

Kina Bank's Environmental & Social Management System (ESMS) Policy

Our Approach

Kina Securities Ltd (KSL or Kina) developed an Environmental & Social Management System (ESMS) Policy to be a more responsible and ethical corporate citizen, reduce its environmental impacts, and increase its contribution to Papua New Guinea's societal objectives. The Policy was created in line with our Environmental, Social, and Governance (ESG) strategy; Total Societal Impact objectives¹; international ESG frameworks²; and applicable local, provincial, and national laws and regulations.

This policy applies to all relevant operations, including business loans and overdrafts, business-related asset finance, and trade finance.

The policy's objectives include:

1. Minimise and mitigate adverse impacts of our lending on the environment and affected people;
2. Maximise opportunities for environmental and social benefits, including those related to gender;
3. Assess borrowers' operations against our ESG requirements;
4. Integrate into the credit review cycle to ensure lending activities are screened for ESG risks; and
5. Promoting projects with environmental and social benefits.

We are committed to working with our staff and operational employees to integrate this policy into our day-to-day activities by making operational changes, providing training, and tracking progress over time.

Roles and Responsibilities

A core component for the successful implementation of the ESMS policy is the need for designated roles and responsibilities of its staff. A summary of roles and responsibilities of individual functions under the ESMS are as follows:

- CEO: Approve the policy and provide necessary resources and support for implementing the policy;
- CRO (designated E&S Officer): Oversee implementation of the policy across Kina Bank's operations, including trade finance and internal credit process;
- E&S Coordinator: Support the E&S Officer in the day-to-day implementation of the ESMS;
- Business Partners: Conduct appropriate screening and Know Your Customer (KYC) requirements;
- Credit: Seek approvals from E&S Officer as a condition of all lending applications;
- Legal: Include relevant aspects in standard legal agreements; and
- Compliance: Conduct relevant compliance checks to validate policy operations as part of compliance mechanism.

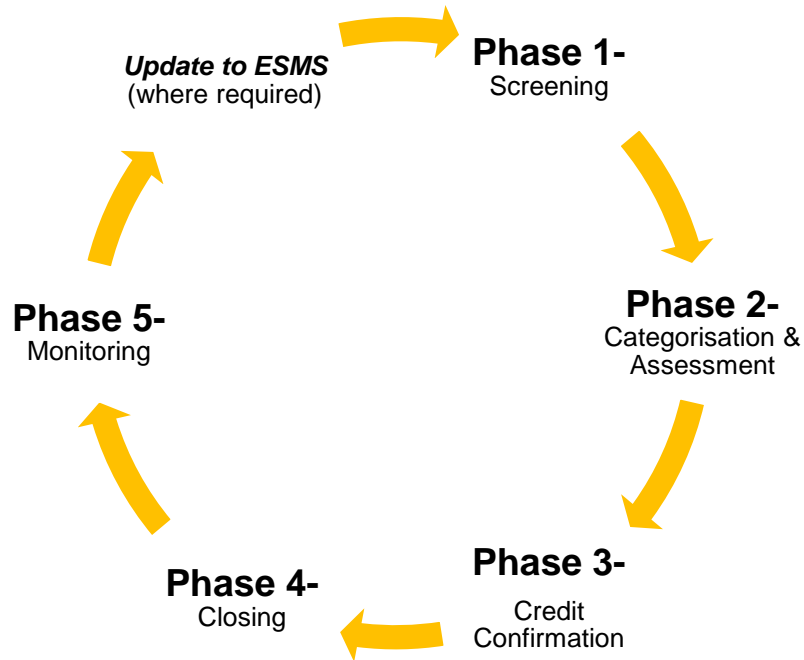
The implementation of the ESMS policy does not rely only on staff with designated roles (as listed above). All our staff members are expected to take part in implementing this policy.

¹ Objectives include: Expanding financial inclusion, creating a workplace for the future, and promoting enterprise and innovation.

² Some of the frameworks include: Asian Development Bank (ADB) Safeguards Requirements and International Finance Corporation (IFC) Performance Standards

Implementation

Kina Bank developed the process highlighted below to analyse the associated E&S risks before providing financing to a client. Kina aims to assess whether the client takes part in any activities under our exclusion list (see below), operates in a way that goes against our E&S standards, identify the potential E&S impacts (whether they are significant, medium, or minimal), analyse the magnitude and scale of the client's activities, review the client's track record, and assess the sector's track record for managing E&S risks.



Exclusions

As a financial institution, we seek to engage with our clients to improve their E&S standing. However, there are list of activities that we strongly oppose which will prevent us from engaging with a client. These include the following:

- Production or activities involving harmful or exploitative forms of forced labour or child labour;
- Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase outs or bans, such as:
 - pharmaceuticals, pesticides, and herbicides;
 - ozone-depleting substances;
 - polychlorinated biphenyls and other hazardous chemicals;
- wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora and
- transboundary trade in waste or waste products;
- Production of or trade in weapons and munitions, including paramilitary materials;
- Production of or trade in alcoholic beverages, excluding beer and wine;
- Production of or trade in tobacco;
- Gambling, casinos, and equivalent enterprises;
- Production of or trade in radioactive materials including nuclear reactors and components thereof;
- Production of, trade in, or use of unbonded asbestos fibres;
- Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats; and
- Coal-related activities including the development or expansion of coal-fired power plants, coal mines, transportation assets used exclusively for coal, or infrastructure assets exclusively dedicated to support coal mines and coal transportation.