conflict of interest must be done in a timely manner and sufficient information must be provided to ensure that the potential impact is clearly understood and appropriate actions are taken to prevent any undesirable consequences. Records of all these disclosures will be kept with the Head of Regulatory & Policy Compliance

Examples of Conflicts of Interest situations:

Whilst being currently employed at BSP you:

- (a) Are also participating in any form of external business whether as a sole trader, partnership, joint venture etc.
- (b) Hold shares or convertible notes in a company
- (c) Are officer bearers in any committee or association (family, school, community, religious etc.) and are a signatory to that committee or association's bank account.
- (d) Have part-time employment elsewhere after normal working hours and/or during weekends
- (e) Hold a directorship or board or trustee position in a company or companies (owned by family, clan, village, association, society, trust, private limited liability, Govt/Quasi-Govt and any other scenario not covered in this list)

Submit completed form to email **_Regulatory and Policy Compliance (compliance unit)**

Conflict of Interest Disclosure & Declarations:

As at the date of this Disclosure, I make the following declarations regarding my employment with the BSP Financial Group (BSP) *(Please tick or mark all boxes which apply to you)*

- ☐ I have no other interest in any BSP business, organisation or entity and no other source of employment or income apart from this engagement.
- ☐ I have no personal relationship with any person employed at BSP
- ☐ I have a personal relationship with a person or persons employed at _____. (Please provide the name of the third party(s) and the nature of your relationship).

- ☐ I have an interest in the following business, organisation or entity (ies). (An entity may be a sole trader or partnership business; a private or public company; a family, clan or village association; a society; a trust; a Government or quasi government organisation and any other form of organised activity)

1 Name of business, entity or organisation:

Nature of the Business or business activities:

Nature of your interest and position of influence²:

2 Name of business, entity or organisation:

Nature of the Business or business activities:

² For example Owner, Director, Shareholder, Partner, Adviser, Sales Representative, Committee Member, Treasurer, Secretary etc. Approval must be obtained from the Group Chief Executive Officer or the Group Chief Risk Officer for positions of Director, Secretary, Public Officer or Executive Officer of a private or public company, or a Trust.

Nature of your interest and position of influence:

Bank Details

Where applicable please provide bank details for the business, entity or organisation listed above:

Account Name: _____

Account Number: _____

Name of Bank: _____

Branch Name: _____

Note: If you have interests in more than 2 entities or organisations, please continue on another piece of paper, sign and attach to this declaration.

I am aware of an actual or potential conflict of interest between the entity (or one of the entities) listed above and my employment with BSP. Please provide details of the actual or potential conflicts:

Declarations:

(a) I declare that the disclosures made above are complete and true.

(b) I declare that I will immediately inform BSP:

(i) if any change in circumstances in respect of my declarations above, including any new positions which I accept or any new interests created the date of this declaration

(ii) if I become aware of any inform on that might indicate this disclosure is inaccurate or that I have breached the conflict of interest policy

(e) I declare that I have read and understand BSP's Conflict of Interest Policy and that I will make full disclosure of interests, relationships and holdings that could potentially result in a conflict of interest.

Signature: _____

Date: _____

Name: _____

Business Unit: _____

Certification by Head of Regulatory & Policy Compliance/Group Chief Compliance Officer

I have noted this interest declaration. I am satisfied that any conflict can be managed, and I authorise the dealing described below (if applicable), subject to any conditions listed below.

3. AUTHORISED DEALING

4. CONDITIONS

(c) The employee will take no part in BSP's decision making process regarding the business interest, and or regarding the third party or representative of the third party with whom a personal relationship exists.

(d) The employee will not utilise any of BSP's facilities or property related to the declared business interests.

Signature: _____

Date: _____

Head of Regulatory Compliance/ Group Chief
Compliance Officer

Certification By Group CEO For Appointment Of Director, Secretary, Public Officer Or Executive Officer	
I agree to the appointment of _____ to the position of _____ in the company, _____ provided that if any potential or actual conflict of interest should arise, the employee withdraws from any BSP or Company dealing with the matter concerned.	
Signature	Date:
Group Chief Executive Officer	

Country Legislation

BSP is required to comply with the various Prudential Standards/ Statements/ Guidelines issued from time to time by the Central Banks in the countries/ jurisdictions that it operates within.

Currently these Central Banks are as follows: -

- Bank of Papua New Guinea (BPNG);
- Reserve Bank of Fiji (RBF);
- Central Bank of the Solomon islands (CBSI);
- National Reserve Bank of Tonga (NRBT);
- Central Bank of Samoa (CBS);
- Financial Services Commission, Cook Islands (FSC);
- Reserve Bank of Vanuatu (RBV) *from 1/7/2016; and*
- National Bank of Cambodia (NBC).

A number of the Prudential Standards/ Statements/ Guidelines from these countries/ jurisdictions refer to the possibility of “Conflicts of Interest” and how to address any situation arising.

In particular the following Prudential Standards/ Statements/ Guidelines are currently relevant to the operations of BSP: -

- BPNG PS7/2005 Transactions with Related Parties
- BPNG PS4/2005 Loans to Related Parties
- BPNG BPS252/2015 Outsourcing
- BPNG BPS Complaints Handling
- RBF BSP 13/2009 Complaints Handling
- RBF BSP 11/2007 Corporate Governance
- CBSI PG09/2014 Complaints Handling
- CBS PS06/1995 “Connected” Lending
- NRBT PS09/2014 Governance
- RBV PG12/2014 Outsourcing

Government Acts/ Decrees/ Laws

BSP is required to comply with the various Government Acts/ Decrees etc. issued from time to time by the governments in the countries/ jurisdictions that it operates within.

Currently these include the following specific Acts and Laws primarily relating to the company and directors:

FIJI

- Crimes Decree 2009
- Companies Act 2015

PNG, SAMOA, TONGA, COOK ISLANDS & SOLOMON ISLANDS

- Companies Act, Company Rules and common law