

Corporate governance statement



Introduction

The Kina Group places great emphasis on the continued development of a strong compliance culture. In an emerging market place, Kina seeks to be innovative as well as provide a safe and secure environment for its customers and clients, which in turn brings value to Shareholders.

The Board of Directors of Kina Securities Limited (**Board**) is responsible for the overall corporate governance of Kina Securities Limited and its related entities (**Kina**, or **Kina Group**, or **Group**, or the **Company**), including adopting appropriate policies and procedures designed to ensure that Kina is properly managed to protect and enhance Shareholder interests.

The Board monitors the operational and financial position and performance of Kina and oversees its business strategy, including approving the Company's strategic goals and considering and approving business plans, policy and budget.

The Board and management have designed a governance framework for the operation and management of Kina, which incorporates resilient internal controls, risk management processes and governance policies and practices. The Board monitors adherence to this framework which enables the Group to comply with relevant laws, regulations and standards set down by the Bank of Papua New Guinea (**BPNG**), the Australian Securities Exchange (**ASX**), the Port Moresby Stock Exchange (**POMSoX**), the PNG Companies Act 1997 (**PNG Act**), PNG Securities Act and the Australian Corporations Act 2011 (Cth) (**Corporations Act**).

This Corporate Governance Statement (**Statement**) sets out the core of Kina's corporate governance framework and practices by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (**Recommendations**). The Statement was approved by the Board on 26 March 2018. The Board considers and applies the Recommendations, taking into account the circumstances of Kina. Where Kina's practices depart from a Recommendation, this Statement identifies the area of divergence and reasons for it, or any alternative practices adopted by Kina.

Governance framework

The core of Kina's corporate governance framework is the Company's Constitution and the documents listed below, which are referenced in this Statement. The charters and governance policies are reviewed regularly to ensure they comply with any updated laws or regulations, that they meet high governance standards and that they remain relevant to the Company and its operations.

1. Kina Securities Limited Constitution (2015)
2. Board Charter (approved December 2017);
3. Audit and Risk Committee Charter (approved December 2017);
4. Remuneration and Nomination Committee Charter (approved December 2017);
5. Disclosure Committee Charter (approved December 2017);
6. Securities Trading Policy (approved February 2017);
7. Shareholder Communications Policy (approved October 2016);
8. Continuous Disclosure Policy (approved October 2017);
9. Diversity Policy (approved October 2017);
10. Code of Conduct for Directors (approved February 2017);
11. Code of Corporate Conduct (approved February 2017); and
12. Conflict of Interest Policy (approved February 2017).

Copies of the corporate governance documents are available on the Corporate Governance page under the Investors tab on Kina's website at <http://investors.kina.com.pg/investors/?page=corporate-governance>.

Board of Directors

The Role of the Board

The Board is committed to maximising performance, generating shareholder value and financial returns, and sustaining the growth and success of Kina. In conducting Kina's business in accordance with these objectives, the Board seeks to ensure that Kina is properly managed to protect and enhance shareholder interests, and that Kina, its directors, officers and personnel operate in a well governed environment.

The Board has adopted a board charter (**Board Charter**). The Board Charter sets out, amongst other things, the:

- roles and responsibilities of the Board, including those matters specifically reserved to the Board;
- role and responsibility of the Chief Executive Officer (**CEO**), which is primarily the day to day management of Kina;
- procedure for management of potential and actual conflicts of interest; and
- guidance on board performance evaluation, ethical standards and taking independent professional advice.

Director Appointment

As is required by the BPNG's Prudential Standards (**Standards**), Kina undertakes a 'Fit and Proper' testing for candidates for 'Responsible Person' positions, which includes directors and Executive Management. This rigorous testing, which, in accordance with the Standards, is carried out on an annual basis, includes thorough background checks. When directors are proposed for election, or re-election at general meetings, the notice of meeting provides material and relevant information to enable shareholders to make an informed decision as to whether or not to elect or re-elect the candidate.

Kina has entered into a written agreement with each director and senior management team member that sets out, amongst other items, the terms of their appointment and their roles and responsibilities.

Board Composition

Since listing, Kina has developed and applied a succession plan to ensure the appropriate mix of skills, knowledge and guidance has been available amongst its directors for the different stages of the Group's journey.

To assist in identifying areas of focus and maintaining an appropriate mix of skills and experience, the Board uses a self-assessment questionnaire to evaluate performance and measure skills and experience. The Board has identified 25 specific skills within six categories which directors measure themselves against. The questionnaire is crafted to ensure that those skills and experience required in order to achieve the current strategic objectives are present on the Board. Where they are not, the Board seeks to supplement any gaps through director training or recruitment. Where requirements are for a finite period, for example, during a specific project, the Board will seek to utilise expertise of existing personnel or engage consultants.

Kina's Board presents specific strengths in regard to strategy development and operational implementation of strategy. Along with comprehensive experience in financial services, the directors' knowledge and experience within risk management, regulatory compliance and governance are particularly relevant for the current stage of Kina's growth and development. Further, the directors recognise the need to ensure there is appropriate experience and knowledge of PNG and, currently, this is an area that the Board is seeking to further develop.

Due to the changeover of the Managing Director and CEO, which occurred at the end of 2017, only the non-executive directors took part in the year's performance and skills evaluation.

Board skills matrix

The Board seeks to have an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and add value to the Company.

As at 31 December 2017, the directors collectively contribute the following key skills and experience:

Desired skill	The extent to which the skill is collectively contributed by directors
Strategy	
Strategic Planning	90%
Market understanding and insights	70%
Global orientation and exposure	65%
Governance	
Corporate Governance	85%
Government Policy and relations	75%
Regulatory and compliance	85%
Management	
HR management	55%
Crisis management	75%
Diversity	85%
Company culture and management	85%
Public affairs and communication	65%
Previous senior management experience	100%
Operations	
Risk management	80%
Operational management	80%
Information Technology	50%
Insurance	50%
Industry specific	
Tax	30%
Banking	90%
Capital management and debt funding	65%
Financial services	85%
Formal accounting and finance qualifications	65%
Board experience	
Audit committee experience	70%
Remuneration and nomination committee experience	75%
Previous or other listed company experience	65%
Risk committee experience	80%

Independence

The Board considers an independent director to be a non-executive director who is not a member of Kina's management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board regularly (and at least annually) and having regard to the relationships listed in Box 2.3 of the Recommendations.

The Board does not consider Jim Yap to be independent due to his association with a substantial shareholder of Kina.

The Board considers that each of the directors brings objective and independent judgement to Board deliberations and makes a valuable contribution to Kina through the skills they bring to the Board and their understanding of Kina's business.

Throughout the year, the Board had a majority of independent directors.

Directors' details

Name	Appointment date	Resignation Date	Current length of service (to 26 March 2018)	Non-executive?	Independent?
Sir Rabbie Namaliu	16 March 2009	16 May 2017	8 years	Yes	Yes
Syd Yates, OBE	24 June 1997	31 December 2017	20 years	No	N/A
Wayne Golding, OBE	25 May 1996	16 May 2017	21 years	Yes	No
Jim Yap	22 August 2012		5 years, 7 months	Yes	No
David Foster	15 June 2015		2 years, 9 months	Yes	Yes
Isikeli Taureka	19 April 2016		1 year, 11 months	Yes	Yes
Karen Smith-Pomeroy	12 September 2016		1 year, 6 months	Yes	Yes
Gregory Pawson ¹	1 January 2018		3 months	No	N/A

Director induction and education

Kina's induction program is designed to provide all new directors a comprehensive view of the business. As part of the induction, new directors are given a detailed overview of Kina's operations, copies of governance and internal policies and procedures and instruction on the roles and responsibilities of the Board, its committees and management. The electronic board portal provides directors access to relevant governance documents, educational information, board and committee papers and provides a secure means of communication between directors and management. There is a strong emphasis on continued education and directors, are expected to keep themselves updated on changes and trends within the business, in the financial sector, market environment and any changes and trends in the economic, political, social, global, environmental and legal climate generally.

As required by the BPNG, all directors should devote a minimum of 20 hours per year to their ongoing professional development. Directors are encouraged to attend recognised courses, seminars and conferences and internal education sessions are scheduled at Board meetings throughout the year.

Performance Evaluation

In accordance with the Standards, and as set out in the Board Charter, the performance of the Board, its members and its committees is assessed each year. The Board has undertaken a performance evaluation and skills analysis during the year. The findings are used to further refine the succession and renewal plan which is focussed on the next two to five years. The Board will continue to review individual, Committee and whole of Board performance and ensure that Board composition and the skills and experience of the directors is appropriate.

Performance evaluations, overseen by the Chairman, in the case of the CEO, and the Remuneration and Nomination Committee in the case of senior management, are carried out on an annual basis and were completed in the year under review.

¹ Gregory Pawson appointed as MD/CEO of Kina on 1 January 2018.

Chairman

In accordance with the Board Charter, the Chairman of the Board is an independent director. Sir Rabbie Namaliu was Chairman until his retirement following the AGM on 16 May 2017. Subsequently, the Board appointed Mr Isikeli Taureka as Chairman of the Board. The roles and responsibilities of the Chairman are contained within the Board Charter.

Company Secretary

Mr Chetan Chopra was appointed Company Secretary and Chief Financial Officer (**CFO**) on 21 June 2016. Chetan holds a Bachelor of Science from Mumbai University and an MBA from Melbourne Business School, University of Melbourne. Chetan is a member of Certified Practising Accountants Australia, PNG and India.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Board Committees

The Board has the power to establish and delegate powers to committees that are formed to facilitate effective decision making. The Board, however, accepts full accountability for matters delegated by it to those committees.

The Board has established an Audit and Risk Committee, a Remuneration and Nomination Committee and a Disclosure Committee. Each Committee has a separate charter which sets out, in detail, the membership and powers of the Committee, its roles and responsibilities. The charters are reviewed at least annually.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of Kina, relevant legislative and other requirements and the skills and experience of individual directors.

Audit and Risk Committee
<p>Members:</p> <p>Karen Smith-Pomeroy (Chair) (<i>Independent</i>)* Jim Yap (<i>Non-independent</i>) David Foster (<i>Independent</i>) * Ms Smith-Pomeroy replaced Mr Foster as Chair on 14 June 2017.</p>
<p>Roles and Responsibilities:</p> <ul style="list-style-type: none">• reviewing financial reports and overseeing the financial reporting process;• overseeing statutory reporting requirements;• receiving internal and external audit reports and ensuring management take corrective actions to address control weaknesses and non-compliance;• recommend appointment or removal of External Auditor;• review External Auditor's performance;• monitor provision of non-audit services;• oversee internal audit function, ensuring reporting line and unfettered access to Chair of Committee or Chair of the Board;• review and recommend Group's risk management frameworks;• monitor risk profile of the Group against agreed risk appetite and risk management frameworks;• monitor adherence to risk policies;• oversee operation of WhistleBlowing Policy; <p>The Committee met 9 times in 2017.</p>

Remuneration and Nomination Committee

Members:

David Foster (Chair) *(Independent)**

Jim Yap *(Non-independent)*

Keli Taureka *(Independent)*

** Mr Foster replaced Mr Taureka as Chair on 14 June 2017.*

Roles and Responsibilities:

- recommend and review remuneration policy across group
- review and consider composition of Board
- make recommendations to Board in regard to succession planning for CEO and direct reports and appointments of directors
- administering aspects of Fit and Proper requirements of BPNG Prudential Standards
- review structure and level of director fees
- review remuneration framework (incl STIs, LTIs and non-cash elements) of CEO, senior management and Responsible Persons
- review terms and conditions of employment agreements
- review terms of superannuation and pension scheme arrangements
- assist in annual performance review of CEO
- oversee annual performance review of senior management
- review effectiveness of Diversity Policy and its objectives and strategies

The Committee met 7 times in 2017.

Disclosure Committee

Members:

Keli Taureka (Chair) *(Independent)**

Karen Smith-Pomeroy *(Independent)**

David Foster *(Independent)*

Greg Pawson *(Managing Director and CEO)**

** Mr Taureka was appointed Chair and Ms Smith-Pomeroy was appointed to the Committee on 14 June 2017. Mr Yates resigned from the Committee on 2 January 2018 and Mr Pawson was appointed to the Committee on 16 February 2018.*

Roles and Responsibilities:

- assess whether information concerning the Company should be disclosed to the market;
- determine the substance of the market disclosure and when it must be made;
- where necessary, review market disclosures for accuracy and completeness and approve or recommend to the Board for approval;
- determine whether a trading halt or voluntary suspension of trading is required;
- respond to any request from the ASX or POMSx to disclose market sensitive information to correct or prevent a false market;
- ensure that breaches of the BPNG Prudential Standards are communicated, where appropriate, to the BPNG or other regulator in compliance with the relevant listing rules and/or continuous disclosure requirements; and
- oversee the Disclosure Officer's administration of the Continuous Disclosure Policy.

The Committee met twice in 2017.

Membership of the Committees during the reporting period, the number of Committee meetings and the attendance at those meetings are set out below:

Director	Board meetings		Audit and Risk Committee meetings		Remuneration and Nomination Committee meetings		Disclosure Committee meetings	
	A	B	A	B	A	B	A	B
Sir Rabbie Namaliu ¹	3	3			2	2	2	2
Sydney Yates	8	7					2	2
David Foster	8	8	9	9	6	6	2	2
Wayne Golding ¹	3	3	3	3	2	2		
Jim Yap	8	8	9	8	6	6		
Isikeli Taureka	8	7			6	6		
Karen Smith-Pomeroy	8	8	9	9				

A Meetings held that director was eligible to attend

B Meetings attended

¹ Sir Rabbie Namaliu and Wayne Golding resigned on 16 May 2017

Remuneration

Kina is committed to fair and responsible remuneration throughout the Group. Members of senior management are remunerated in a way that aims to attract and retain an appropriate level of talent and reflects their performance in relation to the delivery of corporate strategy and operational performance. Remuneration for non-executive directors is set using advice from independent consultants and takes into account the level of fees paid to non-executive directors of similar corporations and the responsibilities and work requirements of the non-executive directors.

The Remuneration Report and further details about the remuneration policy of Kina are set out in the Directors' Report.

Acting ethically and responsibly

The Board is committed to ensuring that Kina maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, and that Kina complies with all legal and other obligations.

Kina has adopted a Code of Corporate Conduct that applies to all employees of Kina and its subsidiaries (including subcontractors and consultants) and a separate Code of Conduct for Directors (**Codes of Conduct**). The Codes of Conduct set out certain minimum standards of conduct that Kina expects of its employees and directors including integrity, diligence, impartiality, equality and fairness. The Codes of Conduct set out how employees and directors are to conduct themselves in order to meet these minimum standards.

Diversity

The Diversity Policy emphasises Kina's commitment to the maintenance and promotion of a workplace that ensures equity and fairness and is free from discrimination, harassment, bullying and victimisation. Kina recognises the importance of embracing diversity, specifically in valuing the unique qualities, attributes, skills and experiences each employee bring to the workplace.

The Company's vision for diversity incorporates a number of different factors, including but not limited to gender, ethnicity and cultural background, disability, age and educational experience. The Diversity Policy provides a framework to help Kina achieve its diversity goals, while creating a commitment to a diverse work environment where staff are treated fairly and with respect, and have equal access to workplace opportunities.

Kina is an inaugural member of the Business Coalition for Women (**BCFW**) and through the year has provided specialist training to female, team leaders to assist with their career development. Kina is a strong advocate for gender smart policies in the workplace and provides both maternity and paternity leave for its workers. Also, within the first 6 months' of a child's life, new parents are provided with paid leave to enable time out of the workplace to feed new babies. In 2017, Kina funded cervical cancer screening checks for all female employees. In September of this year, Kina ran a Health Week where seminars were given on health issues facing men and women in PNG and provided a range of pathology tests free of charge to both male and female employees. Kina continues to fund private health insurance for all employees.

The Group will continue to promote awareness and understanding of workplace diversity principles and develop policies to assist employees to balance work, family and cultural responsibilities whilst at the same time removing barriers to employment.

Kina's measurable objectives are:

Objective	2017 Achievement
Maintain or improve Kina's level of female participation across all levels of business, with particular focus at the leadership levels.	Overall, the level of female participation across all levels of the business remained relatively stable.
Maintain or improve level of participation at leadership level for PNG citizens.	The Leadership Programme continued with the provision of additional training to selected staff.
Demonstrate improvement in creating an inclusive workplace environment.	KSL has continued to support gender smart policies, as outlined above.

The numbers and percentage of females within Kina's workforce, including the Board and senior management team is set out below:

	31 December 2017			31 December 2016		
	Females	Males	Total	Females	Males	Total
Board	1	3	4	1	5	6
Senior Management	1	8	9	1	6	7
Team Leader	30	38	68	32	21	53
Other employees	131	100	231	100	98	198

Senior Management are those individuals who report directly to the MD/CEO. Team Leaders are those individuals who have been appointed as Supervisors and Managers. Kina is not a relevant employer under the Workplace Gender Equality Act.

The Remuneration and Nomination Committee reviews and oversees the implementation of the Diversity Policy. The Committee has determined that the existing measurable objectives remain current and appropriate for 2018.

Written declarations

When the Board considers the statutory half-year and annual financial statements, the Board obtains a declaration equivalent to section 295A of the Corporations Act, from the CEO and CFO in regard to the integrity of the financial statements and assurance as to the effective operation of the risk management and internal compliance and control systems.

External Auditor

For 2017, Kina's external auditor was PricewaterhouseCoopers. A resolution will be put to the 2018 AGM to appoint Deloitte Touche Tohmatsu as Kina's external auditor for 2018. The Audit and Risk Committee is responsible for recommending the appointment or removal of the auditor as well as annually reviewing their effectiveness, performance and independence.

The external auditor is required to attend the Company's annual general meeting and is available to address questions relevant to the conduct of the audit and the preparation and content of the auditor's report.

Timely and balanced disclosure

Kina is committed to observing its disclosure obligations under the ASX Listing Rules, the PNG Act, the Corporations Act, the POMSoX Listing Rules and the PNG Securities Act. The Board has adopted a continuous disclosure policy (**Continuous Disclosure Policy**) and a shareholder communication policy (**Shareholder Communications Policy**) that implement Kina's commitment to providing timely, complete and accurate disclosure of information.

The Continuous Disclosure Policy sets out the roles and responsibilities of officers and employees in complying with Kina's continuous disclosure obligations and nominates those individuals who are responsible for determining whether or not information is required to be disclosed.

Shareholder Communications

The Shareholder Communications Policy promotes effective communication with shareholders and seeks to ensure that shareholders have equal and timely access to material information concerning Kina. The Policy sets out the investor relations program, a key tenet of which is to encourage effective shareholder participation. Shareholders are encouraged to attend general meetings and shareholder information sessions and to submit written questions prior to those meetings.

Kina's website contains information regarding the Company, the Board and management team, corporate governance, media coverage, ASX announcements, investor presentations and reports.

Kina's investor relations program includes a number of scheduled and ad hoc interactions with institutional investors, private investors, sell-side and buy-side analysts and the financial media. At a minimum, so as to ensure that shareholders and other stakeholders have a full understanding of Kina's performance and strategies, Kina will convene analyst briefings twice a year on Kina's financial performance and objectives.

In accordance with the Shareholder Communications Policy, shareholders are encouraged to attend general meetings, or, if they are unable to attend, vote by proxy or other means included in the notice of meeting.

Shareholders may receive and send information electronically to and from both Kina and Kina's share registry. Other methods of communication are also available to shareholders and other stakeholders, including telephone, mail and facsimile. Kina may consider the use of other reliable technologies as they become widely available.

Risk Management and internal controls

Risk is managed structurally through clearly defined risk management policies specific to certain parts of the business. These are interlinked and feed into a Group risk management framework, which is overseen by the Audit and Risk Committee. The Committee is supported by a number of approved management risk management committees, including the Credit Committee, Asset and Liability Committee and Executive Committee. The operational risk division nurtures a strong and robust risk culture within the organisation through application of the three lines of defence model. Communication and education throughout the Group on the three lines of defence model emphasises each individual's role in the management of risk. During 2017, the Group's risk management framework, including underlying policies, was reviewed by the Audit and Risk Committee and, where relevant, by the Board.

A dedicated compliance department is in place to ensure that Kina personnel are aware of the Group's prudential and legislative obligations and that these are maintained at all times. Operational risk within the Group is monitored and an Occupational Health and Safety regime has been expanded to maintain the safety of Kina's employees and customers. The Group's risk management activities comply with all relevant regulation including that of the Standards, relevant legislation and the Investment Promotion Authority (**IPA**).

Kina has also employed skilled credit managers who have an understanding of the Papua New Guinea (**PNG**) economic environment to ensure that the growing loan portfolio is maintained within an acceptable level of risk and within Kina's agreed risk appetite.

Kina's risk management framework and internal control functions incorporate an internal audit function which report directly to the Audit and Risk Committee. The internal audit function continues to be co-sourced with external providers which brings the benefit of enhancing Kina personnel's existing knowledge and expertise. This is acceptable under the Standards, but not a position Kina will continue in the long term. The internal audit function provides independent and objective assurance to the Board, via the Audit and Risk Committee. The internal annual audit plan is formulated using a risk based approach. Progress against the internal annual audit plan is reported to the Committee on a quarterly basis.

All lending proposals are considered based on credit policy and within the risk appetite of the Group. Debt servicing assessment criteria is maintained to ensure Kina understands its level of credit risk whilst managing its impairment exposure.

Kina Bank Limited (**KBL**), a wholly owned subsidiary of Kina, is exposed to the economic conditions of PNG through its normal course of business in lending monies to commercial businesses operating in PNG. KBL does not have any material exposure to environmental or social sustainability risks.

Dealings in Company securities

The Board has adopted a Securities Trading Policy that applies to the Kina's equity-based remuneration scheme and explains the conduct that is prohibited under the PNG Securities Act and the Corporations Act.

The Securities Trading Policy:

- provides for certain Trading Windows when 'Relevant Persons' may trade provided the appropriate process has been adhered to;
- prohibits any Relevant Person from entering into a hedge transaction involving unvested equity held pursuant to an employee, executive or director equity plan operated by Kina;
- sets out the prohibitions against insider trading and prescribes certain requirements for dealing in Kina securities; and
- prohibits Relevant Persons from trading in Kina securities while in possession of material non-public information, which is information a reasonable person would expect to have a material effect on the price or value of Kina securities.