HEARTLAND
GROUP

Climate Report 2025

Approach with Heartland's second Climate Report

Heartland Group Holdings Limited (**Heartland Group**) and its subsidiary Heartland Bank Limited (**Heartland Bank** or **HBL**) are both "Climate Reporting Entities" (**CREs**) and are required to prepare a climate report. This climate report has been prepared jointly by Heartland Group and Heartland Bank for Heartland Group, Heartland Bank, and their subsidiaries (**Heartland** or the **Group**).

Scope of Heartland's second Climate Report

Following the authorised deposit-taking institution (**ADI**) acquisition in April 2024, the ADI's operations are now fully integrated with Heartland's pre-acquisition Australian businesses to create Heartland Bank Australia Limited (**Heartland Bank Australia**).

As mentioned in Heartland's FY2024 Climate Report, Heartland was unable to evaluate Heartland Bank Australia's operations comprehensively last year due to the short period of time between the acquisition and financial year end. Nevertheless, as the ADI did not undertake lending activity outside of residential mortgages, personal lending, and asset finance prior to the acquisition, Heartland Bank Australia's main climate-related risks and opportunities were noted as likely to be those faced by Heartland's pre-existing Australian businesses. This year, Heartland Bank Australia established a dedicated Compliance & ESG function as part of its plan to support Heartland's climate strategies and reporting.

The team is currently reviewing Heartland Bank Australia's existing governance, risk management and climate-related strategies. Heartland expects to incorporate Heartland Bank Australia's governance, strategy, targets and metrics and risk management in its FY2026 climate report.

Nevertheless, Heartland has developed a detailed transition plan addressing its pathway to a reach a low-emissions and climate resilient future for its New Zealand based operations. This includes key assumptions and conditions required for Heartland and its customers to reach a low-emission economy, while also managing its key climate-related risks and opportunities.

In order to enhance comparability with other CREs in the banking sector, Heartland changed its overall greenhouse gas (**GHG**) emissions preparation standard from ISO 14064-1:2018 to GHG Protocol[1]. The change primarily affects the disclosure of scope 3 emissions categorisation numbering. Heartland discloses reconciliation of categories between ISO 14064-1:2018 and GHG Protocol as necessary in this climate report.

Please see the Strategy section for more details.

Change of Aotearoa New Zealand Climate Standards (NZ CS) and use of adoption provisions

In November 2024, the External Reporting Board (**XRB**) published *Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024* (**Amendments**), effective for the annual reporting period beginning on or after 1 January 2024. The Amendments include:

- extend the adoption provisions for scope 3 GHG emissions (adoption provision 4 and consequential amendments to adoption provisions 5 and 7), and anticipated financial impacts for an additional year (adoption provision 2); and
- establish an adoption provision allowing CREs obtaining limited assurance of scope 3 GHG emissions disclosures in relation to accounting periods ending on or after 31 December 2025 (adoption provision 8).

In preparing this climate report, Heartland has elected to apply the following adoption provisions in accordance with NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards* (**NZ CS 2**) taking into account the Amendments described above.

1 ISO 14604-1: 2018 refers to 14064-1:2018 Greenhouse gases – Part 1: Specifications with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals (**ISO 14064-1:2018** or **ISO**), and GHG Protocol includes Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition) and Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Supplement to the GHG Protocol Corporate Accounting and Reporting Standard) (**GHG Protocol**).

Adoption provision (from NZ CS 2)	Description	Paragraphs of NZ CS exempted from
Adoption provision 2: Anticipated financial impacts	In its first and second reporting periods, Heartland is exempt from disclosing the anticipated financial impacts of climate-related risks and opportunities reasonably expected by the entity.	**NZ CS 1 *Climate-related Disclosures* (NZ CS 1), paras 15(b), (c) and (d)**
Adoption provision 4: Scope 3 GHG emissions	In its first and second reporting periods, Heartland is exempt from disclosing its GHG emissions in metric tonnes of carbon dioxide equivalent (**CO2e**) classified as scope 3. Heartland has elected to use this exemption with respect to its upstream transportation and distribution activities; upstream leased assets that Heartland has no operational control; use and end of life treatment of sold assets (categories 4, 8, 11 and 12).	**NZ CS 1, para 22(a)(iii)**
Adoption provision 5: Comparatives for scope 3 GHG emissions	Subject to the extent of applying adoption provision 4 above, Heartland is exempt from disclosing comparative information for scope 3 GHG emissions in the second reporting period. Heartland will consider the application of this adoption provision in its third and fourth reporting periods in future climate reporting.	**NZ CS 3 *General Requirements for Climate-related Disclosures* (NZ CS 3), para 40**
Adoption provision 6: Comparatives for metrics	As Heartland is exempt from disclosing comparative information for each metric in the two preceding reporting periods, it is permitted to provide one year of comparative information for each metric in this second reporting period. Heartland adopted this provision to the extent no comparatives were voluntarily made in the FY2024 Climate Report.	**NZ CS 3, para 40**
Adoption provision 7: Analysis of trends	In its first and second reporting periods, Heartland is exempt from disclosing an analysis of the main trends in a comparison of each metric from previous reporting periods to the current reporting period. In relation to scope 3 GHG emissions, Heartland will consider applying this exemption in the third reporting period, and will consider the application in its future climate reporting.	**NZ CS 3, para 42**
Adoption provision 8: Scope 3 GHG emissions assurance	For accounting periods ending before 31 December 2025, Heartland is permitted to exclude the scope 3 GHG emissions disclosure from the scope of the assurance engagement.	**NZ CS 1, paras 25, 26(a)(iii), (b) and (c)**

Statement of compliance

This is the climate report for Heartland Group and Heartland Bank, and their respective subsidiaries (i.e., the Group) for the year ended 30 June 2025.

This climate report complies with NZ CS issued by the XRB.

Heartland Group

Greg Tomlinson
Chair of the Board

Kate Mitchell
Chair of the Sustainability Committee

Heartland Bank

Bruce Irvine
Chair of the Board

Kate Mitchell
Chair of the Sustainability Committee

Our journey

FY2021			
Establishment of first science-aligned emissions reduction target: a 35% absolute reduction by FY2026, using FY2019 as the base year[2].	Implementation of emissions reduction initiatives such as making documents available via online channels to decrease paper usage.	Use of certified renewable electricity at Heartland's main offices in New Zealand[3].	
FY2022			
Commenced replacement of diesel and petrol internal combustion engine (**ICE**) vehicles within the New Zealand fleet with hybrid and plug-in hybrids.	Commenced installation of electric vehicle (**EV**) charging stations at key office locations in Auckland, Hamilton and Christchurch.		
FY2023			
Heartland continued the roll out of new generation vehicles[4] within its New Zealand fleet with 45% of all vehicles being hybrid or plug-in hybrids.	Developed an environmental risk screening and sustainability tool to be used in the credit decisioning process to understand the sustainability of Heartland's larger Business and Rural borrowers. Factors considered are environmental, climate, reputational and regulatory (as well as mitigating actions being employed by those borrowers).	Conducted Heartland's first waste audit at its Auckland offices to understand how it can divert more waste from landfill.	
FY2024			
Completed scenario analysis to understand Heartland's climate-related risks and opportunities. Designed and launched Heartland's composite climate risk monitoring tool and prepared its first climate report under the New Zealand Climate-related Disclosures regime.	Employed climate risk modelling software, **Jupiter Intelligence**, to understand Heartland's future exposure to climate hazards and set risk appetite targets as part of Heartland's climate risk management strategy.	Launched a pilot with Australian farmer-led software provider **Ruminati** to enable producers across Australia to track, reduce and validate on-farm climate action across the supply chain.	Continued to partner with leading new generation vehicle distributors. This includes Heartland's white labelled 'MG Finance' partnership with MG Motors NZ and becoming one of Tesla's preferred finance partners in New Zealand.
FY2025			
Developed an initial detailed transition plan to position Heartland's pathway to net zero by FY2050.	Identified as a 'fast follower' and one of the top 3 improvers in Forsyth Barr's 2024 Carbon & ESG ratings of NZX listed companies.	Achieved and outperformed the target to reduce Heartland's absolute gross operational emissions by 42% (against original target of 35%) from the FY2019 base year). Set an updated target in FY2025.	

2 Heartland began its journey and recorded its first emissions inventory for FY2019 in FY2020. This emissions reduction target was in line with science-based targets initiative (**SBTi**) near-term criteria for 2020 or earlier base year approach for SBTi reduction pathways (4.2% year-on-year or above).
3 All New Zealand based offices except Dunedin, Fielding and Wellington.
4 Includes hybrid electric vehicles (**HEV**), plug-in hybrid electric vehicles (**PHEV**), battery electric vehicles (**BEV**), and hydrogen vehicles.

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Strategy

Heartland's strategy

Strategic vision and current business model

Heartland Group is the listed holding company for two banks – Heartland Bank in New Zealand and Heartland Bank Australia. Each bank is focused on providing specialist banking products to enable better lives for New Zealanders and Australians. In both countries, these products include Reverse Mortgages, Livestock Finance and Savings and Deposits. In New Zealand, Heartland Bank also offers Rural Finance, Motor Finance, and Asset Finance.

Heartland Group's role as the listed parent company is to ensure capital is allocated to the parts of its business which generate strong returns, and to set the strategic and risk appetite parameters within which it expects the group entities to operate. This enables Heartland Group to maximise shareholder returns and each bank to enhance the value it offers customers by helping more New Zealanders and Australians with their specialist banking needs.

Heartland Group's FY2025 strategy was focused on:

- **resetting** investment and lending activity toward asset classes where risk and return is calibrated to deliver a return on equity (ROE) of at least 12%
- **integrating** its existing Australian businesses into the acquired ADI to form a new and unique Australian bank (now Heartland Bank Australia) with access to a deep, stable and efficient deposit funding base to fuel growth opportunities
- **changing** Heartland Bank's arrears management, collections and recoveries policies and practices to enable the active derisking and repositioning of non-performing loans in New Zealand while restoring asset quality
- **recycling** capital from Heartland's portfolio of non-strategic assets which do not meet ROE thresholds.

In support of this strategy, within its core product sets, Heartland aims to:

- be the leading provider of funding solutions for older New Zealanders and Australians
- be the pre-eminent provider of rural finance in New Zealand and Australia, focusing on livestock
- be the preferred vehicle financier in New Zealand
- offer innovative and competitively priced term and savings deposits in New Zealand and Australia.

Heartland Bank's environmental sustainability strategy

Heartland Bank's environmental sustainability strategy is built on three pillars:

- integrate climate risks into lending decisions
- fund Heartland borrowers' transition to a net-zero economy
- embed sustainability into what Heartland does.

Integrate climate risks into lending decisions

By understanding, monitoring and managing its potential exposure to climate change risks, Heartland is building its capability to consider climate change risks in its lending decisions.

Fund Heartland borrowers' transition to a net-zero economy

Heartland is promoting and growing an environmentally sustainable business by funding clean assets and assisting customers with the finance and assets they require to transition to a low-emissions economy.

Embed sustainability into what Heartland does

Heartland Bank is committed to operating its business in a more sustainable manner. This includes reducing its operational emissions in line with the Paris Agreement to net-zero by 2050. Upon achieving the previous target to reduce absolute gross operational emissions by 35% from its FY2019 base year, Heartland has set a new short-term science-aligned target, committing to reducing Heartland's absolute operational emissions from its New Zealand based operations by 37.8% by FY2030 from the FY2025 base year, including an absolute reduction of scope 1 and 2 emissions 37.8% from the FY2025 base year.

Scenario analysis

Climate change is a significant and complex problem that will impact Heartland, its employees, customers and suppliers differently.

The two types of climate-related risks that Heartland faces are:

- transition risks – such as changes in policy, legislation, technology, and markets (e.g., the development of zero-emission aviation) as it transitions to a lower-carbon economy
- physical risks – physical impacts of climate change, such as extreme weather events, severe heat waves, sea level rise, erosion, cyclones, and biodiversity loss.

Due to the nature of its business, Heartland is exposed to a combination of physical and transition risks.[5] For example:

- operating from offices across New Zealand and Australia, which are exposed to physical risks from flooding, extreme heat, and storms
- Reverse Mortgage and residential mortgage customers are susceptible to physical risks due to storms, rising sea and river levels, and floods
- Motor Finance and Asset Finance customers are susceptible to the transition risk of the electrification of the fleet
- Rural and Livestock customers face a combination of physical risks such as drought, flooding, and storms; and transition risks such as changes in regulation and consumer preferences.

Heartland's exposure

FY2024 scenario analysis

In FY2024, Heartland refreshed the previous FY2021 scenario analysis using internally developed climate change scenario narratives. This scenario analysis extended to the Australian Livestock Finance business (**StockCo AU** or **Livestock (AU)**), which was acquired by Heartland in FY2022 and not included in the previous analysis. Although this was conducted in FY2024, Australian based scenario analysis has not been considered or approved by Heartland Bank Australia's Board. Heartland Bank Australia is taking the necessary steps to enable scenario analysis in line with sustainability reporting requirements.

Heartland selected three scenarios (known as the "Orderly", "Too Little, Too Late", and "Hot House"), which were primarily developed by the New Zealand Banking Association (**NZBA**), no other external partners were used. These scenarios were used to align with others in the banking sector to improve comparability. These scenarios were also used to challenge Heartland's resilience against the varying transition impacts that arise in the "Orderly" and "Too Little, Too Late" scenarios as well as look to understand the potential physical impacts in their extremes in the "Too Little, Too Late" and "Hot House" scenarios.

These scenarios were then further customised and developed to be relevant and specific to Heartland. The adjustments include a particular focus on the potential impact on property backed mortgage lending, transport, infrastructure / civil engineering, small and midsize enterprises, and the agriculture sector. Once customised, the narratives for each scenario were agreed by a working group comprising senior leaders from across Heartland, including representation from the Heartland Group Sustainability Committee. Summaries of the different scenarios are set out below.

5 Heartland Bank Australia will confirm physical and transition risks as it takes the necessary steps in relation to sustainability reporting.

	Orderly	Too Little, Too Late	Hot House
Scenario summary	In this scenario, collective global action is taken towards the transition to a low-carbon global economy. There is technology, policy, and behaviour change to support the transition, which is matched by an increasing carbon price to incentivise low-carbon behaviour change.	This scenario represents a misaligned and delayed transition to a low-carbon economy. While New Zealand and Australia are early adopters, introducing policies targeting net zero by 2050, economic pressures in Australia during the 2030s slow the pace of its transition. In addition, there is very limited global action towards a low-emissions economy.	This scenario represents a worst-case emissions trajectory with minimal ambition to transition towards a low-carbon economy despite widespread increase in severe weather events, and associated destabilisation of social, political, and economic structures.
Policy trajectory (temperature)	1.5°C	>2°C and <3°C	>3°C
Policy response	Steady and constant	Staggered in late 2020s to 2040	No material response
Technological advancements	Steady and constant	Staggered in late 2020s to 2040	Minimal and driven by cost saving benefits
Physical risks	Moderate	High	Extreme
Transition risks	Moderate	High	Minimal
Reference scenarios	NZBA's Orderly scenario: Intergovernmental Panel on Climate Change (**IPCC**) Standard Socioeconomic Pathway (**SSP**)1-1.9 Climate Change Commission (**CCC**) 'Tailwinds' Australia's Long-Term Emissions Reduction Plan: The Plan scenario	NZBA's Too Little, Too Late scenario: IPCC SSP2-4.5 CCC 'Headwinds'	NZBA's Hothouse scenario: IPCC SSP5-8.5 CCC 'Current policy reference'

Further descriptions of the scenarios and emissions reduction pathways used can be found in Appendix 1.

	Immediate	Short term	Medium term	Long term
Time horizon (year(s))	1 – 2	3 – 5	5 – 7	30
Rationale for selection	Provides a current state assessment and the ability to address immediate transition and acute physical risks and opportunities.	Prior to FY2025: aligns with maximum fixed interest rate periods for Online Home Loans[6]. Broadly aligns with the average term of Business Loans[7]. FY2025: broadly aligns with the average term of Business Loans, and internal strategic planning.	Aligns with the maximum term of the majority of Heartland's credit exposures.	Aligns with maximum loan terms for Online Home Loans[8] and Rural Lending, and the vast majority of the 'expected' term of Heartland's Reverse Mortgage portfolio. Also aligns with long-term international and domestic emissions reduction targets and long-term science-aligned emissions reduction timeframes.

6 From 18 March 2025, Heartland Bank no longer offers Online Home Loans to new customers. This climate report continues to include related discussions for comparative disclosure purposes but further elaborates to reflect any necessary change from FY2024.
7 Business Loan portfolio includes Open for Business loans where Heartland has ceased writing from 10 April 2025 onwards. Similar to Online Home Loans, this climate report continues to include related discussion for comparative disclosure purposes but reflects any necessary change from FY2024.
8 There is no change to long-term time horizon following the decision to cease writing home loan products from 18 March 2025.

The working group identified climate-related risks and opportunities over the short, medium and long term, and assessed how resilient the Group's business strategy would be under the different scenarios.

The identified risks and opportunities from each scenario were scored based on likelihood and impact, taking into account how adaptable Heartland and its assets are, how isolated the risk or opportunity is (e.g., floods quite often only impact an isolated geographical area) and how the risk or opportunity could affect Heartland and the economy as a whole (e.g., severe droughts have the potential to impact the price and supply of food dramatically, leading to inflation and other downstream impacts). Given the uncertainty around which scenario will prevail, the score of each risk and opportunity across the three scenarios were aggregated to assess materiality (i.e., the risks and opportunities with the higher aggregated scores were the highest rated and most material).

The actions Heartland could take to mitigate risk and leverage opportunities were identified, allowing the Group to plan and allocate resources accordingly. These actions are reflected in the Metrics & Targets section as well as Heartland's transition plan on page pages 20 to 21 of this section of this report.

Using three customised scenarios enabled Heartland to gain further understanding of the risks it had identified in the analysis completed in prior years and identify new climate-related risks and opportunities. The use of three customised scenarios also enabled Heartland to identify the risks and opportunities present in each scenario for its product portfolios, when they are likely to occur, and the varying direct and indirect effects on Heartland's business strategy. In turn this enabled Heartland to better understand the resilience of its business model. This work also helped to inform the Group's metrics and targets.

FY2025 scenario analysis

In FY2025, Heartland Group and Heartland Bank conducted a refreshed climate scenario analysis to reassess risks and opportunities following the acquisition of (now) Heartland Bank Australia. Using summarised versions of the same six climate scenario narratives from FY2024 with more focus on climate-related impacts and their downstream consequences, the process involved workshops with senior leaders across Heartland Bank and Heartland Bank Australia, and a qualitative re-evaluation of climate-related risks and opportunities identified in FY2024. The analysis confirmed that the material risks and opportunities identified in FY2024 remain unchanged for the Group, and existing climate targets continue to be appropriate.

Heartland Bank Australia will undertake their own independent scenario analysis exercise to validate its material risks and opportunities and to obtain its own Board's endorsement of those, and of any targets or initiatives that Heartland Bank Australia wishes to pursue in response. Therefore, the risks and opportunities regarded as material in this climate report may not be the most material for the Australian business.

Further scenario analysis will be undertaken thereafter when there is a material change to Heartland's strategy or where Heartland expects the outcome may differ materially due to new information or tools becoming available.

Anticipated risks and opportunities on product portfolios

The below table sets out Heartland's anticipated material risks and opportunities and the product portfolios most likely to be impacted.

Products[9]	Opportunity	Period
• **Asset Finance** • **Business Relationship** • **Open for Business**	• High upfront cost of low-emissions vehicles and machinery, and low operating costs, provides opportunities to finance the low-emissions transition for borrowers.	Immediate to long term
• **Rural and Livestock (NZ)** • **Livestock (AU)**	• Providing tools and education to agricultural customers enabling them to understand their climate-related risks and become more climate resilient could retain and attract customers and identify opportunities to finance our customers' transition to a low-emissions climate resilient economy. • Opportunities to finance farm improvements and emissions reduction initiatives for borrowers (New Zealand only).	Immediate to long term
• **AU Reverse Mortgages** • **NZ Reverse Mortgages** • **Online Home Loans**	• Providing borrowers with the information required to improve the resilience of their properties and adapt to changing climates could retain and attract customers and identify opportunities to finance their transition to a low-emissions economy for borrowers.	Short term, increasing in the long term
	• Increasing demand for more climate-resilient locations could lead to increased lending in more geographical locations.	Medium to long term
	• Financing borrowers' home improvements to improve the resilience of their properties to changing climates.	Immediate, increasing in the long term
• **Motor Finance**	• Financing Heartland borrowers' transition to new generation vehicles. • Partnering with manufacturers and dealerships of low-emissions technology to ensure that Heartland's customers have the option to transition to this technology when they are ready. • Integrating sustainability into Heartland's consumer products to accelerate the decarbonisation of the transport sector.	Immediate to long term
	• Offering alternative transport finance solutions.	Short to long term

9 As the personal loan portfolio is not significant to Heartland, Heartland does not evaluate the opportunities specifically.

Products	Risk	Period	Gross exposure as at 30 June 2025[10]
• **Asset Finance** • **Business Relationship** • **Open for Business**	• Damage from severe climatic events, including closure of infrastructure, could result in losses which could lead to loan defaults. (Physical) • Cost of compliance with new environmental regulations (including costs of adopting low-emissions vehicles and machinery) could lead to loan defaults. (Transition)	Immediate, worsening in the long term	Total New Zealand exposure of $1,007.9m[11] (2024: $1,328.9m) Total Australian exposure of $nil (2024: $0.2m)
• **Rural and Livestock (NZ)** • **Livestock (AU)**	• Drought, bushfires, flooding and increasing risk of disease due to rising temperatures could result in losses or deterioration of economic conditions due to remediation costs which could lead to loan defaults. (Physical) • Potential cost of compliance with new environmental regulations (e.g., proposed on-farm emissions pricing), and increasing emission prices could lead to a reduction in the viability of Heartland's agricultural customers who are unable to adapt effectively, which could lead to loan defaults. (Transition) • Changes to seasonal weather patterns could impact customers' production levels due to changing levels of rainfall or sun hours, which could result in rising costs leading to decreased viability of customers. (Physical)	Immediate, worsening in the long term	Total New Zealand exposure of $720.9m (2024: $709.7m) (2024: 1.55% of the New Zealand portfolio is at high risk of physical climate impacts[12]) Total Australian exposure of $274.1m (2024: $272.0m)
• **AU Reverse Mortgages** • **NZ Reverse Mortgages** • **Online Home Loans**	• Flooding, bushfires, rising sea levels and other physical impacts may impact specific properties over which Heartland has security, or reduce the value of those properties due to weakening demand for climate damaged properties or frequently impacted areas, leading to losses for Heartland. (Physical) • Insurers may increase premiums or cease to provide insurance in areas impacted by flooding, bushfires, rising sea levels and other physical impacts, increasing the risk of losses for Heartland. (Transition)	Immediate, worsening in the long term	Total Australian Reverse Mortgage exposure of $2,137.7m (2024: $1,813.9m) Total Australian Residential Mortgage Loans of $33.5m (2024: $57.2m) Total New Zealand Reverse Mortgage exposure of $1,233.3m (2024: $1,068.2m) (2024: 3.59% of the New Zealand portfolio is at high risk of physical climate impacts[12]) Total Online Home Loan exposure of $171.7m (2024: $317.6m) (2024: 1.13% of the New Zealand portfolio is at high risk of physical climate impacts[12])
• **Motor Finance**	• Costs of adoption of low-emissions vehicles and increasing adoption of alternative modes of transport could decrease demand for vehicles, reducing the value of Heartland's security and increasing the risk of losses for Heartland. (Transition) • Wholesale Lending customers may be unable to sell vehicles due to changing regulation or customer demand, increasing the risk of losses for Heartland. (Transition)	Short to long term	Total exposure of $1,564.9m (2024: $1,630.4m)

10 Unless specified otherwise, all amounts laid out in this climate report are in New Zealand dollars, the presentation currency of Heartland Group's financial statements, and Heartland Bank's disclosure statements as at 30 June 2025 and for the year then ended.

11 This included NZ wholesale motor lending. For financial reporting purposes, such lending was included in business segment in FY2024 but in motor segment in FY2025 following the change of how Heartland manages such loans. There is no such reclassification for climate reporting purposes.

12 Based on Jupiter Intelligence's climate modelling tools 'Climate Score' being over 50 using the Representative Concentration Pathway (**RCP**) 8.5 Scenario out to FY2050. The related information for FY2025 is not available on the date of this climate report. Please refer to Risk Management section for related explanation.

Current impacts of climate-related risks

Current physical impacts

- Cyclone Gabrielle severely impacted the North Island of New Zealand in February 2023. Its effects were widespread, but particularly intense in the Hawke's Bay and Tairāwhiti regions, with large areas of flooding and damage to roads and other infrastructure. The impact of this event continued to be felt in FY2024 and FY2025, with Heartland writing off a loan of approximately $1.4 million in FY2025 (2024: provision of $1.6 million) partly as a result of a single business loan customer who was impacted by this weather event and unable to recover.
- On 31 July 2023, Heartland Bank entered into a Deed of Indemnity with the New Zealand Government to implement the North Island Weather Events Loan Guarantee Scheme. The supported loans are intended to assist New Zealand businesses to manage the impacts of the North Island weather events (during Auckland Anniversary weekend 2023). The facility limit for each supported loan must not exceed $10 million for a maximum of 5 years. The New Zealand Government guarantees 80% of loss incurred with Heartland Bank holding the remaining 20%. The scheme concluded on 30 June 2024. As at 30 June 2025 Heartland Bank had supported loans under this scheme of $31.7 million (2024: $33.2 million). No specific provision as a result of subsequent climate events was made on such loans as at 30 June 2025 (2024: nil).
- In late May 2025, a stationary low-pressure trough resulted in high rainfall and led to multiple flooding events in New South Wales, Australia which experts called a '1-in-500-year' event. The flooding had widespread impact, which included fatalities, thousands of residents displaced and significant infrastructure damage. On 29 May 2025, Heartland Bank Australia informed 261 AU Reverse Mortgage customers that the bank would waive any further advance fee for damage-related expenses. In addition, Heartland Bank Australia also intends to waive any 31-day minimum notice period, early redemption fee, or interest penalties on term deposits if any affected customers require funds for damage-related expenses. As at 30 June 2025, no requests had been made.

Current transition impacts

EV demand

The New Zealand Government's Clean Car Rebate and Clean Car Discount were removed at the end of December 2023. As a result, more than 50% of new cars sold during December 2023 were BEVs or PHEVs as retailers and consumers made use of the rebate, more than doubling the percentage of new cars sold in June 2023. The demand of such vehicles (in terms of new registration and market share) dropped and has remained flat since December 2023.[13] This was also reflected in the drop of new generation vehicles funded by Heartland during the second half of FY2024 from 15.66% of new drawdowns within Heartland's Motor Finance portfolio in the first half to 14.70%. The drawdowns for new generation vehicles were stable in FY2025 and accounted for 16.3% of new Heartland Motor Finance loans written during the year.

StockCo AU x Ruminati partnership

In a strategic collaboration aimed at supporting sustainable farming practices, StockCo AU announced a two-year pilot with Australian farmer-led software provider Ruminati in FY2024. Ruminati is an online emissions calculator created by farmers for farmers. The platform provides accurate climate data and emissions information to help track and validate on-farm climate action across the supply chain.

This collaboration closely aligns with Heartland's ambition to enable farmers to contribute to their personal and industry-wide climate goals while still improving farm productivity and profitability. This partnership involved providing farmers access to the newly released Ruminati PRIME platform, allowing them to generate accurate, detailed and personalised emissions estimates. Within the platform, farmers can also model the impact of methane and CO2e abatement options, set and measure against individual emissions reduction targets, and create tailor-made, future-facing emissions reduction plans. Ruminati's VISION Dashboard allows Heartland to track its customers' emissions reductions. While less than 10 customers are currently sharing their emissions data, Heartland is continuously looking at ways to increase the number of customers who understand their emissions, have emissions reduction plans in place and share them with Heartland.

13 EV Market Stats 2025, evdb.nz.

Heartland's fleet

In FY2025, Heartland continued the transition of its New Zealand fleet to new generation vehicles. As at 30 June 2025, 97% (2024: 91%) of the fleet are new generation vehicles. Once the transition is complete, this is expected to reduce Heartland's scope 1 (2024: category 1) emissions[14] by over 60% from its FY2019 base year.

'End paper postage' project

In FY2025, Heartland Bank launched the 'end paper postage' project to reduce the number of letters posted to customers. This initiative is expected to reduce scope 3 (category 1)[14] emissions by 26.2 tCO2e from FY2021 levels.

Ride-to-own scheme

In FY2025, Heartland initiated a pilot 'ride-to-own scheme' for its employees by partnering with WorkRide. WorkRide is an employee lease-to-own scheme, that allows eligible employees to sacrifice part of their salary to lease an e-bike, bike or scooter of their choice to commute to work, with the option of owning the e-bike, bike or scooter at the end of the lease. The scheme is expected to be rolled out and offered to all New Zealand employees in the first half of FY2026. Any uptake of this scheme would help reducing scope 3 (category 7)[14] emissions.

Funding new generation vehicles

Funding low-emissions assets is one of Heartland's largest climate-related opportunities, which is why Heartland continued to partner with leading new generation vehicle distributors in FY2025. In FY2025, Heartland provided $62.2 million (2024: $55.1 million) to fund 863 EVs and 463 PHEVs (2024: 606 EVs and 474 PHEVs).

Proportion of revenue-generating activities aligned with climate-related opportunities	FY2025	FY2024
Gross financial receivables relating to financing new generation vehicles (% of entire Motor Finance portfolios)	16%	11%

Installation of compost bins

Heartland Bank installed compost bins at its Newmarket, Auckland sites in August 2025. Management expects to reduce waste sent to landfill from these sites by up to 75% from FY2023 levels, and reduce Heartland's corresponding scope 3 (category 5)[14] emissions.

Capital deployed towards climate-related risks and opportunities

The below breakdown defines capital deployment in FY2025 in relation to the climate-related risks and opportunities identified through scenario analysis, and other climate commitments.

Capital deployment (amount of capital expenditure, financing or investment deployed toward climate-related risks and opportunities)	FY2025	FY2024
Ruminati – Project and vision dashboard subscription	-	$0.01m
Purchasing new generation vehicles for Heartland's New Zealand fleet	$0.8m	$1.41m
Jupiter Intelligence ClimateGlobal Services – Climate risk modelling tool	-	$0.14m
Renewable energy certificates (**RECs**) entitled for the power used at Heartland Bank offices[15]	$0.002m	$0.005m
Emissions accounting software and emission verification services	$0.08m	$0.05m
Professional development	$0.001m	$0.005m
Total	**$0.88m**	**$1.61m**

14 Please refer to section "Understanding Heartland's GHG emissions" below for details.
15 Excluding Dunedin, Fielding, Havelock North and Wellington offices.

Assets vulnerable to transition risks

The industries that are most vulnerable to transition risks, and the amount and percentage of assets vulnerable to those transition risks, are monitored in Heartland's Climate-Related Risks – Composite Assessment.

	Total aggregate exposure (TAE) within sector at risk / % of total receivables	
	FY2025	**FY2024**
Amount or percentage of assets or business activities vulnerable to transition risks (New Zealand)		
Agriculture, forestry and fishing	$782.7m / 16.6%	$758.9m / 14.9%
Mining	$9.3m / 0.2%	$10.6m / 0.2%
Manufacturing	$26.4m / 0.6%	$35.1m / 0.7%
Electricity, gas, water and waste services	$17.0m / 0.4%	$18.4m / 0.4%
Construction	$107.9m / 2.3%	$125.8m / 2.5%
Wholesale trade	$7.1m / 0.2%	$8.3m / 0.2%
Retail trade and accommodation	$8.6m / 0.2%	$8.7m / 0.2%
Transport and storage	$297.8m / 6.3%	$344.4m / 6.8%
Financial and insurance	$32.5m / 0.7%	$88.6m / 1.7%
Total receivables (total % at risk)	**$4,710.2m / 27.4%**	**$5,078.4m / 27.5%**
Amount or percentage of assets or business activities vulnerable to transition risks (Australia)[16]		
Agriculture	$277.8m / 11.4%	$272m / 12.6%
Total Receivables (total % at risk)	**$2,445.5m / 11.4%**	**$2,162.7m / 12.6%**
Amount or percentage of assets or business activities vulnerable to transition risks (total)		
Total receivables (total % at risk)	**$7,155.7m / 21.9%**	**$7,241.1m / 23.1%**

Understanding Heartland's GHG emissions

Heartland has been tracking and reporting its GHG emissions since FY2020 using the emissions generated during FY2019 as its baseline year. Heartland takes an operational control approach to consolidating its emissions in alignment with the GHG protocol and ISO 14064-1:2018. This means Heartland Group and Heartland Bank disclose the emissions referable to their respective activities and the emissions of:

Heartland Group

- Heartland Bank
- Before 30 April 2024 (for comparative purposes):
  - Heartland Group's operations in Australia
  - Heartland's equity investments

Heartland Bank

- Heartland Bank Australia's operations (including those previously controlled by Heartland Group from 30 April 2024 onwards)[17]
- Heartland Bank's equity investments and debt investments in liquid assets (including those previously owned by Heartland Group from 30 April 2024 onwards)

16 This figure is subject to change following analysis and confirmation by Heartland Bank Australia's Board approval of risks.
17 For completeness, these emissions are calculated by Heartland Bank and not by Heartland Bank Australia. Heartland Bank Australia is a Group 3 reporting entity under the applicable Australian legislation and will adhere to the reporting obligations and timeframes thereunder.

In FY2024, both Heartland Group and Heartland Bank's GHG inventories were prepared and disclosed in accordance with ISO 14064-1:2018. From FY2025 onwards, as an attempt to enhance comparability across CREs in the banking sector, Heartland elected to change its GHG inventory preparation framework to GHG Protocol. There is no difference on the classification of scope 1 and 2 emissions between these two frameworks. Scope 3 emissions under ISO 14064-1:2018 are caught under categories 3-6 and are further split into various subcategories while there are 15 categories under the GHG Protocol. A mapping of categorisation in terms of scope 3 emissions between these two frameworks is laid out below. In other discussions in this climate report, Heartland discloses reconciliation of categories between these two frameworks as necessary.

ISO 14064-1:2018		GHG Protocol
Category	**Subcategory (Annex B)**	
3. Indirect GHG emissions from transportation	• Upstream transport and distribution of goods • Downstream transport and distribution of goods • Employee commuting • Client and visitor transport • Business travel	3. Fuel- and energy-related activities (not included in scope or scope 2) 4. Upstream transportation and distribution 6. Business travel 7. Employee commuting 9. Downstream transportation and distribution
4. Indirect GHG emissions from products used by an organisation	• Purchased goods • Capital goods • Disposal of solid and liquid waste • Upstream leased assets • Use of services	1. Purchased goods and services 2. Capital goods 5. Waste generated in operations 8. Upstream leased assets
5. Indirect GHG emissions associated with the use of products from the organisation	• Use stage of the sold products • Downstream leased assets • End of life stage of sold products • Investments	10. Processing of sold products 11. Use of sold products 12. End-of-life treatment of sold products 13. Downstream leased assets 14. Franchises 15. Investments
6. Indirect GHG emissions from other sources[18]	Subject to reporting entity's definition	Optional "other" category GHG Protocol

The Group also aligns its calculation methodologies with the Partnership for Carbon Accounting Financials' (**PCAF**) Financed Emissions – The Global GHG Accounting & Reporting Standard Part A (Second edition, December 2022) (**PCAF Financed Emissions Standard**) to calculate financed emissions[19] (scope 3 (ISO: category 5; GHG Protocol: category 15)).

Refer to Appendices 2 and 3 for more detail about the descriptions of each emissions category, methodologies used to calculate and split the emissions between Heartland Group and Heartland Bank.

Heartland initially measured its operational emissions[20] and committed to reduce them by 35% by FY2025, from the FY2019 base year. Since Heartland set this target, it has introduced an array of initiatives to reduce its emissions. These initiatives include but are not limited to:

- transitioning full internal combustion diesel vehicles out of its fleet
- switching the electricity used at Heartland's offices to electricity that is generated and re-invested into renewable energy production (most of Heartland Bank's New Zealand offices)
- getting RECs for related electricity used in the majority of Heartland's New Zealand offices
- conducting waste audits to understand the amount of waste generated by Heartland and what can be diverted from landfill to reduce waste-related emissions.

18 Heartland has no emissions falling into this category.
19 The emissions generated through customers that are enabled by finance provided by Heartland.
20 Includes scope 1, 2, and selected scope 3 emissions that Heartland has operational control over including freight, flights, car rentals, taxi, working from home emissions, electricity transmission losses and waste generated in operations.

Since its FY2019 base year, Heartland has achieved its goal and delivered a 42% reduction in operational emissions (as shown below).

GHG emissions sources	GHG Protocol	ISO 14064-1:2018	FY2019 (tCO2e)	FY2020 (tCO2e)	FY2021 (tCO2e)	FY2022 (tCO2e)	FY2023 (tCO2e)	FY2024 (tCO2e)	FY2025 (tCO2e)	% change from FY2024	% change from FY2019 base year
Direct GHG emissions that occur from sources owned or controlled by Heartland (Direct GHG Emissions)											
Company vehicles (diesel, petrol, hybrid)[21]	Scope 1	Category 1	489	406	427	296.39	361.67	286.74	265.6	**(7%)**	**(46%)**
GHG emissions associated with the generation of electricity that is purchased and consumed by Heartland (Electricity Indirect GHG Emissions)											
Electricity (market-based)[21]	Scope 2	Category 2	102	87.5	17.5	18.13	28.97	46.03	55.5	**21%**	**(46%)**
Emissions that are a consequence of Heartland's activities, but occur from sources not controlled by Heartland other than purchased electricity (Other Indirect GHG Emissions)											
Printed materials sent to customers	Scope 3 (category 1)	Category 4	62	32.5	31.42	31.66	38.11	22.16	**59.5**	**169%**	**(4%)**
Energy / Electricity-related activities	Scope 3 (category 3)	Category 3	8.3	8.5	9.9	9.55	9.6	7.61	**10.8**	**42%**	**30%**
Waste generated in operations	Scope 3 (category 5)	Category 4	212	258	234.1	6.7	15.39	9.54	**11.1**	**16%**	**(95%)**
Business travel (flights, rentals, taxi only)	Scope 3 (category 6)	Category 3	283.04	160.1	73.81	56.4	445.36	314.43	**264.9**	**(16%)**	**(6%)**
Employee commuting (work from home emissions only)	Scope 3 (category 7)	Category 3	N/A	N/A	5.08	41.64	25.66	11.10	**9.0**	**(19%)**	**N/A**
Total scope 3 (ISO: categories 3 – 4)			565.34	459.1	354.31	145.95	534.12	364.84	**355.2**	**(3%)**	**(37%)**
Total			**1,156.34**	**952.6**	**798.81**	**460.47**	**924.76**	**697.61**	**676.4**	**(3%)**	**(42%)**

In FY2023, Heartland began to take a more comprehensive approach to calculating its emissions by also measuring "downstream emissions" which includes a wider range of emission categories, such as hotel accommodation, emissions generated through certain purchased goods and services, and financed emissions. In FY2025, Heartland has set new short-term emissions reduction targets which includes Heartland's ambition to reduce other emissions throughout its value chain. As a result, the FY2019 base year will not be used after FY2025. Heartland has set a new science-aligned target to reduce Heartland's absolute operational emissions from its New Zealand based operations by 37.8% by FY2030 from the FY2025 base year, including an absolute reduction of scope 1 and 2 emissions 37.8% from the FY2025 base year.

21 ISO categories 1 and 2 (market and location based) tCO2e absolute emissions of Heartland Group and its subsidiaries were included in the scope of PwC's limited assurance engagement for the year ended 30 June 2024. For the year ended 30 June 2025, PwC's limited assurance engagement covers GHG Protocol scope 1 and 2 (location based) tCO2e absolute emissions for Heartland Group and its subsidiaries and Heartland Bank and its subsidiaries. No other amounts or calculations have been included in the assurance engagement and are not covered by the limited assurance reports issued.

Heartland Group and its subsidiaries

In FY2025, Heartland Group and its subsidiaries emitted a total of 876,512 (2024: 933,284 (restated)) tCO2e throughout its value chain, as detailed below[21].

GHG emissions sources	GHG Protocol	ISO 14064-1:2018	Emissions per scope / category (tCO2e)	
			FY2025	FY2024 (Restated)
Direct GHG Emissions[21]	Scope 1	Category 1	266	287
Electricity Indirect GHG Emissions[21]	Scope 2 (location based)	Category 2 (location based)	123	127
	Scope 2 (market based[22])	Category 2 (market based[22])	56	46
Other Indirect GHG Emissions	Scope 3 (category 1)	Category 4	3,516	1,779
	Scope 3 (category 2)	Category 4	79	N/A
	Scope 3 (category 3)	Category 3	77	78
	Scope 3 (category 5)	Category 4	40	11
	Scope 3 (category 6)	Category 3	299	358
	Scope 3 (category 7)	Category 3	426	237
	Scope 3 (category 13)	Category 5	6,627	6,668
	Scope 3 (category 15)	Category 5	865,058	923,739
Total (location based)			**876,512**	**933,284**
Total (market based)			**876,444**	**933,203**

There is a significant increase in scope 3 (category 1) emissions in FY2025 following the inclusion of new material emissions-generating activities of this category in GHG inventories this year. Heartland Group also included emissions arising from purchase of capital goods (category 2) this year.

Emissions intensity of Heartland Group and its subsidiaries for FY2025 was 2,728 (2024: 3,211) tCO2e/$ million[23]. Scope 2 (location based) emissions in FY2024 were restated from 105 tCO2e to 127 tCO2e following a significant change of most recently published relevant emissions factors. The total emissions were also changed from 933,262 tCO2e to 933,284 tCO2e.

Heartland Bank and its subsidiaries

Heartland Bank and its subsidiaries are responsible for the emissions generated throughout its operations (including emissions referable to its employees) and value chain. From 1 May 2024, this included the emissions generated through the operations of its subsidiary, Heartland Bank Australia.[24]

21 ISO categories 1 and 2 (market and location based) tCO2e absolute emissions of Heartland Group and its subsidiaries were included in the scope of PwC's limited assurance engagement for the year ended 30 June 2024. For the year ended 30 June 2025, PwC's limited assurance engagement covers GHG Protocol scope 1 and 2 (location based) tCO2e absolute emissions for Heartland Group and its subsidiaries and Heartland Bank and its subsidiaries. No other amounts or calculations have been included in the assurance engagement and are not covered by the limited assurance reports issued.

22 Market based takes into account renewable energy certificates obtained by Heartland Bank for all of its New Zealand offices except for its Dunedin, Fielding, Havelock North and Wellington offices.

23 Total tCO2e/$ million of Heartland's net operating income in respective financial years.

24 For completeness, these emissions are calculated by Heartland Bank and not by Heartland Bank Australia. Heartland Bank Australia is a Group 3 reporting entity under the applicable Australian legislation and will adhere to the reporting obligations and timeframes thereunder.

For FY2025, Heartland Bank and its subsidiaries emitted a total of 876,278 (2024: 916,462 (restated)) tCO2e throughout its value chain, as detailed below[21].

GHG emissions sources	GHG Protocol	ISO 14064-1:2018	Emissions per scope / category (tCO2e)	
			FY2025	FY2024 (Restated)
Direct GHG Emissions[21]	Scope 1	Category 1	265	241
Electricity Indirect GHG Emissions[21]	Scope 2 (location based)	Category 2 (location based)	117	93
	Scope 2 (market based[22])	Category 2 (market based[22])	51	12
Other Indirect GHG Emissions	Scope 3 (category 1)	Category 4	3,395	1,158
	Scope 3 (category 2)	Category 4	79	N/A
	Scope 3 (category 3)	Category 3	76	64
	Scope 3 (category 5)	Category 4	40	7
	Scope 3 (category 6)	Category 3	216	112
	Scope 3 (category 7)	Category 3	405	208
	Scope 3 (category 13)	Category 5	6,627	10,065
	Scope 3 (category 15)	Category 5	865,058	904,514
Total (location based)			**876,278**	**916,462**
Total (market based)			**876,212**	**916,381**

There is a significant increase in scope 3 (category 1) emissions in FY2025 following the inclusion of new material emissions-generating activities of this category in GHG inventories this year. Heartland Bank also included emissions arising from purchase of capital goods (category 2) this year.

Emissions intensity of Heartland Bank and its subsidiaries for FY2025 was 2,672 (2024: 3,842) tCO2e/$ million[25]. Scope 2 (location based) emissions in FY2024 were restated from 71 tCO2e to 93 tCO2e following a significant change of most recently published relevant emissions factors. The total emissions were also changed from 916,440 tCO2e to 916,462 tCO2e.

Financed and leasing emissions

Financed emissions are the emissions that are generated by Heartland's customers and enabled by finance provided by Heartland. Leasing emissions are originated when Heartland leases out owned vehicles and properties, as well as entrusts farms to be operated by an external party. As a financial institution, Heartland's financed and leasing emissions are the source of most of its emissions and, therefore, where Heartland has the biggest potential to make positive climatic impacts. By measuring its financed and leasing emissions, Heartland can better inform its approach on how to assist its customers in the just transition to a low-carbon economy. Obtaining improved data quality would enable Heartland to make more informed finance and partnership decisions and allow better discussions between Heartland and its customers about transitioning to a low-emissions economy. In this regard, Heartland intends to continue to improve the data quality score of its portfolios, such as Asset Finance, Business Relationship, Rural, and Livestock Finance in New Zealand as these make up most of Heartland's emissions as detailed in the following table.

Heartland estimates its financed and leasing related emissions in FY2025 to be 871,685 (2024: 930,407) tCO2e.

21 ISO categories 1 and 2 (market and location based) tCO2e absolute emissions of Heartland Group and its subsidiaries were included in the scope of PwC's limited assurance engagement for the year ended 30 June 2024. For the year ended 30 June 2025, PwC's limited assurance engagement covers GHG Protocol scope 1 and 2 (location based) tCO2e absolute emissions for Heartland Group and its subsidiaries and Heartland Bank and its subsidiaries. No other amounts or calculations have been included in the assurance engagement and are not covered by the limited assurance reports issued.

22 Market based takes into account renewable energy certificates obtained by Heartland Bank for all of its New Zealand offices except for its Dunedin, Fielding, Havelock North and Wellington offices.

25 Total tCO2e/$ million of net operating income of Heartland Bank and its subsidiaries in respective financial years.

	FY2025				FY2024			
	tCO2e	% of categories 13 and 15 (ISO: category 5)	Emissions intensity (kg CO2e/$)	PCAF score (option)[26]	tCO2e	% of categories 13 and 15 (ISO: category 5)	Emissions intensity (kg CO2e/$)	PCAF score (option)[26]
Downstream leased assets (category 9 (ISO: category 5) activities)								
Operating lease commercial	978	0.1%	0.09		966	0.1%	0.11	
Operating lease motor	524	0.1%	0.07		868	0.1%	0.15	
Other properties managed by / leased to other parties	5,125	0.6%	-		4,834	0.5%	-	
Subtotal	**6,627**				**6,668**			
Financed emissions (category 15 (ISO: category 5) activities)								
Rural (NZ)	60,241	6.9%	0.13	5.00 (3b)	90,776	10%	0.18	5.00 (3b)
Livestock (NZ)	340,094	39%	1.89	5.00 (3b)	329,200	35%	1.65	5.00 (3b)
"Leased" Livestock NZ[27]	119,707	13.7%	2.13		127,945	14%	9.59	
Livestock (AU)[27,28]	81,131	9.3%	0.29		17,867	2%	0.07	
Motor Finance	106,443	12.2%	0.07	2.07 (2a)	159,942	17%	0.10	2.07 (2a)
Asset Finance	48,524	5.6%	0.08	4.84 (3b)	66,064	7%	0.05	4.87 (3b)
Business Relationship Loans	42,986	4.9%	0.20	4.84 (3b)	79,467	9%	0.21	5.00 (3b)
Open for Business	6,016	0.7%	0.10	4.96 (3b)	13,002	1%	0.15	4.96 (3b)
Wholesale Finance NZ	6,553	0.8%	0.05	5.00 (3b)	21,268	2%	0.15	5.00 (3b)
Online Home Loans NZ	199	0.02%	0.02	4.00 (2b)	289	0.03%	0.0009	4.01 (2b)
Residential NZ	123	0.01%	0.02	5.00 (3)	280	0.03%	0.04	5.00 (3)
Residential AU[28]	1,220	0.1%	0.04	5.00 (3)	443	0.05%	0.01	5.00 (3)
Reverse Mortgages (NZ)	1,826	0.2%	<0.01	4.01 (2b)	1,341	0.1%	0.01	4.01 (2b)
Reverse Mortgages (AU)[28]	11,331	1.3%	0.01	5.00 (3)	10,951	1%	0.01	5.00 (3)
Listed and unlisted equity	853	0.1%	<0.01	2.58 (1b)	1,357	0.2%	0.03	4.98 (3b)
Debt investments in listed corporate and government bonds and notes	36,860	4.2%	<0.01	1.02 (1a)	N/A	N/A	N/A	N/A
Personal Loans	952	0.1%	0.08		3,543	0.4%	0.16	
Harmoney	N/A	N/A	N/A		25	<0.01%	0.17	
Subtotal	**865,058**				**923,760**			
Total	**871,685**				**930,407[29]**			

Except for Livestock (AU), the increase or decrease in emissions across years were primarily driven by the increase or decrease in the corresponding loan portfolios at the end of the financial years. The emissions arising from Livestock (AU) has increased in FY2025, triggered by a return to growth with over one million livestock funded in FY2025. Heartland also included emissions arising from debt investments in listed corporate and government bonds and notes in FY2025. Heartland's financed and leasing emissions calculation methodologies and how Heartland estimates emissions can be found in Appendix 2.

26 Except for "Leased" Livestock NZ and Livestock (AU) (see footnote 27), applicable to financed emissions only.
27 "Lease" Livestock NZ and Livestock (AU) were classified as downstream leased assets in FY2024 based on the legal forms of the related transactions. Heartland has reclassified these to financed emissions to align with Heartland's approach to financial reporting.
28 For completeness, these emissions are calculated by Heartland Bank and not by Heartland Bank Australia. Heartland Bank Australia is a Group 3 reporting entity under the applicable Australian legislation and will adhere to the reporting obligations and timeframes thereunder.
29 Sum differs due to rounding numbers

Internal emissions price

Heartland does not use an internal emissions price for business activity. However, where needed, the current New Zealand Emissions Trading Scheme (**ETS**) price per New Zealand Unit is used (e.g., savings on potential carbon offsets when considering the cost between an EV and ICE vehicle).

Heartland's transition plan

In FY2025, Heartland developed its transition plan for its New Zealand based operations, which outlines:

- Heartland's climate-related strategic ambition to become a climate resilient, net-zero operational emissions, financial services provider, that provides financial products which support its customers to reach their own climate resilient targets
- how Heartland plans to respond to the risks and opportunities presented by a changing climate, including how Heartland's current business model might change or adapt to mitigate the risk, and capitalise on the opportunities
- the extent to which the transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.

Heartland's transition plan is built upon the three core pillars of Heartland's environmental sustainability strategy. These pillars include several supporting targets (shown within the Metrics & Targets section on pages 23 to 25) and initiatives over the short, medium, and long term that are aligned to the execution of the transition plan, and Heartland's commitments as a member of the Climate Leaders Coalition.

Heartland's transition plan includes initiatives that directly or indirectly require capital expenditure, with expenditure and funding to be allocated on a case-by-case basis. Allocation of capital and project funding is considered as part of Heartland's annual budgeting and business planning cycles and Board strategy processes. Transition aspects of Heartland's strategy that are aligned with its internal capital deployment and funding decision-making process will likely change annually and will be disclosed within Heartland's future climate reports, but are expected to include investments regarding:

- improvements in climate risk capability including improved emissions measurement tools, climate hazard risk data, education and upskilling Heartland employees, and customers' ability to manage climate risk
- membership and subscriptions to industry groups that advocate for policy that supports the just transition to a low-emissions economy and low-emissions technology uptake
- internal investment into Heartland's workspaces and people to decarbonise Heartland's operations, including, but not limited to, water and waste optimisation and reduction initiatives, EV charging installations, commuting to work related emissions reduction initiatives, and the procurement of low-emissions renewable energy
- expenditure on system upgrades that allow for better climate-related reporting, the procurement of low-emissions goods and services, and engagement with the supply chain
- funding related to decarbonisation (low-emissions vehicles or energy efficient technology) or climate resiliency initiatives for Heartland's customers.

Assumptions surrounding the transition plan can be found in the 'Transition plan: limitations, uncertainties, key assumptions and dependencies' section in Appendix 3.

Due to the nature of climate-related risks, many of the risks and opportunities will transpire over the medium to long term, and accordingly, there is a degree of uncertainty associated with them (for this reason a large number of the initiatives reach out only over the short term, to allow for Heartland to complete the disclosed initiatives and then re-assess newly available low-emissions technology and market demand). Instead of ignoring these due to them not impacting Heartland now, Heartland monitors 'signposts' which indicate that a particular risk or opportunity is more or less likely to manifest such as monitoring carbon prices, or market share trends for alternative modes of transport.

Heartland monitors its signposts, along with metrics and targets that align with the risks and opportunities identified within scenario analysis quarterly and reports its findings to the Sustainability Committee. This report will allow Heartland to monitor the progress of its transition plan execution over the long-term, including the execution of initiatives to capitalise on new opportunities as they arise and take proactive action against climate-related risks.

Summary	Strategic ambition components of Heartland's transition plan	Immediate	Short term	Medium term	Long term
1. Integrate climate risks into lending decisions	**Implementation** Embed climate considerations into the lending decisions and portfolio assessments of Heartland's high-risk portfolios.	Automate customer climate risk assessment and monitor high-risk property exposure.	Continue to review policies and conditions on identified high climate risk sectors and/or businesses that are otherwise harmful to the climate to effectively mitigate risks to align with Heartland's climate resilient objectives and priorities.		
	Engagement Engagement and education of customers on their climate risks.	Educate customers about their climate-related risks and opportunities, and risk management activities to allow customers to make climate-informed decisions for themselves and their businesses that are both effective and efficient.			
	Governance Consistently improve Heartland's climate risk and opportunity assessment and disclosure capabilities as new data and information is released.	Review Heartland's climate-related risks and opportunities frequently to ensure they are still current and relevant including review of whether the scenario analysis process needs to be undertaken, or the transition plan needs to be updated.			
	Implementation/Governance Consistently improve Heartland's climate risk and opportunity assessment and disclosure capabilities as new data and information is released.	Partner with financed emission and climate risk data providers to improve Heartland's understanding of its climate-related risks.			
2. Fund Heartland borrowers' just transition to a net-zero economy	**Implementation** Provide the funding for customers to transition to a low-emissions, and climate resilient future, utilising product innovation where possible.	Product innovation and execution of existing strategy with new low-emissions technology: • Asset Finance • Motor Finance • Reverse Mortgages (NZ) • Rural and Livestock (NZ).			
	Engagement Partner and collaborate with industry leaders that provide technologies, services, advocacy and tools that accelerate the just transition for Heartland's key sectors.	• Advocate for climate topics in public forums to accelerate just transition • Provide customers education on benefits and incentives for low/zero-emissions technology			
3. Embed sustainability into what Heartland does	**Implementation** Reduce operational emissions in line with 1.5°C.	Reduce Heartland's absolute operational emissions from its New Zealand based operations by 37.8% by FY2030 from the FY2025 base year, including an absolute reduction of scope 1 and 2 emissions 37.8% from the FY2025 base year.		Lead scope 3 carbon reduction via waste diversion, carbon budgets, and low-emissions policies.	Reach net-zero GHG operational emissions by FY2050.
		Continue the transition of Heartland's fleet to battery electric vehicles, and low-emissions vehicles where battery vehicles are not appropriate (~60% emissions reduction in scope 1 emissions).			
	Implementation Empower employees to support customers and communities through climate capability training, culture, and knowledge.	• Coordinate volunteer days with local eco-focused nonprofits organisations • Provide regular climate education to staff • Upskill employees and promote sustainable practices			
	Engagement Proactively enabling and engaging with employees, Board, suppliers, and key corporate stakeholders across the value chain to reduce their emissions and reduce their climate change risks.	Reduce employee emissions by encouraging low-emissions transport options.	Collaborate with key suppliers to improve GHG reporting, ensure transition plans, and reduce scope 3 emissions and supply chain risk.		

02

Metrics & Targets

Strategic ambition components of transition plan		Target	FY2024 status	FY2025 status	Commentary
Integrate climate change risks into lending decisions	**Implementation** Embed climate considerations into the lending decisions and portfolio assessments of Heartland's high-risk portfolios.	**Limit Heartland's "high" climate-related risk exposure** within its NZ Reverse Mortgage and Online Home Loan[30] portfolios to less than 4% of total exposures.	**Achieved** (Exposure of 3.1%)	**On hold**	• "High" risk is where the Climate Score assessed by Jupiter Intelligence for an exposure exceeds 50. • While Heartland is in the process of negotiating an alternative supplier following the end of the contract with Jupiter Intelligence (see Risk Management section for details), it had not concluded the result at 30 June 2025.
		Set Heartland's risk appetite limit for "high" climate-related risk exposures within its AU Reverse Mortgage portfolio during FY2025.	**Underway**	**Under review**	Due to Heartland switching climate risk modelling tool provider in the second half of FY2025, this is yet to be implemented. Once governance arrangement and strategy is set and agreed by the Heartland Bank Australia Board, climate-related targets and metrics will be confirmed for Australia and articulated with appropriate reporting setup to support oversight and governance.
		Extend Heartland's climate-related risk tool to the credit assessment process for new Reverse Mortgage, Online Home Loan, Livestock Finance and Rural exposures in New Zealand during FY2026.	**Not yet started**	**On hold**	Due to Heartland switching climate risk modelling tool provider in the second half of FY2025, this is yet to be implemented and is expected to start in FY2026. Due to Online Home Loans being wound down, the climate-related risk tool is not expected to be incorporated into the application process for these loans. Heartland Bank Australia targets have not yet set and adopted, as it is a Group 3 reporting entity to comply with AASB S2 *Climate-related Disclosures* (**AASB S2**) for climate-related risks and opportunities and is actively developing its own tailored strategy.
		Apply Heartland's Environmental Risk Screening and Sustainability Tool to all new Rural and Business customers[31] in New Zealand during FY2025 and require the provision of supporting information from FY2026.	19.31%[32]	**Achieved** (100%)	By end of FY2025, 232 customers were assessed using the tool. Results showed that the majority of ratings fell within low/medium risk profile. It presents low risk from reputational and regulatory perspectives. This is now set into business-as-usual processes, and the target will not be renewed into FY2026.
	Engagement Engagement and education of customers on their climate risks.	Begin surveying all Rural and Livestock customers in New Zealand, on their awareness of biohazard risks, climate-related physical hazards, and climate-related transition risks with the intention of surveying all by the end of FY2028.	**Not yet started**	**On hold**	This is a FY2025 target that has been rolled over to begin in FY2026 due to Heartland switching climate risk modelling tool provider in the second half of FY2025. The climate risk data will allow for more data informed conversations with customers. The new timeframe aligns with Heartland Bank's scheduled review period for its Rural Direct customers allowing this to be done at the next credit review. Heartland Bank Australia targets have not yet set and adopted, as it is a Group 3 reporting entity to comply with AASB S2 for climate-related risks and opportunities and is actively developing its own tailored strategy.

30 Does not include Heartland's legacy residential home loan exposures, which are grandfathered.
31 With a TAE of at least $1 million.
32 19.31% of approvals since September 2023.

Strategic ambition components of transition plan		Target	FY2024 status	FY2025 status	Commentary
Integrate climate change risks into lending decisions	**Engagement** Partner and collaborate with industry leaders that provide technologies, services, advocacy and tools that accelerate the just transition for Heartland's key sectors. **Engagement** Engagement and education of customers on their climate risks.	Select partner(s) to help **launch a portfolio-specific climate-related communication strategy by FY2027**.	**Not yet started**	**Not complete**	Not completed during FY2025. This target is now extended to FY2027 in order to provide more time for low-emissions technology to be available in selected portfolios to deliver portfolio-specific communication strategies that add value to the customers.
	Implementation/ Governance Consistently improve Heartland's climate risk and opportunity assessment and disclosure capabilities as new data and information is released.	Improve Heartland's financed emissions data quality by **understanding the on-farm emissions of its 100 largest Australian Livestock Finance borrowers, and 100 largest New Zealand Rural or Livestock Finance borrowers**, by the end of FY2025.	**Underway**	**New Zealand: 39/117** **Australia: 0/100**	**Australia** – Once governance arrangement and strategy is set and agreed by the Heartland Bank Australia Board, climate-related targets and metrics will be confirmed for Australia and articulated with appropriate reporting setup to support oversight and governance. **New Zealand** – Contacted 117 customers, received emission information for 39. Heartland Bank will continue to work on understanding the on-farm emissions of its customers to better understand its transition risks, and better support its customers in meeting their environmental responsibilities where needed.
	Implementation/ Governance Consistently improve Heartland's climate risk and opportunity assessment and disclosure capabilities as new data and information is released.	**Improve Heartland's financed emissions data quality** by achieving an overall weighted average PCAF data quality score of less than 4 by the end of FY2027.	**Underway** (4.38)	**3.83**	Heartland has onboarded Generate Zero, a financed emissions estimation tool, which allows it to gain a PCAF data quality score of 4 for most of its New Zealand based property exposures. Heartland has estimated the financed emissions of its Motor Finance portfolio in line with PCAF Financed Emissions Standard, and gain a PCAF Data Quality Score of 2 for the majority of its portfolio. For further information on financed emissions calculation methodologies, refer to Appendix 2.

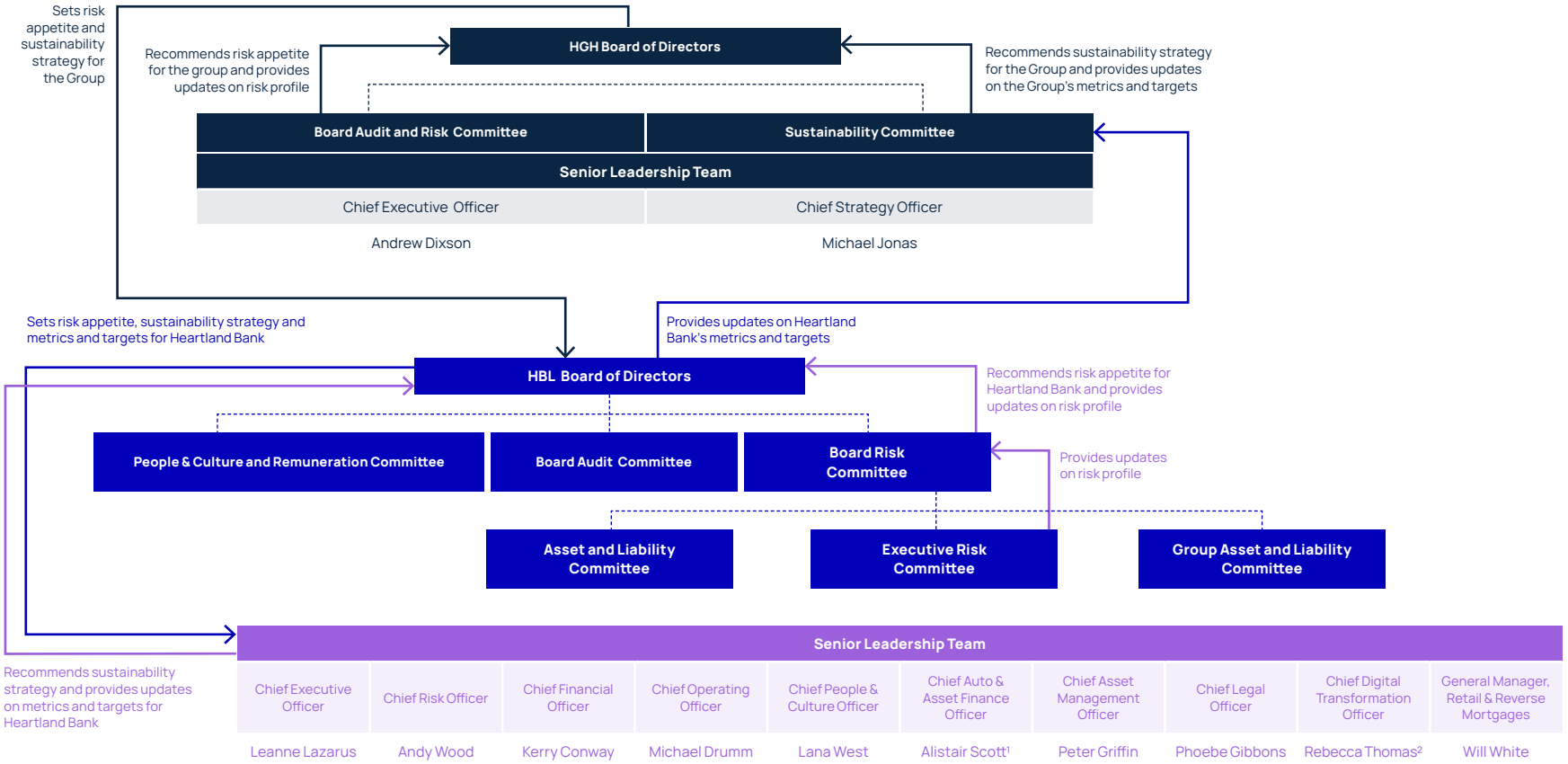
Strategic ambition components of transition plan		Target	FY2024 status	FY2025 status	Commentary
Fund Heartland borrowers' transition to a net-zero economy	**Implementation** Provide the funding for customers to transition to a low-emissions, and climate resilient future, utilising product innovation where possible.	**Increase the percentage of new generation vehicles** funded in the New Zealand Motor Finance portfolio year on year (from a FY2024 base year) to 30% by FY2030.	**Established baseline** (of 15% new generation lending)	16.3%	Heartland Bank continues to partner with new generation vehicle distributors in FY2025 such as Kia, Jaguar Land Rover, Tesla, MG, Peugeot Citroen, and Opel positioning Heartland Bank as a leading new generation vehicle financier.
		Heartland's **market share of funding for new generation vehicles** will exceed the total market share of its New Zealand Motor Finance portfolio from FY2025.	**Commences in FY2025**	Heartland's market share of new vehicles: **4.29%**. New new-generation vehicle market share: **2.68%**.	Heartland achieved market share of funding new new-generation vehicles of 2.68% when its Motor Finance portfolio accounted for 4.29% of market share for new vehicles by 30 June 2025. This target is greatly influenced by external factors outside of Heartland's control and after further review will not be rolled over into FY2026.
Embed sustainability into what Heartland does	**Implementation** Reduce operational emissions in line with 1.5°C.	Reduce Heartland's absolute operational emissions from its New Zealand based operations by **37.8% by FY2030 from the FY2025 base year**, including an absolute reduction of scope 1 and 2 emissions 37.8% from the FY2025 base year[33]. (Pre-FY2026: 35% by the end of FY2025 (from the FY2019 base year of 1,156.34 tCO2e)).	**Underway** (40% reduction on FY2019 base year)	**Not yet started** (Pre-FY2026 target: achieved)	
	Implementation Empower employees to support customers and communities through climate capability training, culture, and knowledge.	**Develop an internal climate risk professional development course** by FY2026 to upskill and establish climate knowledge within employees and encourage individual sustainable practices. The intention is for all Heartland employees to complete the course by FY2027.	**Not yet started**	**Not yet started**	
	Implementation Reduce operational emissions in line with 1.5°C.	Reduce Heartland's absolute operational emissions to **net-zero by FY2050 from a FY2025 (2024: FY2023) baseline**, in line with the Paris Agreement.	**Underway** (25% reduction from FY2023 base year)	**Not yet started** (Pre-FY2026: 27% reduction from FY2023 base year)	Heartland developed its transition plan for its New Zealand based operations in FY2025 to set a path toward achieving this target. The transition plan identifies the extent to which Heartland will rely on offsets and other market-based instruments such as renewable energy procurement to meet this target. See Strategy section for more details.

33 This emissions reduction target was set in line with SBTi's guidance for targets set after 2020 for limiting global warming below 1.5°C above pre-industrial levels and reach net-zero by 2050 at the latest.

03
Governance

Overall governance

The following diagram outlines the processes by which the governance bodies are informed about climate-related risks and opportunities, how they ensure climate-related matters are considered when overseeing the implementation of strategy and how they govern climate risks and opportunities.



Heartland Bank Australia's climate governance structure is currently under review. Currently, reporting of the progress of the Australian ESG plan is provided to the Risk Management Committee of Heartland Bank Australia.

1 Alistair Scott joined Heartland Bank as Chief Auto & Asset Finance Officer on 8 September 2025.
2 Rebecca Thomas joined Heartland Bank as Chief Digital Transformation Officer on 15 September.

Heartland Group

Heartland Group's Board is responsible for its corporate governance, strategy and risk appetite. This includes ensuring that Heartland Group's strategy and risk appetite takes into consideration climate-related risks and opportunities. The Board is supported in this work by its Board Committees.

Heartland Group's business is primarily conducted within Heartland Bank and Heartland Bank Australia, therefore assessment and management of climate-related risks and opportunities occurs most actively within these entities. Consequently, the Board oversees the Group's climate-related risks and opportunities but does rely on Heartland Bank and Heartland Bank Australia's management teams for assessing and managing climate-related risks and opportunities (and for reporting and information).

A description of how the Board oversees the Group's climate-related risks and opportunities is set out below, together with a description of management's role in assessing and managing climate-related risks and opportunities.

	Strategy, metrics and targets	Risk management	Climate reporting and climate-related matters in financial reporting
Board	The Board oversees the Group's strategy, including its climate strategy. In FY2025, the Board met 11 (2024: 13) times. The Board approved Heartland's Sustainability Strategy (which includes its environmental strategy, and various initiatives related to that strategy).	The Board reviews the Group's risk appetite annually, including a specific risk appetite for climate-related risks. The Board receives a verbal update from the Chair of the Board Audit and Risk Committee at each meeting which covers all relevant risk matters.	Heartland's climate reporting and financial reporting are approved by the Board upon the recommendation of the Sustainability Committee, Board Audit and Risk Committee, respectively.
Board Committees	Heartland Group's **Sustainability Committee** meets quarterly to consider climate-related risks and opportunities and provide updates, guidance, and leadership regarding climate initiatives. The Sustainability Committee met 4 (2024: 3) times during FY2025. The Committee is provided with a quarterly report from Heartland Bank's Chief Operating Officer which addresses the Group's progress against the initiatives, metrics and targets as well as climate-related risks and opportunities. The Committee also receives reports from other Executives in respect of matters relevant to the Committee's purpose. Using those reports, the Committee monitors progress against the initiatives, metrics and targets, and makes recommendations to the Board to update and/or set new metrics and targets from time to time. The Committee also considers whether the appropriate climate-related skills and competencies exist across the Group (both at Board and Management levels).	The **Board Audit and Risk Committee** provides advice to the Board in relation to the formulation of its risk appetite. The Committee also provides the Board with guidance as to whether all relevant risks within the key risk categories (including climate-related risks) have been appropriately identified, managed, and reported to the Board. The Committee met 8 (2024: 11) times during FY2025 and received a report at each meeting on the status of the Group's emerging risks, including climate risks from Heartland Bank's Chief Risk Officer.	The **Sustainability Committee** and **Board Audit and Risk Committee** provide the Board with recommendations regarding Heartland's climate reporting and financial reporting (including climate-related matters in financial reporting), respectively. The Board Audit and Risk Committee also has oversight over Heartland's financial information used in climate reporting; and the external assurance engagements of both climate reporting (scope 1 and 2 GHG emissions-related disclosure only) and financial reporting.

Executive Committee	There is no Executive Committee at Heartland Group.		
Executives	The Heartland Group Chief Executive Officer is central to recommending the Group's strategy, including climate strategy. Heartland Bank's Chief Operating Officer provides advice and information in relation to the strategy and initiatives in connection with the strategy.	The Heartland Group Chief Executive Officer is central to recommending the Group's risk appetite, including climate risk appetite. Heartland Bank's Chief Risk Officer provides advice and information in relation to risk and risk appetite.	Heartland Bank's Chief Operating Officer and Chief Financial Officer have co-accountability for Heartland's climate reporting, and the assurance over the GHG emissions. Both executives are responsible for engaging with the Sustainability Committee and Board Audit and Risk Committee regarding the approval of disclosure complying with NZ CS, and the status of the related assurance engagement, respectively. Heartland Bank's Chief Financial Officer also provides advice and information in relation to Heartland's financial information used in climate reporting, and overall financial reporting.

Heartland Bank and Heartland Bank Australia

As members of the Group, Heartland Bank and Heartland Bank Australia are aligned to the Group's strategy and risk appetite. They also benefit from the work carried out by Heartland Group's Sustainability Committee. However, Heartland Bank and Heartland Bank Australia are separate entities with their own Boards of Directors and management teams.

Heartland Bank

The Board of Heartland Bank is responsible for its corporate governance, strategy and risk appetite. This includes responsibility for ensuring that its strategy and risk appetite takes into consideration climate-related risks and opportunities. The Board is supported in its work by its Board Committees.

A description of how the Board oversees climate-related risks and opportunities is set out below, together with a description of management's role in assessing and managing climate-related risks and opportunities.

	Strategy, metrics and targets	Risk management	Climate reporting and climate-related matters in financial reporting
Board	The Heartland Bank Board oversees Heartland Bank's strategy, including its climate strategy, considering the Group's strategy that is set by its parent, Heartland Group. The Board meets approximately every 2 months, and in FY2025, the Board met 12 (2024: 12) times. The Board approved Heartland's Sustainability Strategy (which includes its environmental strategy, and various initiatives related to that strategy), in as far as it applies to Heartland Bank. The Board is now provided with the same quarterly report from the Chief Operating Officer as the Sustainability Committee which addresses Heartland Bank's progress against the initiatives, metrics and targets, allocated to it. This report also covers climate-related risks and opportunities.	The Board reviews Heartland Bank's risk appetite annually, considering the Group's strategy that is set by its parent, Heartland Group. This includes a specific risk appetite for climate-related risks. The Board receives a report at each meeting on the status of its risks from the Chief Risk Officer. The Board also receives a verbal update from the Chair of the Board Risk Committee at each meeting which covers all relevant risk matters.	Heartland Bank's climate reporting and financial reporting are approved by the Board upon recommendation of the Group's Sustainability Committee and Heartland Bank's Board Audit Committee, respectively. The Board Audit Committee met 8 (2024: 10) times in FY2025. Refer to the Heartland Group section above for meeting frequency of the Sustainability Committee.
Board Committees	N/A.	The **Board Risk Committee** provides advice to the Board in relation to the formulation of its risk appetite, including the annual review of risk appetite and providing the Board with guidance as to whether all relevant risks within the key risk categories (including climate-related risks) have been appropriately identified, managed, and reported. The Committee meets approximately every two months and receives reporting from the Chief Risk Officer at each meeting, including climate risks. In FY2025, the Committee met 8 (2024: 6) times. The Committee provided input on the structure of the quarterly Climate-Related Risks – Composite Assessment which reports on the status of Heartland Bank's climate-related risks, which is reviewed by the Executive Risk Committee.	The Group's Sustainability Committee and Heartland Bank's Board Audit Committee provide the Board with recommendations regarding Heartland Bank's climate reporting and financial reporting (including climate-related matters in financial reporting), respectively. The Board Audit Committee also has oversight of Heartland Bank's financial information used in climate reporting; and the external assurance engagements of both climate reporting (scope 1 and 2 GHG emissions-related disclosure only) and financial reporting.
Executive Committees	The executive leadership team is responsible for executing the initiatives, and the metrics and targets, allocated to it. The team meets regularly and is provided with an update on any relevant sustainability matters by the Chief Operating Officer.	The **Executive Risk Committee** meets approximately every month and receives reporting on risk status, including climate-related risks. The Committee receives reporting on risk appetite at each meeting, and the Climate-Related Risks – Composite Assessment on a quarterly basis. In FY2025, the Committee met 7 (2024: 10) times.	N/A.

Executives	Heartland Bank's Chief Executive Officer is central to recommending the bank's strategy, including climate strategy. Accountability for achieving the initiatives, metrics and targets for Heartland Bank is attributed to members of the executive leadership team who are accountable for the relevant area. The Chief Operating Officer provides advice and information in relation to the sustainability strategy and initiatives.	The Chief Risk Officer provides advice and information in relation to risk and risk appetite.	The Chief Operating Officer and Chief Financial Officer have co-accountability for Heartland Bank's climate reporting , and the assurance over the GHG emissions. Both executives are responsible for engaging with the Sustainability Committee and Board Audit Committee regarding the approval of disclosure complying with NZ CS and the status of the related assurance engagement, respectively. The Chief Financial Officer also provides advice and information in relation to Heartland Bank's financial information used in climate reporting, and overall financial reporting.

Heartland Bank Australia

With the acquisition of (now) Heartland Bank Australia in April 2024, responsibility for corporate governance, strategy and risk appetite transitioned to the Board of Heartland Bank Australia. This includes responsibility for ensuring that Heartland Bank Australia's strategy and risk appetite takes into consideration climate-related obligations. The Board is supported in this work by its Board Committees.

As part of the ESG plan presented to the Heartland Bank Australia Board in June 2025, once the governance structure and strategy are set and agreed by the Heartland Bank Australia Board, climate-related risks and opportunities will be articulated in more details with appropriate reporting setup to support oversight and governance. In order to comply with climate-related regulatory obligations, Heartland Bank Australia adheres to the proper process, ensuring its directors have all the information required to make appropriate decisions with formal decisions documented.

Skills and competencies

The Boards of Heartland Group and Heartland Bank each undertake a regular review of their performance to ensure they have the right composition and appropriate skills, qualifications, experience and background to effectively govern Heartland. This review uses a skills matrix, assessing each of the directors against the various skills required. This skills matrix is reviewed regularly and, "Environment and Social" was added as a skill category in FY2024.

The FY2024 assessment revealed that there are individual directors with capabilities in this area.

- Heartland Group established the Sustainability Committee, comprising directors from each of the major group entities. Each of these directors has prior experience in overseeing sustainability issues.
- Certain Heartland Group and Heartland Bank directors participated in intensive climate reporting masterclasses and other continuous professional development forums, including Chapter Zero New Zealand (the national chapter of the Climate Governance Initiative) and the Australian Climate Governance Initiative.

However, the Boards' aggregate scores for "Environment and Social" skills were lower than the average score for other skills, revealing an opportunity for uplift. Heartland will consider this as part of its learning and development strategy and succession planning activity.

Members with a responsibility for producing this climate report have attended several climate-related disclosure masterclasses and participated in a range of relevant climate change and sustainability industry groups in both FY2024 and FY2025.

In Australia, Heartland Bank Australia's executive leadership team took part in a focused ESG workshop in June 2025 with the aim to continue uplift knowledge in relation to climate-related disclosures and activities required to meet compliance with Australian Climate Reporting obligations. Further, the Board is taking part in a focused ESG workshop with

aim to ensure the Heartland Bank Australia's directors are informed of ESG requirements for Australia.

Climate-related metrics, targets and impact on remuneration

Performance against climate-related risks and opportunities metrics were not linked to remuneration in FY2024. In FY2025, Heartland Bank introduced a balanced scorecard to the annual end of year (**EOY**) performance process. The balanced scorecard sets the executive key performance indicators (**KPIs**) towards achieving Heartland Bank's strategic goals across three components, being Performance, Strategic, and Capability. The KPI relating to climate-related metrics for FY2025 is under the Capability section alongside other metrics such as conduct and culture. The KPI target that incorporates climate-related metrics is 'the achievement of other sustainability targets referable to HBL, as set out in 2024 Sustainability Report[34]'which includes FY2025 climate targets. The overall assessment of all KPIs in the balanced scorecard informs executive remuneration to Heartland Bank Board.

34 This refers to the sustainability section of Heartland Group's FY2024 annual report.

04
Risk Management

Heartland's processes for identifying, assessing and managing climate-related risks

Climate-related risks are considered and integrated into the Group's overall risk management processes.

In summary:

- Heartland Group and Heartland Bank each have a defined risk tolerance for climate-related risks, which is monitored as part of Heartland Group and Heartland Bank's respective risk appetite statements (**RAS**) and is reviewed at least annually.
- Climate-related risks primarily manifest for Heartland Bank as credit risk. Heartland Bank's business writing strategy (**BWS**) sets out its credit appetite for business lending and is reviewed at least annually including the consideration of climate-related risks.
- Heartland Bank's credit risk management processes incorporate consideration of climate-related risks for Heartland's large customers, both at onboarding and subsequently during annual reviews through the Environmental Risk Screening Tool. Climate-related risks for its portfolio managed exposures are continually monitored through the Climate-Related Risk – Composite Assessment.
- Heartland Bank has an annual Internal Capital Adequacy Assessment Process (**ICAAP**) enabling it to ensure it has adequate capital in relation to its risk profile. Climate-related risks are considered during the ICAAP.
- Heartland Bank Australia's credit risk management processes incorporate consideration of climate-related risks. However, as part of climate reporting, these processes will be subject to further review and will be updated as work progresses to meet Heartland Bank Australia's obligations.
- Heartland's Enterprise Operational Risk Assessment identifies and assists proactive management of Heartland's most critical operational risks, including climate-related risks, by establishing an inherent risk rating and residual risk rating to assist with monitoring of the risk exposure, and is typically reviewed biennially.
- Each team at Heartland is required to review its risk and control self-assessment (**RCSA**) at least annually. The RCSA focuses primarily on key operational risks and takes climate-related risks into account where relevant.

Heartland Group and Heartland Bank's Risk Management Strategy & Framework (RMS&F)

The RMS&F is the overarching risk governance document and applies to Heartland Group and Heartland Bank. The principles outlined in the RMS&F are incorporated into risk management frameworks, policies, procedures, processes, and reporting for each of Heartland's key risk types (refer below). Together these create individual risk management frameworks for each of these risk types, ensuring risk management is embedded into day-to-day management activities. Through this, Heartland is equipped to identify events affecting its business objectives and to manage risks in ways that are consistent with the stated risk appetite.

Key risk types

Heartland Group and Heartland Bank identify and manage risk across the following key risk types.

Financial risks

- **Funding, liquidity & market risk**: Heartland must maintain a robust and diversified mix of high-quality funding and liquidity sources. Heartland also needs to consider market interest rates, foreign exchange rates, equity valuation and other market risks that could affect its earnings, or valuation of its assets and liabilities.
- **Profit risk (business/strategy risk[35])**: minimising profit risk provides Heartland with financial strength which aids in providing access to capital and represents a buffer, should any unexpected costs or losses arise.
- **Balance sheet risk**: Heartland must be able to absorb and respond to business shocks, such as economic downturn due to increased unemployment rates. Balance sheet strength encapsulates the strength and quality of capital and the quality of the credit portfolios and other assets held.

Non-financial risks

- **Continuity risk**: Heartland needs to maintain continuity of service, considering fraud, systems stability, cyber security, and other factors that could cause loss or, in an extreme situation, interrupt business continuity.
- **Conduct and compliance risk**: Heartland needs to meet the expectations of customers and other stakeholders, considering conduct, third party risks, and compliance with applicable laws and regulations.
- **People risk**: retaining talents, providing adequate training, and maintaining proper

35 Heartland Group only. However, Heartland Bank also monitors and reports on strategic risk, being risks to the achievement of its strategic objectives. Strategic risk will not, however, form part of the regular risk reporting to Board Risk Committee, but will be considered directly by the Board.

occupational health and safety enable Heartland to provide quality services to its customers.

Climate-related risk (a non-financial risk) occurs primarily within the credit risk category, as part of balance sheet risk and continuity risk, which could then manifest in profit risk and strategic risk.

Risk appetite statement

Heartland Group and Heartland Bank each have a RAS which enables management to determine the appropriate level of risk it can assume to achieve Heartland's objectives. Each RAS is reviewed and updated at least annually, to make any necessary changes and to include any new material emerging risks.

Risks set out within the RAS are actively measured and monitored by management to ensure they are maintained within the approved tolerances. Within each RAS, a risk appetite tolerance is established for the key risks considered most important to support the achievement of Heartland's strategy.

A risk tolerance for climate risk has been set within each of Heartland Group and Heartland Bank's RAS, and climate-related risks are formally assessed against risk appetite tolerance alongside other key risks (outlined below) considered most important to the strategy. Climate-related risks are formally assessed against risk appetite tolerance on a quarterly basis in the Climate-Related Risks – Composite Assessment, which takes into consideration:

- physical impacts experienced in the past (particularly the prior quarter), and expected physical impacts in the near future
- transition impacts experienced in the past (particularly the prior quarter), and expected transition impacts in the near future
- changes in the carbon price and implications for Heartland
- TAE within sectors which are most vulnerable to climate-related risks, and recent credit performance of borrowers in those sectors
- operational risk impacts experienced in the past
- whether Heartland is meeting all relevant regulatory expectations and requirements
- Heartland's corporate sustainability progress and GHG emissions
- status of Heartland's progress on relevant metrics and targets
- risk appetite assessment against tolerance.

The Climate-Related Risks – Composite Assessment is discussed at Heartland Bank's Executive Risk Committee.

Credit risk

Climate change is likely to impact Heartland's lending portfolios over the medium to longer term.

Heartland Bank's current BWS sets out its appetite for business lending. This strategy identifies sectors that Heartland Bank will either actively target, not enter into and an 'in between zone' where caution is required. The BWS is usually reviewed and updated annually and includes consideration of climate-related risks.

The climate-related exposure of Heartland Bank's large customers is assessed initially at onboarding and subsequently during annual reviews. Heartland Bank uses an Environmental Risk Screening and Sustainability tool to inform this assessment.

In FY2024 and during part of FY2025, Heartland Bank also used an external database, provided by Jupiter Intelligence, to analyse climate-related risks for the property security used for lending across its Online Home Loan, Reverse Mortgage and Rural portfolios. The properties' climate-related risks are based on location and include the risk of flooding, wind and storm damage, increased temperature, fire risk and frost risk. The Jupiter Intelligence database tool uses scientific data inputs and different climate scenarios to determine the climate-related risks of each property. To facilitate credit risk monitoring of climate-related risks, New Zealand lending secured by properties were categorised into different risk buckets based on assessment conducted using the Jupiter Intelligence database tool and were incorporated into the Climate-Related Risks – Composite Assessment and presented regularly to the Executive Risk Committee. The contract with Jupiter Intelligence ended during the second half of FY2025. Heartland has since entered into an agreement with Cotality, another property climate risk modelling tool provider, in early FY2026, and intends to continue this reporting and assessment going forward utilising the new tool.

Credit policy settings are expected to remain dynamic and evolve within Heartland Bank's lending portfolios, where necessary, in response to future changes in climate-related credit risks including the availability of insurance.

Balance sheet risk

Heartland Bank has an ICAAP which is the mechanism developed and used to assess and manage its capital adequacy commensurate with the overall risk profile of the business, such that Heartland Bank can meet its obligations under a wide range of circumstances. The results of the ICAAP process are documented in the ICAAP report which is a key document that is approved annually by the Heartland Bank Board.

Climate-related risks are considered during the ICAAP, but a separate capital buffer is not currently provided for climate-related risks[36]. This is because the effect of climate change on Heartland Bank's operational risk, credit risk, strategic risk, and profit risk are currently assessed as part of the adequacy of capital held against those risk types. In assessing the adequacy of capital held in respect of operational risk, Heartland Bank has considered a scenario for physical climate-related risks.

Continuity risk

Heartland has a small physical infrastructure and primarily transacts business with customers through online channels. Climate-related physical risk impacts continuity risk (and hence profit risk) because of temperature rise, flooding and storm damage – however the risk is low given Heartland's small physical infrastructure.

The governance, processes and assurance controls that direct the identification and management of continuity risk are contained in Heartland's Operational Risk Management Framework, which applies to Heartland Group and Heartland Bank.

Heartland's Enterprise Operational Risk Assessment (**EORA**) process identifies and assists proactive management of Heartland's most critical operational risks. The EORA process is typically conducted every two years by the Line 2 Risk and Compliance team[37]. This process considers external risk information, such as customer complaints and fraud data, and internal risk information, such as individual team RCSAs, operational risk incidents and any issues raised due to the need for internal controls to be strengthened. For these critical operational risks, the EORA establishes inherent risk ratings, indicating which risk areas Heartland most needs to manage using controls, and residual risk ratings indicating what level of risk Heartland currently faces, taking controls into account.

Climate-related risks are identified as a critical operational risk within the EORA process.

All relevant teams maintain a RCSA, which is a register of their risks specifying the risk description, an inherent risk rating and a residual risk rating, which includes the mitigating effect of controls in place. All relevant teams include climate change risks within their RCSA. Each team presents its RCSA annually at the Executive Risk Committee, as an "Operational Risk Deep Dive", which is subject to review and challenge by the Executive Risk Committee.

36 The Reserve Bank of New Zealand (**RBNZ**) has published guidance on managing climate-related risks, which Heartland Bank will consider when evaluating a capital buffer for climate-related risks in the future.
37 Heartland adopts a three-line of defence governance model to manage risks. Line 2 team has responsibility of managing overall enterprise risks.

-H-

05

Appendices & References

Appendix 1

Modelling used for scenario analysis

No modelling has been undertaken for New Zealand other than using the CCC's dataset. Some replications of transition impacts were used for the Australian scenarios due to a lack of available transition forecast data for Too Little, Too Late and Hot house.[38] As a result, the same percentage change in certain transition changes such as EV take up, new technology (EV trucks, methane vaccines, etc.), have been used with relation to Australian populations.

Orderly scenario (New Zealand/Australia)

This scenario describes an economy where collective action is taken toward a low-carbon global economy. As a result, there are steady and constant societal changes related to technology, policy, and behaviour which support the transition to a low-emissions economy enabling New Zealand and Australia to keep temperatures below 1.5 degrees Celsius. This is matched by an increasing carbon price that incentivises the adoption of low-emissions alternatives such as electronic / low-emissions forms of transport driven by government subsidies and funding, as well as a decreasing price for lithium batteries. The extension of the safeguard mechanism to the agricultural sector and on-farm emission pricing in New Zealand and Australia also encourages farmers to decarbonise their farm to net zero by 2030 through on farm sequestration and better herd management, as well as the introduction of a methane inhibiting vaccine.

Renewable energy becomes the primary source of power generation domestically and internationally as fossil fuels slowly get phased out. Despite the severity of the climate-related risks being quite minimal, the transition risks as the economy moves towards net zero come rapidly and cause disruption across the economy.

Too Little, Too Late scenario (New Zealand/ Australia)

This scenario describes a misaligned and delayed transition to a low-carbon economy between Australasia (New Zealand and Australia) and the rest of the world.

In this scenario, New Zealand and Australia are some of the first movers on the transition to low-emissions economies. They introduce policies that bring about net zero emissions by 2050. Due to the increased carbon price, many New Zealand landowners turn to carbon farming activities of exotic species reducing the local livestock population, alongside the extension of the ETS to the agriculture sector. Large emissions reductions occur through the decarbonisation of New Zealand's fleet accelerated through large clean car rebates in 2040s. However, in Australia, the economic pressures in the 2030s put its environmental initiatives on hold until a multitude of severe physical climate events triggered by an increase of global levels of GHG in the atmosphere occurs during the same period. Further progress towards transition in Australia occurs from 2040 onwards.

At a global level, very limited short to medium term action is made towards a low-emissions future, with fossil-fuelled development continuing throughout much of the remaining first half of the century. Global efforts to address climate change begin to align around 2050 and may even exceed those in New Zealand. Large increases in carbon prices drive a rapid improvement in low-emissions technology efficacy and uptake. This shift is partly driven by the increasing evidence and awareness of the social, economic, and environmental degradation caused by a continued increase in fossil-fuelled development.

Despite the global economy starting to make a concerted effort to reduce emissions and move to a low-emissions economy in the long term, the changes come too late to prevent wide-ranging acute and chronic physical climate impacts.

Hot House scenario (New Zealand/Australia)

In this scenario there is minimal ambition to transition to a low-carbon economy. Fossil fuels remain the primary source of power generation throughout the global economy despite its impact on the environment, and rising costs. There is minimal ambition to change 'business as usual' across the entire economy resulting in minimal transition risks throughout the long term.

38 Australian based scenario analysis has not been considered or approved by Heartland Bank Australia's Board. Heartland Bank Australia is taking the necessary steps to enable scenario analysis in line with sustainability reporting requirements.

As a result, emissions continue to increase unabated resulting in the manifestation of extremely severe climatic events including wide-ranging acute and chronic physical climate impacts. These include nearly year-long droughts, temperatures which pose risks to fatalities, cyclones, biodiversity loss and floods. Sea levels also rise leading to an inundation of low-lying houses and river-floods, forcing insurance companies to retreat from high-risk areas. In New Zealand, the dry-years hit the vulnerable agricultural sector while severe flooding in certain areas causes the population to move to new safe areas.

Appendix 2

GHG emissions calculations

Emissions generated through Heartland's operations within Australia and certain direct equity investments were captured under Heartland Group until 30 April 2024. From May 2024 onwards, these emissions were caught under Heartland Bank.[39] Emissions are split between entities depending on which entity the full-time employees (**FTE**) are employed by, or where the expense is measured within Heartland's financial reporting.

Scope 1 (ISO: category 1) emissions

Scope 1 emissions are the direct emissions that occur from sources owned or controlled by Heartland Bank. The scope 1 activities captured in this climate report were fuel usage (petrol and diesel) from mobile and stationary combustion. There were no fugitive emissions (e.g., equipment leaks) reported in FY2025.

Mobile fuel combustion (fleet)

Heartland Bank uses fuel, both petrol and diesel, in its vehicle fleet, across its sites in New Zealand and Australia. Most mobile fuel combustion data came from primary data (GoFuel for Heartland Bank, Fleetpartners for StockCo AU). Estimations were also calculated for reimbursements of fuel purchased on personal cards of employees at Heartland Bank (**p-cards**), assuming that the split of fuel topped up with p-cards is the same as the fuel top-ups using fuel cards. Emissions were split between Heartland Bank and Heartland Group based on the employees that topped up the fuel.

The primary data from GoFuel and Fleetpartners has low uncertainty, as it is technologically representative of the emissions activity. However, there are limitations with using fuel expenditure from p-cards, as it is not technologically representative of the actual emissions activity of fuel combustion. It can also be difficult to meaningfully compare fuel expenditure and emissions between years, due to the volatility of fuel prices.

The 2025 emission factors published by the Ministry for the Environment (**MfE**) (MfE (2025))[40] have a low degree of uncertainty, as the transport fuel emission factors are derived from the calorific values and incorporate relevant oxidation factors. The 2024 emission factors published by the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) (DCCEEW (2024))[41] were used for the Australian fleet per gigajoule (**GJ**). Fuel data was given in litres, and was converted to GJ using a conversion factor of 38.6GJ per kilolitre.

Stationary combustion (generator)

The amount of fuel (diesel and natural gas) by the generators were supplied by Generator Services Limited (as a yearly top-up figure) and Nova Energy Limited. These were captured under Heartland Bank and Heartland Group, due to Heartland Bank owning the generators in one of its Auckland offices that is shared by Heartland Group and Heartland Bank employees. The Hamilton office also uses natural gas for heating its water.

There is little degree of uncertainty with this emissions activity, as the fuel consumed by the generator is representative of the emissions activity, and the MfE (2025) emission factors have a low degree of uncertainty, as the stationary combustion fuel emission factors are derived from the calorific values and incorporate relevant oxidation factors.

Stationary combustion and fugitive emissions related to assets that Heartland does not own will be captured in upstream leased assets.

Scope 2 (ISO: category 2) emissions

Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organisation's GHG inventory because they are a result of the organisation's energy use. For Heartland, this includes scope 2 emissions from purchased electricity. Heartland's scope 2 emissions are calculated using both market-based and location-based approaches. The market-based approach reflects the renewable electricity certificates and invoices that ensures 100% of electricity purchased for sites occupied by

39 For completeness, these emissions are calculated by Heartland Bank and not by Heartland Bank Australia. Heartland Bank Australia is a Group 3 reporting entity under the applicable Australian legislation and will adhere to the reporting obligations and timeframes thereunder.
40 MfE (2025) refers to Measuring Emissions: A guide for organisations - 2025 Emission Factor Workbook (GWP100, IPCC AR5).
41 DCCEEW (2024) and DCCEEW (2025)(GWP100, IPCC AR5) refer to Australian National Greenhouse Accounts Factors: For individuals and organisations estimating greenhouse gas emissions: 2024 / 2025, respectively.

Heartland Bank in New Zealand (excluding Dunedin, Fielding, Havelock North, and Wellington) is renewable. The difference between market-based and location-based approaches is 65.8 tCO2e (2024: 59 tCO2e). The location-based approach uses grid-based electricity emission factors.

Purchased electricity

Electricity is used at all Heartland sites. Electricity consumption data is provided by different electricity providers depending on the location and subsidiary of Heartland Group.

Under a location-based approach, emissions from this scope were calculated using a mix of MfE (2025) quarterly emission factors for New Zealand based sites, and 2025 emission factors published in DCCEEW (2025) for Australian based sites. However, under a market-based approach, the residual supply mix emission factors in 2024 and 2025 published by BraveTrace (BraveTrace (2025))[42] were used for Dunedin, Fielding, Havelock North, and Wellington, as these factors are representative of the emissions that occur when the renewable energy generation used in renewable energy certifications are taken from the national grid.

On-site electric vehicle charging

On-site electric vehicle charging data was provided by Heartland. The on-site charger electricity consumption is reflected in the regular electricity invoices; therefore, it has been subtracted from purchased electricity and reported separately.

The same uncertainties described in purchased electricity above also apply to this emission activity.

Off-site electric vehicle charging

Chargenet is Heartland's provider for off-site EV charging in New Zealand. Heartland Group began using the service in 2023, so the consumption increased as the rollout progressed during the reporting period. Chargenet provided the activity data in watt-hours, the data was split by quarter, and the appropriate MfE (2025) emission factor was applied.

Using quarterly emission factors comes with a certain level of limitations and inaccuracy, as it is based off a national average for New Zealand. This means the emission factor does not capture the variation in generation mix of renewables against non-renewables, nor variables surrounding geographical location, time of day and time of year.

There is also uncertainty with the temporal representativeness of the MfE (2025) emission factors for this study, as the quarterly emission factors cover up to December of the corresponding previous calendar years.

These uncertainties are more present for the 2025 emission factors published by DCCEEW (DCCEEW (2025)) and BraveTrace (2025), due to geographic and temporal factors that would result in variations in the renewable generation during the reporting period.

Scope 3 (ISO: categories 3-6) emissions

Scope 3 emissions are a consequence of the activities of an organisation, but occur from sources not owned or controlled by it. Heartland has the following emissions categories under scope 3.

Purchased goods and services (category 1 (ISO: category 4) emissions)

Purchased goods and services describes transactions relating to the day-to-day operations of Heartland. These transactions are also referred to as operational expenditure (**OPEX**) and include all goods and services purchased by Heartland. Examples of purchased goods include technology printing and stationery, while examples of services include insurance, legal, consulting, marketing, telecommunication, loan arrangement and collection services, repairs and maintenance, use of software, etc. This emissions category excludes any expenditure related to other emissions activities classified as categories 2-8 in the GHG inventory (e.g., business travel expense and utilities payments covered in other emissions scope and categories) and excludes irrelevant expenses for the GHG inventory (e.g., salaries and wages and KiwiSaver contributions).

In FY2025, Heartland contacted 25 of its suppliers that make up over 50% (2024: 50%) of Heartland's OPEX (excluding mailing and courier service purchased, see below) or vendors considered susceptible to transition risks such as office supply providers and property managers to understand their emissions which are attributable to Heartland, using emissions intensity and other estimations for more granular data. This resulted in a higher quality of emissions data for nine (2024: five) of Heartland Bank suppliers, as the emissions were specific to the services that they provide. Where possible, supplier specific emission factors are used. Financial data was provided by Heartland Group and

42 Annual Production Year Report 2025 including Residual Supply Mix (RSM) for New Zealand (1 April 2024 – 31 March 2025 (PY25) (June 2025).

Heartland Bank. The emissions from the remaining data were calculated using the ThinkStep ANZ (2024)[43] spend-based emission factors, adjusted for inflation. ThinkStep ANZ (2024) spend-based emission factors were selected based on the relevancy to the good or service purchased by Heartland Bank and Heartland Group. Emissions from Heartland Group and Heartland Bank's water supply were calculated using the 2025 emission factor for water supply per capita published by MfE. This is split between reporting entities based on which organisation made the purchase of the goods and/or services for supplier-based emissions, and for water is based off the proportion of Heartland Group employees at the respective offices. Lastly, there is uncertainty surrounding the technological representation of OPEX data, as it does not represent the embodied carbon in purchased goods, nor the actual emission activities occurring in purchased services.

As for the expenditure-based emission factors from ThinkStep ANZ (2024), there is also a degree of uncertainty as the emission factor is not technologically representative of the emissions activity. There is also uncertainty as these emission factors are for NZ, so may not be fully reflective of Australian based expenditure

In relation to purchased mailing and courier service, this primarily relates to print materials sent to customers. Heartland's print materials suppliers for FY2024 and FY2025 were New Zealand Mail, Australia Post, and Precision Group Australia. The emissions data was provided by NZ Post (2025). Australian data is provided by related suppliers.

These emissions are split between reporting entities based on the cost centre that paid for the postage of the material. Additional data related to postal services was retrieved from expenditure and purchase card sources.

Capital goods (category 2 (ISO: category 4) emissions)

Capital goods refer to tangible end products that have an extended life and are used by Heartland to provide services. This category includes all cradle-to-gate emissions from the production of property, plant and equipment acquired by the organisation during the year. Emissions relating to the acquisitions of right-of-use assets; and assets that are leased out or managed by external parties (e.g., certain property, plant and equipment, vehicles, and investment property) are not considered in GHG inventory this year as the inclusion of related emissions are optional as per the GHG Protocol.

Emissions from the production of capital assets were calculated against Heartland Bank financial ledgers, specifically transactions pertaining to the purchasing of new assets such as laptops, office furniture, and office machinery.

The spend data is also likely to include administrative costs as well as the cost of labour.

The emissions were calculated using the ThinkStep ANZ (2024) spend-based emission factors, adjusted for inflation. ThinkStep ANZ (2024) spend-based emission factors were selected based on the relevancy to the asset purchased by Heartland Bank and Heartland Group.

As with the activity data, there is a high degree of uncertainty associated with spend-based emission factors, as they are technologically unrepresentative of the emission activity. There is also some uncertainty surrounding whether the inflation-based adjustments are representative of how the emissions from this activity per dollar have changed with time. There is also uncertainty surrounding the relevance of the selected emission factors for lines of expenditure where the specific asset was not specified. A band of uncertainty has not been provided by ThinkStep ANZ (2024) for the emission factors.

Upstream emissions from fuel and imported electricity production and distribution (category 3 (ISO: category 3) emissions)

When an organisation uses fuel and imported electricity, there are emissions associated with related production and distribution, as well as the direct emissions from combusting and consumption of the fuel and electricity itself. Therefore, an organisation is responsible for these upstream emissions from the fuel and imported electricity it has purchased. In addition, in the context of purchased electricity, this also includes emissions associated with the transmission and distribution losses from the point of generation to the point of consumption. Source data, assumptions, and uncertainty considerations are the same as discussed in scope 1 and 2 emissions. With different emission factors being applied with the same split between reporting entities used. Emission factors were taken from DCCEEW (2025) for both New Zealand and Australian based vehicles.

43 ThinkStep ANZ. (2024). Emission factors for New Zealand industries and commodities (GWP100, IPCC AR5).

Waste generated in operations (category 5 (ISO: category 4) emissions)

Heartland Group / Heartland Bank generate waste through operations, including office waste. Heartland Bank conducted a waste audit with Reclaim during the period 28/04/2023 – 05/05/2023, which measured the waste composition of general waste across two Auckland locations. The waste breakdown was then adjusted for the number of working days and the total FTE for Heartland Bank in these offices in respective financial years. Waste data was also obtained for Heartland's Brisbane and Melbourne offices via supplier reports. Where data is not readily available for waste, an FTE average emission factor is used, and split by which entity employs the FTE.

This activity also captures Heartland Group, Heartland Bank and Heartland Bank Australia's office wastewater emissions, which were calculated using their total FTE. Where data is readily available, Heartland uses water meter readings to report on the water usage and resultant wastewater related emissions. Where data is not readily available for water usage, an FTE average emission factor is used, and split by which entity employs the FTE.

There is temporal uncertainty surrounding the waste audit emissions adjusted by FTE, as the amount of waste and the resulting emissions are based on the waste audit conducted in FY2023. There is also uncertainty surrounding the emission factors used from MfE (2024 / 2025) and David A. Turner, Ian D. Williams, and Simon Kemp in 2015 (**David A. Turner, Ian D. Williams, Simon Kemp (2015)**)[44], due to the inherent uncertainties used in methane emissions from landfills. There is also temporal uncertainty with the emission factors used for recycled materials from David A. Turner, Ian D. Williams, Simon Kemp (2015), as the study is from 2015.

Business travel and accommodation (category 6 (ISO: category 3) emissions)

Certain Heartland Group and Heartland Bank employees are required to travel as part of their roles. Most activity data used was primary data supplied by Fortis, Platinum Travel, and Corporate Travel corporate travel cards. However, some data was supplied directly by suppliers, such as Hertz, Corporate Cabs and Envirofleet. Business travel is also occasionally reimbursed by Heartland Bank and Heartland Group to employee's p-cards.

Person-kilometre data was used for most Heartland Group and Heartland Bank air travel emissions. Where possible, person-kilometre values were calculated for p-card air travel reimbursements by calculating the distance travelled between airports mentioned in the cost description. As with employee commuting data, there are some uncertainties surrounding the technological representativeness of this data, as there is less certainty in the emissions than calculating emissions against the number of litres of fuel used by aircraft. The same reason can be cited for the technological representativeness of the MfE (2025) emission factors used.

Business travel in personal vehicles activity data was calculated by converting the amount reimbursed back to the original fuel in litres data using the 2024-2025 (2024: 2023-2024) kilometre (**km**) rates given by New Zealand Inland Revenue. There is uncertainty in the activity data, due to the volatility of fuel prices during the reporting period.

As with all emissions calculated against expenditure, there are uncertainties surrounding the technological representativeness of the data, as the amount spent is less representative than the number of km travelled.

Primary room-night data was supplied for the number of nights Heartland Group and Heartland Bank employees stayed in hotels. Emissions for this activity were calculated using the relevant MfE (2025) hotel stay emission factors. There is technological uncertainty with the activity data and emission factors for this emissions activity, as there would be greater certainty in calculating emissions from the energy consumption of the hotels themselves.

There is also uncertainty due to the large variation in energy consumption between different hotels at a national and international level. Taxi emissions were calculated against expenditure using the MfE (2025) emission factor for taxi travel, with associated uncertainty surrounding the use of expenditure-based data.

Employee commuting and working from home (category 7 (ISO: category 3) emissions)

Heartland Group / Heartland Bank's employee commuting data was taken from an employee commuting survey conducted every 2 years (the most recent survey in FY2025), taken by employees of Heartland Group and Heartland Bank. Employees were asked what their primary mode of transport is;

44 Resources, Conservation and Recycling, Volume 105, Part A (December 2015).

an estimated round-trip distance; and the number of days worked in the office. Total km and work-from-home days were then calculated using this data.

The survey presents some uncertainties surrounding data completeness, as there is a human element to the data. Data completeness also applies to employee commutes where multiple modes of transport are used, as this can vary due to weather, or employee habits. There are also data completeness considerations as the calculations are only based on FTE at the end of the reporting period. Where employee information is not available, Heartland assumes the employee travelled to work via a petrol car as a default. There are some uncertainties surrounding the completeness of the data, as swipe card data (obtained on an employee's entry to the office) was unavailable for some of the sites. In addition, the reliance of prior year commuting survey during the intervening periods and changes in employees also contribute to some limitations.

There are only some uncertainties surround the emission factors, as calculating emissions per km travelled is less technologically representative of the emissions activity than calculating the emissions against the fuel consumed in each mode of transport.

Leasing and financed emissions

Heartland's principal businesses are to support customers through leasing and financing. Heartland also invests in certain equity shares and debts as part of its liquid assets. The emissions from downstream leased assets, lending products, and investments account for the largest part of Heartland's overall emissions profile. Of Heartland's overall emissions, 99.45% (2024: 99.72%) can be attributed to this category alone.

When measuring these emissions, Heartland has used information readily available for its financed and leasing emissions calculations. These primarily rely on assumptions and averages within Australia and New Zealand. Heartland is restricted on available and reliable data, and as a result may have understated or overstated some of its customers' emissions. Where possible, Heartland has taken a conservative approach and estimated on the higher end until more customer-specific data is available. For customers who have available emissions data, Heartland has used their most current emissions data available to Heartland at the time of reporting, although these may not completely align with Heartland's reporting period. The process of preparing a GHG inventory involves a certain level of uncertainty. To reduce this uncertainty, verifiable source data has been chosen. In situations where data uncertainty persists, a cautious estimation method has been used to ensure that emissions are overestimated rather than underestimated. The impact of uncertainty has been considered when assessing data quality. This process is qualitative.

Downstream leased assets (category 13 (ISO: category 5) emissions)

Downstream leased assets primarily describe deals between Heartland and a lessee, where the lessee pays a set amount for the right to use an asset owned by Heartland. Heartland has multiple lending books that fall under this emission activity: Commercial, and Motor. Downstream leased assets also cover the assets owned or managed by VPS Properties Limited, a subsidiary of Heartland Bank. This emissions category considers the operations of related downstream leased assets and does not include emissions relating to acquisition of new assets subject to leases or third-party management.

Heartland Bank owns and leases apartments to some of their clientele. Emissions from energy consumption were estimated against the total floor areas, in absence of primary energy consumption data. Emissions were calculated using the MfE (2025) emission factors for electricity. Heartland also owns some farms which are managed by a third party. These emissions were estimated using precalculated emission reports from the farms..

Operating Leases Commercial describes leases made with commercial assets. These assets include tractors and forklifts. Emissions were calculated using the fuel efficiency of the assets (unit per hour) then multiplying this by the industry average number of hours the asset is used in a working year to get the amount of fuel consumed. Where fuel is not listed, it is assumed that the asset runs on diesel.

Operating Leases Motor describes leases made with motor vehicles. Emissions were calculated based on the efficiency of each individual registered vehicle (unit per km), then multiplied by the average km driven per capita in New Zealand to get the amount of fuel consumed. This does not include vehicles leased to employees, as this is captured in Heartland's scope 1 emissions. Emissions

were calculated using the MfE (2025) emission factors for fuel and electricity, which have the same associated uncertainties as when applied previously in scope 1 and 2 emissions measurement.

Financing and investments (category 15 (ISO: category 5) emissions)

The methodology for category 15 emissions calculation was heavily informed by the PCAF Financed Emissions Standard.

As per PCAF Financed Emissions Standard, GHG emissions from loans and investments should be allocated to the reporting financial institutions based on the proportional share of lending or investment in the borrower or investee. Attribution is based on the annual emissions of the borrower and investee.

Financed emissions methodology

The general approach to calculating financed emissions is detailed in the following equation:

$$\text{Financed Emissions} = \sum_i \text{Attribution factor}_i \times \text{Emissions}_i$$

Where:

- $\text{Attribution factor}_i = \dfrac{\text{Outstanding amount}_i}{(\text{Initial financed amount}) \text{ or } (\text{Total equity+debt})_i}$
- Emissions_i = The emissions of the borrower or investee
- i = Borrower or investee

The calculation methodology specified by the PCAF Financed Emissions Standard is based on Heartland's outstanding investment / lending balances at year end. Therefore, the measured emissions might not capture scenarios, such as lending drawn and repaid within the same financial period, undrawn loan commitments at year end, and the timing of drawdown was close to the year end, etc.[45] Heartland attempts to supplement narrative disclosure to cover the latter scenario.

In addition, Heartland continues to find ways of improving its financed emissions data quality scores through partnerships and system improvements. However, in some cases, Heartland is unable to obtain the right data to calculate this due to lack of availability, time restrictions, or the financial reporting periods of its customers not aligning with Heartland's financial year. Where possible, Heartland aims to get the best PCAF data quality score it can with the data available. Where this information is not possible to source, Heartland will use lower data scoring methods of calculating these emissions with the next best option Heartland has available to it. In some instances where data is unavailable, Heartland will use a "default" emission factor based on the sector or asset that is being funded.

In relation to "leased" livestock, as PCAF Financed Emissions Standard does not contain specific guidance, Heartland applies the following considerations:

Leased Livestock NZ

The emissions were calculated using per-head emission factors from MfE (2025), based on the type and number of livestock Heartland had leased out. Emission factors for enteric fermentation, manure management, and agricultural soils were applied to the activity data.

Leased Livestock (AU)[46]

Leased Livestock (AU) describes the service that StockCo AU provides to their clientele, involving the lease of livestock. Emissions are calculated against the headcount of the leased livestock, using emissions from DCCEEW (2025) for cattle and sheep.

Heartland's financed emissions methodology is set out over the following pages:

45 Except for Reverse Mortgages where Heartland uses the latest valuation to avoid the corresponding loan-to-value ratios go beyond 100%.
46 For completeness, these emissions are calculated by Heartland Bank and not by Heartland Bank Australia. Heartland Bank Australia is a Group 3 reporting entity under the applicable Australian legislation and will adhere to the reporting obligations and timeframes thereunder.

Rural and Livestock (NZ) and Livestock (AU)[47]

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
Base case scenario	2 (Business loans methodology)	1b	$\frac{\text{Outstanding amount}}{\text{(Total equity + debt)}}$ x Unverified on-farm emissions	Utilising software and customers who can share their on-farm emissions with Heartland. On-farm emissions recorded are scope 1, 2, and selected scope 3 emissions classified as 'pre-farm' emissions such as livestock purchases and transport to the farm.
Second best case scenario (Livestock Leasing / term-loans (NZ) & Livestock (AU) only)	N/A	N/A		Where on-farm emissions are not available for Heartland's livestock leasing products in New Zealand and Australia, the annual emissions of the livestock (using MfE (2025), and DCCEEW (2024) emission factors) are divided by the number of months spent on farm.
Second best case scenario (Rural)	4 (Business loans methodology)	3a	$\frac{\text{Outstanding amount}}{\text{(Total equity + debt)}}$ x Customer's revenue x $\frac{\text{Total GHG emissions of the sector}}{\text{Revenue of the sector}}$	
Default scenario	5 (Business loans methodology)	3b	Outstanding amount x Total emissions of the sector / Assets per sector	Based on Australian and New Zealand Standard Industrial Classification (**ANZSIC codes**) codes of the customers and relevant ThinkStep (2024) emission factors.

Motor Finance

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
Base case scenario	2 (Motor vehicle loans methodology)	2a	$\frac{\text{Outstanding amount}}{\text{Total value at origination}}$ x Vehicle emissions[48]	Covers the scope 1 and 2 emissions of the vehicles funded. Uses local distance driven statistics.
Second best case scenario	3 (Motor vehicle loans methodology)	2b	$\frac{\text{Outstanding amount}}{\text{Total value at origination}}$ x Vehicle emissions[48]	Covers the scope 1 and 2 emissions of the vehicles funded. Uses regional distance driven statistics.
Default scenario	5 (Motor vehicle loans methodology)	3b	$\frac{\text{Outstanding amount}}{\text{Total value at origination}}$ x Average distance travelled regional data x Average efficiency of the fleet x Emission factor	

47 For completeness, these emissions are calculated by Heartland Bank and not by Heartland Bank Australia. Heartland Bank Australia is a Group 3 reporting entity under the applicable Australian legislation and will adhere to the reporting obligations and timeframes thereunder.

48 Vehicle efficiency from NZ Transport Agency (**NZTA**) based of registration (known make and model), multiplied by estimated distance driven based off average distance driven per annum based on area that the customer lives within. Emissions were calculated using the MfE (2025) emission factors for fuel and electricity, which have the same associated uncertainties as when applied previously in scope 1 and 2 emissions measurement.

Asset Finance / Business Relationship / Open for Business / Business Wholesale

Heartland's Asset Finance and Business Relationship Lending portfolios consist largely of term loans for the purchase of business assets including trucks, trailers, machinery, diggers, yellow goods, and motor vehicles. Open for Business consists largely of unsecured lending to small and medium-sized enterprises. Business Wholesale provides funding for retailers of trucks, motor vehicles, and agricultural equipment.

Emissions from these portfolios were largely calculated by assigning the most appropriate ThinkStep (2024) emission factor against each account, based on high-level ANZSIC codes and industry descriptions. Where vehicle type is available, emissions are calculated based on the efficiency of each individual registered vehicle (unit per km), then multiplying this by average km driven per capita in the area the customer lives within.

For these loans as well as Motor Finance above, Heartland made further assumptions below:

- the security on file is being utilised and has not considered whether this was used for a cash raise or other purposes
- the ANZSIC codes it has on file are correct
- the emission inventories received are compliant with the GHG Protocol (for FY2025) and ISO 14064-1:2018 (for FY2024) and that the customer has completed these reports diligently where they have not been verified.

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
Best case scenario	2 (Motor vehicle loans methodology)	2a	$\frac{\text{Outstanding amount}}{\text{Total value at origination}} \times \text{Vehicle emissions}^{49}$	Covers the scope 1 and 2 emissions of the vehicles and other assets financed. Uses either local distance driven statistics, estimated annual km driven per contract, or estimated operating hours per year.
Second best case scenario	2 (Business loans methodology)	1b	$\frac{\text{Outstanding amount}}{\text{(Total equity + debt)}} \times \text{Unverified emissions}$	Where individual asset data is unavailable but total emissions are available.
Second best case scenario (where individual asset data is available)	3 (Motor vehicle loans methodology)	2b	$\frac{\text{Outstanding amount}}{\text{Total value at origination}} \times \text{Vehicle emissions}^{49}$	Covers the scope 1 and 2 emissions of the vehicles and other assets funded. Uses regional distance driven statistics.
Second best case scenario	4 (Business loans methodology)	3a	$\frac{\text{Outstanding amount}}{\text{(Total equity + debt)}} \times \text{Customer's revenue} \times \frac{\text{Total GHG emissions of the sector}}{\text{Revenue of the sector}}$	Sector is based off the customers' ANZSIC codes. Used for all loans where asset information is not available.
Default scenario	5 (Business loans methodology)	3b	Outstanding amount x Total emissions of the sector / Assets per sector	Based on ANZSIC codes of the customers and relevant ThinkStep (2024) emission factors.

49 Vehicle efficiency from NZTA based of registration (known make and model) (or directly from the producer of the good), multiplied by estimated distance driven based off average distance driven per annum based on area that the customer lives within, Emissions were calculated using the MfE (2025) emission factors for fuel and electricity, which have the same associated uncertainties as when applied previously in scope 1 and 2 emissions measurement.

Online Home Loans / Residential home loans / Reverse Mortgages

Home Loans encompasses loans that are provided for the purchase or refinancing of property, through Heartland's Online Home Loans and legacy channels. With known use of proceeds, Heartland must calculate household emissions for these exposures. Mortgages potentially used to construct or renovate a property are not considered as it is impractical for a financial institution to measure related financed emissions. Reverse Mortgages are products that are akin to home equity loans and home equity lines of credit providing to consumers for general purposes PCAF is yet to develop measurement methodology. Due to Heartland's Reverse Mortgages making up a material amount of Heartland's exposure, Heartland has decided to include these in its financed emissions. Mortgages methodology has been used as a proxy to calculate financed emissions for NZ and AU Reverse Mortgages[50]. For this lending, Heartland has assumed that the properties are residential.

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
Best case scenario	4 (Mortgages methodology)	2b	$\frac{\text{Outstanding amount}}{\text{Property value at origination}}$ x Estimated energy consumption from statistics x Floor area x Average emission factor for the national grid	Property value reflects the valuation Heartland has on file, and for Reverse Mortgage customers also includes updated valuations where further credit reviews have occurred.
Second best case scenario	5 (Mortgages methodology)	3	$\frac{\text{Outstanding amount}}{\text{Property value at origination}}$ x Estimated energy consumption local data x Average emission factor for the national grid	

50 For completeness, these emissions are calculated by Heartland Bank and not by Heartland Bank Australia. Heartland Bank Australia is a Group 3 reporting entity under the applicable Australian legislation and will adhere to the reporting obligations and timeframes thereunder.

Listed and unlisted equity

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
Best case scenario	1 (Listed equity methodology)	1a	$\frac{\text{Value of outsanding shares}}{\text{Enterprise value including cash (EVIC)}} \times \text{Verified company's emissions}$	
Best case scenario	1 (Unlisted equity methodology)	1a	$\frac{\text{Value of outsanding shares}}{\text{(Total equity + debt)}} \times \text{Verified company's emissions}$	
Second best case scenario	2 (Listed equity methodology)	1b	$\frac{\text{Value of outsanding shares}}{\text{EVIC}} \times \text{Unverified company's emissions}$	
Second best case scenario	2 (Unlisted equity methodology)	1b	$\frac{\text{Value of outsanding shares}}{\text{(Total equity + debt)}} \times \text{Unverified company's emissions}$	
Default scenario	5 (Listed and unlisted equity methodology)	3b	Outstanding amount x Total emissions of the sector / Assets per sector	Based on ANZSIC codes of the investees and relevant ThinkStep (2024) emission factors.

Debt investments in listed corporate and government bonds and notes

Heartland invests in listed bonds and floating rate notes issued by corporate and governments from time to time. Debts issued by government could be at national or municipal levels. PCAF Financed Emissions Standard is yet to develop a specific methodology for emissions measurement of local government debts. Heartland has applied the sovereign debts methodology to account for such emissions.

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation
Best case scenario	1 (Sovereign debts methodology)	1a	$\frac{\text{Outstanding amount}}{\text{Purchase power party-adjusted gross domestic product}} \times \text{Verified country emissions (tCO2e)}$
Best case scenario	1 (Listed corporate bonds methodology)	1a	$\frac{\text{Outstanding amount}}{\text{EVIC}} \times \text{Verified company's emissions}$
Second best case scenario	2 (Listed corporate bonds methodology)	1b	$\frac{\text{Outstanding amount}}{\text{EVIC}} \times \text{Unverified company's emissions}$
Default scenario	4 (Listed corporate bonds methodology)	3a	$\frac{\text{Outstanding amount}}{\text{EVIC}} \times \text{Investee's revenue} \times \frac{\text{Total GHG emissions of the sector}}{\text{Revenue of the sector}}$

Appendix 3

Key limitations and uncertainties

Uncertainties related to climate risk drivers. The speed in which climate-related impacts are evolving are unprecedented and little reliance can be placed on historical experience to assess both magnitude and patterns. This gives rise to a higher level of uncertainty for banks when assessing the magnitude and timing of climate risk drivers. These drivers are also subject to tipping points that exacerbate uncertainties, particularly given geographic diversity of physical and transition impacts across New Zealand, Australia, and the rest of the world.

Considerations of the financial impact of physical climate impacts on gross domestic product (GDP) figures. At a high level, the impact of climate change on GDP under a Hot House scenario is likely to generate a significant contraction in global GDP growth potential, particularly in the latter half of the century. Conversely, the curbing of emissions under an Orderly scenario has the potential to positively impact GDP figures going forward, however increased levels of spend is required in the short term. Quantifying the impact of physical climate and transition risks is a complex process, and figures used to capture this should be evaluated with the acceptance that a degree of uncertainty is unavoidably embedded within the produced values.

Variances between global and domestic climate outcomes for similar scenario narratives. The scenarios used map out different global and domestic climate, socio-economic, policy and technology outcomes to each scenario narrative. An inherent limitation of this is a variance that occurs between global and domestic outcomes driven by the differences in modelling approaches used to calculate the scenario parameters, alongside variances in the way New Zealand and Australia are predicted to react to climate change versus the rest of the world.

Climate-related opportunities. The climate-related opportunities that Heartland has identified are associated with challenging but plausible scenarios based off emissions forecasts, anticipated climate-related impacts and flow on effects, and changing behaviour and technology. Most of the risks and opportunities identified are expected, however, the severity of the risks and actual take up of the opportunities is difficult to forecast exactly, and as a result, some historical data and forward-looking data have been used and should not be taken as exact claims, as the future is impossible to predict.

Transition plan: limitations, uncertainties, key assumptions and dependencies

Limitations:
Use of suitable sector-specific reference pathways, and risks developed by organisations such as the SBTi, International Energy Agency, CCC, and Glasgow Financial Alliance for Net Zero (**GFANZ**) which have not necessarily been adapted to fully reflect the Australian or New Zealand economy (or both).

Uncertainties:

- the pace at which new low-carbon technologies (e.g., renewable energy systems, zero-GHG emission vehicles, carbon capture and storage (**CCS**), energy-efficient solutions etc.) and business management systems are developed and released is uncertain. Additionally, the economic viability of these technologies may vary which could accelerate or restrict the pace of the transition particularly the medium-heavy road transport sector, aviation, and agriculture space
- customers' ability to adopt efficiency and productivity improvements in their businesses
- seasonal weather, market, and government policy variations which may affect the uptake of zero-emission technology, farm practices and profitability, and the effectiveness of emission trading schemes
- broader macroeconomic conditions, such as recessions, inflation, or periods of high volatility in financial markets, can disrupt where investments are directed and change customer behaviour. Changes in economic growth rates, interest rates, or inflation could impact the bank's financial position
- the unpredictability of climate-related physical

risks, such as extreme weather events (floods, droughts, wildfires), can disrupt business operations or affect the ability of customers to repay loans. The frequency, intensity, and geographical spread of these risks are difficult to predict

- the extent to which market forces and government policy will incentivise and accelerate decarbonisation
- some sector targets having dependencies on the decarbonisation of adjacent sectors (e.g., increase in renewable zero-emission electricity generation)
- the evolving nature of climate-related regulations, both locally (Australia/New Zealand) and globally, can present challenges. For example, changes in carbon pricing mechanisms, emissions reduction targets, or mandatory reporting frameworks might occur unexpectedly which will impact the speed of the global and domestic transition
- global supply chains could be disrupted by factors such as geopolitical instability, trade tensions, or supply chain bottlenecks, which may affect the bank's customers and their ability to transition to net-zero.

Key assumptions and dependencies:

Regulatory landscape:

Assumption: There will be a clear and enforceable regulatory framework supporting net-zero goals in New Zealand, such as carbon pricing, emissions reduction targets, and mandatory disclosures.

Dependencies: The plan will rely on the assumption that governments will provide consistent policy signals and updates on emissions reduction obligations.

Technological advancements:

Assumption: Relevant technologies, such as renewable energy, CCS, and electric vehicles, will continue to improve and scale effectively over the transition period including sustainable aviation fuel during the 2030s, and clean-energy heavy road transport vehicle technology (such as hydrogen fuel cell and electricity).

Dependency: Heartland depends on technological advancements in low-emissions technology to meet emissions reduction targets, particularly in its Livestock and Asset Finance related portfolios.

Customer and market demand:

Assumption: Customers (individuals, businesses, councils, and governments) will demand more sustainable and low-carbon financial products, and there will be growing market support for climate-friendly investments.

Dependency: Heartland's transition plan relies on market demand for low-emissions assets, goods and services increasing in the future.

Internal capacity and expertise:

Assumption: Heartland will be able to develop the internal capabilities necessary to measure, track, and reduce its carbon footprint effectively, both operationally, throughout its supply chain, and investments.

Dependency: Heartland's dependency relies on employee training surrounding climate capacity, data infrastructure and open access to climate-related information such as emission information and natural hazards.

Market stability:

Assumption: Financial markets will remain relatively stable, and there would not be significant disruptions (e.g., financial crises, non-climate-related long-term global pandemics, or extreme market volatility) that could undermine long-term planning.

Dependency: Heartland's transition plan depends on a relatively stable market to provide relatively consistent emissions reductions and adaptation across the global economy.

Heartland's transition plan assumes the rate that transition risks and opportunities arise will largely align to, but fluctuate between, the transition impacts modelled in the scenario assumptions for tailwinds, and headwinds in the CCC's Emissions in New Zealand (**ENZ**) assumptions and inputs for the CCC's 2021 final advice's scenario assumptions. It also assumes that the climate outcomes of IPCC SSP2-4.5 and Earth Sciences New Zealand's RCP 4.5 are experienced out to 2050. These are used to model a realistic but challenging physical risk scenario, as well as a staggered effort to reduce emissions.

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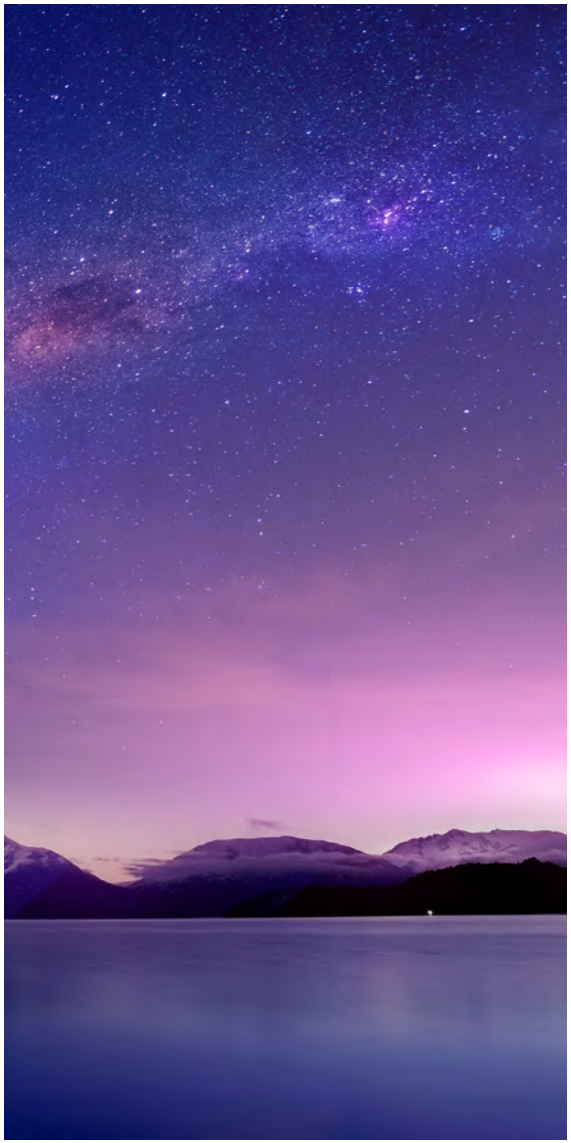

Carbon dioxide equivalent (CO2e): A standard unit for measuring carbon footprints. The impact of each different GHG is expressed in terms of the GWP of one unit of CO2. Standard ratios are used to convert gases into equivalent amounts of CO2; these are based on each gas' GWP over a 100-year timeframe as set out in the IPCC's fifth assessment report (**AR5**) used in this climate report.

Carbon footprint: A measure of the amount of GHGs emitted by an organisation. Typically expressed in terms of CO2e, and for a 12-month reporting period.

Emission factor: A metric that converts a specific emission source, such as a litre of diesel consumed, into terms of CO2 or CO2e.

Global warming potential (GWP): A measure of a gas' ability to cause radiative forcing in the atmosphere (or global warming) relative to the ability of one unit of CO2. For example, sulphur hexafluoride has 23,900 times the GWP of CO2, thus is 23,900 times more potent at contributing to global warming than CO2 over a 100-year timeframe.

Greenhouse gas (GHG): Greenhouse gases are gases listed in the Kyoto Protocol that influence the way in which the Earth's atmosphere traps heat. Increasing levels of GHGs in the atmosphere are causing the phenomenon of climate change.

06

Glossary

HEARTLAND
GROUP

heartlandgroup.info

Independent assurance report

To the Directors of Heartland Group Holdings Limited

Limited assurance report on Heartland Group Holdings Limited's Greenhouse Gas (GHG) disclosures

Our conclusion

We have undertaken a limited assurance engagement on the gross GHG emissions, additional required disclosures of gross GHG emissions, and gross GHG emissions methods, assumptions and estimation uncertainty (the GHG Disclosures), as outlined within the Scope of our limited assurance engagement section below, included in the Climate Report (the Climate Report) of Heartland Group Holdings Limited (the Company) and its subsidiaries (the Group) for the year ended 30 June 2025.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the GHG Disclosures are not fairly presented and are not prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB), as explained on pages 1 to 3 of the Climate Report.

Scope of our limited assurance engagement

We have undertaken a limited assurance engagement over the following GHG Disclosures on pages 14 to 15, 17 and 40 to 41 of the Climate Report for the year ended 30 June 2025:

- gross GHG emissions:
  - Total Scope 1 Direct GHG emissions of 266 tCO2e on page 17; and
  - Total Scope 2 (location-based) Indirect GHG emissions of 123 tCO2e on page 17;
- additional required disclosures of gross GHG emissions on pages 14 to 15, 17 and 40 to 41; and
- gross GHG emissions methods, assumptions and estimation uncertainty on pages 40 to 41.

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Report on pages 1 to 55. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it. The comparative information for the year ended 30 June 2024 disclosed in the Group's Climate Report is not covered by the assurance conclusion expressed in this report.

Other matter – GHG emissions sources

The Group's GHG emissions sources on page 16 for the years ended 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025 are not prepared on the same basis as, and do not form

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part of, the GHG Disclosures or comparative GHG Disclosures. This information has not been subject to assurance. As such, this information is not covered by our assurance conclusion.

Directors' responsibilities

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of the GHG Disclosures in accordance with NZ CSs. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of GHG Disclosures that are free from material misstatement whether due to fraud or error.

Inherent uncertainty in preparing GHG Disclosures

As discussed on pages 40 to 41 of the Climate Report, the GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our independence and quality management

This assurance engagement was undertaken in accordance with New Zealand Standard on Assurance Engagements 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*, issued by the External Reporting Board (XRB) (NZ SAE 1). NZ SAE 1 is founded on the fundamental principles of independence, integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also complied with the following professional and ethical standards and accreditation body requirements:

- Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*;
- Professional and Ethical Standard 3: *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; and
- Professional and Ethical Standard 4: *Engagement Quality Reviews*.

In our capacity as auditor and assurance practitioner, our firm also provides statutory audit, review and other assurance services. Our firm also provided an executive reward survey report to the Group. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business. The firm has no other relationship with, or interests in, the Group.

Assurance practitioner's responsibilities

Our responsibility is to express a conclusion on the GHG Disclosures based on the procedures we have performed and the evidence we have obtained. NZ SAE 1 requires us to plan and perform the engagement to obtain the intended level of assurance about whether anything has come to our attention that causes us to believe that the GHG Disclosures are not fairly presented and are not prepared, in all material respects, in accordance with NZ CSs, whether due to fraud or error, and to report our conclusion to the Directors of the Company.

As we are engaged to form an independent conclusion on the GHG Disclosures prepared by management, we are not permitted to be involved in the preparation of the GHG information as doing so may compromise our independence.

Summary of work performed

Our limited assurance engagement was performed in accordance with NZ SAE 1, and ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements*. This involves assessing the suitability in the circumstances of the Group's use of NZ CSs as the basis for the preparation of the GHG Disclosures, assessing the risks of material misstatement of the GHG Disclosures whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG Disclosures.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. In undertaking our limited assurance engagement on the GHG Disclosures, we:

- Obtained, through enquiries, an understanding of the Group's control environment, processes and information systems relevant to the preparation of the GHG Disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- Evaluated whether the Group's methods for developing estimates are appropriate and had been consistently applied. Where we considered it appropriate, we tested the data on which the estimates are based. Our procedures did not include separately developing our own estimates against which to evaluate the Group's estimates;
- Tested, a limited number of items to, or from, supporting records, as appropriate;
- Assessed a limited number of emission factor sources and reperformed a limited number of emissions calculations for mathematical accuracy;
- Performed analytical procedures on particular emission categories by comparing the expected GHGs emitted to actual GHGs emitted and made enquiries of management to obtain explanations for any significant differences we identified; and
- Considered the presentation and disclosure of the GHG Disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement and does not enable us to obtain assurance that we would become aware of all significant matters that we otherwise might identify. Accordingly, we do not express a reasonable assurance opinion on these GHG Disclosures.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected.

Who we report to

This report is made solely to the Company's Directors, as a body. Our work has been undertaken so that we might state those matters which we are required to state to them in our assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors, as a body, for our procedures, for this report, or for the conclusions we have formed.

The engagement partner on the engagement resulting in this independent assurance report is Christopher Ussher.

For and on behalf of

PricewaterhouseCoopers

PricewaterhouseCoopers Wellington
30 September 2025

Independent assurance report

To the Directors of Heartland Bank Limited

Limited assurance report on Heartland Bank Limited's Greenhouse Gas (GHG) disclosures

Our conclusion

We have undertaken a limited assurance engagement on the gross GHG emissions, additional required disclosures of gross GHG emissions, and gross GHG emissions methods, assumptions and estimation uncertainty (the GHG Disclosures), as outlined within the Scope of our limited assurance engagement section below, included in the Climate Report (the Climate Report) of Heartland Bank Limited (the Company) and its subsidiaries (the Group) for the year ended 30 June 2025.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the GHG Disclosures are not fairly presented and are not prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB), as explained on page 1 to 3 of the Climate Report.

Scope of our limited assurance engagement

We have undertaken a limited assurance engagement over the following GHG Disclosures on pages 14 to 15, 17 to 18 and 40 to 41 of the Climate Report for the year ended 30 June 2025:

- gross GHG emissions:
  - Total Scope 1 Direct GHG emissions of 265 tCO2e on page 18; and
  - Total Scope 2 (location-based) Indirect GHG emissions of 117 tCO2e on page 18;
- additional required disclosures of gross GHG emissions on pages 14 to 15, 17 to 18 and 40 to 41; and
- gross GHG emissions methods, assumptions and estimation uncertainty on pages 40 to 41.

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Report on pages 1 to 55. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it. The comparative information for the year ended 30 June 2024 disclosed in the Group's Climate Report is not covered by the assurance conclusion expressed in this report.

Other matter – comparative information

The comparative GHG Disclosures (that is, GHG Disclosures for the period ended 30 June 2024) have not been subject to assurance. As such, these disclosures are not covered by our assurance conclusion.

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Directors' responsibilities

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of the GHG Disclosures in accordance with NZ CSs. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of GHG Disclosures that are free from material misstatement whether due to fraud or error.

Inherent uncertainty in preparing GHG Disclosures

As discussed on pages 40 to 41 of the Climate Report, the GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our independence and quality management

This assurance engagement was undertaken in accordance with New Zealand Standard on *Assurance Engagements 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures*, issued by the External Reporting Board (XRB) (NZ SAE 1). NZ SAE 1 is founded on the fundamental principles of independence, integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also complied with the following professional and ethical standards and accreditation body requirements:

- Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*;
- Professional and Ethical Standard 3: *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; and
- Professional and Ethical Standard 4: *Engagement Quality Reviews*.

In our capacity as auditor and assurance practitioner, our firm also provides statutory audit, review and other assurance services. Our firm also provided an executive reward survey report to the Group. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities. The firm has no other relationship with, or interests in, the Group.

Assurance practitioner's responsibilities

Our responsibility is to express a conclusion on the GHG Disclosures based on the procedures we have performed and the evidence we have obtained. NZ SAE 1 requires us to plan and perform the engagement to obtain the intended level of assurance about whether anything has come to our attention that causes us to believe that the GHG Disclosures are not fairly presented and are not prepared, in all material respects, in accordance with NZ CSs, whether due to fraud or error, and to report our conclusion to the Directors of the Company.

As we are engaged to form an independent conclusion on the GHG Disclosures prepared by management, we are not permitted to be involved in the preparation of the GHG information as doing so may compromise our independence.

Summary of work performed

Our limited assurance engagement was performed in accordance with NZ SAE 1, and ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements*. This involves assessing the suitability in the circumstances of the Group's use of NZ CSs as the basis for the preparation of the GHG Disclosures, assessing the risks of material misstatement of the GHG Disclosures whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG Disclosures.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. In undertaking our limited assurance engagement on the GHG Disclosures, we:

- Obtained, through enquiries, an understanding of the Group's control environment, processes and information systems relevant to the preparation of the GHG Disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- Evaluated whether the Group's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Group's estimates;
- Tested, a limited number of items to, or from, supporting records, as appropriate;
- Assessed a limited number of emission factor sources and reperformed a limited number of emissions calculations for mathematical accuracy;
- Performed analytical procedures on particular emission categories by comparing the expected GHGs emitted to actual GHGs emitted and made enquiries of management to obtain explanations for any significant differences we identified; and
- Considered the presentation and disclosure of the GHG Disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement and does not enable us to obtain assurance that we would become aware of all significant matters that we otherwise might identify. Accordingly, we do not express a reasonable assurance opinion on these GHG Disclosures.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected.

Who we report to

This report is made solely to the Company's Directors, as a body. Our work has been undertaken so that we might state those matters which we are required to state to them in our assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors, as a body, for our procedures, for this report, or for the conclusions we have formed.

The engagement partner on the engagement resulting in this independent assurance report is Christopher Ussher.

For and on behalf of

PricewaterhouseCoopers

PricewaterhouseCoopers Wellington
30 September 2025