



# Together it's possible

**Sustainability Report.**

Kina Bank 2022



# Introduction.

This is Kina Bank's first external sustainability report. It sets out the progress of our overall sustainability strategy which was approved by the Kina Securities Limited (KSL) Board in 2022. This report is not intended to be a full annual report or overview of all performance associated with the company. For full financial results see link below. The report includes our initial disclosure following our carbon emissions measurement in line with the Greenhouse Gas (CHG) Protocol and the Global Sustainability Standards Board (GSSB), Global Reporting Initiative (GRI) for materiality and our goals are aligned with the United Nations **Sustainable Development Goals (SDG)**. We identify the SDG goals that are aligned with each section in this report. Where the report refers to a year, this relates to the financial year for that same period (for example, 2022 relates to the financial year ending December 2022).

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## Together it's possible





## Message from our Managing Director.

**Kina Bank was established 38 years ago in Papua New Guinea (PNG) as a locally run financial services company driven by the need to support growth and help the nation-building agenda of PNG. Today, we have grown to be the second-largest bank, and the largest fund administrator in the country, with over 850,000 customers nationwide.**

Our purpose is to constantly improve the prosperity of the people, communities and markets we serve. We strive to be the bank that represents change – consistently challenging the status quo by creating more choices and making better choices. But this purpose goes beyond

creating a better banking experience. On many levels, it's all about building a better future for PNG, its people and the businesses – large and small – that are crucial to the country's process.

Our collective purpose defines our aspirations, we're in a unique position at Kina Bank. As an ASX-listed company operating in a country that holds many of the world's environmental treasures, we recognise our role in preserving the uniqueness of this landscape, helping to shape sustainable communities through innovation and customer-centricity supported by capable financial service experts.

In 2022, we worked hard to define our aspirations and what sustainability means for Kina Bank. This work led to a clear goal to be the most sustainable leader in PNG, confirming our sustainability principles of Inclusion, Transparency and preserving our Environment. How we execute these principles will be relevant in the context of the PNG landscape.

There are endless opportunities to build sustainable financial services through various environmentally friendly products and policies and create impactful social change that will deliver on our aspiration.

I'm excited to see in how Kina Bank will set the agenda for sustainability in PNG in the years ahead. Our leadership and team members are strong supporters of Environmental Social and Governance (ESG) and are all living our aspirations in day-to-day life, which gives me the confidence to know that together it's possible.

**Gregory Pawson**

Managing Director & Chief Executive Officer (MD & CEO)

# Annual highlights.

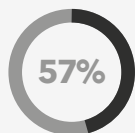


**Senior Executives and Senior Managers are women.**

Reached UN SDG Goal 5.5



**Senior Executives are Papua New Guinean.**



**Scope 2 Emissions for electricity reduced in 2022.**

Helping to meet UN SDG 7



**Implemented and trained over 65 lenders in the Environmental and Social Management system.**

Ensuring all loans are compliant with the identified banned industries.



**20 staff trained in domestic violence awareness, a number of which were female staff.**



**30 staff trained as Financial Savings Champions.**

## Investment into PNG



**700+ staff**

**PGK 11 million dividends**

**75 million taxes paid**

**2021-2022**

**Donated over PGK 750,000**

**And we have a newly formed Staff Grant Program - Strongim Komuniti Grants providing "green support" across the country.**



**Digital users**

Personal customers  
**108,244 (out of 190,000)**

Business customers  
**9,288 (out of 16,000)**



**92 ATMs and 18 branches helping to meet UN SDG 8.10.1**

## Launched sustainability pillars



**Growth**



**Sustainability**



**Dynamic People**



**Resilience**



**Service Excellence**



# | Contents.

## 01

---

Our strategy	6
Materiality assessment	7

## 02

---

Inclusion	10
Transparency	11
Environment	12

## 03

---

## 04

---

## 05






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# ESG is embedded in our strategy.

We aspire to be a leader in sustainability, a strong challenger brand committed to consistently improving the prosperity of the people, communities and markets we serve.

Welcome to our inaugural sustainability report. Kina Bank is proud of the work we have completed with the Total Societal Impact (TSI) program over the past three years. We have led the development of many innovative banking products, made banking fairer by being the first to introduce fee-free banking and we've helped support communities throughout PNG to prosper. The past three years has shown that Kina's ability to impact communities has a compounding effect; providing financial services to working-class Papua New Guineans in an accessible, transparent and competitive manner enhances the financial well-being of these communities. We have also created a diverse team that reflects our communities.

To achieve our aspiration of being the most sustainable leader in PNG, we need to take leadership in our own carbon emissions and work collaboratively with our customer base to educate and understand how transitioning to more sustainable practices will deliver prosperity.

	Environment	Social	Governance
 <b>Growth &amp; Prosperity</b>	Digital enhancements <ul style="list-style-type: none"> <li>Digital on-boarding in Home Lending</li> </ul>	<ul style="list-style-type: none"> <li>Improved accessibility</li> <li>Competitive pricing and products, first with fee-free banking online</li> <li>ATM and EFTPOS growth, improving accessibility</li> </ul>	
 <b>Resilience</b>	<ul style="list-style-type: none"> <li>Environmental and Social Management System (ESMS)</li> </ul>	<ul style="list-style-type: none"> <li>ESMS policy</li> <li>Credit provision modelling enhancement</li> </ul>	<ul style="list-style-type: none"> <li>ASX Corporate Governance Principles Compliance</li> <li>Anti-bribery and corruption policy</li> <li>Securities trading</li> <li>Improvements in credit committees and governance</li> </ul>
 <b>Service Excellence</b>	<ul style="list-style-type: none"> <li>Increased digital users (reducing paper)</li> </ul>	<ul style="list-style-type: none"> <li>WhatsApp Banking</li> <li>Fee Free ATM</li> <li>Free Free banking for both Consumer and SMEs</li> <li>92 ATMs</li> </ul>	<ul style="list-style-type: none"> <li>Customer complaint process</li> <li>90% customer satisfaction for in-branch experiences</li> </ul>
 <b>Dynamic People</b>		<ul style="list-style-type: none"> <li>Engagement scores strong participation at 95%</li> <li>Volunteered over 150 hours to help youth employment</li> <li>Domestic violence leave and training</li> </ul>	<ul style="list-style-type: none"> <li>Diversity policy</li> <li>Whistleblower policy</li> </ul>
 <b>Sustainable Communities</b>		<ul style="list-style-type: none"> <li>190,000 new to banking customers via MiBank</li> <li>Over PKG 700,000 donated to social issues in 2021 (0.7% of pretax profit)</li> </ul>	<ul style="list-style-type: none"> <li>Environmental and Social Management System (ESMS)</li> </ul>

# Materiality assessment.

The table summarises the material issues for each stakeholder group.

In line with Global Reporting Initiative (GRI) standards, Kina Bank conducted a thorough stakeholder materiality assessment of which the outcomes are the foundation for our own sustainability principles. The materiality assessment included 65 face-to-face interviews with staff, shareholders, customers, government departments and community groups as well as the review of over 460 complaints and feedback from over 22,000 customer surveys.

The purpose of this is to proactively manage the material economic, social and environmental risks and opportunities identified by Kina's key stakeholders. This process helped Kina make more informed and balanced decisions that reflect the needs and expectations of our business, stakeholders and communities both now and in the long term. The foundation of the decision was based on the capacity to create value through measured opportunities and manage various ESG risks. Our strong challenger brand position has a role to play in the development of industry, innovation, entrepreneurship and market competitiveness. The Materiality assessment confirmed that our stakeholders expect Kina Bank to be at the forefront of this development in a transparent, impactful manner with tangible impacts.

Material Reponse	KSL Reponse	Investors	Our People	Customers	Communities
<b>Climate change</b> Demonstrating reduction in direct emissions	Scope 1, Scope 2, Scope 3 emissions confirmed (excluding supply chain assessment)		●	●	●
<b>Inclusion and diversity</b>	Achieved 50:50 executive and senior management roles		●	●	
<b>Education</b> Ensuring	<i>Partnerships:</i> <ul style="list-style-type: none"> <li>Kokoda Track Foundation supporting teacher education</li> <li>Milk in Schools</li> <li>LiteHaus International – Digital Labs in Schools</li> </ul>			●	●
<b>Financial inclusion</b> Access to financial services	MiBank partnership increasing ATMs branch expansion	●	●		●
<b>Transparency and governance</b> Products are easily understood, reporting effectively communicated, ESG risk is understood and managed	<ul style="list-style-type: none"> <li>Financial Champions program</li> <li>Adherence to ASX corporate governance</li> <li>Embedding Environmental and Social Management system and ESG risk appetite statement</li> </ul>	●		●	
<b>Accessibility and affordability</b> Products and services can be accessed easily and fees are fair	<ul style="list-style-type: none"> <li>First in market approach to affordable and digitally lead solutions</li> <li>Fee free banking</li> <li>WhatsApp banking</li> </ul>	●	●	●	
<b>Agri business and SME support</b>	Aspiration to be the leading business bank in PNG	●		●	





## Sustainability principles.

ESG is fast becoming an important part of our DNA and we want to continue to build greater financial inclusion and fairer banking products for our customers in ways that respect the physical environment we operate in.

We're also strongly aligned with the PNG government's ESG agenda as evidenced by the 2015 adaptation of the 2030 Agenda for Sustainable Development and Small Island Developing States Accelerated Modalities of Action (SAMOA pathway). The SDG was integrated into national planning frameworks as part of the *National Responsible Planning and Monitoring Act* in 2016.

From a social perspective, our focus is on the improvement of hunger, health services and access to finance. With regard to environmental and climate risk, PNG is in a unique position. Not only is the country impacted by climate change through rising sea levels in remote islands and earthquakes in regional areas, PNG is the

custodian of 7% of the world's biodiversity and has the third largest rainforest which accounts for 13% of the world's rainforest area.

The PNG government has committed to a Net Zero target by 2050 with assistance from international aid programs. Additionally, through the Climate Change and Development Authority (CCDA) they've implemented a Carbon Credit framework which will help facilitate the protection of the unique landscape and improve the prosperity of indigenous communities in the long term.

Over the past year and a half, we have embarked on a full review of our Environmental, Social and Governance (ESG) capability to formulate a sustainability strategy that aligns with our purpose, to build prosperity for the communities we serve. This rigorous assessment of Kina's capabilities in ESG was against the external frameworks of the UN Sustainable Development Goals (SDG) and the Task Force on Climate-Related Financial Disclosure (TCFD).



## + Sustainability principles continued.

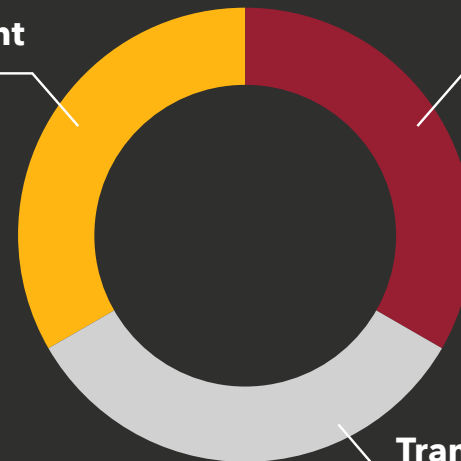
Kina's sustainability principles are embedded across our five key strategic goals, Growth, Resilience, Service Excellence and Sustainable Communities. We have sharply refined our activities to focus on our three sustainability principles, **Inclusion**, **Transparency** and our **Environment**. These principles allow growth in markets, regions and sectors where Kina Bank can establish a competitive advantage and ensure ESG risks are truly understood and managed.

**This report will highlight how we will execute against these principles and what we will measure to help deliver on our purpose.**

**Environment**

**Inclusion**

**Transparency**





## Inclusion.



### Promoting innovation.



### Building an inclusive culture.



### Being digital first.

#### Why is this important:

This pillar is about ensuring that we are playing our part in providing customer-focused, digitally-led financial services and products to more Papua New Guineans and businesses; making sure that we create opportunities for entrepreneurship and female financial security. We also aim to have an inclusive and diverse workforce that reflects the communities we serve. We know that:

- The Agricultural sector in PNG has world-leading quality exports in various sectors such as organic coffee and vanilla beans, but is undeserved.
- 70% of Papua New Guinea's do not have a bank account.
- Women are materially under represented in Leadership across Government and the Commercial sector.
- Providing an inclusive Banking footprint that allows all members of our community to easily access our services.

#### Over the coming year we will focus on:

##### Financial Inclusion

- Continue our partnership with the Financial Inclusion Bank, MiBank. MiBank currently has 467,000 Customers, we provide many essential core payment solutions and other services to allow MiBank to sustainably provide access to banking products to their customers. This includes more co-branded branches in regional areas of PNG.
- Develop an Agribusiness segment strategy that will support the growth of particular industries.
- Improvements in Digital onboarding with E-KYC to allow greater access for Papua New Guineans to Bank with Kina Bank, no matter their location in the country.

##### Promoting enterprise and innovation

- Grow SME and Commercial sector regionally in PNG with 10 new Business Advisors and a dedicated Executive for Lending.

#### Build a company for everyone

- Maintain Gender and Indigenous diversity at executive and Senior Management Levels.
- Ensure our working environment and customer spaces include everyone. Proactively consider how our spaces and services can be delivered to vulnerable customers and staff members with an accessibility audit.
- Kina was the first Bank in PNG to engage the PNG Assembly for Disabled to conduct an accessibility audit in our Branches. The results of this audit will be considered with those material aspects of the report implemented in our main branches in Port Moresby throughout 2023.

##### Digital First and Partnering

- Continued the rollout of customer-led digital products such as E-KYC and Digital Wallets.
- Bring to life the SME partner products of Kina Xero Bank Feeds and Kina Internet Payment gateway to make life easier for our current and future SME customers.





# Transparency.



2023 will see our Excellence in Financial Inclusion (CEFI) program continue to be rolled out.



80% of complaints resolved.



Achieved a score of 86% from 12,000 in-branch satisfaction surveys.

### Why is this important:

This principle is about delivering products and services that are easily understood to meet the needs of our customers best. Our customers expect our staff to provide high-quality product knowledge in every interaction so they can build their financial security. Our shareholders expect effective governance with independent directors; what we say we do is measurable information that helps them understand our business and understanding relevant ESG risks.

### What we will focus on in 2023:

#### Our Financial Literacy Champions program:

- In 2022, we established with the Centre for Excellence in Financial Inclusion (CEFI) a training program to empower our staff to be more comfortable and confident when explaining key features of savings, budgeting and standard Kina Bank consumer products. This training was rolled out to 30 of our staff.

- In 2023, we will continue to roll this program out across the network with a “train the trainers” structure to help build knowledge across the customer-facing network and hold customer-facing sessions through face to face and digital formats.

### Customer First - Insights to Action

- Our customer-first program incorporates customer complaints and our recently launched in-Branch Customer Surveys. In 2022 we received 488 complaints of which 80% were resolved. The key themes were the follow-up during loan applications and understanding of products. The appointment of an executive focused on lending experience will help to alleviate these issues.
- Our ‘in-branch satisfaction surveys were rolled out in 2022 and have provided invaluable feedback and insights into how Kina Bank can help our customers understand our products and better improve our service offering. We achieved a score of 86% from 12,000 surveys.

### Effective Governance and Reporting

- We are committed to the highest standards of corporate governance. As an ASX listed company, the Kina Board provides guidance and oversight to support ethical behaviour, transparency and accountable decision-making. We work hard to minimise compliance risk so we can continue to do the right thing by our stakeholders.
- For further information, visit our Corporate Governance page online.

[LEARN MORE](#)

### Understanding ESG risks:

- The development and implementation of a group-wide ESG risk appetite and continual embedding of the Environmental and Social Management system.



## Preserving our Environment.

### Why is this important:

Papua New Guinea has a unique and diverse environmental landscape, home to many endangered species of plants and animals. However, PNG's environment faces many challenges in preserving vital rainforests and habitats. We believe to achieve our aspiration of being the most sustainable leader in PNG and reducing our emissions is a reflection of authentic leadership. Additionally, educating, assisting and collaborating with our customers in moving toward a more eco-friendly approach to their businesses through innovative transitional approaches will significantly improve the emissions reduction journey throughout PNG.

### What we will focus on in 2023:

Reducing Kina's Scope 1, Scope 2 and Scope 3 carbon emissions by 10% with a focus on air travel and paper usage.

- Paper usage at Kina has increased over the past two years due to the growth achieved in our lending products. Application forms and on-boarding remains paper heavy. Our digital program will help reduce paper usage, particularly the electronic Know Your Customer experience that will be implemented in 2023.
- Kina has implemented a paper management system, known as Paper Case which measures all employees' paper usage on a monthly basis. Monitoring and taking accountability across the business for this reduction will contribute to the 10% YoY target.
- Air travel has increased due to the COVID restrictions being lifted. Where possible, executives will purchase carbon offsets to reduce the impact. At this stage, there are no formal carbon offset programs in PNG that would help reduce domestic travel impacts. As such utilising carbon offset programs will only be applicable to international travel.

### Embedding our Environmental, Social Management System (ESMS)

- The Environmental and Social Policy was implemented in January 2022 across the Lending and Trade Finance Businesses

of Kina Bank to demonstrate the ESMS framework. The objectives of the policy are to minimise and mitigate adverse impacts of our lending on the environment and affected people and maximise the opportunities for environmental and social (E&S) benefits.

- The purpose of the E&S is to ensure Kina is promoting and supporting projects with environmental and social benefits while working together with customers to put into place proactive and applicable E&S safeguards.
- Kina has trained over 65 lenders to be able to assess credit, based on the E&S policy for loan origination. This training ensures lending and trade finance activities are screened for E&S risks.
- In 2023, Kina will continue to invest in embedding this policy across our lending origination to help empower our frontline staff to grow the business while helping to promote opportunities in E&S, particularly in the agriculture sector and minimise E&S risk. For more information please see our E&S policy.

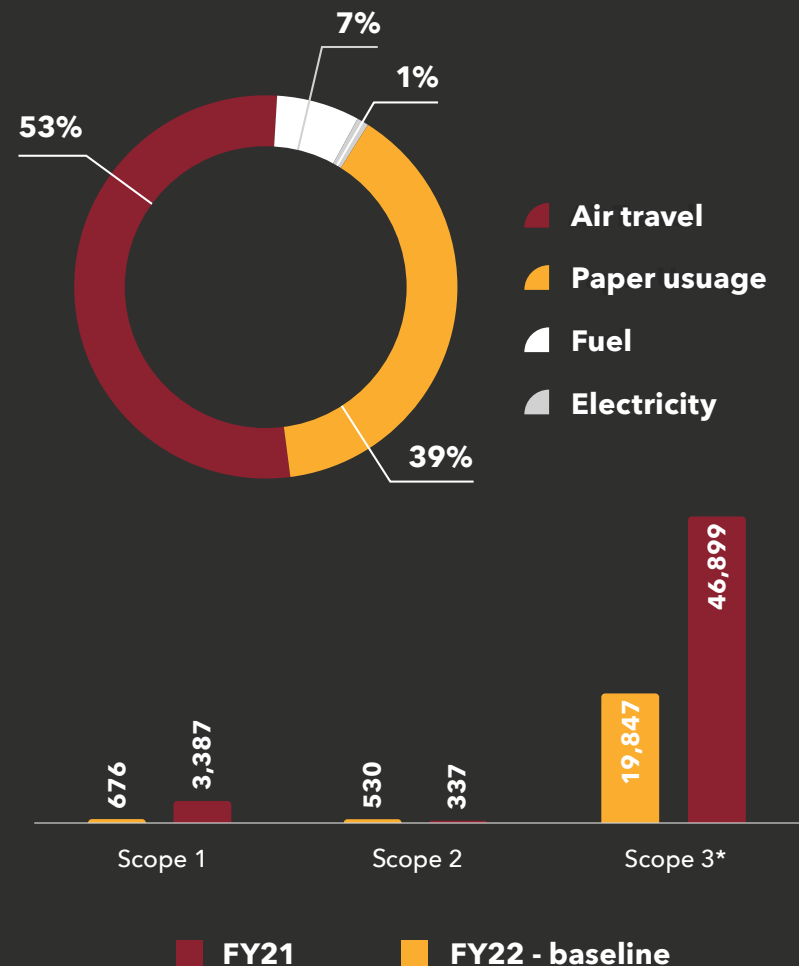
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## Composition of Kina's carbon emissions.

In 2022, we looked at our impact on carbon emissions across fuel usage for fleet cars, paper usage, air travel and electricity over the past two years. The outcome of this review for the financial year 2022 was that 53% of our emissions are from air travel due to the remoteness of PNG. Many regional cities and towns are only reached by plane; the second largest was paper usage, at 39%. Another factor impacting the ability to achieve carbon neutrality is the need for formal carbon credit schemes operating in PNG. Despite the government framework being developed, implementation needs to catch up, and Kina Bank will participate once a fully credited and approved program is implemented.

\*Scope 3 excludes supply chain impacts, this will be reviewed over 2023 and reported in 2024 due to the lack of information available in the PNG market.





## Our Culture.

Kina Bank is proud to be a company that represents change in Papua New Guinea. Our vision is to be the most dynamic, progressive and accessible service organisation in the Pan Pacific region. Our people are here to make a difference, they are passionate about empowering customers to effect life-changing moments. A significant milestone at Kina Bank is the gender balance we have achieved in our executive and senior management teams. There is an equal gender balance on the senior leadership team and 60% of the next level of management are female.

### Why is this important:

Our people are the centre of our business. Their passion and drive help our customers with their financial security and prosperity. For Kina to deliver on our 2025 strategy, we need an engaged and high-performing workforce.

### Over the coming year we will focus on:

- Building a workforce of the future that aligns with capabilities in customer focus, emerging market developments and financial acumen.
- Evolve our culture with our people through the Culture Council.
- Embedding risk culture through the Reimaging risk program of work to align consistency and build risk maturity.
- Family and Sexual Violence training as a compulsory online learning module.
- The next phase of leadership development is leadership effectiveness and coaching skills.
- Career pathways program to be implemented across Kina.





## Community impact pathway.

PNG is a rich, culturally diverse country with over 800 languages spread across 8 million people. It's a relatively young country and is still developing, having only gained independence from Australia in 1975. The National Building agenda aims to move the country into economic and social independence, Kina Bank will play a part in providing the necessary support for our communities to thrive.

### Why is this important:

Our staff have told us they see Kina as an advocate for change, through supporting communities and social endeavours that are important to them. They want to help children to go to school and receive a quality education. They want their communities to have safe drinking water and access to electricity and other basic needs. All these endeavours will help contribute to the National Building Agenda.

### What will we focus on:

In 2022, Kina Group developed a clear framework to assess how our donations will be distributed and make a meaningful impact on communities throughout PNG. The framework focused on education, empowering staff to help their communities and building a vibrant and thriving SME community.

### Kokoda Track Foundation Renewal ( Education)

- Kina Bank will continue to fund and support the education program delivered at the Motu Koita (Port Moresby) FODE centre supporting over 100 students to further enhance their educational qualifications and sponsor up-and-coming leaders through the Archer Leadership program.

### LiteHaus Foundation (Education)

- The LiteHaus Foundation will distribute digital computer labs to eight schools in regional areas of PNG, providing much needed access to learning and digital tools.

### Links of Hope (Empowering women and children)

- We have renewed our support for the Links of Hope program with a donation of PGK100,000 that will go to supporting staffing and operational expenses.
- Strongim Kommunity Grant clean water, education and inclusion.
- We created a staff program called the Strongim Kommunity Grant to support communities throughout PNG. Our staff nominated programs and community initiatives close to their heart, and we made it our mission to support as many as we could. We look to support education, water tanks, solar electricity and people with disabilities.

# Sustainability Scorecard.

How we will measure our progress.

Material Topic		Commitment	2023 Program of Work
	<b>Financial Inclusion</b>	Aspire to achieve 25% market share in PNG across consumer and business customers	<ul style="list-style-type: none"> <li>• Five new branches in regional areas</li> <li>• Co-located branches for MiBank and Kina</li> <li>• Increasing ATMs</li> </ul>
	<b>Accessibility &amp; Affordability</b>	To be the leading digital bank in PNG	Launch electronic onboarding
	<b>Agri Business &amp; SME support</b>	Be known as the leading Business Bank in PNG by 2023	<ul style="list-style-type: none"> <li>• Scale digital partnerships, Xero Bank Feeds, internet payment gateway</li> <li>• Grow business banking regionally with 10 additional advisors</li> <li>• Develop a agribusiness segment strategy</li> </ul>
	<b>Transparency &amp; Governance</b>	<ul style="list-style-type: none"> <li>• Help our communities improve their financial knowledge</li> <li>• We will maintain purpose-led decision making across our business</li> </ul>	<ul style="list-style-type: none"> <li>• Train and educate staff and customers on financial literacy</li> <li>• Develop and embed a ESG risk appetite</li> </ul>
	<b>Climate Change</b> Demonstrating reduction in direct emissions	<ul style="list-style-type: none"> <li>• Reduce emissions by 10% year on year</li> <li>• Net Zero by 2030</li> </ul>	<ul style="list-style-type: none"> <li>• Paper management accountability</li> <li>• Digitisation of process</li> <li>• Purchasing of carbon credits for international travel</li> </ul>
	<b>Inclusion and Diversity</b>	Gender balance 50:50 executive and senior management roles	Leadership training and succession planning
	<b>Education</b> Ensuring	To support educational programs throughout PNG	<ul style="list-style-type: none"> <li>• LiteHaus International digital labs across eight schools</li> <li>• Kodoka Track foundation program</li> <li>• Staff Grant program supporting regional schools</li> </ul>

