

MODERN SLAVERY STATEMENT UNDER THE *MODERN SLAVERY ACT 2018* (CTH) - HEARTLAND GROUP HOLDINGS LIMITED

Identity of the reporting entity

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

About Us: Heartland's structure, operations and supply chain

Our 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.

Our 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 525 people based in offices across New Zealand and in Melbourne, Australia.

Our 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 United States 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

Heartland's¹ potential exposure to modern slavery practices (through causing, contributing to, or being directly linked to modern slavery) in its operations and subsidiaries is likely to be where employees, contractors or suppliers are operating in circumstances where modern slavery practices are being applied, or where Heartland is indirectly involved in funding banking customers engaging in such practices (i.e. as a lender or credit provider, or through the Heartland Charitable Trust).

Risks of modern slavery practices in operations and subsidiaries

Heartland Bank takes a risk-based approach to modern slavery risk in its supply chain, business operations and client relationships.

As a banking and financial services group, the risk of modern slavery within Heartland's direct business operations is considered to be low, although Heartland recognises that it can be indirectly exposed to these risks, in particular through its supply chain and lending relationships.

The assessment of the risk of modern slavery practices in Heartland's operations and those entities it owns and controls draws on 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 complies with all laws, including employment and labour laws. Both New Zealand and Australia have strong legislative protections with respect to employment and labour.
 - Heartland is an NZX/ASX listed entity, and certain of its subsidiaries are subject to various regulatory licences, including:

¹ Reporting 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.

- HBL is a New Zealand registered bank, licensed and supervised by the Reserve Bank of New Zealand (**RBNZ**) and transitionally licensed by the Financial Markets Authority as a Financial Advice Provider;
 - Marac Insurance Limited is a licensed insurer, licensed and supervised by the RBNZ; and
 - Australian Seniors Finance Pty Ltd holds an Australian Credit Licence.
- Heartland is exposed to the risks of modern slavery practices through its banking services, and its provision of credit, as there is a risk that our customers may use our products for activities that involve modern slavery, or that we could lend to or invest in businesses involved in modern slavery. Heartland considers this risk 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, with those 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 provides some limited and targeted charitable activities, such as through the Heartland Charitable Trust. There is a risk that Heartland could support, through donations, organisations that might be linked to circumstances of modern slavery. However, activities targeted through the Heartland Charitable Trust are domestically focused on sponsorship of community related events within New Zealand and Australia, presenting a low risk of linkage to modern slavery practices.
- Heartland's key partnerships (including, Harmony) operate in the financial services industry and are focused on customers in New Zealand and Australia, again 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, cleaning, waste management, legal services 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 (New Zealand and Australia, respectively) and similar jurisdictions are recognised as having 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, 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 somewhat 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 New Zealand and Australian 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.

Actions taken to assess and address risks

Risk assessment

As set out above, Heartland has undertaken an initial risk assessment to identify the most likely sources of modern slavery risk in its operations, subsidiaries and supply chains.

The preparation of this first modern slavery statement has 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.

We have identified key areas of action to be progressed over the next 12-18 months to strengthen our measures and prevent modern slavery in all parts of our business. These include requesting additional information from direct suppliers about their activities and further detail around the extent of sub-contracting and ongoing consultations throughout the 2021 Financial Year.

Governance and Policies

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.

Relevant policies and procedures to combat the risk of modern slavery include Heartland’s Enterprise and Operational Risk Management Frameworks, Code of Conduct, ‘Our Guide’ (Kupu Tātaki), Health, Safety and Wellbeing, Diversity and Inclusion, and Prevention of Harassment, Discrimination and

Bullying policies. Heartland is reviewing its frameworks and policies to ensure they address modern slavery risks.

Heartland's "Speak Up" programme includes an external independent whistleblowing service. Employees can use this service to raise concerns about suspected or actual unethical or unlawful behaviour.

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.

Training

Heartland recognises that educating our employees is essential to ensuring that potential human rights and modern slavery risks are identified and managed. Heartland is committed to creating awareness of modern slavery risks by providing training across the Heartland Group.

Assessing our effectiveness

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 for this initial assessment, with plans in place for deeper analysis in subsequent assessments.

Heartland is committed to reviewing the effectiveness of its actions by ensuring that it regularly reviews its processes to consider whether we are appropriately identifying and evaluating our modern slavery and human trafficking risks.

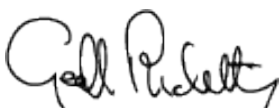
Implementation

Heartland's Board will have overall responsibility for implementing the objectives set out in this statement.

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.

This statement applies to the financial year ended **30 June 2020**. This statement was approved by the Board of Directors of Heartland Group Holdings Limited on **31 March 2021**.



Geoff Ricketts
Chairman of Heartland Group Holdings Limited (Director)

HEARTLAND

GROUP STRUCTURE DIAGRAM

(as at 29 March 2021)

