



# MODERN SLAVERY STATEMENT

**Hills Limited**

ABN 35 007 573 417

## Introduction

1. This is the second 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 remains 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 2021.

## About Hills, its operations and supply chains

5. Hills Limited (ACN 007 573 417) (“Hills”), the parent entity of the Hills group,<sup>1</sup> 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.
6. In preparing this Statement, Hills has actively engaged and consulted with senior management of Hills’ key operations and of all key operating entities Hills owns or controls, with whom the reporting requirements and actions proposed to address the requirements were discussed. The Hills 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 344 employees and currently operates principally in two sectors: health technology solutions<sup>2</sup> and security and IT technology distribution.<sup>3</sup> 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; health and security technology vendors; wired and wireless networking equipment vendors; and software vendors.

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<sup>1</sup> 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>.

<sup>2</sup> Via Hills Health Solutions Pty Limited, a wholly owned subsidiary of Hills Limited.

<sup>3</sup> Via Hills Limited.

## 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, particularly nurse call and patient engagement systems, 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 and IT Technology

11. Hills is also a value-added distributor of technology products in the security and IT markets through its Hills Distribution business unit. 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,<sup>4</sup> 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; and
  - 12.7 analytics software for facial recognition and people counting solutions.
13. Hills also provides pre and post installation support, technician management, and NBN connection services through its Hills Technical Services business unit.
14. Hills Distribution engages with a large number of vendors (suppliers) to provide the technology products and solutions it offers to customers.
15. For the purposes of this Statement, Hills has again 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:
  - 15.1 Australia;

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<sup>4</sup> Note, at the time of publication of the Statement the Hills security distribution business in New Zealand has ceased operating.

- 15.2 North America;
- 15.3 Asia (Hong Kong, South Korea, Japan); and
- 15.4 Europe (Sweden).

## Risks of modern slavery practices

- 16. 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

- 17. 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.
- 18. 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 are unreasonable costs targets and delivery timeframes placed 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.
- 19. Hills acknowledges the persistent impacts of the COVID-19 pandemic throughout this reporting period and the resultant increased risk that suppliers may engage in modern slavery practices when faced with these pressures.
- 20. Within its own organisation, Hills has mitigated the increased risks posed by the COVID-19 pandemic by implementing safeguards to ensure safe working environments for all employees. Hills continued to trade as an essential service provider even during periods of lockdown, this rarely resulted in loss or cancellation of orders such that many of these pressures were largely avoided.

## Supply chain risks

- 21. Hills has conducted risk assessments of modern slavery risks in its supply chains through both publicly available information as well as direct consultation with certain Focus Vendors.
- 22. 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 (updated as at 23 June 2021) (**US List**),<sup>5</sup> identifies electronic goods as at risk of child labour and forced labour when produced in China, and

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<sup>5</sup> Available at: <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>.

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.

23. There is accordingly a risk that Hills may be directly linked to modern slavery through its extended supply chain if:
  - 23.1 its suppliers (or, in turn, their supply chain) engage in modern slavery labour practices in factories which manufacture electronic products or components; or
  - 23.2 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.
24. This risk may be elevated depending on the categories of products and services we source, the geographical locations in which our suppliers operate, and the vulnerable populations with which our extended supply chains might engage. For the purposes of this Statement, Hills has considered the risks associated with (a) its Focus Vendors (who supply approximately 80% of its Hills Distribution products by value) and (b) its main HSS manufacturers.
25. In relation to the Focus Vendors:
  - 25.1 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.
  - 25.2 Hills' further due diligence on the Focus Vendors has revealed that the Focus Vendors engage in manufacturing of products supplied to Hills in a large number of regions worldwide including:
    - 25.2.1 Oceania (including Australia, New Zealand);
    - 25.2.2 Asia (including China, South Korea, Malaysia, Thailand, Philippines, Singapore, Taiwan, Japan);
    - 25.2.3 Europe (including Czech Republic, Finland, Sweden, Austria, United Kingdom);
    - 25.2.4 North America;
    - 25.2.5 South America (including Mexico); and
    - 25.2.6 Middle East (including Israel).
  - 25.3 Some of these manufacturing locations are in countries which are identified in the US List, which increases the theoretical risk of Hills' supply chain being linked to modern slavery practices in those countries. However, based on the information it has obtained from the Focus Vendors and Hills' own practices and policies (as set out in the next section), Hills has no cause to believe that such a risk has eventuated. Nevertheless, in the next reporting period, Hills

intends to conduct further due diligence in relation to the manufacturing operations of the Focus Vendors in higher risk countries.

26. As noted above, HSS'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 HSS manufacturers are based in Australia, there is a higher modern slavery risk associated with electronics manufactured in Malaysia.

## **Actions taken to assess and address the risks**

### **Hills' Practices and Policies**

27. 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:
  - 27.1 promoting a healthy and safe work environment where everyone is treated fairly and with respect;
  - 27.2 never allowing commercial objectives to compromise health and safety;
  - 27.3 applying standards that minimise any adverse environmental or social impacts resulting from our operations, products and services; and
  - 27.4 expecting all Hills representatives to be proactive in identifying and preventing risks to health and safety.
28. 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:
  - 28.1 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;
  - 28.2 requiring compliance with Hills' Code of Conduct; and
  - 28.3 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.

29. Hills also:
- 29.1 provides regular compliance training programs to all Hills' employees;
  - 29.2 maintains an Anti-Bribery and Corruption Policy applicable to all employees, consultants, contractors and agents;
  - 29.3 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
  - 29.4 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.
30. 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.
31. In the first Statement, Hills expressed an intention to prepare a Modern Slavery Practices Policy to document Hills' processes and best practices for identifying, preventing and mitigating modern slavery risks, for remedying any instances of modern slavery practices should they arise, and the process for regular review of actions taken by Hills to assess and address modern slavery risks. This is targeted for completion during the next reporting period.

### Supplier Practices and Policies

32. Ten of the Focus Vendors (or their parent companies) have prepared their own Modern Slavery Statements (or equivalents on behalf of UK subsidiaries). 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.
33. As referred to above, several of the HSS 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. Fifteen 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.

34. In the last reporting period, Hills expressed an intention to send its Focus Vendors a questionnaire to conduct further due diligence into the Focus Vendors' policies, operations and extended supply chains, which would enhance Hills' ability to assess and address the risk of being directly linked to modern slavery practices in its supply chain.
35. During this reporting period, Hills drafted and distributed to the Focus Vendors a questionnaire, which contained questions pertaining to the vendors' business operations, geographical location, supply chains, workforce, and any policies and procedures in place to prevent modern slavery practices within their organisations.
36. Substantive responses were received on behalf of 10 of the Focus Vendors. That information has been used to confirm research previously conducted on the Focus Vendors from publicly available information, and to provide valuable further insights into the risk profiles of these Focus Vendors.
37. Of those responses all respondents confirmed that they comply with all relevant labour laws in the jurisdictions in which they employ their workforce, and none had ever been the subject of sanction or an adverse report of modern slavery violations. Through the responses, Hills received copies of the responding Focus Vendors' existing policies and supplier codes of conduct, which also assisted in assessing the actions the responding Focus Vendors were taking to mitigate their own risks of contributing to modern slavery.

## **Measuring effectiveness**

38. Identifying and addressing modern slavery risks in our operations and supply chain will be an ongoing and evolving process.
39. The initial responses received will serve as a benchmark to monitor changes in the Focus Vendors' practices and policies over time and will assist to identify higher risk vendors from lower risk vendors.
40. The responses obtained for our first Statement were informative and valuable. In future reporting periods Hills intends to obtain further and additional information from the Focus Vendors in order to better assess the risk of modern slavery practices in its supply chain. The number and detail of responses received will also be used as a metric of the effectiveness of Hills' process.
41. In the next reporting period, Hills also intends to prepare the Modern Slavery Practices Policy outlined above which will, amongst other things, establish a process for regular review of the actions taken by Hills to assess and address modern slavery risks.
42. Another method of evaluation Hills employs is to review whether any reports have been received through our internal governance and external assurance processes. In this reporting period, Hills has confirms 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.

43. Hills will continue to review and develop appropriate metrics to evaluate the effectiveness of its actions in assessing and addressing modern slavery risks.

### **Approval of this Statement**

44. This Statement was approved by the Board of Hills, in its capacity as the principal governing body of Hills (as defined in the MS Act), on 20 December 2021.
45. The Board has authorised the General Counsel and Company Secretary to sign this Statement.

David Fox  
General Counsel and Company Secretary