



Climate Statement 2026

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Approach to Heartland's Climate Statement

Scope of Heartland's Climate Statement

Heartland Group Holdings Limited (**Heartland Group Holdings** or **HGH**) and its subsidiary Heartland Bank Limited (**Heartland Bank** or **HBL**) are both Climate Reporting Entities (**CREs**) under the Financial Markets Conduct Act 2013 and required to prepare an annual climate statement. This climate statement has been prepared jointly for Heartland Group Holdings and Heartland Bank, collectively with their subsidiaries referred to as **Heartland** or the **Group**.

Following Heartland Bank's acquisition of an authorised deposit-taking institution (**ADI**) in early 2024, the ADI's operations were combined with the existing Australian entities and subsequently rebranded as Heartland Bank Australia Limited (**Heartland Bank Australia** or **HBAL**) on 30 April 2024.

During the financial year ended 30 June 2025 (**FY2025**), Heartland Bank Australia established a dedicated Sustainability function. This function progressed Heartland Bank Australia's climate-related governance, risk management and strategies during FY2025 and FY2026, which Heartland highlights in this climate statement where they are material to the Group. Heartland Bank Australia continues to develop its climate-related governance, strategy, risk management and metrics & targets as expected under Australian Sustainability Reporting Standard AASB S2

Climate-related Disclosures (**AASB S2**) as a Group 2 Reporting Entity. Heartland will reflect the relevant outcomes of that work in future disclosures, to the extent they are material to the Group.

Change of financed emissions evaluation methodologies

Financed emissions¹ are the largest category of greenhouse gas (**GHG**)² emissions generated by Heartland. Heartland Group Holdings and Heartland Bank evaluate this emissions category using the calculation methodologies published by Partnership for Carbon Accounting Financials (**PCAF**). PCAF launched the updated standard (The Global GHG Accounting & Reporting Standard Part A – Third Edition (2025) (**PCAF Financed Emissions Standard**) in December 2025 which replaced the previous version published in 2022. The latest standard, to the extent relevant to Heartland's climate statement, introduces new financed emissions methodologies for securitisations, structured products, and sub-sovereign debt. This brings changes to the GHG emissions quantification, assessment, and disclosure of related asset classes. Refer to the Strategy section and Appendix 2 for more details.

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

In November 2025, the External Reporting Board (**XRB**) published *Amendments to Adoption of*

Aotearoa New Zealand Climate Standards 2025 (Amendments), effective for the annual reporting period beginning on or after 1 January 2025. The Amendments include:

- extension of adoption provisions on anticipated financial impacts (adoption provision 2) and scope 3 GHG emissions disclosure (adoption provision 4 and consequential amendments to adoption provisions 5 and 7) for a further two years (i.e. up to the fourth reporting period); and
- extension of adoption provision on obtaining limited assurance of scope 3 GHG emissions disclosures for another two years until the accounting periods ending before 31 December 2027 (adoption provision 8).

In preparing this climate statement, 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)* considering the Amendments described above.

¹ The emissions generated through customers and investments that are enabled by finance provided by Heartland.

² GHG 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.

Adoption provision (from NZ CS 2)	Description	Paragraphs of NZ CS exempted from
Adoption provision 2: Anticipated financial impacts	In its first four reporting periods, Heartland is exempt from disclosing the anticipated financial impacts of climate-related risks and opportunities reasonably expected by the entity. Heartland elected to use this provision for the third reporting period in a row. Management will reassess whether to apply this provision in the next reporting period.	NZ CS 1 <i>Climate-related Disclosures</i> (NZ CS 1), paras 15(b), (c) and (d)
Adoption provision 4: Scope 3 GHG emissions	In its first four reporting periods, Heartland is exempt from disclosing its GHG emissions in metric tonnes of carbon dioxide equivalent (CO2e) ³ classified as scope 3. Heartland has elected to use this exemption with respect to: its upstream transportation and distribution activities (except for those relating to mailing and postage); upstream leased assets that Heartland does not have operational control; and the use and end of life treatment of sold assets (categories 4, 8, 11 and 12). Management will reconsider the application of this provision in the next reporting period.	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 or allowed to make limited disclosure of comparative information for scope 3 GHG emissions up to the sixth reporting period. Heartland will reconsider the application of this adoption provision in the next three reporting periods.	NZ CS 3 <i>General Requirements for Climate-related Disclosures</i> (NZ CS 3), para 40
Adoption provision 7: Analysis of trends	Subject to the extent of applying adoption provision 4 above, Heartland is exempt from disclosing an analysis of the main trends for scope 3 GHG emissions up to the fifth reporting period. Heartland will reconsider the application of this adoption provision in the next two reporting periods.	NZ CS 3, para 42
Adoption provision 8: Scope 3 GHG emissions assurance	For accounting periods ending before 31 December 2027, Heartland is permitted to exclude the scope 3 GHG emissions disclosure from the scope of the assurance engagement. Heartland will reconsider the application of this provision in the next reporting period.	NZ CS 1, paras 25, 26(a)(iii), (b) and (c)

³ CO2e refers to a standard unit for measuring carbon footprints where carbon footprint is a measure of the amount of GHGs emitted by an organisation and typically expressed in terms of CO2e for a 12-month reporting period. The impact of each different GHG is expressed in terms of the global warming potential (**GWP**) of one unit of CO2. GWP is 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. 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 Intergovernmental Panel on Climate Change's (**IPCC**) Fifth Assessment Report (**IPCC AR5**) used in this climate statement.

Statement of compliance

This is the climate statement for Heartland Group Holdings and Heartland Bank, and their respective subsidiaries (i.e., Heartland or the Group) for the year ended 30 June 2026.

This climate statement complies with NZ CS issued by the XRB and is signed and approved by the respective boards on 28 September 2026 for issuance.

Heartland Group Holdings



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

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strategy

Heartland's strategy

Strategic vision and current business model

Heartland Group Holdings 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 Holdings' 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 to operate. This enables Heartland Group Holdings 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's strategic priority is to create long-term shareholder value by deploying capital into value-accretive opportunities, measured by return on equity (ROE).

To do this, Heartland Bank and Heartland Bank Australia are focused on:

- prioritising investment to activities where risk and return is calibrated to deliver 12-14% ROE

- ongoing review of specialist product sets to ensure performance aligns with delivery of objectives
- driving efficiencies through simplification and automation.

Core market goals

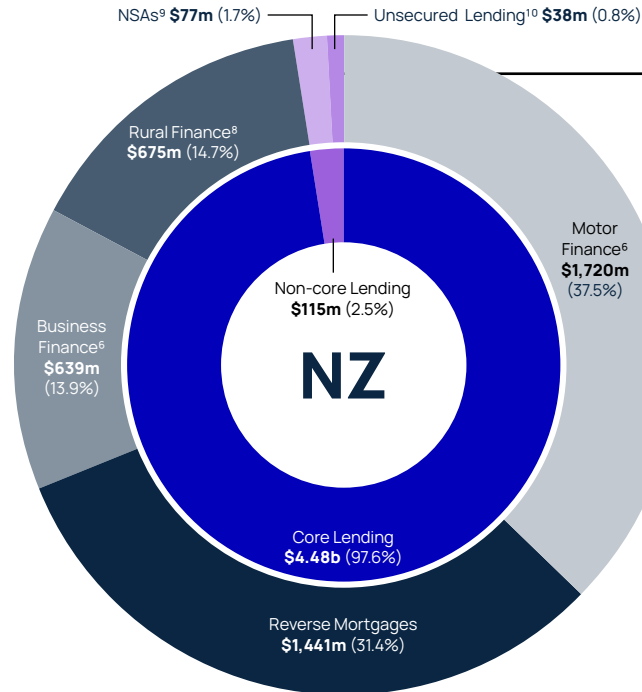
Heartland provides practical and appealing specialist banking products to New Zealanders and Australians. Its core market goals include:

- Reverse Mortgages: to be the leading provider of funding solutions for older New Zealanders and Australians
- Rural Finance: to be the pre-eminent provider of Rural Finance in New Zealand and Australia, focusing on livestock
- Motor and Asset Finance: to be the preferred vehicle and asset financier in New Zealand
- Savings and Deposits: to offer innovative and competitively priced term and savings deposits in New Zealand and Australia.



Our business⁴

Our lending⁵

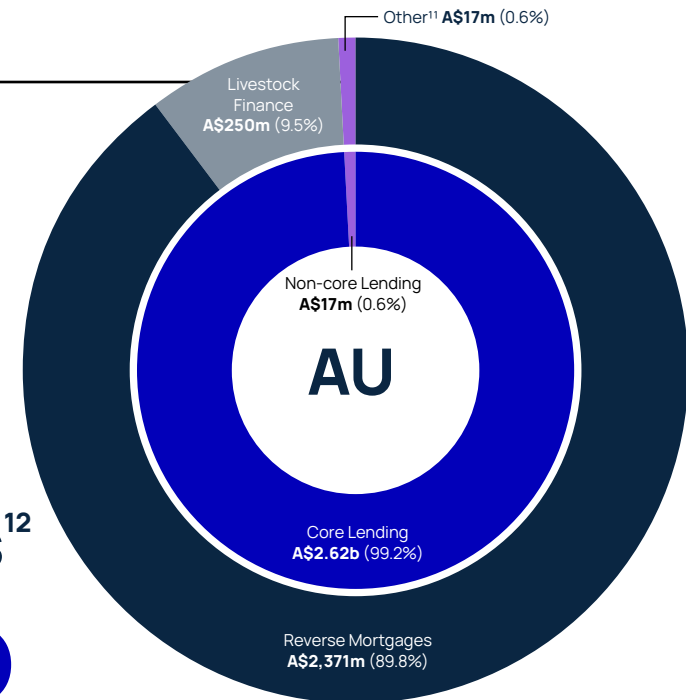


NZ Banking

Total core	\$4.48b
Total non-core	\$115m
TOTAL	\$4.59b

AU Banking

Total core	A\$2.62b
Total non-core	A\$17m
TOTAL	A\$2.64b



Total Receivables¹²
\$7.80b

⁴ Unless specified otherwise, all amounts laid out in this climate statement are in New Zealand dollars, the presentation currency of Heartland Group Holdings' financial statements, and Heartland Bank's disclosure statements as at 30 June 2026 and for the year then ended.

⁵ All lending portfolio figures exclude foreign exchange (FX) impact. Core lending includes core product sets (Reverse Mortgages, Motor Finance, Business Finance and Rural Finance in New Zealand; Reverse Mortgages and Livestock Finance in Australia). Non-core Lending includes product sets which are in run down, including non-strategic assets (NSAs) in New Zealand.

⁶ Motor Finance includes Wholesale Lending.

⁷ Business Finance includes Asset Finance and Business Relationship. Excludes NSAs.

⁸ Rural Finance includes Rural Relationship, Rural Direct and Livestock Finance (NZ) loans. Excludes NSAs.

⁹ NSAs include certain loans in Business Finance, Rural Finance, legacy mortgage loans and Online Home Loans.

¹⁰ Unsecured Lending includes Personal Lending and Open for Business.

¹¹ Other AU includes Home Loans and Consumer & Other loan portfolios acquired through the ADI which are in run down (collectively referred to as Residential (AU) in this climate statement).

¹² Including the impact of changes in FX rates.

Heartland Bank's environmental sustainability strategy

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

- **Integrate climate-related risk into lending decisions:** Heartland Bank is building its capability to understand, monitor and manage climate-related risks in its lending decisions.
- **Fund Heartland Bank's borrowers' transition to a net-zero economy:** Heartland Bank seeks to provide customers with the finance and assets they require to transition to a low-emissions and climate-resilient future.
- **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 to net-zero by FY2050 in line with the Paris Agreement.

Scenario analysis

Climate change is a significant and complex problem that has impacted, and will continue to impact, Heartland, its employees, customers and suppliers differently. Scenario analysis is a key tool to help identify climate-related risks and opportunities and better understand the resilience of business models and strategy against a range of possible future outlooks. The two types of climate-related risks that Heartland faces are:

- **physical risks** – risks related to the physical impacts of climate change, both acute (increased severity of extreme weather events)

and chronic (longer-term shifts in precipitation and temperature and increased variability in weather patterns, such as sea level rise); and

- **transition risks** – risks related to the transition to a low-emissions, climate-resilient global and domestic economy such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.

Heartland Group Holdings and Heartland Bank conducted standalone scenario analysis in FY2024 and refreshed that exercise in FY2025 to understand if the risks and opportunities identified during FY2024 were still correct and relevant for each CRE following the acquisition of (what is now known as) Heartland Bank Australia. Neither CRE conducted any scenario analysis in FY2026 but will revisit the exercise in FY2027 as part of wider risk assessment activities. Heartland Bank Australia has not undertaken any standalone scenario analysis to date, but plans to do so in FY2027, Heartland will disclose any findings material to the Group in its future climate statements.

Heartland selected three scenarios (known as "Orderly", "Too Little, Too Late", and "Hot House") which were primarily developed by the New Zealand Banking Association (**NZBA**) and without using any other external partners.¹³ At the time, Heartland adopted those scenarios to align with others in the banking sector to improve comparability. The scenarios challenged Heartland's resilience against the varying transition impacts that arise in the "Orderly" and

"Too Little, Too Late" scenarios as well as against the potential physical impacts in their extremes in the "Too Little, Too Late" and "Hot House" scenarios.

Heartland Bank management further customised and developed the scenarios to be relevant and specific to Heartland's strategy and business model. The adjustments included a particular focus on the potential impact on property backed mortgage lending, transport, infrastructure/ civil engineering, small and midsize enterprises, and the agriculture sector. A working group comprising senior leaders from across Heartland, including representatives from the Heartland Group Holdings' Sustainability Committee (**the Working Group**), agreed the narratives for each customised scenario.

Summaries of the different scenarios are set out below and are subject to a refreshed scenario analysis exercise in FY2027 discussed above.

¹³ <https://nzba.org.nz/banking-information/climate-change/banking-sector-climate-scenario-narratives-report/>.

	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 are technology, policy, and behaviour changes 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: IPCC Shared 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 used can be found in Appendix 1.

When identifying, assessing and managing climate-related risks through scenario analysis, Heartland used the below time horizons.

	Immediate	Short term	Medium term	Long term
Time horizon (year(s))	1 – 2	3 – 5	5 – 7	7 – 30
Rationale for selection	Provides a current state assessment and the ability to address immediate transition and acute physical risks and opportunities.	Broadly aligns with the average term of Business Finance ¹⁴ , 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 ¹⁵ and Rural Finance, and the vast majority of the 'expected' term of Heartland Bank's Reverse Mortgage portfolio. Also aligns with long-term international and domestic emissions reduction targets and long-term science-aligned emissions reduction timeframes.

¹⁴ Heartland Bank ceased writing Open for Business loans, a product within the Business Finance portfolio, from 10 April 2025 onwards. This climate statement continues to include relevant discussions but reflects any necessary change from FY2025.

¹⁵ Heartland Bank's Online Home Loans portfolio closed to new customers on 18 March 2025 and is in run-down. There is no change to the long-term time horizon following this decision. This climate statement continues to include relevant discussions but reflects any necessary change from FY2025.

The Working Group scored the identified risks and opportunities across time horizons from each scenario on a scale from 1 to 5 for each of likelihood and impact. The scoring considered the adaptability of Heartland and its assets, 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 inherent uncertainty of scenario analysis as an exercise, the Working Group aggregated the score of each risk and opportunity across the three scenarios to assess materiality (i.e. the risks and opportunities with the higher aggregated scores were the most material).

Heartland identified the actions it could take to mitigate risk and leverage opportunities, allowing the Group to plan and allocate resources accordingly. These actions are reflected in the Metrics & Targets section as well as Heartland Group Holdings and Heartland Bank's transition plan in the later part of this Strategy section.

In addition to periodic refresh, Heartland will undertake further scenario analysis when there is a material change to its strategy or where Heartland expects the outcome may differ materially due to new information or tools becoming available.



Climate-related opportunities

This section sets out what Heartland Bank has currently identified as material climate-related opportunities and related anticipated impacts in the New Zealand product portfolio. Information relating to Heartland Bank Australia's operations is excluded from this section because Heartland Bank Australia has not yet identified its climate-related opportunities. Heartland Group Holdings has not identified any distinct climate-related opportunities for Heartland Group Holdings by virtue of its business solely consisting of owning Heartland Bank and Heartland Bank Australia.

Heartland Bank identified opportunities through a combination of scenario analysis, engaging with product leads and observed market developments and customer demand. It has not defined a quantitative materiality threshold for its opportunities. Instead, the materiality assessment is informed by judgment based on lending to-date, market trends, and the existing size of the product portfolio.

Products	Opportunity and related anticipated impacts to Heartland Bank ¹⁶ [SA3]	Materiality assessment	Opportunity lending (\$)		
			FY2026	FY2025	FY2024
Motor Finance – new generation vehicles	Strengthen position in Motor Finance market and increase revenue by financing increasing numbers of new generation vehicles (battery electric and plug-in hybrid) for existing and new customers. [SA5]	Material and will continue to be material	\$195.0m	\$128.6m	\$122.6m
Asset Finance	Create new value propositions within the Asset Finance portfolio by financing low-emissions vehicles, machinery and energy solutions. [SA5]	Not currently material but expect to become material from the short term	\$5.0m	-	-
Reverse Mortgages	Create new value propositions within the Reverse Mortgage portfolio by financing borrowers' home improvements to improve the climate resilience and energy efficiency of their properties. [SA2]	Not currently material but expect to become material from the medium term	Unknown ¹⁷	Unknown	Unknown
Rural and Livestock Finance	Create new value propositions within the Rural and Livestock Finance portfolios by financing farm improvements and emissions reduction initiatives for agricultural borrowers. [SA2, SA5]	Not currently material but expect to become material from the medium term	-	-	-

Heartland Bank's financing of new generation vehicles grew considerably in FY2026, with particularly strong performance in the final four months of the year. Although that is definitively the most material current opportunity, Heartland Bank anticipates greater uptake of new value propositions across other products in the short to medium term.

¹⁶ Mapping against the strategic ambitions (SA) set out in the transition plan in the later part of this Strategy section.

¹⁷ Opportunity lending is yet to be quantified. Heartland Bank may have already financed some borrowers' home improvements related to climate resilience and energy efficiency but is yet to granularly monitor Reverse Mortgage customers' use of financing for home improvements. Tracking is expected to begin in FY2027.



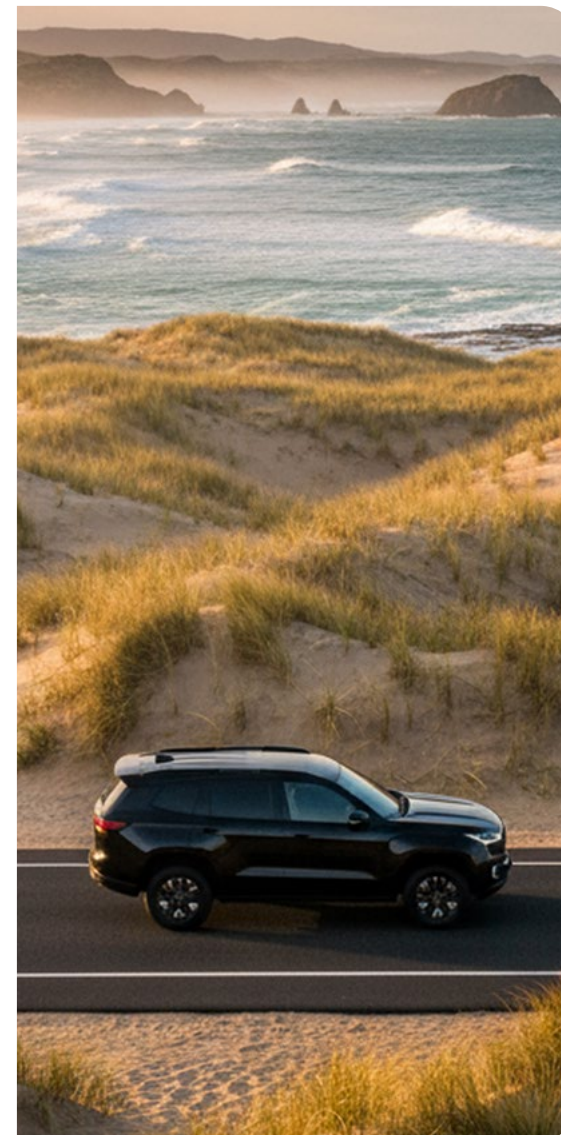
Case study: HBL's new generation vehicles lending

Heartland Bank's continued growth in new generation vehicles comes as the industry shifts towards new generation models, with its key partner brands and products at the forefront.

Heartland Bank formally partnered or collaborated with five of the top makers of new EV sold in New Zealand during the 12 months to June 2026 (Tesla, BYD, MG, Kia, and Dongfeng), among others¹⁸. Dongfeng was one of the two newly established partnerships (along with Leapmotor) that Heartland Bank formed during FY2026 with significant electric vehicle line-ups, while it also renewed its longstanding partnership with Kia which continues to expand its new generation models.

Heartland Bank offered a multi-month EV promotion with its franchise partners as global fuel prices rose dramatically in late FY2026. Combined with continued competitive rates on Tesla models and extensive dealer relationships with providers of new generation vehicle sales like Armstrongs Group, demand for EVs rose considerably from March 2026 onwards and contributed towards the 51.6% increase in new generation vehicle finance when compared to the business in FY2025.

This growth in new generation vehicle finance continues to shift the composition of the Motor Finance portfolio and reduce the associated financed emissions, both of which are discussed further in other parts of this climate statement.



¹⁸ <https://www.transport.govt.nz/statistics-and-insights/fleet-statistics/low-emissions-vehicle-report/>

Climate-related risks

Physical risks

This section sets out what Heartland Bank has currently identified as material physical risks and related anticipated impacts in the New Zealand product portfolio. Information relating to Heartland Bank Australia's operations is excluded from this section because Heartland Bank Australia has not yet identified its physical risks. Heartland Group Holdings has not identified any distinct physical risks for Heartland Group Holdings by virtue of its business solely consisting of owning Heartland Bank and Heartland Bank Australia.

Heartland Bank identified physical risks through a combination of scenario analysis, reviewing anticipated climate data such as the Ministry for the Environment's (MfE) Climate Projections Map, Heartland Bank's credit performance in historical severe weather events, and ongoing physical risk assessment.

Heartland Bank's physical risk assessment uses

heat mapping, facilitated through Cotality and developed by Munich Re. Heartland Bank switched its climate data risk tool from Jupiter Intelligence to Cotality in FY2026 which means that comparatives and trend analysis are not available for the metrics in this climate statement but will be from FY2027 onwards. Heartland Bank's heat mapping uses Munich Re's Climate Change Scores (**Scores**) which are calculated using both historical data and projected changes in the intensity and frequency of 13 acute and chronic hazards. The Scores are generally provided on a five-scale rating of Very Low, Low, Medium, High and Very High and are available across different climate scenarios and time horizons.

In identifying the most appropriate scenario to use, Heartland Bank was restricted by data availability. Heartland Bank uses the SSPs 2-4.5 and 5-8.5, which match two of the three scenarios adopted in Heartland Bank's original scenario analysis in FY2024. In identifying the most appropriate time horizons to use, Heartland Bank considered loan tenures and data availability. Heartland Bank chose

to use 2050 for its property-backed portfolio and 2030 for its stock-backed portfolio.

Heartland Bank has not defined a quantitative materiality threshold for its physical risks. Instead, Heartland Bank's materiality assessment considered:

- the prevalence of each of the 13 acute and chronic hazards defined by Munich Re;
- how each hazard could result in damage;
- Heartland Bank's exposure profile to each hazard using Munich Re data (recognising modelling varied by hazard including wide-ranging resolutions); and
- portfolio vulnerabilities (e.g. what is and is not covered by Natural Hazard Commission settings, with no current payouts for property damage from floods or storms).

Heartland Bank concluded its material physical risks at an individual loan level relate to River Flood and Storm Surge hazards. Munich Re modelling details for each hazard and what constitutes a 'High' risk rating, set out in the table below:

Hazard	Modelling description	Resolution	High risk rating definition
River Flood	Combined existing River Flood model for current atmospheric conditions with estimated changes using aggregated climate and hydrological models	30m	Flood with a probability of 1% in 1 year (equivalent to a return period of 100 years)
Storm Surge	Combined existing Storm Surge model for current atmospheric conditions with chronic sea level rise projections and projected changes to tropical cyclone risk	30m	Coastal area inundated by storm surge with a probability of 1% in 1 year (equivalent to a return period of 100 years)

The table below sets out what Heartland Bank has currently identified as material physical risks and related anticipated impacts in the New Zealand product portfolio.

Exposure	Hazard ¹⁹ [SA1, SA4]	How the hazard could result in damage and anticipated impacts to Heartland Bank [SA3, SA4]	Materiality assessment	Scenario	Vulnerability – 'High' risk rated gross exposure (% of product portfolio) FY2026
Reverse Mortgages (% of the number of loans successfully assessed using matched coordinates data: 99.94%)	River Flood – increasing intensity and frequency of short-duration, high-intensity rainfall events lead to more recurring and severe fluvial flooding	Inundation and damage of exposed secured properties, resulting in falling collateral value and/or properties that are difficult/impossible to sell	Already material and will worsen over time	SSP2-4.5 (2050)	11.40%
				SSP5-8.5 (2050)	11.81%
	Storm Surge – rising sea levels and increasing intensity and frequency of tropical storms lead to more recurring and higher rises in seawater level	Inundation and damage of exposed coastal secured properties, resulting in falling collateral value and/or properties that are difficult/impossible to sell	Already material and will worsen over time	SSP2-4.5 (2050)	1.27%
				SSP5-8.5 (2050)	1.41%
Online Home Loans (99.99%)	River Flood – as described above	As described for Reverse Mortgages	Already material but will reduce in materiality over time as the portfolio winds down	SSP2-4.5 (2050)	6.99%
				SSP5-8.5 (2050)	7.10%
Rural Finance (100%)	River Flood – as described above	Inundation and damage of exposed properties, equipment and/or livestock, resulting in increased probability of default from falling income and loss given default from falling collateral value	Already material and will worsen over time	SSP2-4.5 (2030)	12.76%
				SSP5-8.5 (2030)	12.83%
Livestock Finance (99.86%)	River Flood – as described above	As described for Rural Finance	Already material and will worsen over time	SSP2-4.5 (2030)	12.22%
				SSP5-8.5 (2030)	13.64%

When compared to the findings of the 2025 nationwide flooding study led by Earth Sciences New Zealand²⁰ and the 2026 National Climate Change Risk Assessment from the CCC²¹, both of which applied the same 1% annual exceedance probability and broadly comparable scenarios as the bank's modelling, Heartland Bank's proportion

of its property-backed portfolio that is exposed to flooding (12.03% once aggregated) is slightly favourable to the national average of buildings exposed to flooding.

Heartland Bank's four products described above are also exposed to physical risks arising from

other hazards, notably Precipitation Stress (related to pluvial flooding) for the listed product types and Drought Stress for Rural and Livestock Finance lending. However, modelling from Munich Re and publicly available sources are currently insufficiently granular to provide loan-level insights.

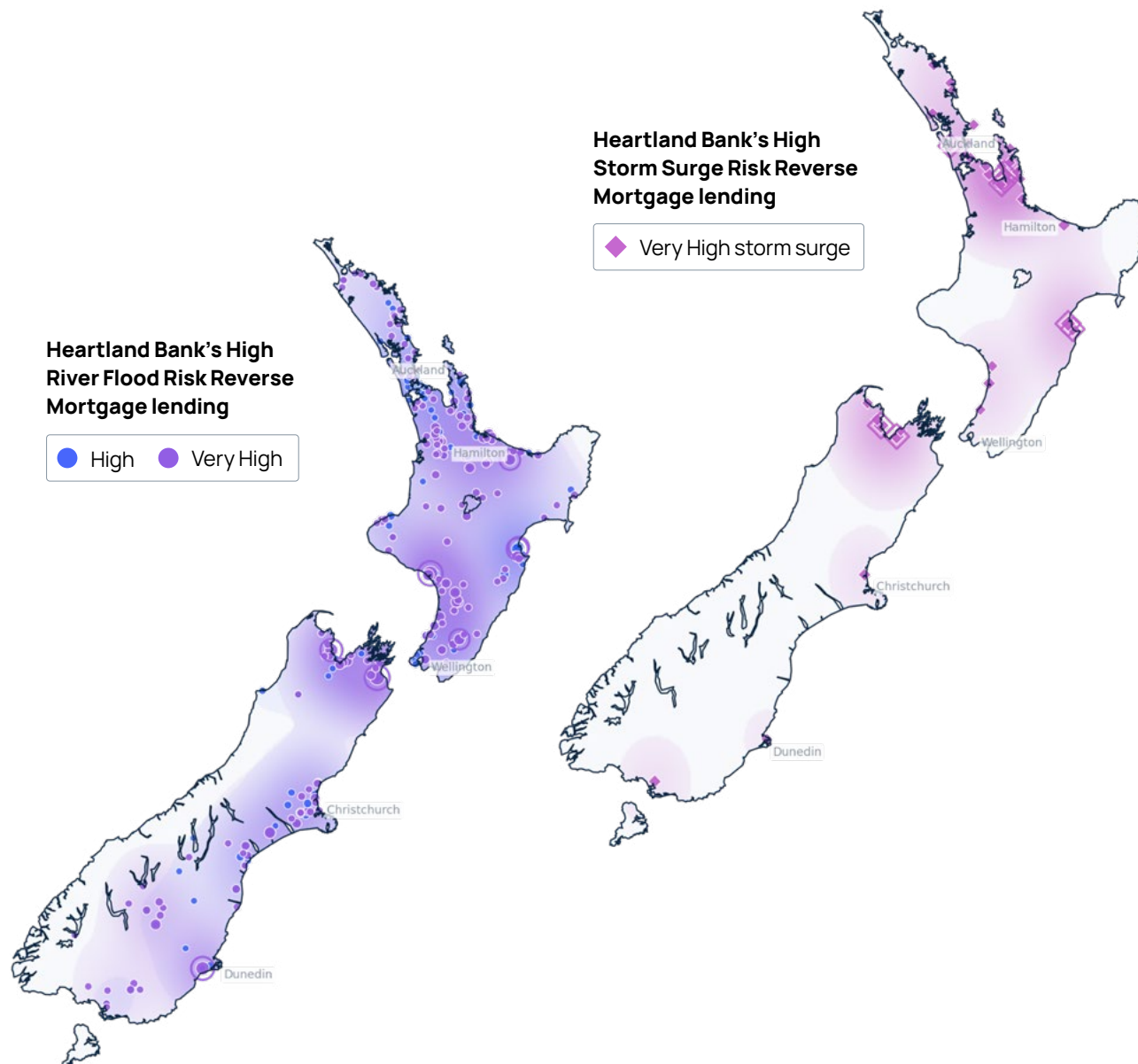
19 Mapping against the SA set out in the transition plan in the later part of this Strategy section.

20 <https://www.earthsciences.nz/news/nationwide-study-reveals-escalating-flood-risk>.

21 <https://www.climatecommission.govt.nz/reports-and-evidence/publications/2026-national-climate-change-risk-assessment/>.

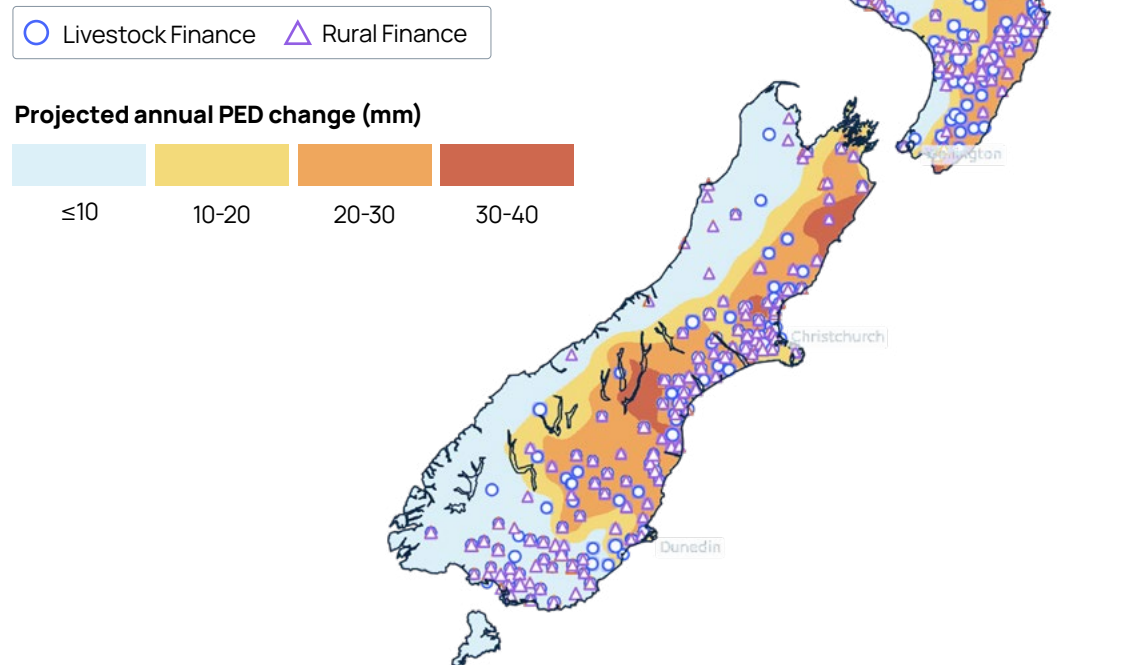
In addition to assessment by product portfolio, Heartland Bank has begun to assess its physical risks by location. The graphic to the right, generated by Heartland Bank using data from Cotality, sets out the New Zealand-wide distribution of Heartland Bank's 'High' (1% per annum probability of inundation) and/or 'Very High' (2% per annum probability of inundation) risk rated Reverse Mortgage exposures by flooding hazard using the SSP2-4.5 (2050) scenario.

The maps show the risk to Heartland Bank is partially mitigated by its New Zealand-wide distribution of lending given that severe weather events usually have highly localised impacts, making it unlikely that many high-risk properties would incur damage simultaneously. Heartland Bank's average loan-to-value ratio of its Reverse Mortgage portfolio (under 30%) also partially mitigates the risk to the entity from falling collateral values. However, the increasing frequency and severity of severe weather events mean Heartland Bank still needs to manage its physical risk exposure. Heartland Bank's largest concentrations of river flood exposed Reverse Mortgage loans are in Whanganui, Marlborough, and Auckland, while the largest concentrations of storm surge exposed Reverse Mortgage loans are in Thames, Hauraki, and Tasman.



Heartland Bank has also mapped its Rural and Livestock Finance exposures using postcode data and applied a drought exposure overlay using a MfE scenario, aligned to SSP2-4.5 and outlining the projected increases in the annual potential evapotranspiration deficit (**PED**).²² A higher PED increase (relative to a 1995-2014 baseline) is more indicative of future drought risk over the period between now and 2040.

HBL's Rural and Livestock Finance lending with drought exposure overlay



Given the methodology, this mapping is useful for portfolio-level rather than individual loan-level insights. The map shows 27% of Heartland Bank's Rural and Livestock Finance loans (by number of loans, not exposure, and with a 97% match rate) are in parts of New Zealand with higher (>20mm) projected annual increases in PEDs. Heartland Bank's largest concentrations of more drought-exposed loans are in Timaru, Hastings, Ashburton, Waimakariri, Central Otago, Hurunui and Central Hawke's Bay.

Heartland Bank is aware of limitations in the physical risk assessment including:

- converting probabilistic outcomes into a physical risk measure is inherently uncertain
- the assessment is limited to four products (comprising just under half of Heartland Bank's total receivables in FY2026)
- the stock-backed lending assessment does not account for changes in productivity
- the location-based data is insufficiently granular from a resolution perspective for some hazards
- the location-based data does not account for properties' individual attributes nor mitigation measures that may influence the impact of the hazards (e.g., elevation of property, land use)
- the calibration of one-in-100-year events (or weighted indices) is difficult to achieve
- the exclusion of Heartland Bank Australia
- each hazard is considered in isolation rather than how one hazard could compound the risk of another at the location.

Heartland Bank aims to improve its physical risk assessment over time to enhance its materiality assessment.

²² <https://map.climatedata.environment.govt.nz/>



Transition risks

This section sets out what Heartland Bank has currently identified as material transition risks in the New Zealand product portfolio. Information relating to Heartland Bank Australia's operations is excluded from this section because Heartland Bank Australia has not yet identified its transition risks. Heartland Group Holdings has not identified any distinct transition risks for Heartland Group Holdings by virtue of its business solely consisting of owning Heartland Bank and Heartland Bank Australia.

Heartland Bank identified transition risks through a combination of scenario analysis, engaging with product leads, observed market developments, and Australian and New Zealand Standard Industrial Classification (**ANZSIC**) code analysis of finance receivables. Heartland Bank has not yet conducted an in-depth transition risk assessment in the way that it has for physical risks.

Heartland Bank has not defined a quantitative materiality threshold for its transition risks. Instead, the materiality assessment is informed by the outcomes of scenario analysis, observed market developments, and anticipated impacts.

Exposure	Transition risks and related anticipated impacts to Heartland Bank ²³ [SA3]	Materiality assessment	Vulnerability – Gross exposure (% of total Heartland Bank finance receivables)		
			FY2026	FY2025	FY2024
Motor Finance – internal combustion engine (ICE) vehicles	- Increased adoption of alternative modes of transport reduce demand for financing of ICE vehicles. [SA1] - Wholesale Lending customers are unable to sell vehicles due to changing regulation or market sentiment, resulting in losses on financed vehicles. [SA1]	Already material and will worsen over time	25.5%	28.0%	28.3%
Reverse Mortgages and Online Home Loans – ‘High’ physical risk properties	- Insurers increasingly adopt risk-based pricing and withdraw coverage from high-risk properties, leading to instances of no/under-insurance and resulting in falling property values and/or properties that are difficult/impossible to sell. [SA1] - Increases in public education and information access (e.g., the implementation of a National Adaptation Framework) shift demand away from high-risk properties, resulting in falling property values. [SA1]	Not currently material but expect to be material from the short term and worsen in the long term	3.9%	Unknown ²⁴	Unknown
Emissions-intensive sectors (using ANZSIC codes and excluding ICE vehicles given they are considered separately above) ²⁵	Customers in emissions-intensive sectors default from changing market sentiment and/or costs of meeting new policies and regulations (including carbon pricing, carbon border adjustment mechanisms, widespread taxonomy adoption). [SA1]	Not currently material but expect to be material from the short term and worsen in the long term	22.1%	27.4%	27.5%
	- <i>Agriculture, forestry and fishing</i>		13.4%	16.6%	14.9%
	- <i>Transport and storage</i>		5.3%	6.3%	6.8%
	- <i>Construction</i>		2.1%	2.3%	2.5%
	- <i>Manufacturing</i>		0.4%	0.6%	0.7%
	- <i>Electricity, gas, water and waste services</i>		0.3%	0.4%	0.4%
	- <i>Retail trade and accommodation</i>		0.2%	0.2%	0.2%
	- <i>Financial and insurance</i>		0.1%	0.7%	1.7%
	- <i>Wholesale trade</i>		0.1%	0.2%	0.2%
	- <i>Mining</i>		0.1%	0.2%	0.2%

²³ Mapping against the SA set out in the transition plan in the later part of this Strategy section.

²⁴ The FY2024 and FY2025 figures are not available given Heartland Bank onboarded Cotality during FY2026.

²⁵ Heartland Bank analysed each industry description within every ANZSIC industry for which the bank had finance receivables and identified those more likely to be exposed to transition risk. For some of the listed industries, the exposure disclosed is less than the bank's total exposure to that industry because the bank judged some of the receivables within that industry as not susceptible to transition risk.

A significant amount of Heartland Bank's non-property-related lending is exposed to transition risk given it is in emissions-intensive sectors. Heartland Bank's largest sectoral exposures are to ICE vehicles and agriculture, forestry and fishing (particularly its Rural and Livestock Finance lending). The risk of falling demand for ICE vehicles to Heartland Bank's Motor Finance portfolio is somewhat offset by the increase in demand for new generation vehicles (see discussion in *Climate-related opportunities and Current transition impacts – Heartland Bank's lending*), though the bank will still need to ensure it does not incur excess losses through wholesale customers unable to sell vehicles.

Heartland Bank's total exposure to emissions-intensive sectors reduced as a proportion of finance receivables during FY2026. This was partially attributable to small reductions in many of the sectoral exposures and partially from an increase in total receivables driven by growth in other products.

However, the numbers disclosed here represent Heartland Bank's total exposures to each ANZSIC code. Once Heartland Bank has conducted a more detailed transition risk assessment, it will better understand the nuances within each industry (including mitigating actions) and expects the actual value of lending exposed to transition risk will reduce for some industries compared to what

is disclosed in the table above. For example, some of Heartland Bank's exposure to electricity is related to renewables and therefore less exposed to transition risk than its exposure to gas supply. Relatedly, such an assessment will help distinguish different transition risk ratings (as Heartland Bank has begun to do for physical risk using data on the five-rating scale from Cotality).



Current impacts of climate-related risks and opportunities

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 subsequent years, with Heartland Bank writing off one loan of approximately \$1.4 million in FY2025 and two loans totalling approximately \$0.05 million in FY2026 from business customers impacted by the 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 were 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 could not exceed \$10 million for a maximum of five years. The New Zealand government guaranteed 80% of loss incurred with Heartland Bank holding the remaining 20%. As at 30 June 2026, Heartland Bank supported loans under this scheme of \$27 million, with specific provisions of \$0.96 million.

As at 30 June 2026, Heartland Bank Australia had not made any climate-related provisions or write-offs.

Current transition impacts – Heartland Bank's lending

Shifting demand within Motor Finance portfolio [SA5] ²⁶

Heartland Bank has continued to observe an increase in the proportion of its Motor Finance portfolio that stems from new generation vehicles, with almost a quarter of new Motor Finance business in FY2026 coming from hybrid or electric vehicles:

Proportion of revenue-generating activities aligned with climate-related opportunities ²⁷	FY2026	FY2025	FY2024
Gross finance receivables relating to financing new generation vehicles (% of entire Motor Finance portfolio financing during that year)	24.2%	17.3%	15.1%

Heartland Bank funded 5,837 new generation vehicles in FY2026 (2025: 4,058; 2024: 4,163).

Funding low-emission technology [SA5]

Heartland Bank observed an uptick in demand for low-emissions technology during FY2026 and funded a \$4.99 million Asset Finance facility for electric buses. Heartland Bank also received several solar financing applications across schools and farms, but these were still undergoing assessment at the end of the financial year.

New tool for home energy efficiency [SA5]

In FY2026, Heartland Bank began to onboard Cogo,

an end-to-end electrification platform which will enable the bank to better educate, support and finance customers' transition to energy efficient vehicles and homes.

Insurance retreat [SA1]

Heartland Bank currently engages on insurance with its Reverse Mortgage customers as part of origination, in the annual customer survey, and if notified that a customer has completely cancelled their policy. Heartland Bank has begun to observe instances where it has declined applications for a Reverse Mortgage because the property in question was unable to obtain insurance, though is

not yet observing customers cancelling insurance policies from insurance retreat. Nevertheless, Heartland Bank intends to enhance insurance-related engagement for high-risk property exposures during FY2027, to better support its customers and mitigate the risks to the bank from underinsurance.

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²⁶ Mapping against the SA set out in the transition plan in the later part of this Strategy section. This footnote applies to other initiatives discussed in this section.

²⁷ Restated FY2025 and FY2024 as the previous numbers reflected the number of loans, rather than the sum of business amount as now stated.

Current transition impacts – Heartland's operations

Heartland's fleet [SA7]²⁸

Heartland Group Holdings and Heartland Bank began transitioning their fleets to new generation vehicles in FY2022. As at 30 June 2026, Heartland Group Holding's fleet is 100% new generation vehicles and Heartland Bank's fleet is 96% (2025: 97%; 2024: 91%) new generation vehicles. Heartland Bank Australia's fleet consists of six vehicles, none of which are new generation as at 30 June 2026.

Tax-free public transport benefit [SA9]

Heartland Bank introduced a tax-free public transport benefit for its employees by partnering with Extraordinary in FY2026. This nationwide programme enables eligible employees to salary sacrifice a portion of pre-tax income to pay for public transport, saving around 30% on public transport costs. Heartland Bank expects the uptake of this scheme will further help reduce scope 3 (category 7) emissions. During FY2026, Heartland Bank onboarded 27 employees into the scheme.

Paper postage reduction [SA7]

Heartland Bank began to replace many letters posted to customers with digital communications in FY2025, with the shift expected to help reduce scope 3 (category 4) emissions. During FY2026, Heartland Bank sent approximately 40% fewer letters than during FY2025 (192k vs 321k), reducing associated emissions by approximately 12 tCO₂e.



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²⁸ Mapping against the SA set out in the transition plan in the later part of this Strategy section. This footnote applies to other initiatives discussed in this section.

Case study: HBL's onboarding of WorkRide

Ride-to-own scheme [SA9]

In FY2026, Heartland Bank announced the 'ride-to-own scheme' for its employees by partnering with WorkRide following a pilot run during FY2025.

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 them at the end of the lease. The WorkRide programme gives employees a 32% – 63% offset on their rides while ensuring tax compliance.

Onboarding WorkRide brings many benefits to Heartland Bank employees that participate in the scheme, including health benefits and the lower commuting costs when compared with other methods of transport.

Heartland Bank also expects uptake of this scheme will help reduce scope 3 (category 7) emissions over time, with its next employee commuting survey due in FY2027.

Heartland Bank onboarded 13 employees into the scheme during FY2026, including Clive and Jeremy (pictured).



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Capital deployed towards climate-related risks and opportunities

The below breakdown outlines capital deployment in relation to the identified climate-related risks and opportunities. This includes the amount of capital expenditure, financing or investment paid during each financial year.

Capital deployment	FY2026	FY2025	FY2024
Heartland Bank's lending			
New generation vehicles financed	\$195.0m	\$128.6m	\$122.6m
Low-emissions asset finance financed	\$5.0m	-	-
Total	\$200.0m	\$128.6m	\$122.6m
Heartland's operations			
Purchasing new generation vehicles for Heartland Group Holdings and Heartland Bank's fleet	\$2.24m	\$0.80m	\$1.41m
Climate-related risk modelling services for Heartland Bank and Heartland Bank Australia	\$0.11m	-	\$0.14m
Emissions accounting software and emission verification services for Heartland Bank and Heartland Group Holdings	\$0.11m	\$0.08m	\$0.05m
Other ²⁹	\$0.01m	\$0.00m	\$0.11m
Total	\$2.5m	\$0.9m	\$1.7m

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²⁹ Includes expenditure where capital deployed is <\$10k per item (other subscriptions, professional development, funding for lower-emission employee commuting and renewable energy certificates (RECs) entitled for the power used at Heartland Bank offices).

Emissions per scope / category (tCO2e)

GHG emissions sources	Scope and category	FY2026	FY2025 (restated)	FY2024 (restated)
Direct GHG emissions from sources that Heartland owns or controls directly (Direct GHG Emissions)	Scope 1 <i>Mobile combustion and natural gas</i>	271	266	287
Indirect GHG emissions from the generation of purchased energy used by Heartland (Electricity Indirect GHG Emissions)	Scope 2 (location-based) <i>Purchased electricity, heating, and cooling</i>	103	123	127
	Scope 2 (market-based) ³² <i>Purchased electricity, heating, and cooling</i>	56	56	46
All other indirect GHG emissions across the wider upstream and downstream value chain that occur because of Heartland's activities, from sources it does not own or control (Other Indirect GHG Emissions)	Scope 3 (category 1) <i>Purchased goods and services</i>	4,150	3,456	1,757
	Scope 3 (category 2) <i>Capital goods</i>	101	79	N/A
	Scope 3 (category 3) <i>Fuel and energy-related activities</i>	79	77	78
	Scope 3 (category 4) ³³ <i>Upstream transportation and distribution</i>	28	60	22
	Scope 3 (category 5) <i>Waste generated in operations</i>	46	40	11
	Scope 3 (category 6) <i>Business travel</i>	253	299	358
	Scope 3 (category 7) <i>Employee commuting</i>	427	426	237
	Scope 3 (category 13) <i>Downstream leased assets</i>	4,842	6,627	6,668
	Scope 3 (category 15) ³⁴ <i>Investments</i>	1,467,412	1,753,545	1,678,252
Total (location-based)		1,477,712	1,764,998	1,687,797
Total (market-based)		1,477,665	1,764,931	1,687,716

Understanding Heartland's GHG emissions

Heartland has tracked and reported its GHG emissions since FY2020. Heartland takes an operational control approach to consolidating its emissions in alignment with the GHG Protocol.³⁰ This means Heartland Group Holdings and Heartland Bank disclose the emissions referable to their respective activities and the emissions of:

Heartland Group Holdings

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

Heartland's emissions are detailed to the left.³¹

³⁰ 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**). Heartland applied ISO 14064-1: 2018 Greenhouse gases – Part 1: Specifications with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (**ISO 14064-1:2018**) before FY2025. Heartland changed the methodology to GHG Protocol from FY2025 onwards as an attempt to enhance comparability across CREs in the banking sector. The FY2024 GHG emissions were re-categorised in the FY2025 climate statement. Please refer to the FY2025 climate statement for details of categorisation between these two methodologies and restatements.

³¹ PwC's limited assurance engagement covers GHG Protocol scope 1 and 2 (location-based) tCO2e gross emissions and the related additional disclosures, including methods, assumptions and estimation uncertainty, for Heartland Group Holdings 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.

³² Market-based considers RECs obtained by Heartland Bank for all its New Zealand offices except for Dunedin and Havelock North offices (also included Wellington and Fielding offices in FY2024 and FY2025).

³³ Scope 3 (category 4) emissions arising from mailing and postage only. Emissions in comparative periods were reclassified from scope 3 (category 1) to align with the GHG Protocol and presentation in the current year.

³⁴ Restated for FY2024 and FY2025 following material changes in methodology to the calculation of financed emissions associated with the Heartland Bank's Rural portfolio and Heartland Bank Australia's Livestock Finance portfolio as described in Appendix 2. The restatements subsequently changed the total emissions for both periods presented.



Like many banks, nearly 100% of Heartland's emissions are financed emissions. Heartland's FY2024 and FY2025 total emissions increased significantly against what was disclosed in the FY2025 climate statement (by 80% and 101% respectively), following restatements of two loan portfolios within Scope 3 (category 15) from material changes in methodologies.

The first restatement related to the Livestock Finance (AU) portfolio. The Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) in Australia published inaugural emissions per head factors in 2026 which were significantly greater than what Heartland

previously used from DCCEEW sources.³⁵

The other restatement related to Heartland's Rural (NZ) portfolio, as it changed to using emissions factors related to the underlying activity rather than the collateral on which the finance is secured.

When comparing FY2026 with the restated FY2025, Heartland's total emissions reduced by approximately 16%. This was driven by reductions in almost all financed emissions categories. Total emissions fell in some portfolios from greater efficiency e.g. the Motor Finance portfolio comprising of more new generation vehicles and the Livestock Finance (AU) financing fewer animals

due to higher commodity prices. Total emissions fell in other portfolios which are reducing in size e.g. Asset Finance and Business Relationship, while the total emissions of Leased Livestock (NZ) reduced following the introduction of a more advanced methodology using days financed. Total emissions of the Reverse Mortgages (NZ) portfolio fell from a reduction in emissions factors associated with purchased electricity, despite an increase in the size of the portfolio.

More information about Heartland's emissions methodologies and outcomes is available in Appendices 2 and 3.

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³⁵ <https://www.dcceew.gov.au/climate-change/publications/national-greenhouse-accounts-factors-2026>

Heartland Bank

- Heartland Bank Australia's operations (including those previously controlled by Heartland Group Holdings from 30 April 2024 onwards)³⁶
- Heartland Bank's equity investments and debt investments in liquid assets (including those previously owned by Heartland Group Holdings from 30 April 2024 onwards)

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.³⁷

Heartland Bank and its subsidiaries' emissions are detailed to the right.³⁸

Heartland Bank's emissions profile is a very similar story to Heartland Group Holdings, given the entity structure. See related commentary in the discussion of Heartland's emissions earlier in this section and the breakdown of leasing and financed emissions in Appendix 3.

More information about performance against Heartland Bank's operational emissions reduction targets is available within the Metrics & Targets section.

Emissions per scope / category (tCO2e)

GHG emissions sources	Scope and category	FY2026	FY2025 (restated)	FY2024 (restated)
Direct GHG emissions	Scope 1 <i>Mobile combustion and natural gas</i>	271	265	241
Electricity Indirect GHG emissions	Scope 2 (location-based) <i>Purchased electricity, heating, and cooling</i>	99	117	93
	Scope 2 (market-based) ³⁹ <i>Purchased electricity, heating, and cooling</i>	54	51	12
Other Indirect GHG Emissions	Scope 3 (category 1) <i>Purchased goods and services</i>	3,764	3,335	1,136
	Scope 3 (category 2) <i>Capital goods</i>	100	79	N/A
	Scope 3 (category 3) <i>Fuel and energy-related activities</i>	79	76	64
	Scope 3 (category 4) ⁴⁰ <i>Upstream transportation and distribution</i>	28	60	22
	Scope 3 (category 5) <i>Waste generated in operations</i>	45	40	7
	Scope 3 (category 6) <i>Business travel</i>	201	216	112
	Scope 3 (category 7) <i>Employee commuting</i>	411	405	208
	Scope 3 (category 13) <i>Downstream leased assets</i>	4,842	6,627	6,668
	Scope 3 (category 15) ⁴¹ <i>Investments</i>	1,467,412	1,753,545	1,678,252
Total (location-based)		1,477,252	1,764,765	1,686,803
Total (market-based)		1,477,207	1,764,699	1,686,722

³⁶ For completeness, information relating to Heartland Bank Australia's operations is prepared by Heartland Bank.

³⁷ See footnote 36.

³⁸ See footnote 31.

³⁹ Market-based considers RECs obtained by Heartland Bank for all its New Zealand offices except for Dunedin and Havelock North offices (also included Wellington and Fielding offices in FY2024 and FY2025).

⁴⁰ Scope 3 (category 4) emissions arising from mailing and postage only. Emissions in comparative periods were reclassified from scope 3 (category 1) to align with the GHG Protocol and presentation in the current year.

⁴¹ Restated for FY2024 and FY2025 following material changes in methodology to the calculation of financed emissions associated with the Heartland Bank's Rural portfolio and Heartland Bank Australia's Livestock Finance portfolio as described in Appendix 2. The restatements subsequently changed the total emissions for both periods presented.

**Emissions intensity –
total emissions (kg CO2e) / finance receivables (\$)**

	FY2026	FY2025	FY2024
Heartland Group Holdings	0.19	0.25	0.24
Heartland Bank	0.19	0.25	0.24

Heartland changed its emissions intensity measure in FY2026 from the previously disclosed tCO2e / net operating income (\$m), to support comparability with other banking CREs. Heartland's emissions intensity fell in FY2026 when compared with FY2025, as total emissions decreased and finance receivables increased. Increases in emissions intensities in the Rural (NZ) portfolio and debt investments in listed corporate and government bonds were more than offset by reductions in other portfolios, particularly Motor Finance and Livestock Finance (AU) as discussed earlier in this section.

Internal emissions price

Heartland does not use an internal emissions price for business activity.

Heartland's transition plan

Heartland developed its transition plan for its New Zealand-based operations in FY2025. The plan is built upon the three core pillars of Heartland's environmental sustainability strategy and includes several supporting targets (shown within the Metrics & Targets section) and initiatives over the short, medium, and long term that are aligned to the execution of the transition plan.

Heartland's transition plan includes initiatives that directly or indirectly require capital expenditure, with expenditure and funding 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. Heartland will continue disclosing the transition aspects of its strategy that are aligned with its internal capital deployment and funding decision-making process, as is available in the table earlier in this Strategy section.

Expected future transition plan-aligned investments include:

- climate-related risk capability and tools to improve emissions measurement, build Heartland employees' knowledge of climate-related risks and opportunities, and customers' ability to manage climate-related risk
- 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 and energy efficient

technology) and climate resilience 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 4.

Many of the strategic ambitions set out in the first iteration of the transition plan cover the immediate and short-term periods. This enables Heartland to make quick progress while simultaneously refining its intended strategic approach to, and management of, climate-related risks and opportunities that are more likely to manifest in longer time horizons. As such, Heartland aims to revisit its transition plan in FY2027 following further risk assessment and reviews. Heartland Bank Australia plans to develop its own inaugural transition plan by FY2028 and Heartland will disclose relevant aspects in future climate statements.

Summary	Strategic ambition components of Heartland's transition plan	Immediate	Short term	Medium term	Long term
1. Integrate climate-related risk into lending decisions	SA1. 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.		
	SA2. 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.			
	SA3. 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.			
	SA4. 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's borrowers' transition to a net-zero economy	SA5. Implementation Provide the funding for customers to transition to a low-emission 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 Finance (NZ).			
	SA6. 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	SA7. 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.		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 EVs (BEVs), and low-emissions vehicles where BEVs are not appropriate (~60% emissions reduction in scope 1 emissions).			
	SA8. Implementation Empower employees to support customers and communities through climate capacity training, culture, and knowledge.	• Coordinate volunteer days with local eco-focused nonprofits organisations • Provide regular climate education to employees • Upskill employees and promote sustainable practices.			
	SA9. 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-related risks.	Reduce employee emissions by encouraging low-emissions transport options.	Collaborate with key suppliers to improve GHG emissions reporting, ensure they have transition plans, and reduce scope 3 emissions and supply chain risk.		

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metrics & targets

Transition plan

The below table sets out metrics and targets associated with Heartland's transition plan and a description of performance against each of those:

Strategic ambition components of transition plan		Target	FY2026 status	Description of performance
Integrate climate-related risk into lending decisions	Implementation Embed climate considerations into the lending decisions and portfolio assessments of Heartland's high-risk portfolios. [SA1] ⁴²	Limit Heartland's "high" climate-related risk exposure within its NZ Reverse Mortgage and Online Home Loan portfolios to less than 12.78% of total exposures. ⁴³	In progress (Exposure of 12.03%)	Heartland Bank's property-backed portfolio remains within the target range. The 12.78% target was set using a combination of market data from Earth Sciences New Zealand and Cotality to calibrate the average proportion of buildings exposed to flood risk throughout New Zealand. Please refer to "Climate-related risks – Physical risks" in the Strategy section for further details on the physical risk data Heartland Bank receives.
		Extend Heartland's climate-related risk tool to the credit assessment process for new Reverse Mortgage, Livestock Finance and Rural Finance exposures in New Zealand during FY2026.	In progress	Heartland Bank has established PowerBI Dashboards to enhance monitoring of physical risk within existing property-backed (portfolio level) and stock-backed (portfolio and customer level) lending. In addition, Heartland Bank has integrated physical risk data into its environmental risk screening tool, supporting structured discussions with large (>\$1m) Rural and Livestock Finance customers regarding key climate-related risks and associated management actions as part of broader customer reviews. Heartland Bank is collaborating with Cotality to embed automated physical risk assessment capabilities into its origination platforms, strengthening the early identification and management of physical risks within lending decisions. Heartland aims to complete this in FY2027, subject to external capability development.
Fund Heartland's 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. [SA5]	Increase the percentage of new generation vehicles funded in the New Zealand Motor Finance portfolio year on year to 30% by FY2030.	24.2%	Heartland Bank continues to partner with new generation vehicle distributors in FY2026 such as Kia, Jaguar Land Rover, Tesla, MG, Peugeot Citroen, and Opel, positioning it as a leading new generation vehicle financier. Please refer to "Current transition impacts – Heartland Bank's lending" and "Capital deployed towards climate-related risks and opportunities" for more details.
	Engagement Partner and collaborate with industry leaders that provide technologies, services, advocacy and tools that accelerate the just transition for Heartland's key sectors. [SA6]	Select partner(s) to help launch a portfolio-specific climate-related communication strategy by FY2027.	In progress	In FY2026, Heartland Bank agreed to onboard Cogo, an end-to-end electrification platform which will enable the bank to better educate, support and finance customers' transition to energy efficient vehicles and homes.

⁴² Mapping against the SA set out in the transition plan in the Strategy section. This footnote applies to other initiatives discussed in this section.

⁴³ Does not include Heartland's legacy residential home loan exposures, which are grandfathered. Target updated during FY2026 to reflect the use of data from a different provider.

Strategic ambition components of transition plan		Target	FY2026 status	Description of performance
Embed sustainability into what Heartland does	Implementation Reduce operational emissions in line with 1.5°C. [SA7]	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 by 37.8% from the FY2025 base year. ⁴⁴	In progress	Heartland developed a transition plan for its New Zealand operations in FY2025 to support achievement of its emissions reduction target. During FY2026, New Zealand-based operation's scope 1 and 2 emissions increased by 1.8% but total operational emissions within the target reduced by 9.1%. Refer to "Details of Heartland's operational emissions reduction target for its New Zealand-based operations" on the next page for more details.
	Implementation Empower employees to support customers and communities through climate capability training, culture, and knowledge. [SA8]	Develop an internal climate-related 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.	In progress	In February 2026, the Sustainability team published an Environmental Sustainability training module which was assigned to all New Zealand employees. The module covered legal obligations, how climate-related risks impact banks, and everyday actions employees can take to support the successful execution of Heartland's environmental strategy and transition plan. Of the 458 Heartland Group Holdings and Heartland Bank employees assigned the module, the year-end completion rate was 98%. Heartland Bank aims to deliver additional targeted and specialised training to relevant employees during FY2027.
	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-related risks. [SA9]	Reduce employee commuting emissions through the introduction of a ride-to-own scheme and tax-free public transport benefit .	In progress	Heartland Bank introduced a ride-to-own scheme and tax-free public transport benefit during FY2026. The bank aims to increase uptake of the schemes during FY2027. Refer to "Current transition impacts – Heartland's operations" in the Strategy section for more details.

Heartland Bank disestablished one New Zealand-specific target during FY2026 -

- begin surveying all Rural and Livestock Finance 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. This was disestablished because Heartland Bank determined that the intended outcome could be achieved through existing

activity, including ongoing engagement with customers via the environmental risk screening tool.

Heartland also postponed two Australia-specific targets during FY2026, given it intends to reset targets during FY2027 under its new sustainability strategy:

- Set Heartland's risk appetite for "high" climate-related exposures within its Reverse Mortgage portfolio during FY2025; and

- Improve Heartland's financed emissions data quality by understanding the on-farm emissions of its 100 largest Livestock Finance borrowers by the end of FY2025.

Heartland will fully reassess and, where appropriate, refine all existing metrics and targets as part of the broader transition plan review intended for FY2027.

⁴⁴ This emissions reduction target was set in line with science-based targets initiative's (SBTi) 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.

Details of Heartland's operational emissions reduction target for its New Zealand-based operations⁴⁵

The below GHG emissions sources are all included in Heartland's FY2030 operational emissions reduction target, which Heartland reset using FY2025 as a base year having achieved its first reduction target during FY2025 (set against an FY2019 base year and disclosed against in previous climate statements).

Heartland has chosen to include several indirect operational scope 3 sources within its targets, in addition to scope 1 and 2 sources. Heartland has not yet set targets for the other scope 3 emissions in its value chain, recognising the vast majority of Heartland's total footprint consists of those other scope 3 sources.

Heartland's operational emissions reduction target relates to its New Zealand-based operations only. Heartland Bank Australia has not set a standalone operational emissions reduction target in respect of its operations.

GHG emissions sources	Scope	FY2026 (tCO ₂ e)	FY2025 (tCO ₂ e)	% change from FY2025 (base year)
Direct GHG emissions				
Company vehicles (diesel, petrol, hybrid) and natural gas	Scope 1	209.4	203.1	3.1%
Electricity Indirect GHG Emissions				
Purchased electricity, heating, and cooling (market-based)	Scope 2	5.0	7.5	-33.3%
Other Indirect GHG Emissions				
Fuel and energy-related activities	Scope 3 (category 3)	3.9	5.4	-27.8%
Printed materials sent to customers	Scope 3 (category 4) ⁴⁶	23.4	44.0	-46.8%
Waste generated in operations	Scope 3 (category 5)	5.8	5.4	7.4%
Business travel (excluding hotel accommodation)	Scope 3 (category 6)	156.3	177.7	-12.0%
Employee commuting (work from home emissions only)	Scope 3 (category 7)	5.6	7.3	-23.3%
<i>Total scope 3</i>		<i>195.0</i>	<i>239.8</i>	<i>-18.7%</i>
Total		409.4	450.4	-9.1%

During FY2026, the scope 1 and 2 emissions of Heartland's New Zealand-based operations increased by 1.8% but total operational emissions within the target reduced by 9.1%:

- Heartland's 3.1% increase in scope 1 emissions was primarily driven by increased petrol and diesel usage within the fleet.
- Heartland's 33.3% reduction in scope 2 (market-based) emissions was primarily driven by

changes in emissions factors, but a secondary driver was an 11% reduction in Heartland Bank's kilowatt-hours largely attributed to two office relocations to more energy efficient sites and leaving two other offices entirely.

- Heartland's 18.7% reduction in scope 3 sources within its operational emissions targets was largely from reductions in emissions associated with printed materials and business travel.

- The reduction in printed materials emissions was driven by the paper postage reduction initiative with approximately 40% fewer letters sent.
- The reduction in business travel was primarily driven by changes in emissions factors, but a secondary driver was a small reduction in total air travel across classes.

⁴⁵ PwC's limited assurance engagement covers GHG Protocol scope 1 and 2 (location-based) tCO₂e gross emissions and the related additional disclosures, including methods, assumptions and estimation uncertainty, for Heartland Group Holdings 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.

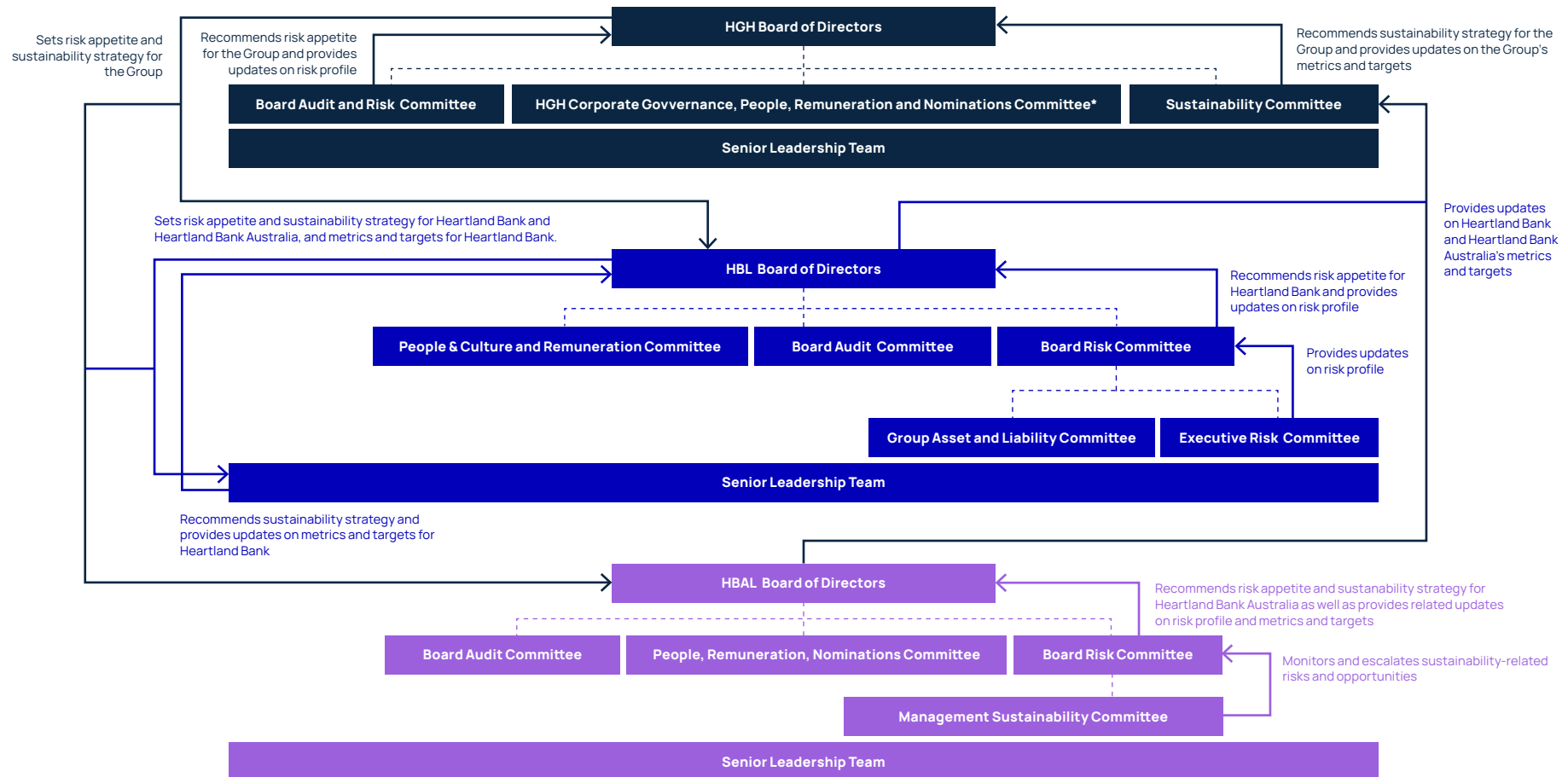
⁴⁶ (Scope 3 category 4) emissions arising from mailing and postage only. Emissions in comparative periods were reclassified from scope 3 (category 1) to align with the GHG Protocol and presentation in the current year.

03

governance

Overall governance

The following diagram outlines the governance structures through which Heartland Group Holdings, Heartland Bank, and Heartland Bank Australia 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-related risks and opportunities.



* HGH Corporate Governance, People, Remuneration and Nominations Committee was established on 1 July 2026.

Summary

The Heartland Group Holdings Board (**HGH Board**) is responsible for (amongst other things) setting the overarching strategic direction for the Group and exercising strategic and risk oversight of its subsidiaries, Heartland Bank and Heartland Bank Australia. Heartland Group Holdings has a risk appetite statement (**RAS**) which defines how much risk it is willing to accept in pursuit of its objectives. The HGH Board is responsible for aligning the interests of the Group, while respecting the autonomy and regulatory sovereignty of each subsidiary.

The HGH Board has constituted a Sustainability Committee, which has responsibility for advising and providing assurance to the HGH Board regarding the Group's progress against its sustainability strategy and meeting sustainability-related obligations, including climate-related risks and opportunities. The Sustainability Committee has appointed a director from each of Heartland Group Holdings, Heartland Bank, and Heartland Bank Australia.

As members of the Group, Heartland Bank and Heartland Bank Australia each set their own strategy and risk appetite which aligns with the Group's strategy and risk appetite. However, Heartland Bank and Heartland Bank Australia are separate entities with their own Boards of Directors. Heartland Bank and Heartland Bank Australia do not have their own dedicated board sustainability committee, however, do each have a director representative who sits on the Sustainability Committee and material climate-related activities

and risks are reported to the respective entity's Boards (or their Board sub-committees) on a regular basis.

The management teams of Heartland Bank and Heartland Bank Australia operationalise the assessment, management and reporting of the climate-related risks and opportunities for Heartland Group Holdings. Both Heartland Bank and Heartland Bank Australia utilise executive committees to support management of their climate-related activities (Heartland Bank's Executive Risk Committee and Heartland Bank Australia's Management Sustainability Committee).



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Description of climate-related governance

A description of how each Heartland board oversees its respective climate-related risks and opportunities is set out below, together with a description of management's role in assessing, managing and reporting climate-related risks and opportunities.

	Strategy, metrics and targets	Risk management	Climate reporting and climate-related matters in financial reporting
Board	The HGH Board sets and oversees the HGH sustainability strategy, including the environmental pillar, transition plan and associated metrics and targets. The Heartland Bank Board (HBL Board) sets and oversees Heartland Bank's sustainability strategy, which currently is the same as that of HGH including the transition plan and associated metrics and targets. The Heartland Bank Australia Board (HBAL Board) sets and oversees HBAL's sustainability strategy. The HGH, HBL and HBAL Boards discussed climate-related items eight times, five times, and once respectively during FY2026.	The HGH Board and HBL Board each annually review its own risk appetite. Both boards have an intention to set a climate-related risk appetite upon the availability of more automated and granular data. At every board meeting, each of the HGH and HBL Boards receive a report from HBL's Chief Risk Officer, often containing reference to climate-related risks.	The HGH Board and HBL Board approve the joint climate statement upon the recommendation of Sustainability Committee. The HGH Board and HBL Board approve their corresponding financial reporting (including climate-related matters in financial reporting) upon the recommendations of Heartland Group Holdings' Board Audit and Risk Committee (HGH BARC) and Heartland Bank's Board Audit Committee (HBL BAC) respectively.
Board Committees	The Sustainability Committee meets quarterly to review the Group's progress against its sustainability strategy and meeting sustainability-related obligations. It met four times during FY2026. The Sustainability Committee is provided with a quarterly report from HBL's Chief of Staff which addresses HGH and HBL's progress against the transition plan's initiatives, metrics and targets, as well as broader climate-related insights. This quarterly report is circulated and reported to the HGH and HBL Boards. The Sustainability Committee reviews other ad hoc papers from Management in respect of matters relevant to its purpose. The quarterly reports will include updates from HBAL from FY2027.	The HGH BARC, along with the HBL and HBAL Board Risk Committees (BRCs) provide their respective boards with corresponding guidance as to whether all relevant risks within the key risk categories (including climate-related) have been appropriately identified, managed, and reported. The HBL BRC receives a six-monthly Climate-Related Risks – Composite Assessment. This reports on the status of HBL's climate-related risks and is reviewed by the HBL Executive Risk Committee (ERC). At every meeting, the HGH BARC and HBL BRC each receive a report on the status of their emerging risks, including climate-related risks, from Heartland Bank's Chief Risk Officer.	In addition to the roles of Sustainability Committee, HGH BARC, and HBL BAC in the climate statement and financial reporting described above, the HGH BARC and HBL BAC also have oversight over respective financial information used in the climate statement and the external assurance engagements for scope 1 and 2 GHG emissions. HBL BAC discussed climate-related items two times during FY2026. HBAL will begin its oversight of financial information used in the climate statement from FY2027, given FY2027 is the reporting period for which HBAL must publish its first mandatory climate statement under the Australian Sustainability Reporting Standard S2 requirements.

	The Sustainability Committee also considers whether the appropriate climate-related skills and competencies exist across the Group (both at board and management levels).	The HBAL BRC is responsible for overseeing HBAL's sustainability-related risks. Heartland Bank Australia aims to establish more regular sustainability-related reporting to its BRC during FY2027. The HGH BARC, HBL BRC, and HBAL BRC discussed climate-related items eight times, three times, and five times respectively during FY2026.	
Executive Committees	The HBL Executive Leadership Team (HBL ELT) is responsible for executing Heartland Bank's strategy and its metrics and targets. The HBL ELT meets regularly and is updated on any relevant sustainability matters by HBL's Chief of Staff, including updates on sustainability-related risks and opportunities, and against Heartland Bank's sustainability strategy and transition plan. HBAL established its Management Sustainability Committee (MSC) in December 2025. The MSC coordinates the implementation of Heartland Bank Australia's sustainability strategy and escalates matters to the HBAL BRC where needed. The MSC met three times during FY2026.	The ERC meets approximately every six weeks and additionally receives climate-related reporting through the monthly risk updates and six-monthly Climate-Related Risks – Composite Assessment. The ERC reviews ad hoc climate-related papers from Management where a climate-related risk matter is sufficiently material for its consideration. In FY2026, the ERC discussed climate-related items six times. HBAL's MSC monitors sustainability-related risks and escalates matters to the HBAL BRC where needed.	N/A.
Executives and reports	The HBL Chief Executive Officer is central to executing the bank's strategy. The accountability for setting and achieving the initiatives, metrics and targets is attributed to members of the HBL ELT who are each accountable for the climate-related activities relevant to their roles. HGH delegates the responsibility for the design and implementation of the transition plan to HBL, as the entity undertaking the New Zealand banking business. HBL's Chief of Staff provides advice and information in relation to the sustainability strategies and initiatives for both HGH and HBL. HBAL's Head of Enterprise Risk, Compliance and Sustainability does this for HBAL. The HBL Sustainability Lead and the HBAL Sustainability Manager lead day-to-day implementation of sustainability strategies and initiatives for the respective banks.	HBL's Chief Risk Officer provides advice and information in relation to risk and risk appetite for both HGH and HBL, while HBAL's Chief Risk Officer does the same for HBAL.	HBL's Chief of Staff and Chief Financial Officer have co-accountability for Heartland's joint climate statement and both CREs' assurance over the GHG emissions. Both are responsible for engaging with: - the Sustainability Committee in relation to the recommendation to the HGH and HBL Boards for their approval of the climate statement complying with NZ CS; and - the HGH BARC and HBL BAC in relation to the status of the related assurance engagements. HBAL's Chief Financial Officer also provides advice and information in relation to HGH and HBL's financial information used in the climate statement and overall financial reporting. HBAL's executive oversight of, and accountability for, its climate statement will begin during FY2027.

Skills and competencies [SA8]⁴⁷

The Boards of Heartland Group Holdings and Heartland Bank each undertake a regular review of their respective 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 indicated that Heartland had individual directors with capabilities in this area and each director on the Sustainability Committee had prior experience in overseeing sustainability issues. 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 has begun work to improve directors’ capabilities. Heartland Group Holdings and Heartland Bank directors participated in intensive climate disclosure 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. Heartland has also ensured that new members of the Sustainability Committee are appropriately inducted and informed through Management information.

Heartland recognises further opportunities within its learning and development strategy

and succession planning activity to maintain appropriate sustainability-related knowledge and skills at Board level. Heartland Group Holdings and Heartland Bank directors will be included within broader planning to enhance Environmental and Social training across the Group in FY2027 and beyond.

Heartland Bank Australia’s management strengthened its oversight of climate-related and broader sustainability matters through regular MSC meetings. In FY2026, the MSC reviewed the climate-related elements of the Sustainability Strategy, Internal Sustainability Policy, Sustainability Materiality Assessment and AASB S2 Gap Analysis. The Sustainability team also conducted a workshop for the Heartland Bank Australia Board during FY2026 regarding climate-related disclosure assessment and forward-looking actions, as part of its own work to improve directors’ capabilities.

Heartland Bank and Heartland Bank Australia employees responsible for leading climate-related initiatives, including producing climate statements, have continued to participate in domestic and international conferences, subject-specific masterclasses and a range of relevant industry groups to upskill and understand latest climate-related developments.

Climate-related metrics, targets and impact on remuneration

Performance against climate-related risks and opportunities metrics were not linked to remuneration in FY2024. Since FY2025, Heartland Bank introduced a balanced scorecard to the

annual end of year 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 is under the Capability section alongside other metrics such as conduct and culture. The KPI target relates to the achievement of sustainability targets referable to Heartland Bank, as set out in the most recent Sustainability Report,⁴⁸ which includes climate-related targets. The overall assessment of all KPIs in the balanced scorecard informs executive remuneration recommendations to the Heartland Bank Board.

Heartland Group Holdings and Heartland Bank Australia are yet to establish any specific climate-related risks and opportunities metrics as part of the performance and remuneration evaluation of their executives. Both entities plan to introduce remuneration linkage to sustainability in the upcoming years.

⁴⁷ Mapping against the SA set out in the transition plan in the Strategy section.
⁴⁸ This refers to the sustainability section of Heartland Group Holdings’ annual report.

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risk management

Heartland Group Holdings is increasingly considering and integrating climate-related risk into its overall risk management processes, though there is more work to do. The below discussions set this out in more detail.

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

The RMS&F is the overarching risk governance document and applies to Heartland Group Holdings 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.

Heartland Bank Australia's Risk Management Framework

Heartland Bank Australia operates under a Risk Management Framework made up of the Risk Management Strategy, RAS and other supporting policies, guidelines and procedures in line with requirements set by the Australian Prudential Regulation Authority. Heartland Bank Australia will update the Risk Management Framework and related documents as it continues to integrate climate-related risks into the existing framework.

RAS

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

changes and include any new material emerging risks.

Management measures and monitors risks set out within the RAS 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 high-level risk tolerance for climate-related risk has been set within each of Heartland Group Holdings and Heartland Bank's RAS. Management formally assesses climate-related risks against the tolerance on a regular basis through Climate-related risks – Composite Assessments and Sustainability Updates. The Heartland Bank Executive Risk Committee discusses the six-monthly Climate-related risks – Composite Assessments and the Heartland Group Holdings' Sustainability Committee discusses the quarterly Sustainability Updates.

Work is ongoing to refine the climate-related parts of the Heartland Group Holdings and Heartland Bank's RAS now that more granular data is available through Cotality and Munich Re. Heartland aims to align its climate-related RAS across the Group including with Heartland Bank Australia. Heartland Bank Australia will undertake a process to identify and assess climate-related risks and opportunities during FY2027 and subsequently develop metrics and targets based on the outcomes of the assessment to ensure they are meaningful, actionable, and aligned with the bank's strategic priorities.

Internal Capital Adequacy Assessment Process (ICAAP)

Heartland Bank maintains an ICAAP to assess and manage capital adequacy in line with its overall risk profile and to ensure it can meet its obligations under a range of operating conditions. The ICAAP covers both Heartland Bank and Heartland Bank Australia. The outcomes of the ICAAP are documented in the ICAAP report, which the Heartland Bank Board annually reviews and approves.

Climate-related risks are partially considered within the ICAAP through their compounding of operational risks. For example, one of Heartland Bank's operational risk scenarios within the ICAAP is a severe weather event. Incremental capital held is currently limited given; low operational loss history from past severe weather events, most of Heartland Bank's sites are not highly exposed to physical risks, and an expectation that any impacts would be mitigated through existing insurance and business continuity arrangements. Heartland Bank will begin to integrate climate-related credit risk into the ICAAP in FY2027.

Credit risk

Climate-related risks primarily manifest for Heartland Bank as credit risk, as demonstrated through the physical risks and transition risks identified within the Strategy section. Heartland Bank's business writing strategy 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 Rural and Livestock Finance customers at onboarding and subsequently during annual reviews through the Environmental Risk Screening Tool, and are supplemented by additional ad hoc engagements (e.g., relating to the Southern Oscillation Cycle). Work is underway to improve the consideration of climate-related risks through both origination and servicing in the property-backed portfolios, likewise to ensure the insights drive customer engagement and decision-making across all portfolios.

Heartland Bank Australia has begun to consider climate-related risks within its credit risk management processes, namely through reviewing high-level commentary in property valuation reports. However, these processes will be subject to further review and update as work progresses.

Operational risk

The identification, assessment, and management of operational risk is governed by Heartland's Operational Risk Management Framework, which applies across the Heartland Group Holdings and Heartland Bank. Climate related risks are identified as a critical operational risk through Heartland's Enterprise Operational Risk Assessment (**EORA**) process, which is typically conducted biennially by the Line 2 Risk and Compliance function. The EORA incorporates both external risk indicators and internal risk data to determine inherent and residual risk ratings for critical operational risks.

Risk and control self-assessments (**RCSAs**) are maintained by all relevant teams. RCSAs detail risk

descriptions, inherent and residual risk ratings, and mitigating controls. Each team presents its RCSA annually to the Executive Risk Committee as part of an Operational Risk Deep Dive, which is subject to review and challenge. Heartland Bank formalised its policies and controls for scope 1 and 2 GHG emissions measurement, monitoring and disclosure in FY2026. In future years, Heartland Bank will seek to expand its controls to scope 3 GHG emissions and enhance existing controls for other climate-related operational risks and credit risks.

Heartland's operational risk exposure to physical climate impacts is limited due to its small physical infrastructure footprint, predominantly digital operating model, and the predominantly low physical risk sites where Heartland does have offices.

Model risk

Heartland Bank added climate-related models to its Model Risk Register during FY2026. In doing so, Heartland Bank identified models related to physical risk data and GHG emissions, assigned them risk ratings, allocated roles and responsibilities for each model, and developed documentation to help mitigate associated model risk. The models and their entries in the Model Risk Register are subject to annual, independent reviews from FY2027.



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appendices

Appendix 1

Modelling used for scenario analysis

Heartland Bank has not undertaken modelling for New Zealand other than using the CCC's dataset, including the emissions pathways from 2020-2050 as shown at the end of this section. 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.⁴⁹ As a result, the same percentage change in certain transition changes such as EV take up, new technology (EV trucks, methane vaccines, etc.), was 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 physical 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 a low-emissions economy. 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 emissions trading scheme (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'

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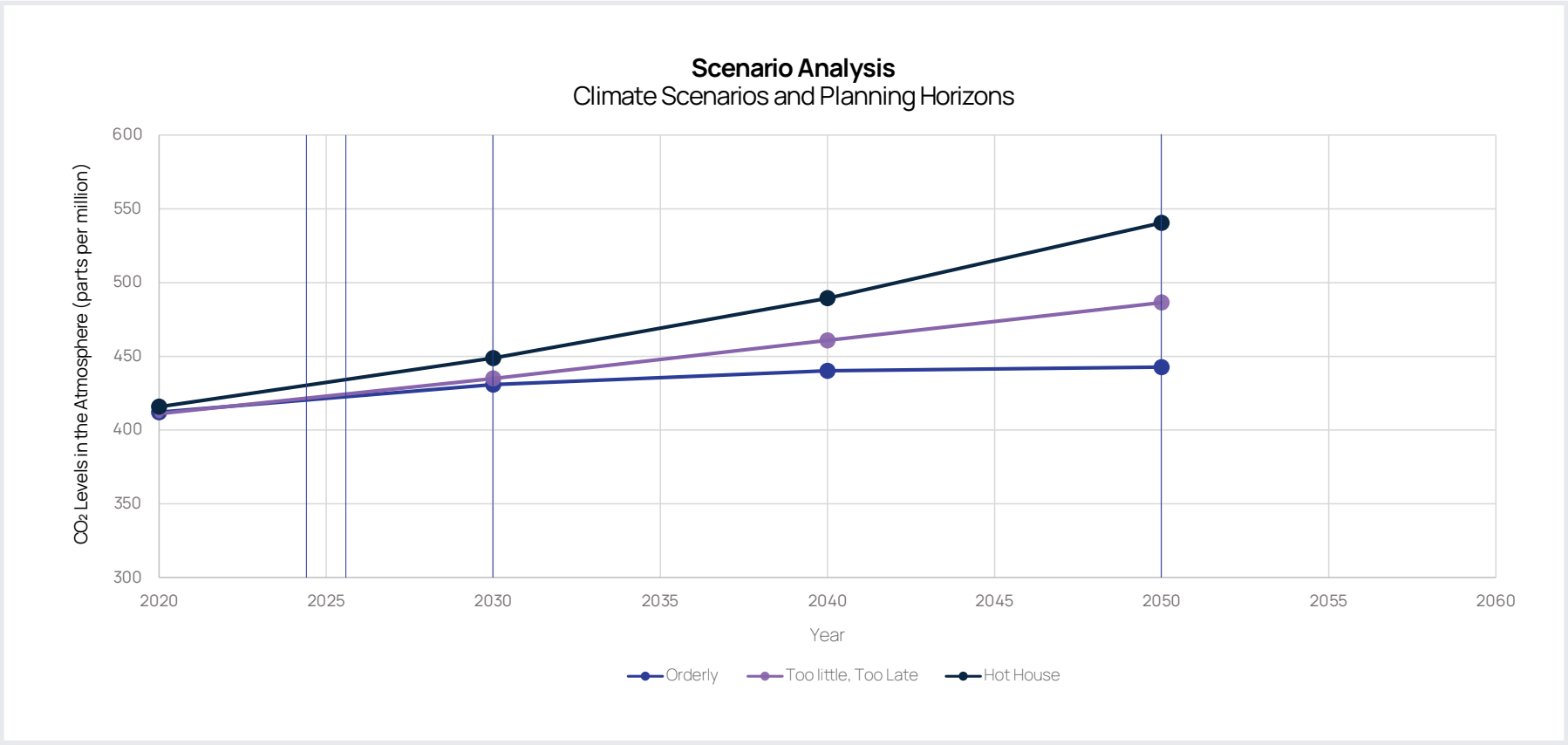
⁴⁹ Heartland Bank's inaugural scenario analysis included elements relating to Australia as described. Heartland Bank Australia has not yet undertaken its own climate scenario analysis but intends to do so.

across the entire economy resulting in minimal transition risks throughout the long term.

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 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.⁵⁰

Emissions generated through Heartland's operations within Australia and certain direct equity investments were captured under Heartland Group Holdings until 30 April 2024. From May 2024 onwards, these emissions were caught under Heartland Bank. Emissions are split between entities depending on which entity the FTEs are employed by, or where the expense is measured within Heartland's financial reporting.

Scope 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 statement were fuel usage (petrol and diesel) from mobile combustion and natural gas. There were no direct fugitive emissions (e.g. equipment leaks) arising during the reporting periods presented.

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 Heartland Bank Australia). Estimations were also calculated for

reimbursements of fuel purchased on personal cards of employees (**p-cards**) at Heartland Bank, assuming the split of fuel topped up with p-cards was the same as the fuel top-ups using fuel cards. Emissions were split between Heartland Bank and Heartland Group Holdings 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 2026 emission factors⁵¹ published by the MfE (**MfE (2026)**)⁵² have a low degree of uncertainty, as the transport fuel emission factors are derived from the calorific values and incorporate relevant oxidation factors. The 2026 emission factors published by the Department of Climate Change, Energy, the Environment and Water (**DCCEEW (2026)**)⁵³ were used for the Australian fleet per gigajoule (**GJ**). Fuel data was given in litres and was converted to GJ where necessary using a conversion factor of 38.6GJ per kilolitre.

Natural gas

The Hamilton office uses natural gas for heating its water, with the amount provided by Nova Energy Ltd.

There is little degree of uncertainty with this emissions activity, as the natural gas consumed is representative of the emissions activity, and the MfE (2026) emission factors have a low degree of uncertainty.

Scope 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 and diesel for generators used in certain offices. 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 Heartland Bank in New Zealand (excluding Dunedin and Havelock North) is renewable. The difference between market-based and location-based approaches for Heartland Bank was 44.3 tCO₂e (2025: 65.8 tCO₂e; 2024: 81 tCO₂e). The location-based approach uses grid-based electricity emission factors.

Purchased electricity

Electricity is used at all Heartland sites.

⁵⁰ For completeness, the New Zealand and Australian emissions are calculated by Heartland Bank.

⁵¹ An emission factor is a metric that converts a specific emission source, such as a litre of diesel consumed, into terms of CO₂ or CO₂e.

⁵² MfE (2026) refers to Measuring emissions: A guide for organisations – 2026 Emission Factor Workbook. (GWP100, IPCC AR5).

⁵³ DCCEEW (2026) (GWP100, IPCC AR5) refer to Australian National Greenhouse Accounts Factors: For individuals and organisations estimating greenhouse gas emissions: 2026

Electricity consumption data is provided by different electricity providers depending on the branch and office locations that Heartland operates.

Emissions from this scope were calculated using a mix of MfE (2026) quarterly emission factors for New Zealand based sites, and 2026 emission factors published in DCCEEW (2026) for Australian based sites.

On-site EV charging

On-site EV charging data was provided by Heartland. The on-site charger electricity consumption is reflected in the regular electricity invoices; therefore, it was subtracted from purchased electricity and included separately in the inventory.

Off-site EV charging

Chargenet is Heartland's provider for off-site EV charging in New Zealand. Heartland 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 (2026) 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 (2026) emission factors for this study, as the quarterly emission

factors cover up to December of the corresponding previous calendar years.

Stationary combustion (generator)

The amount of fuel (diesel) by the generators was supplied by Generator Services Limited (as a yearly top-up figure). This was captured under Heartland Bank and Heartland Group Holdings, due to Heartland consuming the diesel in the externally controlled generator in one of its Auckland offices that is shared by Heartland Group Holdings and Heartland Bank employees.

There is little degree of uncertainty with this emissions activity, as the diesel consumed is representative of the emissions activity, and the MfE (2026) 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 or control will be captured in upstream leased assets.

Scope 3 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 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 any irrelevant expenses for the GHG inventory (e.g. salaries and wages and KiwiSaver contributions).

Financial data was provided by Heartland Group Holdings and Heartland Bank. The emissions from the data were calculated using the ThinkStep ANZ (2025)⁵⁴ spend-based emission factors, adjusted for inflation. ThinkStep ANZ (2025) spend-based emission factors were selected based on the relevancy to the good or service purchased by Heartland Bank and Heartland Group Holdings. Emissions from Heartland Group Holdings and Heartland Bank's water supply were calculated using the 2026 emission factor for water supply per capita published in MfE (2026). 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 Holdings 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

54 ThinkStep ANZ (2025). Emission factors for New Zealand industries and commodities. (GWP100, IPCC AR5).

goods, nor the actual emission activities occurring in purchased services.

As for the spend-based emission factors from ThinkStep ANZ (2025), there is also a degree of uncertainty as the emission factor is not technologically representative of the emissions 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 as these emission factors are for New Zealand, so may not be fully reflective of Australian based expenditure.

Capital goods (category 2 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 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 in FY2025 and FY2026 as the inclusion of related emissions are optional as per the GHG Protocol.

Emissions from the production of capital assets were calculated against the financial ledgers of Heartland Group Holdings and Heartland Bank, 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 (2025) spend-based emission factors, adjusted for inflation. ThinkStep ANZ (2025) spend-based emission factors were selected based on the relevancy to the asset purchased by Heartland Bank and Heartland Group Holdings.

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 (2025) for the emission factors.

Upstream emissions from fuel and imported electricity production and distribution (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. The calculations were made using emissions factors from MfE (2026) and DCCEEW (2026) for New Zealand and Australian based emissions, respectively.

Upstream transportation and distribution (category 4 emissions)

Heartland's only calculations for upstream transportation and distribution to-date relate to mail and post, given it is included within Heartland Group Holdings and Heartland Bank Limited's operational emissions targets. Heartland's print materials suppliers for the reporting periods presented were New Zealand Mail, NZ Post, Australia Post, and Precision Group Australia. The emissions data was provided by NZ Post (2025).⁵⁵ 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.

Waste generated in operations (category 5 emissions)

Heartland Group Holdings / 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

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⁵⁵ NZ Post customer carbon reporting FY2024 reissued and published in FY2025.

for Heartland Bank in these offices in respective financial years. Waste data for FY2026 was 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 Holdings, 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 (2026), DCCEEW (2026) and David A. Turner, Ian D. Williams, and Simon Kemp in 2015 (**David A. Turner, Ian D. Williams, Simon Kemp (2015)**)⁵⁶, 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 emissions)

Certain Heartland Group Holdings 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 Holdings to p-cards.

Person-kilometre data was used for most Heartland Group Holdings 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 (2026) 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 2025-2026 (2025: 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 Holdings and Heartland Bank employees stayed in hotels. Emissions for this activity were calculated using the relevant MfE (2026) 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 (2026) emission factor for taxi travel, with associated uncertainty surrounding the use of expenditure-based data.

Employee commuting and working from home (category 7 emissions)

Heartland Group Holdings and Heartland Bank's employee commuting data was taken from an employee commuting survey conducted every two years, most recently during FY2025. Employees were asked for their primary mode of transport; 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. Employee commuting and work from home emissions were calculated using MfE's 2026 emission factors.

There are some uncertainties surrounding 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.

There is temporal uncertainty surrounding the employee commuting and working from home emissions in FY2026, as the calculations are based on the survey last conducted during FY2025 and adjusted for FY2026 employee numbers. In particular, Heartland Bank relocated its Christchurch and Tauranga offices during FY2026 which has impacted commuting patterns for employees using those locations. Heartland Bank concluded the relatively small change in distance travelled compared with the office site average, low proportion of total employees using the Christchurch and Tauranga sites, and mid-year timing of the move would not meet its materiality threshold to bring forward the next intended commuting survey from FY2027. Likewise, the introduction of lower-emission commuting incentives was also later in the financial year and unlikely to have a material effect during FY2026.

The survey also presents some uncertainties surrounding data completeness. These relate to the human element to the data, instances where multiple modes of transport are used (as this can vary due to weather, or employee habits), the calculations are only based on FTE at the end of the reporting period, and swipe card data (obtained on an employee's entry to the office) was unavailable for some of the sites.

Where employee information is not available, Heartland assumes the employee travelled to work via a petrol car as a default.

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, 99.63% (FY2025: 99.73%; FY2024: 99.83%) can be attributed to these categories alone.

Heartland's financed and leasing emissions estimates are based on readily available data, primarily using assumptions and regional averages for Australia and New Zealand. Data limitations may result in emissions being over or understated, particularly where higher PCAF data quality scores apply. Where customer- or investee-specific emissions data is unavailable, Heartland has applied conservative estimation approaches, generally using higher end assumptions. Where emissions data is available, the most recent information held at the time of reporting is used, noting that reporting periods may not fully align.

Emissions calculations involve inherent uncertainty, which is managed through the use of verifiable source data, cautious estimation methods, and qualitative assessment of data quality. Heartland continues to enhance financed emissions data quality through partnerships and system improvements. Where high quality data cannot be obtained, lower scoring PCAF methodologies or sector based default emission factors are applied using the best available information.

Downstream leased assets (category 13 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 Finance. 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 the absence of primary energy consumption data. Emissions were calculated using the MfE (2026) 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 Lease Commercial describes leases made with commercial assets. These assets include tractors and forklifts. Emissions were calculated using the average 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 Lease 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 (2026) emission factors for fuel and electricity, which have the same associated uncertainties as when applied in scope 1 and 2 emissions measurement.

Financing and investments (category 15 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.

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.⁵⁷ Heartland attempts to supplement narrative disclosure to cover the latter scenario.

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:

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

In relation to 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 (2026), based on the type and number of livestock Heartland had leased out, and divided by the number of days financed during the reporting period per animal. This is an advancement in methodology compared to FY2024 and FY2025, which did not consider the number of days financed during the reporting period (previously using year-end outstanding balance, as described in PCAF for other lending types). Emission factors for enteric fermentation, manure management, and agricultural soils were applied to the activity data.

Livestock Finance (AU)

The emissions were calculated using per-head, per-state emission factors from DCCEEW (2026), based on the type and number of livestock Heartland had leased out as at the end of the financial year. In addition, this year was the first

time DCCEEW published per-head emissions factors, which were significantly greater than the emissions parameters available during FY2024 and FY2025. This materially increased associated emissions and resulted in restatement of FY2024 and FY2025 for comparability.

The Livestock Finance (AU) portfolio does not contain any dairy cattle. For the purpose of emissions calculations, each lot was classified as feedlot beef cattle, beef cattle on pasture, or sheep to correspond with DCCEEW factors. Heartland used the portfolio average of feedlot as a percentage of all cattle in the calculations (as opposed to state averages), creating a small amount of geographic uncertainty. Heartland also used the FY2026 emissions factors and feedlot proportion in its calculations for all three years, creating inter-temporal uncertainty for FY2024 and FY2025. Heartland intends to continue improving its available data in the coming years.

Heartland's other financed emissions methodologies are set out over the following pages.

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⁵⁷ Except for Reverse Mortgages where Heartland uses the latest valuation to avoid the corresponding loan-to-value ratios go beyond 100%.

Rural / Livestock Finance (NZ)

Emissions for the Rural Finance portfolio were calculated by assigning the most appropriate ThinkStep ANZ (2025) emission factor against each account, based on high-level ANZSIC codes and industry descriptions. During FY2026, Heartland used different emissions factors when compared to previous years that better reflected the underlying financed activity rather than the collateral on which the finance was secured. This resulted in a material increase in emissions associated with the Rural Finance portfolio and resulted in restatement of FY2024 and FY2025 for comparability.

Emissions for the Livestock Finance (NZ) portfolio were calculated by assigning the most appropriate ThinkStep ANZ (2025) emission factor against each account, based on high-level ANZSIC codes and industry descriptions.

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
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 ANZ (2025) emission factors.

Motor Finance

Emissions were calculated based on the efficiency of each individual registered vehicle (unit per km) using MfE (2026) emissions factors, then multiplying this by average km driven per capita in New Zealand (using 2025 data from the NZTA via MoneyHub NZ).

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
Best case scenario	2 (Motor vehicle loans methodology)	2a	$\frac{\text{Outstanding amount}}{\text{Total value at origination}} \times \text{Vehicle emissions}^{58}$	Covers the scope 1 and 2 emissions of the vehicles funded using known engine size and efficiency. Uses local distance driven statistics (provincial or small country level).
Default scenario	4 (Motor vehicle loans methodology)	3b	$\frac{\text{Outstanding amount}}{\text{Total value at origination}} \times \text{Average distance travelled regional data} \times \text{Average efficiency of the fleet} \times \text{Emission factor}$	Used where the vehicle engine size and efficiency is unknown. Uses local distance driven statistics (provincial or small country level).

⁵⁸ Vehicle efficiency from 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 (local data – data quality score of 2). Emissions were calculated using the MfE (2026) emission factors for fuel and electricity, which have the same associated uncertainties as when applied 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 ANZ (2025) emission factor against each account, based on high-level ANZSIC codes and industry descriptions. Where vehicle type is available, emissions were calculated based on the efficiency of each individual registered vehicle (unit per km) using MfE (2026) emissions factors, then multiplying this by average km driven per capita in New Zealand (using 2025 data from the NZTA via MoneyHub NZ).

For these loans as well as Motor Finance above, Heartland made the following additional assumptions:

- 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, and
- the emission inventories received are compliant with the GHG Protocol (for FY2025 and FY2026) 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	$\frac{\text{Outstanding amount}}{\text{Total value at origination}} \times \text{Vehicle emissions}^{59}$	Covers the scope 1 and 2 emissions of the vehicles funded. Uses local distance driven statistics (provincial or small country level).
Default scenario	5 (Business loans methodology)	3b	$\text{Outstanding amount} \times \text{Total emissions of the sector / Assets per sector}$	Based on ANZSIC codes of the customers and relevant ThinkStep ANZ (2025) emission factors.

⁵⁹ Vehicle efficiency from NZTA based on 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 (local data – data quality score of 2; regional data – data quality score of 3). Emissions were calculated using the MfE (2026) emission factors for fuel and electricity, which have the same associated uncertainties as when applied 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 Reverse Mortgages (NZ and AU).⁶⁰ For this lending, Heartland has assumed that the properties are residential. These calculations used emissions factors from MfE (2026) and DCCEEW (2026).

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
Best case scenario	4 (Mortgages methodology)	2b	Outstanding amount 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	Outstanding amount Property value at origination x Estimated energy consumption local data 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.

60 For completeness, the New Zealand and Australian emissions are calculated by Heartland Bank.

Listed and unlisted equity

Heartland used the PCAF listed and unlisted equity methodologies, using verified emissions where available and otherwise ThinkStep ANZ (2025) data. Most of Heartland's equity investments are unlisted companies but many of them still had emissions data available.

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation	Notes
Best case scenario	1 (Listed equity methodology)	1a	$\frac{\text{Value of outstanding shares}}{\text{Enterprise value including cash (EVIC)}} \times \text{Verified company emissions}$	
Best case scenario	1 (Unlisted equity methodology)	1a	$\frac{\text{Value of outstanding shares}}{(\text{Total equity} + \text{debt})} \times \text{Verified company emissions}$	
Default scenario	5 (Listed and unlisted equity methodology)	3b	$\text{Outstanding amount} \times \frac{\text{Total emissions of the sector}}{\text{Assets per sector}}$	Based on ANZSIC codes of the investees and relevant ThinkStep ANZ (2025) emission factors.

Debt investments in listed corporate and government bonds and notes

Heartland invests in bonds and floating rate notes issued by corporate and governments across country, state, regional and city levels. In FY2026, PCAF Financed Emissions Standard has developed additional methodologies for emissions measurement of non-country level government debts. Heartland used territorial-based approaches for the sub-sovereign bonds, with relevant Gross Domestic Product (**GDP**) and emissions data available at state-level in Australia and city and local levels in New Zealand as needed. Heartland used the PCAF corporate bonds methodology for its corporate bonds, using verified emissions where available and otherwise unverified emissions or revenue and ThinkStep ANZ (2025) data. FY2026 was the first year that Heartland used revenue and ThinkStep ANZ (2025) data for investments where scope 3 data was not available (previously used the methodology for verified/unverified emissions where only scope 1 and 2 emissions were available).

Method	Data quality score (PCAF)	Option to estimate financed emissions (PCAF)	Calculation
Best case scenario	1 (Sovereign and sub-sovereign debt methodology)	1a	$\frac{\text{Outstanding amount}}{\text{Purchase power parity-adjusted GDP} \times \text{Verified country/state/region emissions}}$
Best case scenario	1 (Corporate bonds methodology)	1a	$\frac{\text{Outstanding amount}}{\text{EVIC} \times \text{Verified company's emissions}}$
Second best case scenario	2 (Corporate bonds methodology)	1b	$\frac{\text{Outstanding amount}}{\text{EVIC} \times \text{Unverified company's emissions}}$
Default scenario	4 (Corporate bonds methodology)	3a	$\frac{\text{Outstanding amount}}{\text{EVIC} \times \text{Investee's revenue} \times \frac{\text{Total GHG emissions of the sector}}{\text{Revenue of the sector}}}$ (Based on ANZSIC codes of the investees and relevant ThinkStep ANZ (2025) emission factors)

Appendix 3⁶¹

	FY2026			FY2025 (Restated)			FY2024 (Restated)		
	tCO2e	% of categories 13 and 15 / Emissions intensity (kg CO2e/\$)	PCAF score (option) (financed emissions only)	tCO2e	% of categories 13 and 15 / Emissions intensity (kg CO2e/\$)	PCAF score (option) (financed emissions only)	tCO2e	% of categories 13 and 15 / Emissions intensity (kg CO2e/\$)	PCAF score (option) (financed emissions only)
Downstream leased assets (category 13 activities)									
Operating lease commercial	1,793	0.12% / 0.20	N/A	978	0.06% / 0.15	N/A	966	0.06% / 0.11	N/A
Operating lease motor	209	0.01% / 0.06	N/A	524	0.03% / 0.11	N/A	868	0.05% / 0.15	N/A
Other property managed by / leased to other parties	2,840	0.19% / -	N/A	5,125	0.29% / -	N/A	4,834	0.29% / -	N/A
Category 13 total	4,842			6,627			6,668		
Financed emissions (category 15 activities)⁶²									
NZ									
Reverse Mortgages	1,739	0.12% / <0.01	4.01 (2b)	1,826	0.10% / <0.01	4.01 (2b)	1,341	0.08% / 0.01	4.01 (2b)
Online Home Loans	35	<0.01% / <0.01	4.02 (2b)	199	0.01% / <0.01	4.00 (2b)	289	0.02% / <0.01	4.01 (2b)
Residential	85	0.01% / 0.03	5.00 (3)	123	0.01% / 0.02	5.00 (3)	280	0.02% / 0.04	5.00 (3)
Rural Finance ⁶³	671,183	45.59% / 1.61	5.00 (3b)	700,755	39.81% / 1.46	5.00 (3b)	558,760	33.16% / 1.09	5.00 (3b)
Livestock Finance	258,571	17.56% / 1.18	5.00 (3b)	340,094	19.32% / 1.89	5.00 (3b)	329,200	19.54% / 1.65	5.00 (3b)
"Leased" Livestock	38,105	2.59% / 0.89	N/A	119,707	6.80% / 2.19	N/A	127,945	7.59% / 4.75	N/A
Motor Finance	86,922	5.90% / 0.06	2.01 (2a)	106,443	6.05% / 0.07	2.07 (2a)	159,942	9.49% / 0.10	2.07 (2a)
Asset Finance	39,992	2.72% / 0.08	4.72 (3b)	48,524	2.76% / 0.08	4.84 (3b)	66,064	3.92% / 0.09	4.87 (3b)
Business Relationship	16,707	1.13% / 0.13	4.99 (3b)	42,986	2.44% / 0.20	4.84 (3b)	79,467	4.72% / 0.21	5.00 (3b)
Open for Business	3,437	0.23% / 0.10	4.95 (3b)	6,016	0.34% / 0.10	4.96 (3b)	13,002	0.77% / 0.15	4.96 (3b)
Wholesale Finance	3,829	0.26% / 0.01	5.00 (3b)	6,553	0.37% / 0.05	5.00 (3b)	21,268	1.26% / 0.15	5.00 (3b)
Personal Loans	410	0.03% / 0.08	N/A	952	0.05% / 0.08	N/A	3,543	0.21% / 0.16	N/A
Harmony	N/A	N/A	N/A	N/A	N/A	N/A	25	<0.01% / 0.02	N/A

61 In some instances, totals may not add up exactly due to rounding.

62 For completeness, emissions relating to Heartland Bank Australia's lending and investments are calculated by Heartland Bank.

63 Comparatives restated following a material change in methodology as described in Appendix 2. There are consequential updates to the total emissions and the relative % for the categories 13 and 15 activities.

	FY2026			FY2025 (Restated)			FY2024 (Restated)		
	tCO2e	% of categories 13 and 15 / Emissions intensity (kg CO2e/\$)	PCAF score (option) (financed emissions only)	tCO2e	% of categories 13 and 15 / Emissions intensity (kg CO2e/\$)	PCAF score (option) (financed emissions only)	tCO2e	% of categories 13 and 15 / Emissions intensity (kg CO2e/\$)	PCAF score (option) (financed emissions only)
Financed emissions (category 15 activities)									
Listed and unlisted equity	396	0.03% / 0.08	2.31 (1b)	853	0.05% / 0.07	2.58 (1b)	1,357	0.08% / 0.03	4.98 (3b)
Debt investments in listed corporate and government bonds and notes ⁶⁴	18,279	1.24% / 0.06	1.31 (1a)	2,687	0.15% / 0.01	1.02 (1a)	N/A	N/A	N/A
AU									
Reverse Mortgages	11,560	0.79% / 0.01	5.00 (3)	11,331	0.64% / 0.01	5.00 (3)	10,951	0.65% / 0.01	5.00 (3)
Residential	196	0.01% / 0.01	5.00 (3)	1,220	0.07% / 0.04	5.00 (3)	421	0.03% / 0.01	5.00 (3)
Livestock Finance ⁶⁵	258,157	17.53% / 0.85	N/A	329,104	18.70% / 1.06	N/A	304,397	18.07% / 1.12	N/A
Debt investments in listed corporate and government bonds and notes ⁶⁶	57,809	3.93% / 0.11	1.00 (1a)	34,173	1.94% / 0.09	1.02 (1a)	N/A	N/A	N/A
Category 15 total	1,467,412			1,753,545			1,678,252		
Category 13 + 15 total	1,472,253			1,760,172			1,684,920		

64 The revised PCAF Financed Emissions Standard introduces calculation methodologies for local government (sub-sovereign) bonds as a separate asset class. In prior year, the GHG emissions of this investment type was calculated using sovereign debt methodologies. The prior year comparative was not recalculated.

65 Comparatives restated following a material change in methodology as described in Appendix 2. There are consequential updates to the total emissions and the relative % for the categories 13 and 15 activities.

66 See footnote 64.

Appendix 4

Key limitations and uncertainties

Uncertainties related to climate-related 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-related 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 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 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 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 ETS
- 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 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 EVs, 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 Finance 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 emissions 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 adaptations 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 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 RCP4.5 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.



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 Statement (the Climate Statement) of Heartland Group Holdings Limited (the Company) and its subsidiaries (the Group) for the year ended 30 June 2026.

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 2 to 4 of the Climate Statement.

Scope of our limited assurance engagement

We have undertaken a limited assurance engagement over the following GHG Disclosures on pages 24 and 45 to 46 of the Climate Statement for the year ended 30 June 2026:

- gross GHG emissions:
 - Total Scope 1 Direct GHG emissions of 271 tCO₂e on page 24; and
 - Total Scope 2 (location-based) Indirect GHG emissions of 103 tCO₂e on page 24;

- additional required disclosures of gross GHG emissions on pages 24 and 45 to 46; and
- gross GHG emissions methods, assumptions and estimation uncertainty on pages 45 to 46.

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Statement on pages 1 to 59. 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 2025 disclosed in the Group's Climate Statement is not covered by the assurance conclusion expressed in this report.

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 45 to 46 of the Climate Statement, 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. 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. 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:

A handwritten signature in dark ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers
28 September 2026

Wellington



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 Statement (the Climate Statement) of Heartland Bank Limited (the Company) and its subsidiaries (the Group) for the year ended 30 June 2026.

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 2 to 4 of the Climate Statement.

Scope of our limited assurance engagement

We have undertaken a limited assurance engagement over the following GHG Disclosures on pages 26 and 45 to 46 of the Climate Statement for the year ended 30 June 2026:

- gross GHG emissions:
 - Total Scope 1 Direct GHG emissions of 271 tCO₂e on page 26; and
 - Total Scope 2 (location-based) Indirect GHG emissions of 99 tCO₂e on page 26;

- additional required disclosures of gross GHG emissions on pages 26 and 45 to 46; and
- gross GHG emissions methods, assumptions and estimation uncertainty on pages 45 to 46.

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Statement on pages 1 to 59. 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 2025 disclosed in the Group's Climate Statement is not covered by the assurance conclusion expressed in this report.

Other matter – comparative information

The comparative GHG Disclosures for the year ended 30 June 2024 have not been subject to assurance. As such, these disclosures are 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 45 to 46 of the Climate Statement, 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. 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. 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
28 September 2026

Wellington



heartlandgroup.info