



# BOARD CHARTER

**Hills Limited**

ABN 35 007 573 417

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## CONTENTS

1	Purpose of Charter .....	5
2	Role and Function of Board .....	5
3	Role of Chairman .....	7
4	Role of Company Secretary.....	8
5	Board Membership.....	8
6	Board Process .....	11
7	Delegations .....	11
8	Review of the Charter .....	12
9	Disclosure.....	12
10	Who to Contact.....	12
11	Published.....	12

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## 1 Purpose of Charter

The Board of Directors (the **Board**) is responsible for the governance of Hills Limited (**Hills**). This charter sets out:

- (a) the role and responsibilities of the Board of Hills; and
- (b) the membership and operation of the Board.

The Board is governed by the constitution of Hills (a copy of which is available on the Hills website at [www.hills.com.au](http://www.hills.com.au)), ASX Listing Rules and the Corporations Act.

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## 2 Role and Function of Board

### 2.1 Role of the Board

The Board's role is to:

- (a) provide the overall strategic direction, and to set the policies and financial objectives for Hills and monitor their implementation;
- (b) ensure that the activities of Hills comply with its constitution and all legal and regulatory requirements;
- (c) define the powers to be reserved to the Board and those to be delegated to its committees and to management; and
- (d) represent and serve the interests of its shareholders.

### 2.2 Strategy and Planning

The Board is responsible for:

- (a) overseeing the development of Hills corporate strategy through constructive engagement with senior executive; and
- (b) reviewing and approving the strategic plans and performance objectives of Hills consistent with corporate strategy, and reviewing the assumptions and rationale underlying the strategic plans and performance objectives; and
- (c) monitoring the implementation of those strategies.

### 2.3 Oversight of Management

The Board is responsible for:

- (a) the appointment and, if appropriate, the removal of the Managing Director;
- (b) setting the Managing Director's terms and conditions of employment;
- (c) evaluating at least annually, the performance of the Managing Director;
- (d) monitoring the performance of the Managing Director and senior executives, and the implementation of strategy against measurable and qualitative indicators encouraging enhanced performance and ensuring appropriate resources are available;
- (e) providing advice and counsel to management;

- (f) approving the appointment and, where appropriate, the termination, of Officers of Hills who are direct reports to the Managing Director;
- (g) approving senior executive remuneration policies and practices;
- (h) ensuring management supplies the Board with information that will assist the Board to discharge its duties;
- (i) reviewing on a regular and continuing basis, executive succession planning (and in particular the Managing Director); and
- (j) appointing and removing the Company Secretary.

## 2.4 Oversight of Financial Management and Capital Management

The Board is responsible for:

- (a) ensuring the integrity of Hills financial reporting;
- (b) reviewing and approving annual and half-yearly financial reports;
- (c) monitoring Hills' financial position and results on an ongoing basis and against the approved annual budget;
- (d) reviewing and overseeing Hills' accounting and financial management systems;
- (e) reviewing, approving and monitoring the progress of major capital expenditure, capital management levels, major acquisitions and divestitures and material commitments;
- (f) approving decisions affecting the capital structure of Hills and major financing arrangements; and
- (g) determining the dividend policy of Hills and declaring dividends.

## 2.5 Shareholders

The Board is responsible for:

- (a) overseeing effective communication with shareholders, including convening shareholder's meetings, and listening and responding (through the Chairman, Managing Director or Company Secretary) to shareholder's views of management, the Board and Hills;
- (b) reporting to shareholders in accordance with regulatory requirements; and
- (c) facilitating the effective exercise of shareholder rights.

## 2.6 Other Stakeholders

The Board is responsible for:

- (a) promoting the interests of Hills as a whole in relation to Hills shareholders, governments, other public organisations, other companies and the public generally;
- (b) overseeing and monitoring policies governing Hills' relationships with other stakeholders; and
- (c) overseeing and monitoring appropriate environmental, employment and occupational health and safety policies.

## 2.7 Ethics and Sustainability

The Board is responsible for:

- (a) actively promoting ethical and responsible decision making in Hills;
- (b) reviewing the social and ethical impact of Hills' activities;
- (c) establishing and monitoring a Code of Conduct to guide its directors, management and employees in the practices necessary to maintain confidence in Hills' integrity; and
- (d) establishing and monitoring a Diversity Policy and Strategy to outline Hills commitment to diversity and inclusion in the workplace.

## 2.8 Compliance and Risk Management

The Board is responsible for:

- (a) establishing and overseeing Hills' corporate governance, internal control and accountability systems and reviewing reporting under those systems; and
- (b) establishing, overseeing and reviewing the effectiveness of systems for identifying, assessing, monitoring, and managing material business risks through Hills, and informing investors of material changes to the company's risk profile.

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## 3 Role of Chairman

The Chairman is a non-executive Director appointed by the Board.

The Chairman should not be the same person as the Managing Director nor be a former executive officer.

The Chairman is responsible for:

- (a) leading the Board in reviewing and discussing Board matters;
- (b) chairing Board meetings and shareholding meetings;
- (c) ensuring the efficient organisation and conduct of the Board's function;
- (d) briefing all directors in relation to issues arising at Board meetings;
- (e) facilitating effective contribution by all directors and monitoring Board performance;
- (f) overseeing the membership of the Board to ensure the Board is skilled and appropriate for Hills' needs;
- (g) promoting constructive relations between Board members and between the Board and management;
- (h) ensuring that non-executive directors meet separately at least annually to consider, among other things, senior executive performances; and
- (i) reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board.

The Board will appoint a lead independent director to act as Chairman in the event that the Chairman is unable to so act for any reason.

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## 4 Role of Company Secretary

The Company Secretary acts as a secretary of the Board, attending all meetings of the Board as required. The Company Secretary reports to the Board on all corporate governance matters.

The Company Secretary is responsible for:

- (a) organising Board meetings and director attendance;
- (b) monitoring compliance with Board policy and procedures;
- (c) co-ordinating the completion and despatch of the Board agenda and briefing materials;
- (d) preparing minutes of meetings and resolutions of the Board and taking these to the Chairman for approval and circulation;
- (e) circulating minutes from committee meetings to the Board as required;
- (f) reporting on legal compliance; and
- (g) ensuring that Hills complies with its requirements under the Corporations Act and ASX Listing Rules including the lodging of all returns, notices and announcements as required.

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## 5 Board Membership

### 5.1 Composition

The directors will determine the size of the Board, subject to Hills constitution which provides that there can be no less than three directors. The number of directors and the composition of the Board must at all times be appropriate to Hills to achieve efficient decision making and adequately discharge its responsibilities and duties.

The Board will consist of a majority of non-executive, independent directors. The Board will select one of its members to be Chairman.

Hills aims to have a Board of Directors with an appropriate range of skills, experience, expertise and an understanding of and competence to deal with current and emerging issues in Hills' business. Hills' succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.

### 5.2 Appointment and Re-election of Directors

- (a) Appointment of New Directors:

The process of selection and appointment of new directors to the Board is that, when a vacancy arises or where the Board determines that additional skills and expertise are required, the Nomination Committee, with the assistance of expert advisers where appropriate, identifies candidates with appropriate skills, experience and expertise. Candidates with the skills, experience and expertise that best complement the Board's effectiveness will be recommended to the Board.

When the Board considers that a suitable candidate has been found, that person is appointed by the Board to fill a casual vacancy in accordance with Hills' Constitution, but



must stand for election by shareholders at the next Annual General Meeting following the Director's date of appointment.

Non-executive directors will be engaged by a letter of appointment setting out the terms and conditions of their appointment. Directors will be required to participate in induction or orientation programs on appointment, and in any continuing education or training arranged for them.

(b) Re-election of incumbent directors:

Directors must retire from office in accordance with the constitution. Retiring directors may be eligible for re-election. Before each annual general meeting, the Board will determine their recommendation to shareholders on the re-election of the director (in the absence of the director involved).

(c) Non-executive director selection:

Procedures for the nomination, selection and appointment of Hills non-executive directors are governed by the Board Charter, the Nomination Committee Charter, Hills Diversity Policy, Hills constitution, the ASX Listing Rules and the Corporations Act.

## 5.3 Independence

All directors, whether independent or not, should bring an independent judgement to bear on all Board decisions.

A director who:

- (a) is a substantial shareholder of Hills or an officer of, or otherwise associated directly with, a substantial shareholder of Hills;
- (b) is employed, or has previously been employed in an executive capacity by Hills, or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- (c) within the last three years, has been a principal of a material professional adviser or material consultant to Hills or another group member or an employee materially associated with the service provided;
- (d) is a material supplier or customer of Hills or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- (e) has a material contractual relationship with Hills or another group member other than as a director of Hills;

will not be independent, unless the Board is satisfied on reasonable grounds that the director is independent, despite the existence of one or more of these circumstances.

In determining whether a relationship between a director and Hills is considered material, the Board assesses a range of quantitative and qualitative matters including the proportion the transactions represent to both Hills and the director and the value or strategic importance of the relationship to both Hills and the director.

The Board will regularly assess the independence of each director in light of the interests disclosed by them. Each independent director must provide the Board with all relevant

information for this purpose. The outcome of this assessment will be reflected in the corporate governance section of the Annual Report.

Any changes to a director's independent status will be disclosed to the market in a timely fashion.

## 5.4 Performance

Directors shall have access to and benefit from a regular continuing education program to enhance their competencies and keep them up to date with the activities of Hills.

The Board shall:

- (a) determine a process for the evaluation of the performance of the Board as a whole, Board committees and directors at least annually; and
- (b) review the time required from non-executive directors and whether non-executive directors are meeting these requirements.

## 5.5 Conduct of Individual Directors

Directors must at all times act in accordance with legal and statutory requirements, and discharge all their duties as directors. Directors must:

- (a) discharge their duties in good faith and in the best interest of Hills and for a proper purpose;
- (b) act with care and diligence, demonstrate commercial reasonableness in their decision making and act with the level of skill and care expected of a director of a major company, including applying an independent and enquiring mind to their responsibilities;
- (c) avoid conflicts of interest except in those circumstances permitted by the Corporations Act;
- (d) not make improper use of information gained through their position as a director;
- (e) not take improper advantage of their position as a director;
- (f) notify other directors of material personal interest when a conflict arises;
- (g) make reasonable enquiries if relying on information or advice provided by others;
- (h) undertake any necessary inquiries in respect of delegates;
- (i) give Hills or ASX Limited all the information required by the Corporations Act; and
- (j) not permit Hills to engage in insolvent trading.

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## 6 Board Process

### 6.1 Meetings

All Board meetings will be conducted in accordance with Hills' constitution and the Corporations Act and the Board and Board Committee Procedural Rules.

### 6.2 Access to Independent Professional Advice

Following consultation with the Chairman, directors are entitled to obtain independent professional advice at Hills' expense. Generally, this advice will be available to all directors.

### 6.3 Access to Management and Information, Insurance

Directors shall have the benefit of a Deed of Indemnity and Access.

Directors shall have access to all information reasonably considered necessary to perform their responsibilities and to exercise independent judgment when making decisions in accordance with agreed protocols.

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## 7 Delegations

### 7.1 Delegation to Committees

Under Hills' constitution, the Board may delegate any of its powers to a committee of directors.

Directors are entitled to attend committee meetings and receive, on request, committee papers. Committees will maintain minutes of their meetings. The Chairman of each committee will report back on committee meetings to the Board at the next full Board meeting.

To assist the Board in fulfilling its duties, there are currently three committees:

- (a) Audit, Risk and Compliance Committee;
- (b) Remuneration Committee; and
- (c) Nomination Committee.

Each committee established by the Board has a formal charter approved by the Board setting out the authority, responsibilities, membership and operation of the committee.

Each committee should report to the Board on all matters relevant to the discharge by the committee of its role and responsibilities during the period covered by the report. In addition, each committee should report to the Board on specific issues as and when required under its charter and on the proceedings of each meeting of that committee to the next following Board meeting.

The minutes of all committee meetings should be made available to all directors as soon as practicable.

### 7.2 Delegation to Managing Director and Management

The Board has delegated to the Managing Director the authority to manage the day to day affairs of Hills and the authority to control the affairs of Hills in relation to all matters delegated by the Board in the Delegation of Authority.

The Board may impose further specific limits on the Managing Director's delegations from time to time.

Unless the Board specifies otherwise in the Delegation of Authority, the Managing Director has authority to sub-delegate such authority and power to such members of the management team as the Managing Director shall determine from time to time.

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## 8 Review of the Charter

The Board is responsible for reviewing this charter and the division of functions and responsibilities in Hills to determine its appropriateness to the needs of Hills from time to time.

The charter may be amended by resolution of the Board.

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## 9 Disclosure

A summary of the charter and the key features will be published in Hills' Annual Report.

The charter is also publicly available on Hills' website in a clearly marked Corporate Governance section.

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## 10 Who to Contact

Any questions relating to the interpretation of this charter should be forwarded to the Company Secretary.

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## 11 Published

A copy of this Charter is available at [www.hills.com.au](http://www.hills.com.au).