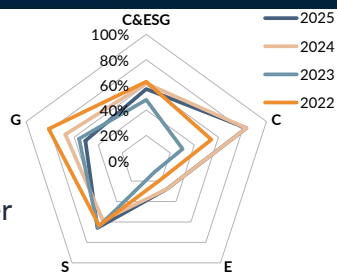


HGH

B- Fast Follower



			Financials	New Zealand	Financials
	Grade	Score	Average	Average	Sector Weights
Carbon	A+	83%	82%	64%	15%
Environmental	D	28%	44%	54%	15%
Social	B+	66%	70%	64%	30%
Governance	C+	51%	57%	67%	40%
Total	B-	57%	63%	64%	

Heartland Group (HGH) has seen its C&ESG rating modestly slip from B to B- over the last year, driven by a decline in its Governance score. HGH wrote off a material amount of 'bad' (non-performing) loans in FY25 in its NZ motor finance and business lending portfolios. While arrears are part and parcel of a bank these days, the size and timing damaged investor confidence in HGH's ability to correctly monitor and control its arrears. Adjustments to reported earnings continued. A closing of the gap between reported and normalised earnings and better arrears management would likely drive an improved C&ESG rating over the next few years. We captured these incidences in the 'Controversies' indicator of the Governance score.

C - Total		A+ (83.33%)
-----------	--	-------------

E - Total		D (27.78%)
-----------	--	------------

Social		Metric	Data	Score	Weight	Group Score	Group Wgt
Health & Safety	S1.1	Does the company have safety management targets in place?	Yes	1.00	33.33%	66.67%	20.00%
	S1.2	If there is five years of data on a measure of safety (e.g. LTIFR) collected by the company, is it decreasing, stable, or increasing?	< 5y data	0.00	33.33%		
	S1.3	Have there been any workplace fatalities in the last five years?	No	1.00	33.33%		
Human Rights & Supply Chain	S2.1	Does the company have a human rights policy?	Yes	1.00	25.00%	75.00%	20.00%
	S2.2	Has the company identified where, across its business, there may be material risks of modern slavery?	Yes	1.00	25.00%		
	S2.3	Is the company an accredited living wage employer?	Yes	1.00	25.00%		
	S2.4	Is there a supply chain code of conduct?	No	0.00	25.00%		
Product Quality & Accessibility	S3.1	Have there been any unplanned product or service faults (including cyber incidents or data privacy breaches) resulting in, for example, disruption to operations or recalls (including FDA regulated products if relevant), in the last three years?	No	1.00	100.00%	100.00%	20.00%
Employee Value Proposition / Culture	S4.1	Is employee turnover measured and publicly reported?	Yes - internally only	0.50	25.00%	12.50%	20.00%
	S4.2	If employee turnover is reported:					
	S4.2.1	Is it <10%, <20%, >20%?	≥20%	0.00	12.50%		
	S4.2.2	If there is five years of employee turnover data, is it decreasing, stable, or decreasing?	Insufficient data	0.00	12.50%		
	S4.3	Is there a contemporary parental leave policy? Does the company provide resources and support for employees mental health and well being, and is the company measuring the impact of its mental health/wellbeing initiatives on productivity and/or retention?	No	0.00	25.00%		
Diversity	S4.4		No	0.00	25.00%	75.00%	20.00%
	S5.1	Does the company publicly report its gender pay gap?	Yes	1.00	50.00%		
	S5.2	Does the company track and measure the proportion of women in management roles in relation to the proportion of women employees?	75.1%	0.50	50.00%		
S - Total							B+ (65.83%)

Governance		Metric	Data	Score	Weight	Group Score	Group Wgt
Sustainability	G1.1	Does the company integrate its sustainability strategy into its business-as-usual operations?	No	0.00	25.00%	12.50%	16.67%
	G1.2	Is remuneration for senior executives linked to achieving sustainability performance?	Part of annual appraisal	0.50	25.00%		
	G1.3	Has the company committed to voluntarily putting its executive remuneration report forward for a shareholders vote?	No	0.00	25.00%		
	G1.4	Does the company have B Corporation, Future-Fit (or equivalent) certification?	No	0.00	25.00%		
Investor Protections	G2.1	Does the company have share classes with different voting rights?	No	1.00	33.33%	66.67%	16.67%
	G2.2	Is there potential for a 'blocking' shareholder?	9.0%	1.00	33.33%		
	G2.3	Is there any evidence of significant unequal treatment of minority shareholders in any equity raisings in the last three years?	Neutral	0.00	33.33%		
Audit & External Relationship Management	G3.1	How long is the current auditor's tenure?	2	1.00	25.00%	75.00%	16.67%
	G3.2	What is the average proportion of total fees paid to the auditor for non-statutory audit services over the past three years?	50.0%	0.50	25.00%		
	G3.3	Are all audit-committee members non-executive directors?	Yes	1.00	25.00%		
	G3.4	Has the company received external assurance of its sustainability report or disclosures?	Limited - GHG inventory	0.50	25.00%		
	G3.5	Is the company explicitly considering lwi specific considerations within its business operations?	No	0.00	Not scored		
Board	G4.1	Do non-executive and independent Board members comprise the majority of Board members?	80.0%	1.00	12.50%	50.00%	16.67%
	G4.2	Is the CEO also the Chair? Has the Chair been the CEO previously?	No	1.00	12.50%		
	G4.3	What is the average tenure of current Board members?	3.0	0.00	12.50%		
	G4.4	What is the average number of Board member affiliations of non-executive Board members?	9.6	0.00	12.50%		
	G4.5	How many directors are on the Board?	5	0.50	12.50%		
	G4.6	Is a Board skills matrix disclosed?	Yes	1.00	12.50%		
	G4.7	Is the Board's gender diversity sufficient?	20.0%	0.00	12.50%		
	G4.8	Does the Board undertake an annual self review process and is this made publicly available?	Yes - not public	0.50	12.50%		
Data Security & Tax	G5.1	Is there a cybersecurity policy in place? If so, is there evidence the company has tested its cyber resilience strategies in the last year?	Yes	1.00	33.33%	100.00%	16.67%
	G5.2	Is there a data privacy and protection policy in place? If so, is there evidence the company has tested its security measures in the last year?	Yes	1.00	33.33%		
	G5.3	Does the Board have a tax governing framework in place?	Yes	1.00	33.33%		
Controversies	G6.1	Has the company avoided major controversies in the last five years as well as acted with integrity in both financial and non-financial reporting?	Minor	0.00	100.00%	0.00%	16.67%
G - Total							C+ (50.69%)