

Corporate Governance

Kina Asset Management Limited (KAM) has adopted an approach to Corporate Governance that seeks to meet globally accepted market practice.

The Board ensures that it complies with the requirements of the Port Moresby Stock Exchange (POMSoX). It also closely monitors developments in corporate governance principles and practice in other countries and, where appropriate, revises the Company's Corporate Governance framework to address these.

KAM is mindful of the advantages of demonstrating to investors that its corporate governance standards meet the requirements expected of companies listed in countries such as Australia. This Corporate Governance Statement therefore refers to the ASX Corporate Governance Council's Principles and Recommendations 3rd Edition (the ASX Corporate Governance Principles).

The Board of KAM is cognisant of its responsibilities to shareholders. The underlying tenet of KAM's Corporate Governance framework is to ensure that KAM deals fairly and openly with all its stakeholders.

1. The Board of Directors

a) Code of Conduct

The Board has adopted the following Code of Conduct, providing guidance to directors in performance of their duties.

1. Care, Skill and Diligence

A director has a duty to use reasonable care and diligence in fulfilling the functions of the office of director and exercising the powers attached to that office.

2. Good Faith

A director must act honestly, in good faith, and in the best interests of the Company as a whole and for a proper purpose.

3. Proper Purpose

A director must use the powers of office for a proper corporate purpose. A director's primary responsibility is to the Company but the director should also have regard to the interests of people who have dealings with the Company.

4. No Misuse of Information

A director must not use information acquired as a director improperly to gain advantage for the director or for someone else or to cause detriment to the Company.

5. No Misuse of Position

A director must not misuse his or her position as a director improperly to gain advantage for the director or for someone else or to cause detriment to the Company.

6. Conflicts of Interest

A director must not give preference to personal interests, or to the interests of any associate or other person, where to do so would be in conflict with the interests of the Company.

7. Disclosure of Interests

A director must disclose to all other directors any material personal interest that he or she or any associate may have in a matter that relates to the affairs of the Company.

8. Accountability

A director has a duty to account to the Company for business opportunities which arise as a result of his or her being a director of the Company and to use Company resources only for the benefit of the Company.

9. Confidentiality

Confidential information received by a director in the course of his or her duties remains the property of the Company and should not be disclosed to any other person without the prior written consent of the Chairman of the Company unless the disclosure is required by law.

10. Business Decisions

When making a business decision, a director must make the decision in good faith for a proper purpose and without material personal interest, inform himself or herself about the subject matter of the decision, and rationally believe the decision to be in the best interests of the Company.

11. Reliance on Information

A director may rely on information or advice from Company Board committees, officers and competent experts and advisers provided he or she does so in good faith and makes an independent assessment of the information or advice.

12. Delegation

When delegating powers, a director must enquire as to a delegate's reliability and competency and must reasonably believe in good faith that the delegate will act in conformity with the director's duties and the Company constitution.

13. Compliance

A director should not engage in conduct likely to have an adverse effect on the reputation of the Company. A director must comply with all laws and regulations and act in accordance with this Code of Conduct.

Corporate Governance

1. The Board of Directors *(continued)*

b) Role and Responsibility of the Board

Key functions of the Board include:

- overall strategy of the Company, including operating, financing, dividend, and risk management;
- approving an annual strategic plan and an annual budget for the Company and monitoring results on a regular basis;
- ensuring that appropriate risk management systems are in place, and are operating to protect the Company's financial position and assets;
- ensuring that the Company complies with the law and relevant regulations, and confirms with the highest standards of financial and ethical behavior;
- establishing authority levels;
- directors' remuneration;
- selecting, with the assistance of the Audit Committee, and recommending to shareholders, the appointment of external auditors; and
- approving financial statements.

The Board has delegated to management responsibility for:

- developing the annual operating and capital expenditure budgets for Board approval, and monitoring performance against these budgets;
- developing and implementing strategies within the framework approved by the board, and providing the Board with recommendations on key strategic issues;
- developing and maintaining effective risk management policies and procedures; and
- keeping the Board and the market fully informed of material developments.

c) Membership, expertise, size and composition of the Board

The ASX Corporate Governance Principles determine that the majority of the Board should be independent.

At the date of this Report, the Board comprises four directors, three Independent Non-Executive Directors and the Managing Director. In accordance with the Company's Constitution, at each Annual General Meeting one third of the company's Directors, in addition to any Director appointed during the year, excluding the Managing Director, must offer themselves for re-election by the shareholder.

The Board has a broad range of skills, experience and expertise that enables it to meet its objectives. The Board accepts that it has responsibility to shareholders to ensure that it maintains an appropriate mix of skills and experience within its membership.

As is typical of small financial markets, there are in Papua New Guinea, very considerable demands on the relatively small numbers of people with the skills and experience to fill the demanding role of Non-Executive Director on the Boards of the nation's corporate institutions.

In these circumstances, it is inevitable that a number of the Non-Executive Directors of KAM will also have roles on the Boards, or in Senior Management, of institutions that may be significant shareholders in, or substantial customers of, the Company. Directors of KAM are meticulous in handling situations where there could potentially be conflicts of interest, by declaring their interests in advance, and absenting themselves from any consideration of matters where a conflict might arise. The Company's Corporate Governance framework requires directors to disclose any new interests (including new directorships or equity interests) at each Board meeting, as well as to alert the Board to any potential or perceived conflicts of interest that have occurred since the last meeting or may occur throughout the meeting.

The Board does not accept that any office bearer and / or employee of an institutional shareholder will have an automatic right to be appointed to the Board.

d) Role and selection of the Chairman

The Chairman is elected by the Directors and his role includes:

- ensuring all new Board members are fully aware of their duties and responsibilities;
- providing effective leadership on the company's strategy;
- presenting the views of the Board to the public;
- ensuring the Board meets regularly throughout the year, and that Minutes are taken and recorded accurately;
- setting the agenda of meetings and maintaining proper conduct during meetings; and
- reviewing the performance of non-executive Directors.

The Chairman is not permitted to occupy the role of the Managing Director.

Sir Rabbie Namaliu, who sits on the Board as an Independent Non-Executive Director, is the current Chairman.

Corporate Governance

e) Director independence and conflict of interest

Directors are determined to be independent if they are judged to be free from any material or other business relationship with the Company that would compromise their independence.

In assessing the independence of Directors, the Board will consider a number of criteria including:

- whether a Director is an executive of the Company;
- whether a Director is a substantial shareholder of the Company or otherwise associated directly with a substantial shareholder of the Company;
- whether a Director has a material contractual relationship with the Company or other group member other than as a Director of the Company; and
- whether a Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. This information is assessed by the Board to determine whether on balance the relationship could, or could reasonably be perceived to, materially interfere with the exercise of the Director's responsibilities. Materiality is assessed on a case-by-case basis.

As noted earlier, the Board is cognisant of the need to avoid conflicts of interest and it has in place policies and procedures for the reporting of any matter, which may give rise to a conflict between the interests of a Director and those of the Company. These arrangements are designed to ensure that the independence and integrity of the Board are maintained.

Financial Note 17, Related Party Transactions, provides details of Directors' interests.

f) Meetings of board attendance

The Board schedules meetings at least four times per year, and meets on other occasions as necessary to deal with matters requiring attention.

The Chairman, in consultation with the Managing Director, determines meeting agendas. Meetings provide regular opportunities for the Board to assess KAM's management of financial, strategic and major risk areas. To help ensure that all Directors are able to contribute meaningfully, papers are provided to Board members one week in advance of the meeting. Broad ranging discussion on all agenda items is encouraged, with healthy debate seen as vital to the decision making process.

g) Review of Board Performance

The Board is cognisant of the need to continually identify areas for improvement; to ensure that it meets the highest standards of corporate governance; and for the Board and each Director to make an appropriate contribution to the Company's objective of providing value to all its stakeholders. The Board intends to undertake a self-assessment during FY2019. It is intended this will include an assessment of the contribution of each individual Director. The performance review will be conducted annually, and may involve assistance from external consultants.

h) Board access to information and advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports to enable them to carry out their duties. The Chairman and the other Non-Executive Directors have the opportunity to meet with the management for further consultation, and to discuss issues associated with the fulfilment of their roles as Directors.

2. Committees

a) Board Committees and Membership

The Board has established one Committee; namely the Audit and Risk Committee (ARC or the Committee).

b) Committee Structure

Committee members are chosen for the skills, experience and other qualities they bring to the Committee.

The Committee provides a report to the Board at the next Board meeting following each Committee meeting and tables the most recent Meeting minutes. The ARC is comprised of two Non-Executive Directors. The Board appoints both the Members and the Chair of the Committee.

c) Audit and Risk Committee

The ARC is delegated by the Board with responsibility for reviewing and monitoring the:

- integrity of the financial statements and the financial reporting and audit process;
- external auditor's qualifications, performance and independence;
- systems of internal control of KAM;
- systems for ensuring operational efficiency and cost control;

Corporate Governance

2. Committees *(continued)*

c) Audit and Risk Committee *(continued)*

- systems for approval and monitoring compliance with laws and regulations (both in Papua New Guinea and overseas);
- implementation of Board decisions by management and making recommendations to the Board for the appointment of the external auditor.

In the course of fulfilling its mandate, the Committee meets with the external auditors.

i) Annual Financial Statements

The Audit Committee reviews the annual financial statements to determine whether they are complete and consistent with the information known to Committee members and to assess whether the financial statements reflect appropriate accounting principles.

ii) External Audit

The Audit Committee is responsible for making recommendations to the Board on appointment and terms of engagement of the external auditors. The selection is made from appropriately qualified companies in accordance with Board policy. The Board submits the name of the recommended appointee to shareholders for ratification.

The Committee ensures that significant findings and recommendations made by the external auditors are received and discussed promptly, and that management responds to recommendations by the external auditors in a timely manner.

The external auditor is invited to the Annual General Meeting of shareholders and is available to answer relevant questions from shareholders.

iii) Compliance

The Audit Committee reviews the effectiveness of the systems for monitoring compliance with all legal and regulatory obligations and the Constitution of the Company. The Committee obtains regular updates from management and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements. Reviews of the findings of any examinations by regulatory agencies are undertaken and the Chairman of the Audit and Risk Committee has the right to approach a regulator directly in the event of a prudential issue arising.

iv) Risk Management

The Committee's role in the Group's risk management process are detailed in 3(b).

3. Risk Management

a) Approach to Risk Management

The Company's Risk Management activities are aligned to the achievement of KAM's Objectives, Goals and Strategic Focus Plans.

KAM distinguishes the following major risks:

Credit Risk – The potential for financial loss where a customer or counter party fails to meet their financial obligation to the Company.

Market Risk – The potential financial loss arising from the Company's activities in financial, including foreign exchange, markets.

Liquidity Risk – The risk of failure to adequately meet cash demand in the short term without incurring financial losses.

Interest Risk – Risk to earnings from movement in interest rates.

Operational Risk – The risk of loss resulting from inadequate or failed internal processes, people, or from external events, including legal and compliance risk. The Board of Directors monitors the above risks which each are managed on a day to day basis by the Kina Funds Management Ltd (KFM) with whom KAM has an Investment Management Agreement.

KFM's risk management policy ensures that KAM has in place acceptable limits for the risks identified. The risk management approach encompasses the following:

- defining the types of risks that will be addressed by each functional or policy area
- ensuring that mechanisms for managing (identifying, measuring, and controlling) risk are implemented and maintained to provide for organisation wide risk management
- developing information systems to provide early warning, or immediate alert, of events or situations that may occur, or already exists, that could create one or more types of risk for the Company
- creating and maintaining risk management tools, such as policies, procedures, controls and independent testing, personnel management and training, and planning.

Corporate Governance

b) Risk Management roles and Responsibilities

The Board accepts responsibility for ensuring it has a clear understanding of the types of risks inherent in the Company's activities. Therefore responsibility for overall risk management in KAM is vested with the Board. There is a formal system of financial and operational delegations from the Board to management. The Board has also delegated to the Audit and Risk Committee responsibility for overview of loss control and for overseeing the risk management function. The Audit and Risk Committee is responsible for providing regular reports and recommendations to the Board on the risk management activities of the Company.

c) Management Assurance

The Board is provided with regular reports about KAM's financial condition and its operating performance by KFM. Annually management certifies to the Board that:

- the financial records of the Company have been properly maintained and that they accurately record the true financial position of the Company.
- the financial statements and notes meet all appropriate accounting standards.
- there are sound systems of risk management and control that are operating effectively.

4. Ethical Behaviour

KAM recognises its responsibilities as an investment company and is committed to being a responsible corporate citizen. The Company interprets its responsibilities as not only requiring it to abide by Papua New Guinean laws, but also requiring it to conduct its business in accordance with internationally accepted practices and procedures.

The Company believes that these same responsibilities extend from the board and management to all workers providing services for the Company, whether or not they are employees of the Company.

a) Code of Operations

The Company recognises the importance of conducting its operations in a manner consistent with the principles of honesty, integrity and fairness. Compliance with the relevant laws and regulations of each province in which it operates is expected.

b) Shareholders and the Financial Community

The Company is committed to increasing shareholder value in a manner consistent with its responsibilities to all stakeholders.

The Company recognises the benefits of fair, accurate, timely and understandable disclosure and aims to keep shareholders informed as to its true and fair financial position and performance.

c) Political Environment

The Company may represent its views to governments and other third parties on matters which affect its business interests and the interests of its shareholders, employees and others involved in their businesses and operations.

d) Competition

The Company supports the principles of free and fair competition in the market in compliance with applicable competition and consumer protection laws.

e) Privacy and information

The laws in relation to privacy, and the use of confidential or price sensitive information, will be respected by the Company.

f) Conflicts of Interest

Conflicts of interest should be avoided. Where a conflict of interest does arise, full disclosure must be made and all relevant persons must not participate in any related decision-making process.

Directors and Management of the Company are subject to restrictions on buying, selling or subscribing for securities in the Company if they are in possession of inside information, i.e. information which is not generally available and, if it were generally available, a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

Further, Directors and management may only trade in the securities of the Company, subject to complying with insider trading restrictions, during each of the eight weeks following the announcements of half yearly and yearly profit or the date of issue of a prospectus.

Management should discuss proposed share trades with the Managing Director in advance, who will monitor and keep a register of such activities. Directors should discuss proposed share trades with the Chairman in advance.

In addition Directors and management must not trade in any other entity if inside information on such entity comes to the attention of the Director or management by virtue of holding office as an Officer of the Company.

Corporate Governance

5. Market Disclosure

The Company's continuous disclosure regime is fundamental to the rights of shareholders to receive information concerning their securities. The most important aspect of the Company's shareholder communication policy is to comply with the continuous disclosure regime and to implement best practice disclosure policy.

As a listed public company, the Company is required to comply with a continuous disclosure obligation contained in the Listing Rules of POMSx (Listing Rules). This continuous disclosure obligation is complemented by requirements under the Securities Act 1997 (PNG) (Securities Act).

Under Listing Rule 3.1, the Company is required to notify POMSx immediately it is or becomes aware of: any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company must not release this information to any other person (such as the media) until it has given the information to POMSx and received an acknowledgment that POMSx has released the information to the market (Listing Rule 15.7).

a) Exceptions to disclosure

Disclosure under Listing Rule 3.1 is not required where each of the following conditions is satisfied:

- a. a reasonable person would not expect the information to be disclosed;
- b. the information is confidential, and
- c. one or more of the following applies:
 - (i) it would be a breach of a law to disclose the information;
 - (ii) the information concerns an incomplete proposal or negotiation;
 - (iii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - (iv) the information is generated for the Company's internal management purposes; or
 - (v) the information is a trade secret.

The Company must meet its continuous disclosure obligations as soon as any one of paragraphs (a), (b) and (c) is no longer satisfied. For example, any information which is not confidential does not qualify for exception from disclosure.

It is therefore essential that information which is to be withheld is and remains subject to strict confidentiality obligations and is not leaked. If the information has been leaked, even in breach of a duty of confidentiality, it is no longer confidential, and disclosure of the information to POMSx will be required.

Disclosure may also be required if POMSx forms the view that the information has ceased to be confidential. In any event, information will have to be disclosed if a reasonable person would expect it to be disclosed, regardless of the fact that it is confidential and falls within any of the categories in paragraph (c) (e.g. it is a trade secret or relates to an incomplete proposal).

b) Awareness of information

Under POMSx Listing Rule 19.12, the Company becomes aware of information if a director or executive officer of the Company has, or ought reasonably to have, come into possession of information in the course of the performance of their duties as a director or executive officer of the Company.

That is, the disclosure obligation applies not only to information of which the directors or executive officers are actually aware, but also information of which those persons ought reasonably to have been aware. Accordingly, whenever a director or executive officer is in possession of information which may have a material effect on the price or value of the Company's shares, it is critical that the information is immediately communicated in accordance with this Disclosure Policy.

c) Materiality of information

For the purpose of Listing Rule 3.1, a reasonable person will be taken to expect particular information to have a material effect on the price or value of any of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in such securities in deciding whether to acquire or dispose of the securities.

Corporate Governance

d) Appointment of an Authorised Officer

The Company has appointed the Company Secretary as the officer who has primary responsibility for administration of the Company's Disclosure Policy.

The Company Secretary's responsibilities include:

- (i) making sure that the Company complies with its continuous disclosure obligation, and monitoring that compliance;
 - (ii) overseeing and coordinating disclosure of information to POMS0X, analysts, brokers, shareholders, the media and the public; and
 - (iii) educating directors and employees on this Disclosure Policy and raising awareness of the principles underlying continuous disclosure.
- (iv) Contravention and Liability

Contravention

The Company will contravene its continuous disclosure obligation if it fails to notify POMS0X of information required by Listing Rule 3.1 to be disclosed.

Liability

If the Company contravenes its continuous disclosure obligations, it may face criminal and civil liability under the Securities Act.

The Company's officers (including its directors and employees) and advisers who are involved in a contravention by the Company may also face criminal and civil liability.

Similarly, directors, officers and advisers may be criminally liable under the Criminal Code if they aid or abet, or are in any way knowingly concerned in, the Company's contravention.

Enforcement

The court has the power under the Securities Act to order the Company and its directors to comply with the Listing Rules, on the application of POMS0X, the Securities Commission or an aggrieved person (for example, a shareholder).

Commission

The Securities Commission and POMS0X jointly administer the continuous disclosure regime for listed companies in PNG. POMS0X is responsible for administering the Listing Rules while the Securities Commission is responsible for enforcing the Securities Act. POMS0X is required to notify the Securities Commission where it believes that there is an actual or anticipated serious contravention of the Listing Rules.

Unwanted publicity

Contravention of its continuous disclosure obligation may also lead to unwanted negative publicity for the Company.

Confidential information

Any information which is not confidential does not qualify for the exceptions described in paragraph 5 a). Information may also need to be disclosed if POMS0X has formed the view that confidentiality has been lost.

POMS0X will normally consult first with the Company if it has concerns about loss of confidentiality, which may be prompted by otherwise unexplained share price movements or by reference to media or analyst reports with significant, credible and reasonably specific information.

Listing Rules

In addition to complying with Listing Rule 3.1, the Company also needs to comply with other disclosure requirements contained in the POMS0X Listing Rules.