

Latitude Modern Slavery Statement for financial year ending 31 December 2020

This joint statement has been published in accordance with the *Modern Slavery Act 2018* (“the Act”). It sets out the steps taken by Latitude¹ during the year ending 31 December 2020 to ensure that modern slavery and human trafficking are not operating within its business and supply chain.

Introduction

Slavery, servitude, forced labour and human trafficking are issues of increasing global concern, affecting all sectors, regions and economies. Modern slavery is fundamentally unacceptable within our business and supply chains and is an important element in our overall approach to business and human rights.

Latitude is committed to be a responsible business in all our dealings and relationships; this includes business practices, systems and controls to combat slavery and human trafficking. Across our value chain, we aim to ensure that we and our business partners operate with respect for human rights.

About Latitude

Latitude is an Instalments and Lending business. Latitude’s corporate history traces back to a range of acquisitions made by GE in Australia and New Zealand.

In 2015, a consortium of investors led by KKR, Varde Partners and Deutsche Bank acquired the business from GE and renamed it as Latitude Financial Services. The business today provides a range of Instalments products, Lending products, and insurance products in Australia and New Zealand.

Headquartered in Melbourne, Australia, Latitude employs approximately 1,500 full time employees, as at 31 December 2020.

Latitude has 2.77 million customer accounts, as at 31 December 2020, across both Instalments and Lending.

Latitude has a B2B2C distribution model which supports merchants and brokers in acquiring customers alongside customer direct channels.

¹ In this joint statement a reference to “Latitude”, “we” and “our” is a reference to Latitude Group Holdings Limited ACN:604 634 157 (formerly known as KVD Australia Holdco Pty Ltd) and its Australian corporate subsidiaries for the period 1 January 2020 to 31 December 2020 inclusive. The subsidiaries during this period were KVD Australia Pty Ltd ACN:604 634 157, Latitude Financial Services Australia Holdings Pty Ltd ACN:603 161 100, Latitude Finance Australia ACN:008 583 588, Latitude Personal Finance Pty Ltd ACN:008 443 810, Latitude Financial Services JV Holdco Pty Ltd ACN 603 160 827, Latitude Insurance Holdings Pty Ltd ACN 619 174 926, Hallmark Life Insurance Company Ltd ACN:008 446 884, Hallmark General Insurance Company Ltd ACN:008 477 647, Latitude Automotive Financial Services ACN:004 187 419, LatitudePay Australia Pty Ltd ACN:633 528 873, KVD TM Pty Ltd ACN: 607 234 015, Latitude Investment Holdings Pty Limited ACN 616 863 006, Latitude Investment Holdings No. 1 Pty Limited ACN 616 863 248. The statement is made on behalf of Latitude and its Australian corporate subsidiaries and has been prepared on the basis of consultation with each company covered by the statement.

Latitude and the Risk of Modern Slavery Practices

Setting the tone from the top, the Latitude Board recognises the need to observe the highest standards of corporate practice and business conduct. The Chief Executive Officer and the Executive Committee are responsible for ensuring Latitude meets its human rights responsibilities.

In a 2019 review of Latitude's operations and supply chains, it was identified that Latitude's greatest risk of exposure to modern slavery practices is through its supply chain.

Our Supply Chain

Our supply chain is predominantly Australian and New Zealand entities with some suppliers and services being sourced from other locations including India, the United Kingdom, the United States of America.

Our suppliers provide a wide range of products and services including IT procurement, logistics and property and building services. Latitude also sources promotional products and merchandise from suppliers overseas that may have little or no presence in Australia.

Latitude is committed to the highest professional standards and ethics, and expects the same high standards from the third parties it works with. Latitude's aim is to work collaboratively with supply chain partners towards a responsible business approach; and suppliers are expected to comply with local and national laws and regulations.

Supplier due diligence

Latitude takes a risk-based approach to managing modern slavery and human trafficking in its supply chain. Suppliers are engaged in accordance with the Latitude Procurement Policy and Procedures. All business units should utilise existing Preferred Suppliers and all staff members are encouraged to use Preferred Suppliers in the first instance.

The procurement process includes the vetting of new suppliers and an annual risk and performance management analysis of our active suppliers.

In all instances, a Supplier/Solution Risk Assessment (SRA) must be conducted prior to entering into any outsourcing arrangement, contract or raising of a purchase order. The SRA has been designed to consider an assessment of either a supplier of a single outsourcing arrangement or, if the Supplier is an incumbent, a new outsourcing solution that may not have been assessed previously.

The SRA must identify and set out how the risks associated with the proposed outsourcing arrangement will be managed, including what are the critical processes relevant to the outsourced business activity, the impact if these processes failed and whether the Supplier is willing to accept Latitude's standard terms and conditions. This assessment also involves capturing appropriate due diligence information from the supplier.

The assessment must be completed by the business owner of the engagement, however, it is a consultative process overseen by Procurement, with guidance from Operational Risk and other subject matter experts as applicable.

Latitude uses the below guiding principles as a critical way to managing supplier risk regardless of materiality of the outsourced arrangement:

- Business units must establish regular monitoring arrangements of service providers which can determine if service standards and performance indicators are being met, and risk is being prudently managed
- Business units must arrange to receive regular reporting from the service provider which confirms performance against benchmarks and details of any non-performance
- Where appropriate, as informed by the SRA, Latitude will engage directly with new suppliers in order to gain a proper understanding of the measures they have in place to ensure that modern slavery is not occurring within their own businesses
- Contractual documentation will incorporate specific prohibition against slavery or servitude, the use of forced, compulsory or trafficked labour, and the use of child labour in line with this policy
- Latitude makes provision for its contracted suppliers to hold their own suppliers to the same standards. Latitude reserves the right to terminate any contractual arrangement if there is breach of this provision.

Risk Assessment

In 2019, Latitude identified suppliers across all its business units and the countries in which the suppliers were based.

An assessment of the risk in each country was based on the risk categorisation set out in the Global Slavery Index. Latitude designated countries into high, medium and low risk based on the underlying data that inputs into the Index.

Latitude also reviewed each area of the business to identify suppliers which were regarded as:

- *High priority:* Latitude brand product manufacture, labelling and packaging, offices and fulfilment centres
- *Medium priority:* third party brands and non-stock suppliers with a high risk of forced or compulsory labour as determined by the presence of migrant workers or labour providers in the low skilled job sector
- *Low priority:* non-stock suppliers with a low risk of forced or compulsory labour.

As there was no publicly recognised index for sector risk, Latitude compiled its own list having regard to factors such as the likelihood that workers receive low pay or are required to do jobs most people would seek to avoid. If a supplier was based in, or delivered services in, a high-risk country, and within a sector determined to be medium or high risk, then Latitude considered them to be at high risk for modern slavery and human trafficking and subjected them to supplier due diligence described in the supplier due diligence section above.

Actions taken by Latitude to address the risk of Modern Slavery Practices

No formal risk re-assessment was undertaken in 2020. However, Latitude recognised that the COVID-19 pandemic presented, in specific countries, increased risks to workers' health and safety and potentially modern slavery.

In response to COVID-19, many governments enforced border closures and restricted internal movement which limited Latitude's ability to conduct on-premises audits of suppliers. However, Latitude maintained its audit and supplier review programs covering key suppliers and:

- conducted a spot check audit of a sample of its critical suppliers to ascertain their compliance with the legislation,
- refreshed its supplier tendering and onboarding processes to expand on the disclosure requirements around human slavery and trafficking, and
- conducted a review of its supplier contract templates to ensure that they remain fit for purpose.

Additionally, Latitude ensured there is an awareness of the risk through its policies and mandatory training modules.

➤ **Our policies**

Latitude is committed to ensuring transparency in its business and in its approach to tackling modern slavery and human trafficking.

Accordingly, Latitude has an established framework of policies and continues to implement and develop appropriate policies which set a standard of conduct in relation to the operation of Latitude, supporting a commitment to act ethically and with integrity in all business relationships.

These policies are to be followed by the Board and all employees, officers, contractors, consultants and other persons that act on behalf of Latitude and associates of Latitude.

In 2020, Latitude introduced the board approved Conduct Policy where it is acknowledged that inappropriate, unethical or unlawful behaviours and actions can have negative consequences including poor business performance and reputational damage, contributing to a culture that is not desired.

Additionally, Latitude re-affirmed its approach to human rights abuses in a refreshed and enhanced Code of Conduct.

The new policy and Code of Conduct complemented Latitude's established policies which reflect on ethics in the workplace namely:

- Procurement Policy
- Environment, Health and Safety Policy
- Workplace Behaviour Policy
- Conflicts of Interest Policy
- Concern Raising and Whistleblower Policy
- Compliance Policy.

➤ **Training**

In 2020, Modern Slavery was referenced in two of Latitude's annual mandatory training modules that all staff were assigned to complete:

- Financial Crimes Compliance
- Working Together.

As training modules are reviewed and refreshed each year, opportunities to improve modules are considered. For example, Latitude intends to roll-out enhanced Code of Conduct training in 2021 with specific commentary on modern slavery.

All employees' training records are monitored and reported to the Enterprise Risk Management Committee to ensure all appropriate training activities are performed in a timely manner.

Raising a Concern

If staff have concerns about any wrongdoing or breaches of law, they can be raised in confidence and/or anonymously, without fear of disciplinary action as articulated in Latitude's Concern Raising and Whistleblower Policy.

Continuous Improvement

As a fast growing and changing organisation, Latitude needs to be particularly aware of emerging risks and to be alert to the dynamic nature of both modern slavery and the impacts leading from its own operations.

Latitude will continue to review its operations and supply chain policies and protocols, developing specific measures to ensure that obligations under the Act are addressed. These measures will include:

- Continuing to identify and assess any key risk areas in our operations and supply chains and strengthening of governance and controls
- Working collaboratively with our partners to promote a zero-tolerance approach to human rights abuses
- Extending the supplier performance and risk management framework to include assessments of modern slavery risk
- Considering pre-screening tools to assess suppliers and other partners before onboarding.

This Statement has been contributed to and socialised with key stakeholders across Latitude, and has been approved by the board of directors of Latitude Group Holdings Limited.



Ahmed Fahour AO

Managing Director and Chief Executive Officer, Latitude

29 July 2021