

MODERN SLAVERY STATEMENT - HEARTLAND GROUP HOLDINGS LIMITED

This Modern Slavery Statement is made pursuant to section 14 of the Modern Slavery Act 2018 (Cth) (Aust).

Identity of the reporting entity

- The reporting entity is Heartland Group Holdings Limited (company number: 6937955) (**Heartland**). This is a joint submission and all reporting entities have been consulted in preparing this statement.
 - Heartland Group Holdings Limited (NZ) Company Number 6937955
 - Heartland Bank Limited (NZ) Company Number 3152425
 - Australian Seniors Finance (ACN 108815636)
 - Stockco (Australia) Pty Limited (ACN 117144028)

This statement is submitted December 2023 for the period July 1st, 2022, through to June 30th, 2023.

Heartland's position

Heartland recognises that slavery and human trafficking is a real yet hidden issue in society and is committed to ensuring there is no modern slavery or human trafficking in its business and supply chains.

Heartland's structure, operations and supply chain

Structure

Heartland is a financial services group with operations in Australia and New Zealand. Heartland has a long history with roots stretching back to 1875 and is listed on the New Zealand and Australian stock exchanges (NZX/ASX: HGH) with a market cap in excess of NZ\$1 billion.

Heartland Group Holdings Limited (Heartland Group) is a financial services group with operations in Australia and New Zealand; it is the parent company of StockCo and Heartland Finance [full names] who operate its businesses in Australia.

– In New Zealand, [Heartland Bank](#) (HBL), provides customers with savings and deposit products, online home loans, reverse mortgages, business loans, car loans and rural loans. Heartland Bank is committed to doing the right thing by the communities we serve in New Zealand and are an accredited Living Wage provider.

– In Australia, Heartland's main business is currently in reverse mortgages through [Australian Seniors Finance](#) (also trading as Heartland Finance) which is a market leader and is 100% committed to the Banking and Financial Services Oath. Heartland also operates [StockCo Australia](#), a specialist livestock financier acquired in May 2022.

- In October 2022, Heartland announced its intention to purchase Challenger Bank, a digital bank based in Melbourne, Australia, subject to obtaining the requisite regulatory approvals.

Operations

Heartland has operations in New Zealand and Australia.

In New Zealand:

- Heartland Bank Limited (**HBL**) (NZX: HBL), is a registered bank that focuses on ‘best or only’ banking products in three key markets: Household (which includes investment products, consumer lending (home loans and personal loans), reverse mortgages and motor vehicle lending), Business (which includes business loans, revolving credit facilities and operational leasing) and Rural (which includes rural loans and livestock finance). Heartland leverages digital distribution channels for its products through direct applications, internet banking, the Heartland Mobile App and Heartland Digital.
- HBL’s wholly owned subsidiary, Marac Insurance Limited, is a licensed insurer, which is closed to new business and in run off.
- HBL’s other subsidiaries include, Heartland PIE Fund Limited (the issuer of the Heartland Cash and Term PIE Fund) and Heartland NZ Trustee Limited (the manager of the Southern Cross Building Society Staff Superannuation Scheme).

In Australia, Heartland operates both under the Heartland Finance and StockCo Livestock brands:

- Heartland Finance is a specialist provider of retirement finance (predominantly, Heartland Reverse Mortgages).
- Stockco Australia– is a specialist provider of Livestock Finance.

Heartland and the entities it owns and controls employ approximately 535. people based in offices across New Zealand and Australia. This is made up of 492 staff in New Zealand and 43 in Australia.

Subject to regulatory review at the time of writing Heartland is in the process of purchasing Challenger Bank. This is currently under consideration by both APRA and the RBNZ. Challenger Bank is not reflected in this paper as the transaction has not concluded.

Supply chain

Our suppliers provide us with goods and services that we need to support providing banking services to our customers. Heartland’s supplier arrangements largely involve stable longer-term relationships, and are primarily for infrastructure and support services, such as software, physical premises and telecommunications. Heartland has a dedicated Procurement Team based in New Zealand who are responsible for the management of supplier relationships.

Heartland’s supply chain is largely domestically and regionally based out of New Zealand and Australia, with some software services provided from the USA and India.

Key services include software, telecommunications, agency banking services, consumer credit reporting, identify verification services, administration, collections activity, property leasing and

insurance and professional services. While not material from a financial spend perspective, other services have also been considered, including cleaning, catering and printing/postage services.

Risks of modern slavery practices in Heartland’s operations and supply chains, and actions taken by Heartland to assess and address these risks

Heartland’s¹ potential exposure to modern slavery practices (through causing, contributing to, or being directly linked to modern slavery), is through the potential for direct malpractice by Heartland to our employees, contractors and suppliers, indirectly through practices by third parties engaged by Heartland, through our operations as a bank (in New Zealand) and as a credit provider (in Australia), and through the Heartland Charitable Trust.

Risks of modern slavery practices in operations

The assessment of the risk of modern slavery practices in Heartland’s operations has covered the activities outlined in the Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities, with key observations as follows:

- Heartland faces potential exposure to modern slavery practices through the direct engagement of workers, but strong mitigants are in place, presenting a very low residual risk of modern slavery practices in this area. Key mitigants include:
 - Heartland has processes in place to comply with all laws, including employment and labour laws. Both New Zealand and Australia have strong legislative protections, considered to significantly supersede the practices associated with modern slavery.
 - Heartland is an NZX/ASX listed entity, and certain of its subsidiaries are subject to various regulatory licences, including:
 - HBL is a New Zealand registered bank and transitionally licensed by the Financial Markets Authority as a Financial Advice Provider; and
 - Australian Seniors Finance Pty Ltd holds an Australian Credit Licence.
 - Heartland has strong compliance and risk management practices, policies and systems. These include controls to ensure compliance with obligations, such as labour laws, activities to provide assurance that this is occurring, and processes for identifying and rectifying incidents and issues. These include Heartland’s “Speak Up” programme, which includes an external independent whistleblowing service, and vetting of potential employees.
 - Heartland’s values (mātāpono) include ‘doing the right thing’ (Mahi Tika) and being ‘one team’ (Mahi Tahi), and are embedded into a culture that supports good conduct, and an intolerance for malpractice.
- Heartland’s exposure to the risks of modern slavery practices through its banking services, and its provision of credit, is considered to be relatively limited. This is based on these services being domestically focused in New Zealand and Australia, and the nature of products offered, such as lending to reverse mortgage and consumer finance customers, being for personal use, and unlikely

¹ Reporting in this section regarding the risks of modern slavery practices in Heartland’s operations and supply chains and the actions taken to assess and address these risks relates both to Heartland and the entities it owns and controls.

to support or link to modern slavery practices. Where Heartland lends to businesses or consumers it has controls in place to identify the purpose of the loan. Heartland has provided education to staff to identify and escalate potential concerns related to Modern Day Slavery and labour abuses. Customer screening processes include coverage of convictions that may include Modern Day Slavery and labour abuses.

- Heartland provides some limited and targeted charitable activities, such as through the Heartland Charitable Trust. These are domestically focused on sponsorship of community related events within New Zealand and Australia, presenting a low risk of linkage to modern slavery practices. Established processes are in place to consider and screen for the risk of exposure to Modern Day Slavery or labour abuses within funding applications. Each application is reviewed against an established checklist designed to identify heightened risk of Modern Slavery.
- Assessments of leasing of property, products and/or services, processing and production, provision and delivery of products or services, distribution, purchasing, marketing and sales, and research and development elements are covered by assessments over direct employment of workers, contractors or supply chain.

Risks of modern slavery practices in supply chain

In assessing Heartland's supply chains for risks of modern slavery practice:

Each supplier has undergone a 'top-down' risk assessment according to the key criteria below, to assess their overall modern slavery risk profile based on known information. These key criteria have been identified as measures that Heartland considers to relate to the degree of risk of modern slavery practices.

- ***Location:*** where the supplier or services are principally based. Domestic or similar jurisdictions are reputed to have lower incidences of modern slavery practices, contrasted with higher risk jurisdictions.
- ***Risk of non-compliance with local labour laws:*** assessment of the risk of the supplier not complying with local labour laws. This assessment builds on the location criteria, considering that non-compliance with local labour laws is expected to be potentially more egregious in areas that are at heightened risk of modern slavery practices. While the modern slavery reporting requirement is focused on serious exploitation, and does not include practices like substandard working conditions or underpayment of workers, we recognise that non-compliance with local labour laws can provide an indicator of heightened modern slavery risk, and such practices may also escalate into modern slavery if not addressed.
- ***Type of service/product:*** the kind of service or product sourced through the supplier or operation. Services that involve a low direct labour content, such as renting of office premises or using scalable digital intellectual property, are considered to be of lower risk of modern slavery practices. Similarly, services involving specialists and highly skilled labour, have been assessed as lower risk given the market power of such people in negotiating and preserving their employment conditions. Conversely, services that involve unskilled labour (such as hospitality and cleaning services), were considered to be of higher risk.
- ***Level of sub-contracting/outsourcing:*** consideration of the extent of sub-contracting or outsourcing by the supplier. This element recognises that the risk increases with the degree of separation and reduced visibility of extended supply chains. This area especially regarding services provided from overseas is considered one of our highest risk areas however is

mitigated in that we have contractual controls on subcontracting and the outsourced service areas are highly skilled services with low volumes of workers.

Additionally, each identified supplier has been subjected to a six-monthly adverse media reviews through WellCheck incorporating a Modern Slavery List. These have not returned any results that indicate to us a heightened risk of Modern Slavery which supports our overall assessment conclusion.

This assessment has confirmed that Heartland's supply chain is largely domestically and regionally based, considered to have a low risk of non-compliance with local labour laws, weighted towards provision of low-risk services such as software and specialist skillsets, and limited amounts of subcontracting. Accordingly, we assess Heartland to have a low-risk exposure to modern slavery practices through our current supply chain arrangements.

How Heartland assesses the effectiveness of its actions

Heartland's assessments have been 'top-down', based on known information or information that was able to be readily sourced.

Heartland assesses that the actions and approach to its assessment of its exposure to modern slavery practices to be effective and appropriate.

To support the ongoing assessment of the effectiveness of Heartland's actions, the assessment methodology, processes and controls developed will continue to be reviewed and further improved over time.

Process of consultation with entities Heartland owns and controls

Heartland has completed consultation across its related entities, as necessary to provide appropriate input to its assessment of its risk of modern slavery practices. This consultation was supported by the close nature of working relationships between key employees across the group. All stated Entities have been involved in the assessment of Modern Slavery Risks and in the authoring of this Statement.

Work since previous statement

Heartland in the period since its second modern slavery statement was published, validated the assumptions in its "tabletop" risk assessment by liaising with counterparties to identify any changes and confirmed the risk assessment for each counterparty, reviewed contracts with independent contractors and employees and made amendments where necessary.

Heartland utilises the Ministry of Business, Innovation and Employment (MBIE) for additional Modern Day Slavery training and use of their support tools and case studies for key business units whose customers may be involved in high-risk industries such as horticulture, viticulture, construction, cleaning services etc.

Heartland is implementing a business wide Third-Party Risk Management Platform. This Platform has been obtained to improve both Heartlands ability to conduct proactive supplier due diligence ahead of engagement, but also ongoing assessment of suppliers performance against identified areas of risk and interest. Managing and reporting on measures to prevent Modern Slavery is an area that will be reported upon through this platform.

Heartland will require suppliers to adhere to Heartland positions on Modern Day Slavery through the supplier selection process. In addition existing suppliers will be required to respond to periodic Heartland requests to restate their positions on areas concerning Modern Slavery.

The automation of this process will allow Heartland to complete a more thorough assessment of our suppliers and supply chain over time.

Future work

Heartland through 2024 will embed the use of the Third-Party Risk Management Platform to deliver improved reporting and mitigation of supplier risk.

This platform will allow:

Recording of supplier attestations regarding their stance on Modern Day Slavery and the recording of supplier information that might highlight heightened risk of Modern Slavery. Reporting and Governance steps anticipated include:

1. Adverse Media Reports on Suppliers identified as of higher risk of Modern-Day Slavery
2. Regular survey of supplier base to maintain supplier responses on Modern Day Slavery.

Heartland will initiate a Risk Assessment Process for Supply Chain activities which will incorporate Modern Slavery Risk evaluation and Due Diligence against supplier engagements. This will simplify our data collection and reporting capability.

As part of supplier onboarding Heartland will look to establish a Supplier: Code of Conduct. The purpose of a supplier code of conduct is to standardise various practices and standards that we expect our suppliers to adhere to and to establish this as a condition of being a Heartland supplier. This will include a statement regarding the suppliers stance on Modern Slavery.

Submission

This statement is made pursuant to Part 2 section 16 of the Modern Slavery Act 2018 and constitutes our modern slavery statement for the financial year ending 30 June 2023.

This Statement has been reviewed and Approved by the Board of Directors Heartland Group Holdings Limited.

This Statement was reviewed at the Board Meeting of Heartland Group Holding Limited held in Auckland December 4th, 2023.



Gregory Tomlinson
Chairman of Heartland Group Holdings Limited and Non-Executive Director

Date of Signature 4th December 2023