



**Kumul Petroleum Holdings Limited**

## **ENVIRONMENT, SOCIAL AND GOVERNANCE POLICY**

### **Overview**

In line with our corporate vision to provide benefits to the State, the nation, and our people, Kumul Petroleum Holdings Limited (KPHL) is committed to maintaining high standards of environmental custodianship, social relevance, and corporate governance across all our activities, both within Papua New Guinea and internationally.

As the national petroleum and energy company, KPHL is committed to being Net Zero, in line with the PNG Government's similar commitment for the country to achieve Net Zero CO2 emissions by 2050.

### **Purpose/Scope**

The KPHL ESG Policy is intended to provide a framework for how the company applies ESG considerations in its operations, how communities are engaged and how the evaluation and implementation of investments is undertaken.

The policy takes into account ESG considerations at all levels in the company from field operations to joint venture participation and any investments made by KPHL.

### **Policy Governance**

The development and review of KPHL's ESG Policy is the responsibility of a specific Board sub-committee – the KPHL ESG Committee – which consists of select directors and the KPHL managing director.

This Committee will develop and regularly review the Policy in conjunction with executive management, will oversee company ESG activities and ensure timely reporting of these.

KPHL executive management is responsible for the application of the ESG Policy at an operational and corporate investment level as well as the reporting on ESG factors and considerations to the company ESG Committee.

### **Principles/Philosophy**

The KPHL vision is 'Building the nation through our energy resources', and this broad statement underpins a number of strategic themes that drive company objectives and operations.

This Policy ensures that ESG considerations are integrated into KPHL investment practices, business operational practices as well as industry leadership and external collaboration. Such incorporation of ESG factors into KPHL business and investment decision-making will mitigate risk and enhance quality for the company.

### **ESG Areas of Focus**



**Kumul Petroleum Holdings Limited**

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**ENVIRONMENT:** KPHL is committed to reduce energy and carbon impacts and eventually achieve Net Zero in its operations and investments. The company is researching ways to reduce its emissions footprint, both in sole activities and in existing and new joint projects with other petroleum and energy companies.

KPHL and its partners understand the cumulative magnitude of emissions from petroleum developments in PNG as well as innovative ways to reduce and/or off-set current emissions to deliver a Net Zero position.

PNG has a globally significant carbon store that is naturally sequestered in vegetation and soils. Protecting forests can be used to offset carbon emissions. KPHL has a CO<sub>2</sub> footprint primarily through its participating in oil and LNG projects in PNG. KPHL wishes to acquire enough carbon credits to entirely offset its emissions through purchasing credits on the market or by initiating carbon projects.

KPHL is working with the PNG Climate Change and Development Authority (CCDA) and actively investigating how carbon projects can be initiated in the petroleum retention licences (PRLs) where it is operator. For example, PRLs 48 and 49 cover more than 1000 square kilometres, have the potential to generate significant carbon credits, and naturally derived offsets for both the company and local landowners.

Recently drafted legislation from the CCDA is being reviewed by KPHL so that their industry perspective can be added to the Government approval process. KPHL is well positioned to play a role in the development of high integrity carbon offsets derived from PNG.

KPHL believes that PV solar projects are the optimal way to increase access to renewable electricity around the country, especially in more remote areas, and supports activities that reduce emissions in rural and semi-urban communities. The company is undertaking a 5mW pilot solar project near Kavieng, expected to be operational in 2024. Further projects will be undertaken around the country incorporating lessons learned.

KPHL is also supporting its LNG project partners (ExxonMobil, TotalEnergies and Santos) in technological activity, such as CCS projects currently underway for Papua LNG as well as improvements in facilities to reduce emissions in these LNG developments. As KPHL commences activities in the Petroleum Retention Licences where it is Operator it will work with CEPA with regard to ensuring appropriate flora and fauna protection measures.

Cognisant of its importance, KPHL is working actively on environmental and other ESG initiatives, in conjunction with its joint venture partners and bankers (ANZ).

**SOCIAL:** A Kumul Petroleum focus is to deepen relationships with key stakeholders which include employees, contractors, suppliers, investors, joint venture partners and communities impacted by KPHL activities. This could be through initiatives that benefit the environment, human welfare and education, including skills training that enhances workforce talent for business partners and economic development in the communities where KPHL operates.



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KPHL operates the Kumul Petroleum Academy that provides industry specific technical training and is establishing a Fabrication and Training facility that will extend KPHL supported training to other trade, mechanical and engineering disciplines. These existing and planned KPHL training establishments will assist the Government's objectives to increase the national content in major resource and industrial developments.

The company supports a range of large-scale and smaller health programmes in line with Government policy emphasis, including infrastructure to enable cardiac, cancer, and renal dialysis facilities and treatment in major hospitals. The company also supports a wide range of community initiatives including cultural festivals and a variety of sporting codes.

**GOVERNANCE:** KPHL has a focus on transparency and risk management at all levels of the organisation. The company maintains strong governance practices through Board stewardship, management accountability and proactive risk management.

The KPHL ESG Committee sets goals and establishes accountability for this aspect of company operations, reporting to the Board. Strong stakeholder relationships are cultivated through transparency and open communications.

Company activities are subject to a set of policies approved by its Board, a Code of Conduct that is communicated to all employees, and open discussion about corporate culture among the executive and senior management is encouraged. Financially, KPHL has enjoyed unqualified audits since 2014.

### **ESG Reputation/Business Practice**

Kumul Petroleum is committed to incorporating ESG into how it manages its operations and activities. ESG factors are key elements in risk mitigation, investment return, fiduciary responsibility and company adherence to international best practice.