

## MODERN SLAVERY STATEMENT - HEARTLAND GROUP HOLDINGS LIMITED

### Identity of the reporting entity

The reporting entity is Heartland Group Holdings Limited (company number: 6937955) (**Heartland**).

### Heartland's position

Heartland recognises that slavery and human trafficking is a real yet hidden issue in society and is committed to the prevention of slavery and human trafficking in its business and in its supply chains.

### Heartland's structure, operations and supply chain

#### *Structure*

Heartland is a New Zealand incorporated company that is listed on the NZX Main Board (NZX: HGH) and the ASX (ASX: HGH) under a Foreign Exempt Listing. Heartland's registered office is 35 Teed Street, Newmarket, Auckland 1023, New Zealand.

Heartland is the parent company of a banking and financial services group, with subsidiaries and associated entities located in New Zealand and Australia. An overview of Heartland's group structure is illustrated in the structure diagram appended to this statement.

#### *Operations*

Heartland has operations in New Zealand and Australia.

In New Zealand:

- Heartland's wholly-owned subsidiary, 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 under the Heartland Finance brand:

- as a specialist provider of retirement finance (predominantly, Heartland Reverse Mortgages, and recently having launched Heartland Well-Life Loans, an unsecured loan designed for people 60 and over); and

- providing small business loans without the need for security under the Heartland Open for Business brand.

Heartland and the entities it owns and controls employ approximately 545 people based in offices across New Zealand and in Melbourne, Australia.

### ***Supply chain***

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'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, identity verification services, administration, collections activity, property leasing and insurance. 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's<sup>1</sup> 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 and Australian Credit Licence.

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<sup>1</sup> 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.

- 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 Tahī), 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 to support or link to modern slavery practices. Where Heartland lends to businesses 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. Processes are in place to consider and screen for the risk of exposure to Modern Day Slavery or labour abuses within funding applications.
- Heartland’s key partnerships (such as Harmony) operate in the financial services industry and are focused on customers in New Zealand and Australia, presenting a limited risk profile for modern slavery practices.
- 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:

- key suppliers were identified based on Heartland’s financial expenditure and general operational risk exposure to those suppliers; and
- key services that are considered to present a higher risk profile for modern slavery practices were also included in the assessment, such as cleaning and hospitality services.

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 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. 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.

### **Work since previous statement**

The preparation of Heartland’s first modern slavery statement resulted in Heartland identifying areas where further information should be sourced to corroborate and better inform future risk assessments, and the preparation of subsequent statements.

Heartland developed a work plan for the completion of this additional work and has, in the period since its first modern slavery statement was published, validated some of the assumptions in its “table top” risk assessment by liaising with counterparties to obtain information to create a more accurate risk assessment for each counterparty, reviewed contracts with independent contractors and employees and made amendments where necessary and updated its procurement policy to take account of modern slavery risks.

### **Future work**

Heartland expects to continue to progress the areas identified in its work plan over the coming year, including developing a framework for focused due diligence and ongoing governance of higher risk suppliers and further considering ways in which it can identify risk in its customer base. Further education is also planned across the business regarding modern day slavery, associated red flags, and escalation processes.

A handwritten signature in black ink, appearing to read 'G Ricketts'.

Geoff Ricketts  
**Chairman of Heartland Group Holdings Limited**

16 December 2021