

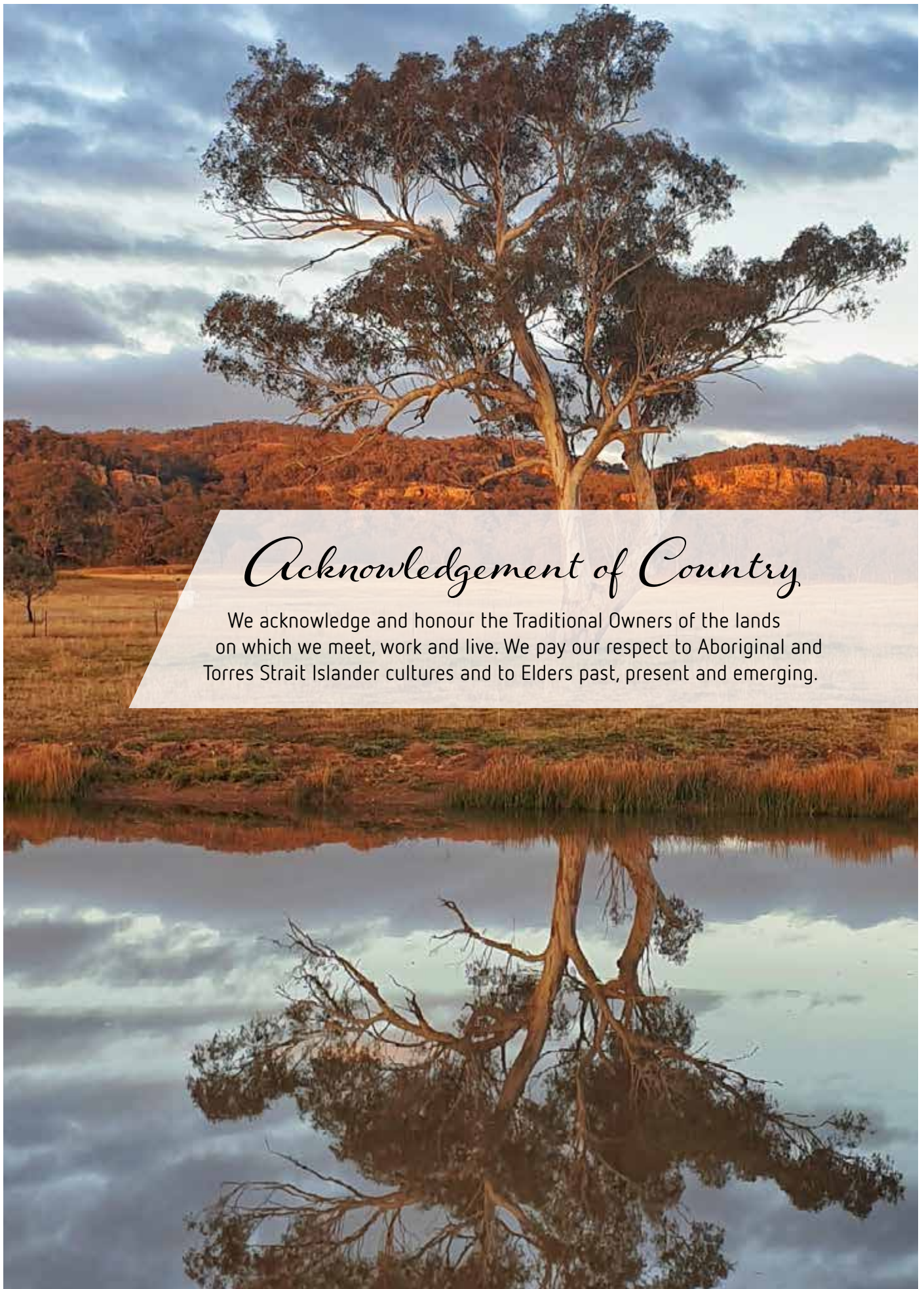


# Modern Slavery Statement 2022

**Heritage Bank**  
*People first.*

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## *Acknowledgement of Country*

We acknowledge and honour the Traditional Owners of the lands on which we meet, work and live. We pay our respect to Aboriginal and Torres Strait Islander cultures and to Elders past, present and emerging.

# Introduction

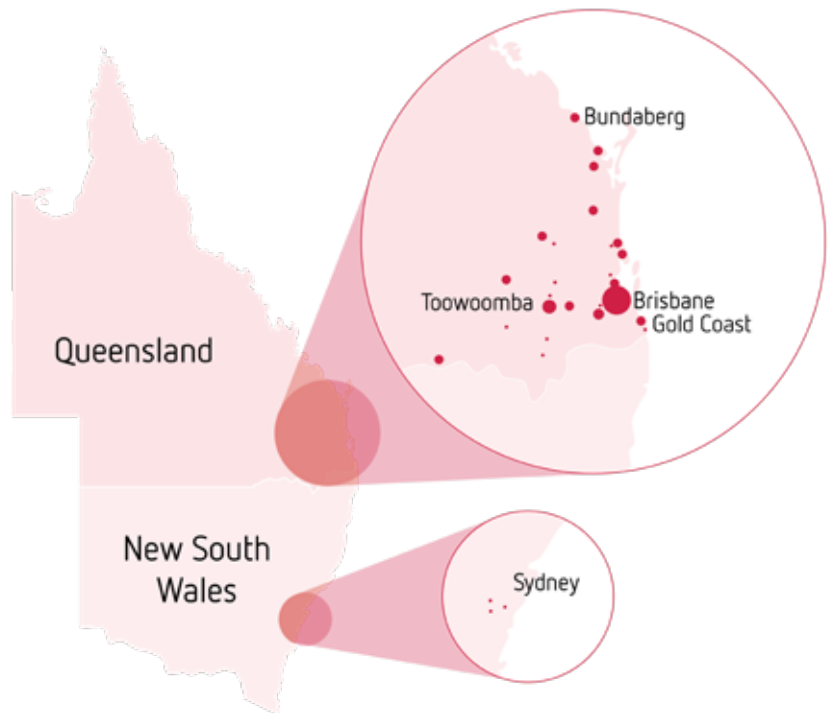
This Modern Slavery and Human Trafficking Statement (Statement) is made pursuant to the Australian Modern Slavery Act 2018 (Cth) by Heritage Bank Limited (ABN 32 087 652 024) (Heritage Bank) and relates to the financial year 1 July 2021 to 30 June 2022 (FY2022).

This is the third such Statement prepared by Heritage Bank and provides a representation of Heritage Bank’s efforts over the FY2022 to identify, detect, address and mitigate the risk of modern slavery and human trafficking within its supply chain. Heritage Bank is committed to maintaining and continuously improving its practises to combat risks associated with modern slavery and human trafficking within its operations and supply chain.

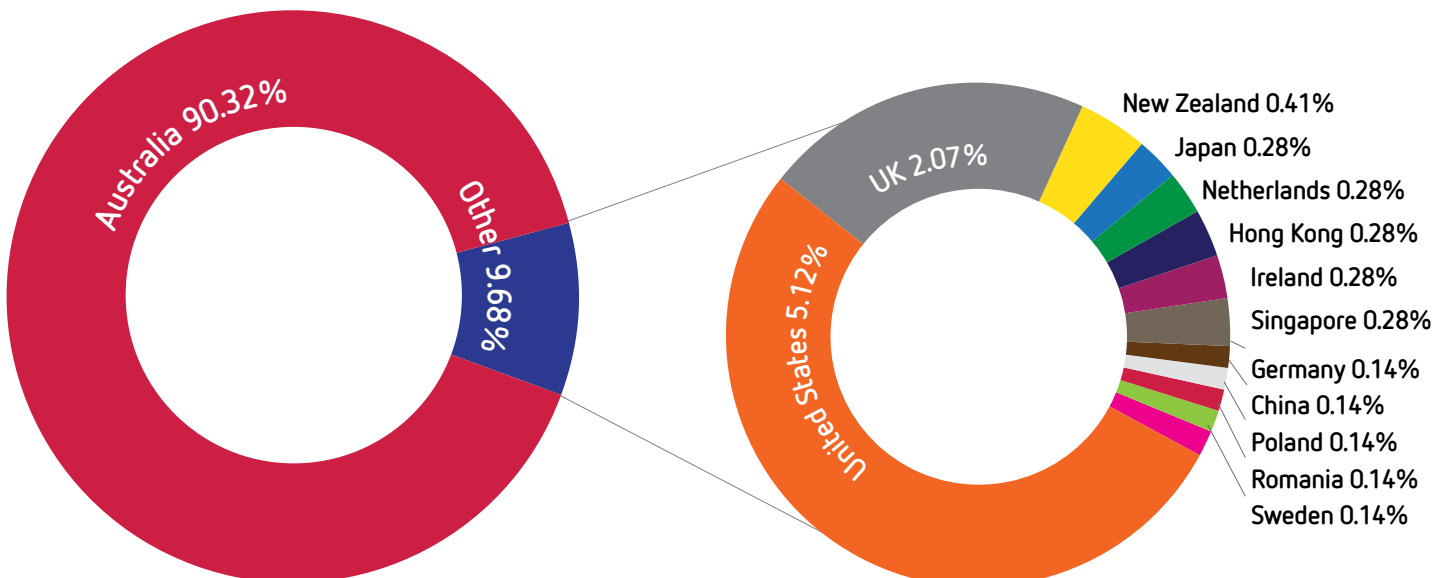
# About Heritage Bank

Heritage Bank is a socially responsible, member-owned organisation, passionately committed to achieving social and economic development for our community. Our purpose is to deliver financial security and prosperity to our members and the communities in which they live. Our intention is to maximise member value whilst meeting commercial objectives required to effectively compete within the retail banking operating environment in Australia.

Heritage Bank is based in Toowoomba, with approximately 60 branches across South East Queensland and in selected NSW locations as well as Australia-wide lending via a broker network servicing approximately 330,000 customers. Heritage Bank has also established the Heritage Bank Charitable Foundation, which fulfils a philanthropic role by providing grants to eligible non-for-profit charity organisations across Australia.



## Our Supply Chain by Location



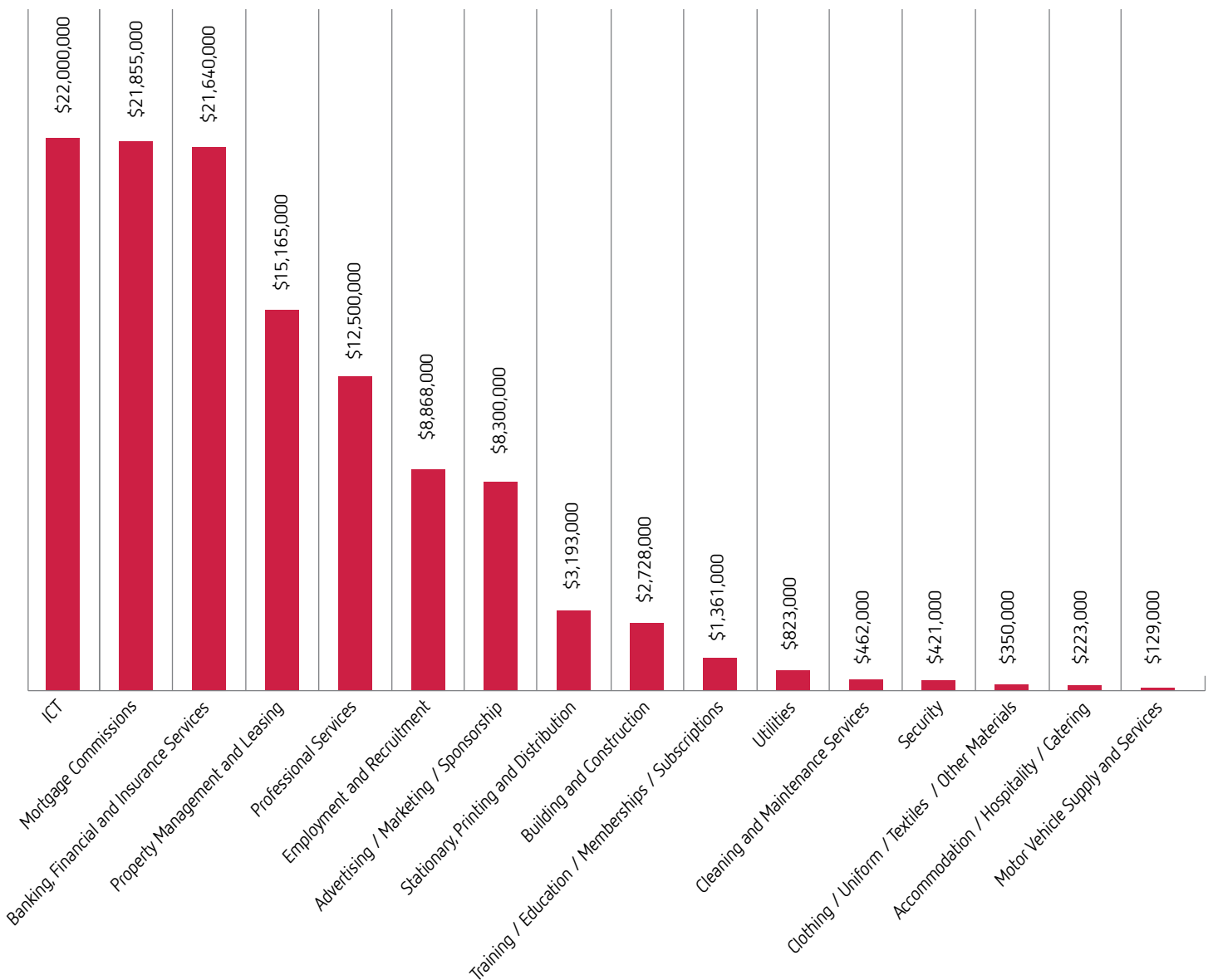
# Heritage's Supply Chain

Heritage Bank has a global supply chain that is made up of approximately 720 direct suppliers with a strong focus on supporting domestic vendors, particularly in local communities where we operate. Most of our supplier base comprises professional services such as legal, brokerage, consulting, training and IT. Approximately 70% of our supply chain provides services for direct banking operations and 30% provides goods and services in support of our branch and office operations such as stationery, utilities, cleaning and maintenance.

During the FY2022, Heritage Bank continued to progress a proposed merger with Australian Central Credit Union (ABN 11 087 651 125) trading as People's Choice Credit Union (PCCU). PCCU is also one of Australia's largest and most successful member owned and member focussed owned financial institutions with over 30 branches across Victoria and South Australia. Through this process Heritage Bank has experienced an increased supply of professional services compared to previous reporting periods.

A breakdown of our supply chain by location is as follows:

## Our Supply Chain by Category





# Our Risk Identification and Due Diligence Process

As a financial services organisation with a professional workforce, Heritage Bank considers its direct risk of modern slavery to be low owing to:

- > Our Australian-based workforce;
- > Only operating within the Australian financial services industry;
- > No direct exposure to extractive or other high risk industries; and
- > Limited exposure to overseas manufacturing and sourcing from identified high risk locations.

However, we recognise we may be indirectly exposed to modern slavery through our operations and supply chain. As a result, Heritage Bank has implemented a risk management process to identify, assess, mitigate and monitor any potential modern slavery risks. In considering the risk, Heritage Bank has examined the activities occurring in the following five key areas within its operations and supply chains.

<b>Lending and investment</b>	There is a risk we could lend to or invest in businesses involved in modern slavery, in particular, through the agricultural and horticultural sectors.
<b>Financial products and services</b>	There is a risk that customers may use our products or services for activities that involve modern slavery and human trafficking.
<b>Procurement</b>	There is a risk that we could purchase goods and services where modern slavery or other forms of exploitation was used in their creation or delivery.
<b>Employment</b>	There is a risk of labour exploitation within our own workforce, particularly in our contracted workforce.
<b>Community Investment / Sponsorships and Philanthropy</b>	There is a risk that we support, directly or indirectly, via advocacy, donations and partnerships organisations involved in modern slavery.

The predominant focus for the FY2022 reporting period has continued to be on the identification and assessment of risks within the procurement of goods and services, with a plan to expand the assessment in future reporting periods. Heritage Bank has maintained the Modern Slavery Working Group comprising representation from diverse functions of the business and the Heritage Bank Charitable Foundation. The working group is tasked with performing operations and supply chain assurance on all our direct suppliers and a subset of operational activities within their respective business units.

The assurance process seeks to identify potential risk areas that could expose Heritage Bank on human rights concerns including modern slavery and human trafficking. In continuing to evolve the risk assessment process, the previously applied \$50,000 threshold was removed, and all active suppliers, lending and investments were assessed. In conjunction with organic growth and merger activities, an additional 120 suppliers were assessed, providing better oversight of our supply chain than in previous reporting periods.

Continued use of a manual triage process was employed using financial exposure as a determinate of priority for the procurement of goods and services. Any potential medium to high risk engagements were escalated and additional due diligence applied. This involved sourcing the suppliers Human Rights, Modern Slavery, ESG or similar policy statements. If none were available, the supplier was asked to complete a questionnaire. For the FY2022 reporting period, 96% of medium risk rated suppliers were able to supply existing documentation with the remainder having to complete the questionnaire.



## Our Risk Management

We continue to monitor our medium risk rated suppliers through proactive engagement and by monitoring various sources for adverse information about organisations, locations, products and individuals.

Heritage Bank has several policies and procedures which assist us in managing the risk of modern slavery. These include:

- > Heritage Bank Code of Conduct
- > Heritage Bank Environment, Social and Governance (ESG) Policy and Position Statement
- > Group Whistle Blower Policy
- > Heritage Bank Procurement Policy and Procedure
- > Anti-Money Laundering / Counter-Terrorism Financing (AML/CTF)
- > Donations Policy and Procedure

## Code of Conduct

As an employer, we implement employment practices designed to support employees and treat them fairly and with respect. The Code of Conduct helps bring our vision, mission, and values to life by providing a set of guiding principles to help us act professionally and with integrity, making ethical, risk-based decisions every time.

## Environment, Social and Governance (ESG)

We strive to be a responsible lender. This includes lending practices that are consistent with our ESG Policy. Our ESG Policy helps to manage ESG risk, including human rights and modern slavery risk, in the credit process.

The Policy specifically addresses the need to embed internationally recognised human rights standards within our operations, and to take steps to ensure that we do not enter business relationships with others who may act in violation of those standards. The Policy and Position Statement recognises and details that risk exists within our supply chains, with potential exposure to issues such as modern slavery. Heritage Bank acknowledges that operational and supply chain decisions must consider more than traditional factors such as profit, cost, quality and speed of delivery.

To assist in the management of modern slavery and develop the internal capability of the organisation, Heritage Bank recruited an ESG and Sustainability Manager in FY 2022. This role will assist with the ongoing management of Modern Slavery risk for the organisation.

## Group Whistle Blower Policy

Our Group Whistle Blower Policy is intended to promote a culture of conducting our business with honesty, fairness and integrity. Heritage Bank recognises that any genuine commitment to detecting and preventing illegal, dishonest, unfair or other undesirable conduct must include a mechanism to enable individuals to report their concerns freely and without fear of repercussions. This Policy is integral to support our employees raise any concerns of modern slavery, whether it is within the organisation or our supply chain, without consequences.

## Procurement Policy and Procedure

This Policy sets out the principles that govern the sourcing and delivery of goods and services from external suppliers to Heritage Bank. One of the key objectives of the Policy is to embed responsibility and resilience to the organisation to ensure that risks arising from procurement activities are mitigated and managed on an ongoing basis, considering legislation, security threats, Environmental, Social & Governance (ESG) requirements and supply chain specific risks including modern slavery.

Each supplier is risk assessed at the time of onboarding and every subsequent engagement with the supplier receives additional risk assessment prior to approving the supplier for use. Risk assessments include the risk of modern slavery.

## AML / CTF

In accordance with AML/CTF legislation, Heritage Bank collects specific information in order to identify and verify our various customer types. By extension this information assists in identifying risk of modern slavery. This ongoing customer due diligence is also undertaken for the duration of the relationship to ensure currency and correctness of the information, and in the event further detail or analysis is required based on the customer's activities or transactions.

## Donation Policy

Being a customer-owned bank, community support is fundamental to what we do. As such, we have a Policy and Procedure that requires donations be made only with registered charities and continually monitor their activities for adverse information.



## Measuring Effectiveness

We continue to identify changes in our activities year on year that would have material changes to our exposure to modern slavery risk, including changes to our activities by geographic location. Additionally, we continue to monitor our medium to high-risk suppliers for the effectiveness of their control measures, as well as any publicly available adverse information.

Modern Slavery Reporting is provided to our Enterprise Risk Management Committee on a regular basis to help assess effectiveness with overarching accountability sitting with the Heritage Bank Board. Whilst there were no reportable supplier issues in FY2022 to trigger a detailed investigation/review, our procurement monitoring is ongoing and able to respond quickly to isolate and report should further investigation be required.

### Summary of FY2022 Actions

To manage our modern slavery risks across our business operations and supply chain, our key actions undertaken in the reporting period focused on:

- > Fostering understanding and awareness,
- > Continually improving policies and processes, and
- > Enhancing due diligence and assurance.

### Fostering Understanding and Awareness

During this reporting period Heritage Bank introduced mandatory modern slavery training for all staff and management. Heritage Bank engaged an external provider to develop this mandatory training course to be embedded as part of our online Learning Management System. The completion rate for the year is above 98 percent with management monitoring completion rates across their teams.

### Continually Improving Policies and Processes

From 2021, all new material contracts have sought to include modern slavery specific clauses to set a high level of expectation regarding management of Modern Slavery within our supply chain. These clauses continue to be rolled out in our existing supply chain through the normal contract review and renewal process.

### Enhancing Due Diligence and Assurance

This year we expanded our level of assessment to include all suppliers, not just those with spend of \$50,000 or more. This expansion allowed us to have full oversight for our supplier network and provided us greater confidence in the level of modern slavery risk we may be exposed to.





## Our Commitment and Future Actions

Heritage Bank is committed to continuous improvement in all areas of operation, including activities in relation to modern slavery. We continue to develop our approach through:

- > ongoing reviews of our operations and supply chain;
- > ensuring modern slavery issues are considered for new, or renewed, sourcing and contracting activities; and
- > conducting modern slavery awareness training for Heritage Bank staff.

To optimise the effectiveness of our efforts, we will continue to focus our supply chain ESG Risk Assessment on suppliers that fall into the "High Risk" sectors and sensitive areas list identified through our working group review process.

We have also reviewed our sourcing categories to identify more clearly those that require more stringent risk assessment processes, which ensures greater alignment to High Risk ESG sectors and sensitive areas list. Sourcing events with a higher likelihood of ESG risk, including modern slavery, are therefore assessed more appropriately for risk.

Further to the actions taken, HBL is committed to improving its management of modern slavery risk. A modern slavery roadmap is being drafted to address the following key elements:

- > Building awareness,
- > Policy and process improvement, and
- > Improving due diligence.





## Compliance Table

Australian Commonwealth Modern Slavery Act 2018 reporting criteria	Modern Slavery Statement – 2022 page reference
(a) Identify the reporting entity	3
(b) Describe the structure, operations and supply chains of the reporting entity	3, 4
(c) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls	5
(d) Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes	5, 6, 7
(e) Describe how the reporting entity assesses the effectiveness of such actions	8
(f) Describe the process of consultation with any entities that the reporting entity owns or controls. In the case of a reporting entity covered by a statement under section 14 – the entity giving the statement	5
(g) Include any other information that the reporting entity, or the entity giving the statement, considers relevant	9

Signed

Kerry Betros

Chairman


13 December 2022


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## Find out more

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*People first.*