



MODERN SLAVERY STATEMENT – HEARTLAND GROUP HOLDINGS LIMITED

ABOUT THIS STATEMENT

This modern slavery statement is prepared and issued by Heartland Group Holdings Limited (Company Number 6937955) (New Zealand) (**Heartland**), the reporting entity¹, on behalf of Heartland Bank Limited (Company Number 3152425) (New Zealand) and Heartland Bank Australia Limited ACN 087 651 750 (Australia).

This statement is made in accordance with the requirements within the Modern Slavery Act 2018 (Cth) (Australia) (**the Act**) and covers the period 1 July 2023 to 30 June 2023, representing Heartland's financial year.

The statement provides details on Heartland's approach to identifying, mitigating and addressing the risks of modern slavery across our operations and supply chain. This statement uses the Act's definition of modern slavery. This involves conduct which would constitute a criminal offence under Australian law or international law, including trafficking in persons and the worst forms of child labour.

Heartland recognises that modern slavery is a real issue in our society and we are committed to upholding the highest possible ethical standard in our business, and to ensure we contribute to preventing, detecting and remediating instances of modern slavery in our business and supply chain. We will continue to review and enhance our processes to ensure they reflect the latest developments and expectations on modern slavery.

In this statement, unless otherwise stated, references to 'the Group', 'we', 'us' and 'our' refer to Heartland.

ABOUT US

PURPOSE

Heartland is a financial services group, with origins dating back to Ashburton, New Zealand in 1875. From a small building society, in a small South Island town, with big ambitions. Those ambitions haven't changed. In 2011, in the wake of the Global Financial Crisis, that small building society merged with several other financial institutions to become Heartland. We've been listed on the New Zealand stock exchange since 2011, and the Australian stock exchange since 2018 (NZX/ASX: HGH).

We focus on providing products that are the best or only of their kind. Our commitment to digitalisation also allows us to turn the expected ways on their head. Across New Zealand and Australia, we're here to save our customers time and money, while striving for exceptional value for shareholders.

OPERATIONS

Heartland has operations in New Zealand and Australia.

Heartland Bank Limited (New Zealand) (**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,

¹ Heartland's modern slavery statement for the period 1 July 2022 to 1 June 2023 contained an error. The statement referred to StockCo (Australia) Pty Ltd ACN 117 144 028. The statement should have referred to StockCo Australia Management Pty Ltd ACN 657 824 201. All relevant details included in the statement related to StockCo Australia Management Pty Ltd ACN 657 824 201.

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 is New Zealand's leading provider of reverse mortgages, has been awarded Canstar Savings Bank of the Year 2018-2022, and consistently provides market-leading or competitive home loan rates. HBL is committed to doing the right thing by the communities we serve in and is an accredited Living Wage provider. Additionally:

- HBL's wholly owned subsidiary, Marac Insurance Limited, is a licensed insurer, which is closed to new business and in run off;

In Australia, Challenger Bank Limited ACN 087 651 750 was acquired by Heartland on 30 April 2024 and is now operating as Heartland Bank Australia Limited (**HBAL**). HBAL is a digital specialist bank that offers competitive savings and investment accounts, is a leading provider of reverse mortgages, and under our StockCo brand, we're a leading provider of specialist livestock finance for food producers across Australia.

Heartland and the entities we own and control, employ approximately 616 people based in offices across New Zealand and Australia. This is made up of 510 staff in New Zealand and 106 in Australia.

SUPPLY CHAIN

Our vendors and suppliers provide us with goods and services that support the provision of banking services to our customers and associated support and operational functions. Heartland's supplier arrangements largely involve stable longer-term contract-based relationships, and are primarily for infrastructure and support services, such as software, physical premises and telecommunications. Heartland has a dedicated Procurement Resource based in New Zealand who is responsible for the management of supplier and vendor relationships.

Heartland's supply chain is largely domestically and regionally based out of New Zealand and Australia, with some software services provided with supplier resources based in the United States of America and India. Key services include software, core banking systems, telecommunications, agency banking services, consumer credit reporting, identity verification services, administration, collections activity, property leasing, insurance and professional services. While not material from a financial spend perspective, other services have also been considered, including cleaning, catering, printing and postage services.

RISK OF MODERN SLAVERY PRACTICES

RISK 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 Modern Slavery Act 2018 (Cth) (Australia) Guidance for Reporting Entities, with key observations as follows:

- (a) 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:
 - (i) 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.
 - (ii) 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.

- (iii) Heartland's values (mātāpono) include 'doing the right thing' (Mahi Tika) and being 'one team' (Mahi Tahī) and are embedded into a culture that supports good conduct, and an intolerance for malpractice.
- (b) Heartland's exposure to the risks of modern slavery practices through its banking services, and its provision of credit, is 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 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.
- (c) 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.
- (d) Assessments of leasing of property, products and/or services, processing and production, provision and delivery of products or services, distribution, purchasing, marketing and sales, 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

Each supplier has undergone a 'top-down' risk assessment according to the criteria below, to assess their overall modern slavery risk profile based on known information.

- (a) 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.
- (b) Risk of non-compliance with local labour laws through 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. Heartland recognises 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.
- (c) Type of product or service 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 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), are considered to be of higher risk.
- (d) **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.

In addition, each identified supplier has been subjected to a six-monthly adverse media review through WellCheck incorporating a Modern Slavery List. These checks 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 sub-contracting. We self-assess Heartland to have a low-risk exposure to modern slavery practices in our supply chain and vendor 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 CONDUCTED IN THE REPORTING PERIOD

In the reporting period of this statement, Heartland has implemented its Third-Party Risk Management Platform. This has allowed Heartland to build out both an internal assessment to assess the risk of modern-day slavery in new vendor engagements; as well as an external assessment for Vendors to complete allowing Heartland to assess the risk of modern slavery practices in its vendors on an ongoing basis.

Heartland has conducted a due diligence exercise of requesting more than 50 material vendors across New Zealand and Australia to complete the Heartland Modern Day Slavery Assessment. This is an assessed questionnaire where the vendors responses have allowed Heartland to categorise the vendors maturity and approach to Modern Day Slavery.

We received completed responses from more than 50% of engaged vendors. In reviewing those responses 35% of vendors were assessed as low maturity. These vendors are assessed to be providing low risk services to Heartland. The remaining 65% of respondents were assessed as mid to high maturity, evidenced through such measures as policy or submission of Modern-Day Slavery Statements of their own. This activity will be repeated in subsequent periods with a view to assessing more of our supply chain over time.

FUTURE WORK

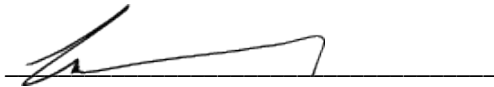
In 2025, Heartland will include a proactive assessment of modern slavery risk for new supplier engagements, this will add a bottom-up review to support and compliment the top-down reviews previously completed. The Modern Slavery Assessment will form part of an overall Materiality Assessment used by Heartland to anticipate all Vendor risks.

Where increased risk of modern slavery practices are identified in a procurement project, the prospective vendors will be further assessed through the established Questionnaire/Due Diligence process described above. This will allow Heartland to make informed decisions in contracting for services where a heightened risk exists and require minimum levels of maturity from vendors delivering such services.

SUBMISSION

This statement is made pursuant to Part 2 Section 16 of the Modern Slavery Act (Cth) 2018 (Australia) and constitutes our Modern Slavery Statement for the financial year ending 30 June 2024.

This Statement has been reviewed and approved by the Board of Heartland Group Holdings Limited in Auckland, New Zealand on 11 December 2024.

A handwritten signature in black ink, appearing to read 'Gregory Tomlinson', is written over a solid horizontal line.

Gregory Tomlinson

Chair of Heartland Group Holdings Limited and Non-Executive Director

17 December 2024