

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Hills Limited

ABN / ARBN:

35 007 573 417

Financial year ended:

30 June 2017

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <http://www.corporate.hills.com.au/about-us/governance>

The Corporate Governance Statement is accurate and up to date as at 29 August 2017 and has been approved by the Board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 29 August 2017

Name of Director or Secretary authorising  
lodgement:

David Fox  
Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
<p>2.1</p>	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] N/A</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>2.2</p>	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://corporate.hills.com.au/about-us/governancepdf">http://corporate.hills.com.au/about-us/governancepdf</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="http://www.corporate.hills.com.au/about-us/corporate-overview">http://www.corporate.hills.com.au/about-us/corporate-overview</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.corporate.hills.com.au/about-us/governance">http://www.corporate.hills.com.au/about-us/governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.corporate.hills.com.au/about-us/governance">http://www.corporate.hills.com.au/about-us/governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> at <a href="http://www.corporate.hills.com.au/about-us/corporate-overview">http://www.corporate.hills.com.au/about-us/corporate-overview</a> in the Annual Report to Shareholders</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> <a href="http://www.corporate.hills.com.au/about-us/governance">http://www.corporate.hills.com.au/about-us/governance</a> in the Annual Report to Shareholders</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

## Corporate governance statement

This report sets out the Hills Limited (Hills) annual statement on its corporate governance framework for the year ended 30 June 2017. The Board considers that Hills corporate governance framework and practices continue to comply with the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition (Principles and Recommendations) and meet the interests of our shareholders.

### Principle 1: Lay solid foundations for management and oversight

#### *The Board and Management*

The Board has adopted a formal Board Charter which sets out the roles, responsibilities, structure and composition of the Board of Directors of Hills. The matters which require approval by the Board are included. A copy of the Board Charter is available on the Corporate Governance section of the Hills website at <http://www.hills.com.au/about-us/governance>.

By providing the overall strategic direction for Hills, the Board ensures that Hills activities comply with its Constitution, and with all legal and regulatory requirements, and defines the powers to be reserved to the Board and those that are delegated to its committees and management. A copy of the Constitution is available on the Hills website at <http://www.hills.com.au/about-us/governance>.

A summary of duties for the Chairman and the Chief Executive Officer are reviewed and agreed by the Board. The Board has delegated to the Chief Executive Officer the authority to manage the day to day affairs of Hills. The Company Secretary has direct accountability to the Board through the Chairman on all matters associated with the proper functioning of the Board.

#### *Director Appointments*

When filling a casual vacancy the Board undertakes a formal process to identify and assess potential candidates. Hills retains a director search firm to identify and vet potential candidates. The Directors interview the shortlists candidates. Reference and probity checks are undertaken by both the search firm and reference checks of the final candidate by the Chairman.

At the first Annual General Meeting following the appointment of a director they stand for election. At that time their experience and qualifications are provided to shareholders to enable them to elect or not to elect the new director.

A formal letter of appointment is issued to all new directors setting out their terms of appointment.

New directors participate in a director induction programme to ensure that they are able to participate immediately.

Directors have the opportunity to attend conferences and other development opportunities to ensure that they remain up to date and can perform their role as directors effectively.

#### *Diversity*

Hills is committed to creating a diverse workplace that is fair and flexible, promotes personal and professional growth and enables employees to enhance their contribution to Hills by drawing from their different backgrounds, beliefs and experiences. The Board has adopted a Diversity Policy which requires Hills to embrace differences in backgrounds, qualifications and experiences and also differences in approach and viewpoints. It includes characteristics such as gender, age, ethnicity, cultural background, language, disability and other areas of potential difference.

The Diversity Policy also requires the setting of specific gender diversity objectives and a range of measures to determine achievement of those objectives. The objectives and measures are assessed annually by the Board and the Nomination and Remuneration Committee.

For personal use only

The Board is of the view that appointment of females to senior positions in the Company is the most effective way to encourage change in the workforce, specifically in achieving gender balance. The Hills achievement of the objectives for the period are set out in the table below:

	Objective	Actual at 2017
	%	%
Percentage of women on the Board	33	50
Percentage of women in executive positions	40	26.32
Percentage of women in the organisation	35	34.27

**Principle 2: Structure the Board to add value**

*Nomination and Remuneration Committee*

The Board has established a Nomination and Remuneration Committee which consists of a majority of Independent Non-Executive Directors including Mr Philip Bullock as the Committee Chairman and Mr Ken Dwyer. Ms Jennifer Hill-Ling is also a member of the Committee. The Board's Nomination and Remuneration Committee, amongst other things, is to ensure that the Board is comprised of individuals with an appropriate range of skills, experience, expertise, and that the Board benefits from diversity of gender. The Committee met four times during the year and all committee members attended the meetings held during their tenure. <sup>1</sup> The charter of Nomination and Remuneration Committee is available on the Company website at: <http://www.corporate.hills.com.au/about-us/governance>.

*Skills Matrix*

The Hills Board have developed a Skills Matrix which sets out the mix of skills necessary to achieve its strategic and operational priorities of the Company. When filling board positions candidates are assessed against the skill set outlined below. The current mix of directors provides coverage of all the skills identified.

Strategic Priorities / Areas	SKILLS MATRIX	
	Functional	Industry Specialisation
<p>Improve Customer Advocacy</p> <p>Drive Value from the Core</p> <p>Build and acquire growth businesses</p>	<ul style="list-style-type: none"> <li>▪ Marketing, Retail, Sales, Distribution</li> <li>▪ General Business Management &amp; Entrepreneurship</li> <li>▪ Highly Competitive &amp; Dynamic Markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Telecommunications</li> <li>▪ Engineering &amp; Networks</li> <li>▪ Information and Technology</li> <li>▪ Security and Monitoring</li> <li>▪ Health Industry &amp; Medical</li> </ul>
Other Areas	<ul style="list-style-type: none"> <li>▪ CEO Level Experience</li> <li>▪ Other NED Experience</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accounting , Finance and Audit</li> <li>▪ Legal , Governance and Compliance</li> <li>▪ Risk Management</li> <li>▪ Human Resources and Remuneration</li> </ul>

<sup>1</sup> During the financial year, Mr Ken Dwyer was appointed as a director on 20 September 2016 and attended three of three meetings held during his tenure, and Mr David Spence retired as a director on 20 September 2017 and attended one of one meetings held during his tenure.

For personal use only

Independent Directors

The Board is composed of four Non-Executive Directors.

Name	Non-Independent/ Independent	Tenure	Experience
<b>Jennifer Helen Hill-Ling</b> LLB (Adel) FAICD <i>Chairman</i>	Non-Independent	31 years (August 1985)	Jennifer Hill-Ling has extensive experience in corporate and commercial law, specialising in corporate and business structuring, mergers and acquisitions, joint ventures and related commercial transactions. She practiced law for some 25 years and was a senior partner in two Sydney law firms in that time. She was formerly a director of Tower Trust Limited and MS Limited. She is a fellow of the Australian Institute of Company Directors.
<b>Fiona Rosalyn Vivienne Bennett</b> BA (Hons) FCA FAICD FIML	Independent	7 years (May 2010)	Fiona Bennett is a Chartered Accountant with over 30 years' experience in business and financial management, corporate governance, risk management and audit. She has previously held senior executive positions at BHP Billiton Limited and Coles Group Limited and has been a Chief Financial Officer at several organisations in the health sector. She is currently Chairman of the Victorian Legal Services Board and a director of Beach Energy Limited and Select Harvests Limited. She was formerly a director of Boom Logistics Limited.
<b>Philip Bullock</b> BA, MBA, GAICD, Dip. Ed.	Independent	2 years (June 2015)	Mr Bullock was formerly Vice President of the Systems and Technology Group, IBM Asia Pacific, based in Shanghai, China. Prior to that he was CEO and Managing Director of IBM Australia and New Zealand. Mr Bullock is a non-executive director of Perpetual Limited and formerly of Healthscope Limited and CSG Limited. He has also provided advice to the Federal Government, through a number of organisations, most notably as Chair of Skills Australia.
<b>Ken Dwyer</b> BCom, GMQ, GAICD	Independent	1 year (September 2016)	Mr Dwyer formerly worked in banking, including investment banking in the US and Australia specialising in M&A, debt and equity funding. Mr Dwyer has established and grown two businesses in the highly competitive audio industry in Australia and New Zealand via a combination of organic growth and acquisitions. Mr Dwyer also has experience in the distribution of premium European machinery for textile manufacturing.

The Board regularly assesses the independence of each Non-Executive Director and considers all Non-Executive Directors to be independent except Ms Jennifer Hill Ling. Ms Jennifer Hill Ling holds the position of Chairman and is responsible for the leadership and effective performance of the Board. Given the depth of her company experience and her industry standing she is considered to be excellently placed to serve as Chairman, notwithstanding that pursuant to the ASX recommendation she is not considered an 'Independent' Chairman. For these reasons the ASX recommendation for an Independent Chairman has not been adopted.

Mr Philip Bullock is the Lead Independent Director.

**Principle 3: Promote ethical and responsible decision making**

The Hills Code of Conduct (the Code) provides guidance on what is acceptable behaviour, requiring all Directors, managers and employees to maintain the highest standards of integrity and honesty. The code is available at <http://www.hills.com.au/about-us/governance>.

Hills expects its Directors, management and staff to report conduct that is dishonest, fraudulent, corrupt or illegal, endangers health and safety, or is a suspected breach of the Code or any Hills policy. Hills has adopted a Whistle Blower Protection Policy to ensure concerns regarding unacceptable conduct can be raised on a confidential basis without fear of reprisal, dismissal or discriminatory conduct.

The Hills Securities Policy governs the trading in Hills shares by Directors, management and staff in compliance with the ASX Listing Rules requirements. This policy is available on the Hills website at <http://www.hills.com.au/about-us/governance>.

**Principle 4: Safeguard integrity in financial reporting**

Hills is committed to maintaining a transparent system for auditing and reporting of Hills financial performance. The Board has established an Audit, Risk and Compliance Committee which performs a central function in achieving this goal.

Members of the Audit, Risk and Compliance Committee are:

- Fiona Rosalyn Vivienne Bennett (Committee Chairman);
- Philip Bullock; and
- Ken Dwyer.

All members of the Committee are independent, Non-Executive Directors.

A copy of the Committee's charter is available on the Hills website at <http://www.hills.com.au/about-us/governance>.

The Company also has an Auditor Independence Policy to ensure the integrity of its external audit. This policy is also available on the Hills website at <http://www.hills.com.au/about-us/governance>.

For personal use only

The Committee has met four times in the 2017 financial year. The attendance of the Committee members is as follows:

Committee Member	Number of Meetings	Number of Meetings Attended
Fiona Rosalyn Vivienne Bennett	4	4
Philip Bullock	4	4
Ken Dwyer <sup>2</sup>	3	3
David Spence <sup>3</sup>	1	1

The Chief Executive Officer and the Chief Financial Officer have provided the Board with a written declaration in accordance with s295A of the *Corporations Act* that the full year financial statements are founded on a sound system of risk management and internal control, which implements the policies adopted by the Board, and that Hills risk management and internal control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks. The external auditors attend each Annual General Meeting to answer any questions from shareholders.

**Principle 5: Make timely and balanced disclosures**

Hills has established, and complies with, the Communication and Market Disclosure Policy to ensure the market is informed of matters in compliance with the ASX Listing Rules disclosure requirements. A copy of the policy is available on the Hills website at <http://www.hills.com.au/about-us/governance>.

**Principle 6: Respect the rights of shareholders**

Hills provides its shareholders with high quality, relevant, factual and useful information in a timely manner and encourages shareholders to access this information primarily from the Hills website. Shareholders are encouraged to make their views known to Hills and to directly raise matters of concern. The Annual General Meeting remains the main opportunity for shareholders to comment on, and to question, the Hills Board and management, and shareholders are encouraged to attend.

Hills seeks questions from shareholders in its notice of meetings in written format which are then addressed at the meeting. Shareholders are also encouraged to ask questions and participate in Annual General Meetings both during the formal part of the meeting and then following the meeting informally. In other communications to shareholders they are encouraged to contact the Company Secretary if they need further assistance.

Our share registry has the facility to handle communications electronically and shareholders are encouraged to do so. However, Hills also continues to communicate through the postal service or on the telephone for shareholders who do not have access to a computer.

<sup>2</sup> Mr Ken Dwyer was appointed a director on 20 September 2016

<sup>3</sup> Mr David Spence retired as a director on 20 September 2016

For personal use only

#### **Principle 7: Recognise and manage risk**

Hills does not have a dedicated Risk Committee, however, the Hills Audit, Risk and Compliance Committee (“AR&C”) oversees risk. Details of the AR&C Committee are outlined at Principle 4 above.

The AR&C Committee review the Hills risk management framework annually in June each year. The Hills Board also considers risk in developing and implementing strategy and monitors appropriate mitigation strategies that have been put in place.

Hills has established policies for the oversight of material business risks. These policies are designed to ensure that strategic, operational, compliance, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of Hills business objectives.

The Board has directed management to design, assess, monitor and review the risk management and internal control framework in place to manage risks. Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management functions.

The Board requires management to provide reports during the financial year as to effective management of material business risks. During the financial year the AR&C, the Board and relevant management were provided with reports on material risks, including an assessment of the inherent risks, and the effectiveness of controls in place to manage such risks where possible. During the year our risk review did not identify any material environmental, economic or social sustainability risk.

The Company does not have an internal audit function, however the Board gains assurance over the adequacy of the Company’s internal control environment through commissioning specific reviews by external specialists and internal personnel independent of the area under review. The AR&C Committee reviews the output of these reviews and monitors the remediation of any control weaknesses.

The AR&C Committee reviews the annual insurance program to ensure Hills insurable risks are covered by appropriate insurances.

#### **Principle 8: Remunerate fairly and responsibly**

The Board has established a Nomination and Remuneration Committee whose responsibility it is to consider remuneration strategy and policy and to make recommendations to the Board that are in the best interests of Hills and its shareholders. The Committee monitors recruitment and development policies which encourage workplace diversity across individual characteristics, backgrounds and skill levels.

Members of the Nomination and Remuneration Committee are:

- Philip Bullock (Committee Chairman)
- Jennifer Helen Hill Ling; and
- Ken Dwyer.

All members of the Committee are Non-Executive Directors and Philip Bullock and Ken Dwyer are independent.

The Committee operates in accordance with its Charter, which is available on the Hills website at <http://www.hills.com.au/about-us/governance>.

For personal use only

The Nomination and Remuneration Committee met twice in the 2017 financial year. The attendance of the Nomination and Remuneration Committee members is as follows:

Committee Member	Number of Meetings	Number of Meetings Attended
Philip Bullock	2	2
Jennifer Helen Hill Ling	2	2
Ken Dwyer <sup>4</sup>	1	1
Ian Elliot <sup>5</sup>	1	1

Further information on Directors' and senior executives' remuneration, including principles used to determine remuneration, is set out in the Directors' report on pages 20 to 33.

Hills has comprehensive performance guidelines in place. For the period, each senior executive has had their performance assessed against clearly defined objectives and measures developed through the overall process of performance management.

On an annual basis the Board conducts a review of Board, Committee and individual member performance along with a review of Director Independence.

<sup>4</sup> Mr Ken Dwyer was appointed a director on 20 September 2016

<sup>5</sup> Mr Ian Elliot retired as a director on 4 November 2016

For personal use only