

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 2021

Our corporate governance statement¹ for the period above can be found at:²

- ☒ This URL on our website:
<https://corporate.hills.com.au/about-us/governance>

The Corporate Governance Statement is accurate and up to date as at 31 August 2021 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.³

Date: 31 August 2021

Name of authorised officer: David Fox
authorising lodgement: General Counsel and Company Secretary

¹ "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.

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 Listing Rule 4.10.3.

Under Listing Rule 4.7.3, an entity must also lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. The Appendix 4G serves a dual purpose. It acts as a key designed to assist readers to locate the governance disclosures made by a listed entity under Listing Rule 4.10.3 and under the ASX Corporate Governance Council's recommendations. It also acts as a verification tool for listed entities to confirm that they have met the disclosure requirements of Listing Rule 4.10.3.

The Appendix 4G is not a substitute for, and is not to be confused with, the entity's corporate governance statement. They serve different purposes and an entity must produce each of them separately.

² Tick whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where your corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

³ 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.

See notes 4 and 5 below for further instructions on how to complete this form.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should have and disclose a board charter setting out: (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.	<input checked="" type="checkbox"/> and we have disclosed a copy of our board charter at: https://corporate.hills.com.au/about-us/governance	<input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u> <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 director or senior executive or putting someone forward 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u> <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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u> <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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ Tick the box in this column only if you have followed the relevant recommendation in full for the whole of the period above. Where the recommendation has a disclosure obligation attached, you must insert the location where that disclosure has been made, where indicated by the line with “*insert location*” underneath. If the disclosure in question has been made in your corporate governance statement, you need only insert “our corporate governance statement”. If the disclosure has been made in your annual report, you should insert the page number(s) of your annual report (eg “pages 10-12 of our annual report”). If the disclosure has been made on your website, you should insert the URL of the web page where the disclosure has been made or can be accessed (eg “www.entityname.com.au/corporate governance/charters/”).

⁵ 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.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
1.5	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: <ul style="list-style-type: none"> (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: <ul style="list-style-type: none"> (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) 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>If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	<p><input checked="" type="checkbox"/> and we have disclosed a copy of our diversity policy at: https://corporate.hills.com.au/about-us/governance and we have disclosed the information referred to in paragraph (c): in our Corporate Governance Statement. Whilst the Company is not included in the S&P / ASX 300 Index at the commencement of the reporting period, its measurable objective for achieving gender diversity in the composition of its board is not less than 30% of its directors of each gender within the 30 June financial year reporting period.</p>	<p><input type="checkbox"/> set out 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> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. 	<p><input checked="" type="checkbox"/> and we have disclosed the evaluation process referred to in paragraph (a) at: https://corporate.hills.com.au/about-us/governance and whether a performance evaluation was undertaken for the reporting period in accordance with that process: in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out 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>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p><input checked="" type="checkbox"/> and we have disclosed the evaluation process referred to in paragraph (a) at: https://corporate.hills.com.au/about-us/governance and whether a performance evaluation was undertaken for the reporting period in accordance with that process: in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out 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>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE			
2.1	<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><input checked="" type="checkbox"/> and we have disclosed a copy of the charter of the committee at: https://corporate.hills.com.au/about-us/governance and the information referred to in paragraphs (4) and (5): in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	<p><input checked="" type="checkbox"/> and we have disclosed our board skills matrix: in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, affiliation 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 or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p><input checked="" type="checkbox"/> and we have disclosed the names of the directors considered by the board to be independent directors in: in our Corporate Governance Statement and, where applicable, the information referred to in paragraph (b) in: in our Corporate Governance Statement and the length of service of each director: in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
2.4	A majority of the board of a listed entity should be independent directors.	<input type="checkbox"/>	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u> <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.	<input type="checkbox"/>	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u> <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 for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should articulate and disclose its values.	<input checked="" type="checkbox"/> and we have disclosed our values at: https://corporate.hills.com.au/about-us/corporate-overview	<input type="checkbox"/> set out in our Corporate Governance Statement
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	<input checked="" type="checkbox"/> and we have disclosed our code of conduct at: https://corporate.hills.com.au/about-us/governance	<input type="checkbox"/> set out in our Corporate Governance Statement
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	<input checked="" type="checkbox"/> and we have disclosed our whistleblower policy at: https://corporate.hills.com.au/about-us/governance	<input type="checkbox"/> set out in our Corporate Governance Statement
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	<input checked="" type="checkbox"/> and we have disclosed our anti-bribery and corruption policy at: https://corporate.hills.com.au/about-us/governance	<input type="checkbox"/> set out in our Corporate Governance Statement

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PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS			
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><input checked="" type="checkbox"/> as to paragraphs (a)(3),(4),(5):</p> <p>and we have disclosed a copy of the charter of the committee at: https://corporate.hills.com.au/about-us/governance and the information referred to in paragraph (a)(4) in our Annual Report and in paragraph (a)(5) in our Corporate Governance Statement.</p>	<p><input checked="" type="checkbox"/> paragraphs (a)(1) and (a)(2) as set out in our Corporate Governance Statement.</p>
4.2	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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement

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PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	<input checked="" type="checkbox"/> and we have disclosed our continuous disclosure compliance policy at: https://corporate.hills.com.au/about-us/governance	<input type="checkbox"/> set out in our Corporate Governance Statement
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<input checked="" type="checkbox"/> and we have disclosed information about us and our governance on our website at: https://corporate.hills.com.au/about-us/governance	<input type="checkbox"/> set out in our Corporate Governance Statement
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	<input checked="" type="checkbox"/> and we have disclosed how we facilitate and encourage participation at meetings of security holders at: https://corporate.hills.com.au/about-us/governance and in our Corporate Governance Statement	<input type="checkbox"/> set out in our Corporate Governance Statement
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement

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PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
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><input checked="" type="checkbox"/> and we have disclosed a copy of the charter of the committee at: https://corporate.hills.com.au/about-us/governance</p> <p>and the information referred to in paragraphs (4) and (5): in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out 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 that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p><input checked="" type="checkbox"/> and we have disclosed whether a review of the entity's risk management framework was undertaken during the reporting period: in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>
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 governance, risk management and internal control processes.</p>	<p><input checked="" type="checkbox"/> and we have disclosed the fact that we do 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: in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>

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Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	<input checked="" type="checkbox"/> and we have disclosed whether we have any material exposure to environmental and social risks at: and, if we do, how we manage or intend to manage those risks at: in our Corporate Governance Statement	<input type="checkbox"/> set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
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><input checked="" type="checkbox"/> and we have disclosed a copy of the charter of the committee at: https://corporate.hills.com.au/about-us/governance</p> <p>and the information referred to in paragraphs (4) and (5): in our Corporate Governance Statement</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	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><input checked="" type="checkbox"/> and we have disclosed separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives in: our Annual Report at: https://corporate.hills.com.au/about-us/governance</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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><input checked="" type="checkbox"/> and we have disclosed our policy on this issue or a summary of it at: see Securities Policy (section 2.8) at: https://corporate.hills.com.au/about-us/governance</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</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 2021. 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, 4th 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: <https://corporate.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: <https://corporate.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 and Senior Executive Appointments

When filling a casual vacancy, the Board undertakes a formal process to identify and assess potential candidates. Hills may retain a director search firm to identify and vet potential candidates. The Directors interview the shortlisted candidates. Reference and probity checks are also undertaken.

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

When filling a senior executive role, the Company undertakes a formal process either internally through Human Resources or through a search firm to identify and assess potential candidates. Reference and probity checks are undertaken by Human Resources or a search firm when engaged.

The Chief Executive Officer interviews the shortlisted candidates, together with any other senior staff where appropriate, and approves the appointment of the successful candidate. In addition, the Chairman and the Chair of the Nomination and Remuneration Committee interview senior executives who are direct reports to the Chief Executive Officer. All senior executives are employed by written agreement with the Company.

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, skills, and experience. The Board has adopted a Diversity Policy which requires Hills to embrace differences in backgrounds, qualifications and experiences and 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.

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 2021 %
Percentage of women on the Board	33	25
Percentage of women in executive positions	35	22
Percentage of women in the organisation	35	40

Principle 2: Structure the Board to be effective 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 Ken Dwyer as the Committee Chairman and Mr David Chambers. 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 charter of the Nomination and Remuneration Committee is available on the Company website at: <https://corporate.hills.com.au/about-us/governance>.

Skills Matrix

The Hills Board has developed a Skills Matrix which sets out the mix of skills necessary to achieve the 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
Improve Customer Advocacy Drive Value from the Core Build and acquire growth businesses	<ul style="list-style-type: none"> Marketing, Retail, Sales, Distribution General Business Management & Entrepreneurship Highly Competitive & Dynamic Markets Strategic Leadership Mergers and Acquisition Other Geographical Expertise and Experience 	<ul style="list-style-type: none"> Telecommunications Engineering & Networks Information and Technology Security and Monitoring Health Industry & Medical Audio Visual Government
Other Areas	<ul style="list-style-type: none"> CEO Level Experience Other NED Experience 	<ul style="list-style-type: none"> Accounting, Finance and Audit Legal, Governance and Compliance Risk Management Human Resources and Remuneration M&A

Independent Directors

The Board is composed of four Non-Executive Directors:

Name	Non-Independent/ Independent	Tenure
Jennifer Helen Hill-Ling LLB (Adel) FAICD <i>Chairman</i> <i>Retired as Chairman on 1 July 2021</i>	Non-Independent	35 years (August 1985)
David Chambers BSc, Dip Bus Mgt <i>Chairman from 1 July 2021</i>	Independent	11 months (July 2020)
Kenneth James Dwyer BCom, GMQ, GAICD	Independent	5 years (September 2016)
Peter Steel BEc, MBA (Executive)	Non-Independent	3 months (March 2021)
Fiona Rosalyn Vivienne Bennett BA (Hons) FCA FAICD	Independent	10 years (May 2010) Retired 31 March 2021
Philip Bullock AO BA, MBA, GAICD, Dip. Ed.	Independent	7 years (June 2014) Retired 6 November 2020
David John Joseph Lenz	Non-Independent	3 years (February 2018) Retired 17 May 2021

The experience of each Director is set out in the Directors' Report in the Annual Report.

The Board regularly assesses the independence of each Non-Executive Director and considers all Non-Executive Directors to be independent except Mr Peter Steel and Ms Jennifer Hill-Ling.

For the 2021 financial year, Ms Jennifer Hill-Ling held the position of Chairman and was responsible for the leadership and effective performance of the Board, retiring as Chair on 1 July 2021. Given the depth of her company experience and her industry standing, she was excellently placed to serve as Chairman, notwithstanding that pursuant to the ASX recommendation she was not considered an 'Independent' Chairman.

Mr Steel performed the role of Interim Chief Financial Officer of the Company from 8 September 2020 until 26 March 2021. Whilst Mr Steel is not considered independent this financial year, due to his previous role as Interim Chief Financial Officer, he is considered best placed to act as Chair of the AR&C Committee given his extensive experience in strategy and finance roles throughout his 35 year professional career, and is a valuable addition to the Board.

For these reasons, the ASX recommendations for a majority of independent non-executive directors and an independent Board Chair and AR&C Committee Chair have not been adopted.

Following the retirement of Mr Philip Bullock AO on 6 November 2020, Mr Chambers was appointed as the Lead Independent Director.

Principle 3: Instil a culture of acting lawfully, ethically, and responsibly

Code of Conduct

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. Any material breaches of the Code of Conduct must be reported to the Board. The code is available at:

<https://corporate.hills.com.au/about-us/governance>.

Whistleblower Protection Policy

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 Whistleblower Protection Policy to ensure concerns regarding unacceptable conduct can be raised on a confidential basis without fear of reprisal, dismissal, or discriminatory conduct.

The Board is informed of any incidents reported under the Whistleblower Protection Policy. The policy is available at: <https://corporate.hills.com.au/about-us/governance>.

Anti-Bribery and Corruption Policy

Hills strictly prohibits the offer, provision, or acceptance of bribes. This policy sets out the Company's standards and guidelines on offering, accepting, and providing gifts and hospitality, participating in tenders, and procuring goods and services and providing donations and sponsorship. It also provides a guide on what must be done if there are any concerns that an employee, consultant, contractor, or agent of Hills is acting outside the terms of the policy or engaging in unlawful conduct. The Board is informed of any incidents reported under the Anti-Bribery and Corruption Policy. The policy is available at: <https://corporate.hills.com.au/about-us/governance>.

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: <https://corporate.hills.com.au/about-us/governance>.

Environment and Social Exposure

The Company assesses environmental and social risks as part of its risk management framework and considers its exposure to these risks to be low.

Principles 4 and 7: Safeguard integrity in financial reporting, recognise and manage risk

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 (AR&C Committee) which performs a central function in achieving this goal.

Members of the AR&C Committee are:

- Peter Steel (Committee Chairman)
- David Chambers
- Kenneth James Dwyer

The majority of members of the AR&C Committee are independent directors and all are Non-Executive Directors.

A copy of the AR&C Committee's charter is available on the Hills website at: <https://corporate.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: <https://corporate.hills.com.au/about-us/governance>.

The Company maintains a risk management framework which is reviewed annually, and an internal audit function that performs audits in accordance with an internal audit plan formulated using a risk-based approach. The framework and the plan are approved annually by the AR&C Committee.

The AR&C Committee met four times in the 2021 financial year. The attendance of the members is as follows:

Committee Member	Number of Meetings	Number of Meetings Attended
Peter Steel ¹	1	1
David Chambers ²	2	2
Kenneth James Dwyer	4	4
Fiona Rosalyn Vivienne Bennett ³	3	3
Philip Bullock AO ⁴	2	2

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 2001* (Cth) 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: <https://corporate.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 raise matters of concern directly with Company Secretary or the Chairman.

¹ Appointed on 31 March 2021

² Appointed on 7 November 2020

³ Retired on 31 March 2021

⁴ Retired on 6 November 2020

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.

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.

The Nomination and Remuneration Committee met seven times in the 2021 financial year. The attendance of the Committee members is as follows:

Committee Member	Number of Meetings	Number of Meetings Attended
Kenneth James Dwyer (Chairman)	7	7
David Chambers ⁵	4	4
Jennifer Helen Hill-Ling	7	7
Philip Bullock AO ⁶	3	3

Further information on directors' and senior executives' remuneration, including principles used to determine remuneration, is set out in the Directors' report on pages 17 to 27.

Hills has comprehensive performance guidelines in place. For the period, each senior executive 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.

⁵ Appointed on 7 November 2020

⁶ Retired on 6 November 2020