



MODERN SLAVERY STATEMENT

Hills Limited

ABN 35 007 573 417

Introduction

1. This is the first Modern Slavery Statement (**Statement**) issued by Hills Limited, as a reporting entity pursuant to the Modern Slavery Act 2018 (Cth) (MS Act).
2. The purpose of this Statement is to assess and address the risks of modern slavery practices occurring in the operations and supply chains of Hills Limited and the entities that it owns and controls (collectively **Hills**). The term ‘modern slavery’ is used to describe situations where coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom.
3. Hills recognises the importance of protecting the human rights of all people impacted by its operations and supply chain, and is committed to eradicating the risks of supporting or engaging with companies complicit in practices constituting modern slavery. While Hills is confident that its operations and supply chain produce a low risk of exposure to such practices, we strive for continuous improvement.
4. The reporting period covered by this Statement is the financial year ending on 30 June 2020.

About Hills, it’s operations and supply chains

5. Hills Limited (ACN 007 573 417), the parent entity of the Hills group, is an ASX-listed company headquartered in Lidcombe, New South Wales, operating in Australia and New Zealand. Hills commenced business in Adelaide, South Australia in 1957 and has a long history of developing and innovating products throughout its history.¹
6. In preparing this Statement, senior management of Hills’ key operations (as set out below) were consulted. The Hills Limited Board has overall responsibility for Hills’ operations including those of subsidiaries, with common legal and other management control. This Statement is not required to be a joint Statement.
7. Hills employs approximately 360 employees and currently operates principally in two sectors: health technology² and security, surveillance and IT technology distribution.³ Hills’ operations include direct employment of workers, research and development, value-added hardware and software distribution, purchasing, marketing and sales.
8. As a distributor and supplier of technology products and services, our direct supply chain consists primarily of electronic equipment manufacturing and assembly services vendors; security and safety technology vendors; wired and wireless networking equipment vendors; and software vendors.

Hills Health Solutions – Health Technology

9. Hills is a supplier of technology solutions in the health market, primarily through its wholly owned subsidiary Hills Health Solutions Pty Limited (**HHS**). HHS is a market leader and comprises the design, supply and installation of health technology solutions,

¹ A complete list of the controlled entities in the Hills group is detailed in our Annual Report to Shareholders which is available at: <https://corporate.hills.com.au/investors>.

² Via Hills Health Solutions Pty Limited, a wholly owned subsidiary of Hills Limited.

³ Via Hills Limited.

nurse call and patient engagement and other related solutions including security, Wi-Fi and telephony, into the health and aged care sectors.

10. HHS undertakes its research and development activities, and manufacturing of its Nurse Call platform, in Australia. Its two main manufacturers, who supply and assemble componentry for HHS's proprietary products, are companies headquartered in Australia.

Hills Distribution – Security, Surveillance and IT Technology

11. Hills is also a value-added distributor of technology products and services in the security, surveillance and IT markets, through the Hills Distribution business unit of Hills Limited. Hills Distribution is a leading value-added provider of technology for homes, hospitals and healthcare facilities, places of learning, entertainment venues, retail spaces, transport and infrastructure, banking and finance, workplaces and government institutions.
12. Hills Distribution maintains strong vendor relationships, as well as investing in expert resources across Australia and New Zealand, to offer products and solutions that allow customers to manage:
 - 12.1 access control solutions;
 - 12.2 alarms and intruder solutions;
 - 12.3 card access control;
 - 12.4 CCTV Cameras;
 - 12.5 video management solutions;
 - 12.6 wireless and networking solutions;
 - 12.7 analytics software for facial recognition and people counting solutions;
 - 12.8 HillsTrak (asset management); and
 - 12.9 smoke alarms.
13. In December 2019 (during the reporting period), Hills Distribution divested its audio-visual, antenna and STEP Electronics businesses and ceased to operate its antenna manufacturing facility in South Australia. Accordingly, those operations are not addressed further in this Statement.
14. Hills also provides pre and post installation services and technician management services through its Hills Technical Services business unit in connection with the NBN Co.'s fixed wireless product.
15. Hills Distribution engages with a large number of vendors (suppliers) to provide the technology products and solutions it offers to customers.
16. For the purposes of this Statement, Hills has focused on its largest vendors who supply approximately 80% of its products by value (**Focus Vendors**). The Focus Vendors are based in the following regions:

- 16.1 Australia;
- 16.2 North America;
- 16.3 Asia (Hong Kong, South Korea); and
- 16.4 Europe (Sweden).

Risks of modern slavery practices

- 17. Hills is not aware of any specific entity risks or previous human rights violations on the part of any of its suppliers.

Risk of causing or contributing to modern slavery practices

- 18. Hills considers the risk of it causing modern slavery practices (i.e. the risk of Hills' operations directly resulting in modern slavery practices) to be low. Hills' operations are based in Australia and New Zealand and Hills actively complies with all applicable workplace health and safety laws, immigration laws, whistle-blower laws and employment laws. Hills is not aware of any actions on its part which would cause modern slavery practices.
- 19. Hills also considers the risk of it contributing to modern slavery practices (i.e. the risk of Hills' operations and/or actions in its supply chain facilitating or incentivising modern slavery) to be low. When engaging with suppliers Hills is aware of the danger of inadvertently increasing the risk of human exploitation that can occur where there is unreasonable costs targets and delivery timeframes on suppliers. It is not in Hills' practice to place hard targets and delivery timeframes on vendors and accordingly we assess this risk as minimal. During the COVID-19 outbreak Hills worked hand in hand with vendors to ensure the safety of their employees and Hills' employees, and to effectively manage supply through the pandemic crisis.

Supply chain risks

- 20. Hills acknowledges that electronics is generally regarded as a higher risk sector for modern slavery practices. The US Department of Labor's 2020 List of Goods produced by Child Labor or Forced Labor (**US List**) identifies electronic goods as at risk of child labour and forced labour when produced in China, and at risk of forced labour when produced in Malaysia. Minerals commonly used in electronics production, including Mica mined in India or Madagascar and Cobalt mined in the Democratic Republic of the Congo, have also been classified in the US List as at risk of child or forced labour.
- 21. There is accordingly a risk that Hills may be directly linked to modern slavery through its extended supply chain if:
 - 21.1 its suppliers (or, in turn, their supply chain) engage in modern slavery labour practices in factories which manufacture electronic products or components; or
 - 21.2 modern slavery practices occur in the mining and processing of minerals which are supplied to Hills' suppliers (or, in turn, their supply chain) for use in the manufacturing process.

22. This risk may be elevated depending on the categories of products and services we source, the geographical location and vulnerable populations with which our extended supply chains might engage. For the purposes of this Statement, Hills has considered the risks associated with its Focus Vendors (who supply approximately 80% of its Hills Distribution products by value) and its main HHS manufacturers.
23. As noted above, HHS's main manufacturers are headquartered in and operate out of Australia, although some electronics manufacturing and procurement also occurs for the Australian manufacturers in Malaysia. Thus, whilst the risk is generally low given that the HHS manufacturers are based in Australia, there is a higher modern slavery risk associated with electronics manufactured in Malaysia. In the next reporting period, Hills intends to conduct further due diligence in relation to the Malaysian manufacturing operations of its suppliers.
24. None of the Focus Vendors have their headquarters in countries identified in the US List as at risk for goods produced by child labour or forced labour. However, several of the Focus Vendors engage in manufacturing in countries which are identified in the US List. In the next reporting period, Hills intends to conduct further due diligence in relation to the manufacturing operations of those suppliers.

Actions taken to assess and address the risks

Hills' Practices and Policies

25. The risks of Hills causing, contributing to, or being directly linked to modern slavery practices are mitigated by Hills' Code of Conduct which sets out the core duties owed to all Hills' shareholders, customers, employees, suppliers and the broader community and applies to all officers, employees, contractors, consultants and associates of Hills. The Code of Conduct outlines Hills' commitment to maintaining the highest standards of integrity and honesty in all of our dealings with stakeholders. This includes:
 - 25.1 promoting a healthy and safe work environment where everyone is treated fairly and with respect;
 - 25.2 never allowing commercial objectives to compromise health and safety;
 - 25.3 applying standards that minimise any adverse environmental or social impacts resulting from our operations, products and services; and
 - 25.4 expecting all Hills representatives to be proactive in identifying and preventing risks to health and safety.
26. The risks are also mitigated by Hills' Procurement Policy, which sets out Hills' standards and guidelines on conducting or participating in tenders and procuring goods and services for Hills. The Procurement Policy is based upon Hills' long standing commitment to conducting its business with honesty and integrity. The Procurement Policy mitigates the risk of Hills contracting with suppliers who are engaged in modern slavery practices, and assists Hills to assess the effectiveness of its actions to assess and address modern slavery risks, by:
 - 26.1 setting out Hills' expectation that suppliers will meet the United Nations Global Compact (a summary of which is attached to the Procurement Policy) and which

- covers ten key principles of engagement relating to human rights, labour, environment and anti-corruption;
- 26.2 requiring compliance with Hills' Code of Conduct; and
 - 26.3 requiring any concerns (whether based on suspicions, rumours or actual knowledge) that any individual(s) are acting outside of the Procurement Policy to be raised immediately with the Company Secretary or in accordance with Hills' Whistle-blower Protection Policy.
27. Hills also:
- 27.1 provides regular compliance training programs to all Hills' employees;
 - 27.2 maintains an Anti-Bribery and Corruption Policy applicable to all employees, consultants, contractors and agents;
 - 27.3 maintains a Whistle Blower Protection Policy to encourage responsible whistle blowing about potential misconduct, corrupt practices, breaches of applicable laws, or breaches of the Code of Conduct or any Hills policy; and
 - 27.4 regularly reviews and, where appropriate, updates, all applicable policies and procedures to ensure they are consistent with applicable legal and regulatory obligations and support our commitment to maintaining the highest standards of integrity and honesty.
28. As set out in Hills' Board Charter, the Board of Directors is responsible for the governance of Hills, including with respect to ensuring compliance with all legal and regulatory requirements; overseeing and monitoring appropriate environmental, employment and occupational health and safety policies; actively promoting ethical and responsible decision making; reviewing the social and ethical impact of Hills' activities; establishing and monitoring the Code of Conduct and Diversity Policy and Strategy; and establishing and overseeing Hills' risk management systems. In particular, the Audit, Risk and Compliance Committee of Hills' Board of Directors has oversight of risk management systems, including compliance with applicable legal and regulatory requirements.
29. In the next reporting period, Hills intends to prepare a Modern Slavery Practices Policy which will document Hills' processes and best practices for identifying, preventing and mitigating modern slavery risks, and for remedying any modern slavery situations should they arise. This policy will also establish a process for regular review of the actions taken by Hills to assess and address modern slavery risks.

Supplier Practices and Policies

30. Three of the Focus Vendors (or their parent companies) have prepared their own Modern Slavery Statements (or overseas equivalents). This requires those Focus Vendors to have done their own due diligence and consider the modern slavery risks associated with their own supply chain. In turn, this mitigates and informs Hills' own supply chain risks. Hills has used these Modern Slavery Statements to assist in its own due diligence and information gathering for the purposes of this Statement. Hills also takes comfort from

the fact that none of the Focus Vendors' Modern Slavery Statements identify any unexpected risks or incidences of modern slavery.

31. As referred to above, several of the HHS manufacturers and Focus Vendors operate outside of Australia in countries where risks of modern slavery practices may be relatively higher. However, it is to be noted that a majority are suppliers based in low-risk countries (with a low prevalence of modern slavery), or are Australian-based subsidiaries of larger international parent companies who are less likely to engage in modern slavery practices and can be expected to have their own applicable policies and regulatory requirements. Ten of the Focus Vendors (or their parent companies) are or have recently been listed on an exchange, and have therefore been subject to various exchange requirements pertaining to transparency and business ethics.

Measuring effectiveness

32. In the next reporting period Hills intends to send its Focus Vendors a questionnaire to conduct further due diligence into the Focus Vendors' policies, operations and extended supply chains, to enhance Hills' ability to assess and address the risk of being directly linked to modern slavery practices. Hills also intend to prepare a Modern Slavery Practices Policy which will, amongst other things, establish a process for regular review of the actions taken by Hills to assess and address modern slavery risks.
33. Hills has measured the effectiveness of the steps it has taken to ensure that modern slavery practices are not taking place within our business or supply chain by confirming that no reports have been received from (a) the employees of Hills who work closely with suppliers and are dedicated to upholding Hills' Code of Conduct and other relevant policies, or (b) other stakeholders, the general public or law enforcement agencies, to indicate that modern slavery practices have been identified in the supply chain.

Approval of this Statement

34. This Statement was approved by the Board of Hills Limited, which is the principal governing body of Hills Limited (as defined in the MS Act), on 1 February 2021.
35. The Board has authorised the Chief Executive Officer and Managing Director to sign this Statement.



David Lenz
Chief Executive Officer and Managing Director