



MODERN SLAVERY STATEMENT

Financial Year ended 30 June 2022

Hills Limited

ABN 35 007 573 417

Introduction

1. This is the third Modern Slavery Statement (**Statement**) issued by Hills Limited (**Hills**), as a reporting entity pursuant to the Modern Slavery Act 2018 (Cth) (MS Act). The reporting period covered by this Statement is the financial year which ended on 30 June 2022.
2. As explained in further detail below, during the reporting period Hills substantially changed its business, including divesting itself of its Australian security and IT distribution business and closing its New Zealand distribution business, in order to focus on its health technology business. In light of these changes, Hills' annual consolidated revenue for the financial year ending on 30 June 2023 (and beyond) is anticipated to fall below the \$100 million threshold set out in the MS Act. Accordingly, Hills expects this Statement to be its last and does not currently anticipate that it will need to file a Modern Slavery Statement in future years. Further, as explained below, this change in business has reduced the modern slavery risks associated with Hills' operations and supply chains. It has also limited Hills' ability to carry out some of the actions that it completed or identified in previous Statements.
3. 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 and the entities that it owns and controls (also collectively referred to as 'Hills' in this Statement). 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.
4. Hills recognises the importance of protecting the human rights of all people impacted by its operations and supply chains, 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, particularly in light of recent changes to its business, we strive for continuous improvement.

About Hills, its operations and supply chains

5. Hills Limited (ACN 007 573 417), the parent entity of the Hills group,¹ 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. Hills' operations in the reporting period included direct employment of workers, research and development, value-added hardware and software distribution, purchasing, marketing and sales. As a distributor and supplier of technology products and services, Hills' direct supply chain consisted primarily of electronic equipment manufacturing and assembly services vendors; health and security technology vendors; wired and wireless networking equipment vendors; and software vendors.

¹ A complete list of the controlled entities in the Hills group is detailed at page 72 of our FY2022 Annual Report to Shareholders which is available at: <https://corporate.hills.com.au/investors>.

7. During the reporting period, Hills operated principally in two sectors: health technology solutions² and security and IT technology distribution.³ However, during the reporting period, Hills divested itself of its Australian security and IT technology distribution business and closed its New Zealand technology distribution business. Hills' ongoing business is limited to its health technology division and some technology installation services in Australia and New Zealand. Hills' operations and supply chain, and therefore its modern slavery risk profile, looks quite different following the changes in its business during the reporting period.

Ongoing business: Hills Health Solutions

8. 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, installation and maintenance of health technology solutions, particularly nurse call and patient engagement systems into the health and aged care sectors.
9. 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.
10. The HHS business now forms the main component of Hills' ongoing business.

Ongoing business: Hills Technical Services

11. Hills also provides pre and post installation support, technician management and NBN connection services through its Hills Technical Services business unit (**HTS**). HTS focuses largely on the installation of NBN and Sky TV services in regional Australia and New Zealand.

Divested/closed business: Hills Distribution – Security and IT Technology

12. For part of the reporting period, Hills was also a value-added distributor of technology products in the security and IT market through its Hills Distribution business unit. Hills Distribution was a 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.
13. Hills Distribution maintained strong vendor relationships, as well as investing in expert resources across Australia and New Zealand, to offer products and solutions that allowed customers to manage:
- 13.1 access control solutions;
 - 13.2 alarms and intruder solutions;
 - 13.3 card access control;
 - 13.4 CCTV Cameras;
 - 13.5 video management solutions;
 - 13.6 wireless and networking solutions; and

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

³ Via the Distribution Division of Hills Limited.

- 13.7 analytics software for facial recognition and people counting solutions.
14. Hills Distribution engaged with a large number of vendors (suppliers) to provide the technology products and solutions it offered to customers.
15. On 21 February 2022, Hills announced the divestment of the Hills Distribution business as part of its ongoing strategy to focus on the strong growth prospects associated with the Hills health division. The transaction was completed in May 2022. The divestment followed Hills' November 2021 announcement that Hills was closing its New Zealand security distribution operation. This exit was substantially completed in the first half of 2022.
16. Hills Distribution does not form part of Hills' ongoing business.

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 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. Further actions undertaken by Hills to mitigate this risk (such as through its procurement policy and Code of Conduct) are detailed further below.
20. 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. 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

21. Hills acknowledges that there is 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 sourced, the geographical locations in which Hills' suppliers operate, and the vulnerable populations with which Hills' extended supply chains might engage.

Hills Health Solutions

23. As noted above, HHS works with two main manufacturers who are headquartered in and operate out of Australia. Some electronics manufacturing and procurement also occurs for the Australian manufacturers in Malaysia, and China, using materials mined outside of Australia.
24. Whilst the modern slavery risk is generally low given the close relationship between HHS and its two Australian manufacturers, there is a modern slavery risk in the supply chain associated with electronics manufactured in Malaysia, China or other locations, or with the mining of raw materials overseas.

Hills Technical Services

25. HTS primarily provides installation services in Australia and New Zealand of products supplied by NBN Co (a Government Business Enterprise established in 2009 by the Commonwealth of Australia).
26. Hills assesses the modern slavery risk in the supply chain of the HTS business as low, given that NBN Co is a government related entity which has prepared its own comprehensive voluntary Modern Slavery Statement for the financial year ended 30 June 2021, to which Hills has had regard, and which does not indicate any heightened modern slavery risk. Nevertheless, there is a modern slavery risk in the extended supply chain associated with the electronics industry or with the mining of raw materials overseas used for the manufacture of electronic componentry installed by HTS.

Hills Distribution (divested/closed)

27. In previous years, Hills has assessed that its main modern slavery supply chain risk fell within the Hills Distribution (security and IT technology) division of its business. This is because Hills Distribution focused on electronics, which is generally regarded as a higher risk sector for modern slavery practices, and had a number of vendors based outside of Australia. As noted above, Hills no longer operates that business.

Actions taken to assess and address the risks

Hills Practices and Policies

28. Hills has established and had regard to its own practices and policies in assessing and addressing the risks of causing, contributing to, or being directly linked to modern slavery practices. During the reporting period, those practices and policies were reviewed and updated in conjunction with changes to Hills' business and governance structure.
29. These risks 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 directors, officers, employees, contractors, consultants and associates of Hills. The Code of Conduct was most recently updated on 11 October 2022. All new employees are made aware of the Code of Conduct and Hills' prior year Modern Slavery Statement as part of their onboarding process and are directed to contact Hills' Company Secretary directly if an employee becomes aware or concerned that there may be modern slavery risks in Hills' supply chain.

30. 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:
 - 30.1 promoting a healthy and safe work environment where everyone is treated fairly and with respect;
 - 30.2 never allowing commercial objectives to compromise health and safety;
 - 30.3 applying standards that minimise any adverse environmental or social impacts resulting from our operations, products and services;
 - 30.4 expecting all Hills representatives to be proactive in identifying and preventing risks to health and safety; and
 - 30.5 expecting all Hills employees to report to their manager any suspected breaches of the Code of Conduct, any fraudulent or unethical behaviour and any breaches of Hills policy, with Hills taking any breaches seriously.

 31. 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:
 - 31.1 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;
 - 31.2 requiring compliance with Hills' Code of Conduct; and
 - 31.3 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.

 32. Hills also:
 - 32.1 provides regular compliance training programs to all Hills employees;
 - 32.2 maintains an Anti-Bribery and Corruption Policy applicable to all employees, consultants, contractors and agents;
 - 32.3 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
 - 32.4 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.
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33. 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. During the reporting period, Hills undertook changes to its organisational structure, resulting in the Board now being comprised of three independent directors.

Supplier Practices and Policies

34. Hills has reviewed whether any reports have been received through our internal governance and external assurance processes (as detailed above). In this reporting period, Hills has again confirmed 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.
35. Hills has also reviewed the Modern Slavery Statement for the financial year ended 30 June 2021 filed by NBN Co (whose services HTS installs for customers in regional Australia and New Zealand. NBN's Modern Slavery Statement sets out the steps it has taken to assess and address the risks of modern slavery and does not identify any issues of concern.
36. In previous years, Hills has conducted risk assessments of modern slavery risks in its supply chains by focusing on 'Focus Vendors' who supplied approximately 80% of its Hills Distribution products by value. In the financial year ended 30 June 2021, this assessment included distributing due diligence questionnaires to those vendors. In light of the divestiture/closure of the Hills Distribution business during the reporting period, it has not been viable or necessary to conduct the same assessment this year because the Focus Vendors are not ongoing suppliers to Hills. Nevertheless, Hills takes comfort in the responses received last year, which did not indicate any cause to be concerned about modern slavery practices in the supply chain.

Measuring effectiveness

37. Hills had previously identified that the biggest modern slavery risk within its business related to the Hills Distribution business unit, and that obtaining further information from Hills Distributions' 'Focus Vendors' would be the benchmark from which it would assess and improve on the risk of modern slavery practices in its supply chain and measure the effectiveness of the process. In light of the divestment/closure of the Hills Distribution business during the reporting period, this assessment and benchmark do not apply to Hills going forward.
38. As set out above, Hills does not expect that it will need to lodge a Modern Slavery Statement in future. Nevertheless, Hills is committed to continuing to ensure that it does not cause or contribute to modern slavery practices, which we understand will require the continued review and development of appropriate actions, and metrics to evaluate the effectiveness of those actions, which assess and address modern slavery risks.

Consultation

39. In preparing this Statement, Hills has consulted with senior management of Hills' key ongoing operations and of 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.

Approval of this Statement

40. 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 23 December 2022.
41. The Board has authorised David Clarke, the Chief Executive Officer and Managing Director of Hills, to sign this Statement.

David Clarke
Chief Executive Officer and Managing Director of Hills Limited

23 December 2022