

A black and white, long-exposure photograph of a city street at night, showing light trails from cars and buildings, creating a sense of motion and depth.

HILLS.TM

NOTICE of meeting

Hills Limited ABN 35 007 573 417

2017 Annual General Meeting

Friday, 3 November 2017 2:30pm
(Adelaide time)

Letter from the Chairman

Dear Shareholder,

I am pleased to invite you to attend the 2017 Annual General Meeting (**AGM** or **Meeting**) of Hills Limited (**Hills** or the **Company**).

The AGM will be held on Friday, 3 November 2017 at 2:30pm at:

Pullman Adelaide (formerly Crowne Plaza)
16 Hindmarsh Square
Adelaide SA 5000

A map with directions to the venue appears on the inside front cover of this booklet.

Items of Business

The following pages contain details on the items of business that you have the opportunity to vote on, as well as explanatory notes and voting procedures.

At this year's AGM you will be asked to vote on the re-election of Mr Philip Bullock AO as a director of the Company. You will also be asked to cast a non-binding vote in respect of the adoption of the Remuneration Report as set out in pages 17 to 33 of the 2017 Annual Report.

All resolutions are explained in more detail in the Notice of Meeting and Explanatory Notes.

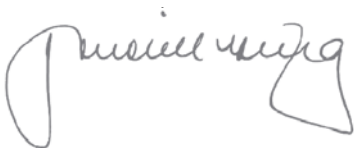
Questions

We encourage you to submit questions for the Company (or the Company's external auditor) in advance of the AGM. We request that you use the enclosed question sheet to submit any questions that you would like answered at the 2017 AGM. Please return this question sheet in the reply paid envelope or email it to info@hills.com.au by 2.00pm (Adelaide time) Friday 27 October 2017.

If you are unable to attend the AGM in person, you may vote directly or appoint a proxy to act on your behalf. You may register voting instructions electronically at www.linkmarketservices.com.au or complete and return the enclosed voting form by facsimile or by using the reply paid envelope provided.

We look forward to welcoming you to the 2017 AGM.

Yours sincerely



Jennifer Hill-Ling

Chairman

Notice of meeting

Notice is hereby given that the 60th Annual General Meeting (2017 **AGM**) of Shareholders (**Shareholders**) of Hills Limited (ABN 35 007 573 417) (**Hills** or the **Company**) will be held at Pullman Adelaide (formerly Crowne Plaza), 16 Hindmarsh Square, Adelaide SA 5000 on Friday, 3 November 2017, commencing at 2:30pm, to conduct the following items of business:

ITEMS OF BUSINESS

Ordinary Business

1. Receipt of Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the Company for the financial year ended 30 June 2017.

2. Re-election of Mr Philip Bullock AO as a director of the Company

To consider and, if thought fit, pass the following as an ordinary resolution:

"That, Mr Philip Bullock AO, being a Director of the Company who retires by rotation in accordance with Rule 10.3 of the Constitution and, being eligible for re-election, is re-elected as a Director of the Company."

3. Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the Remuneration Report contained within the Annual Report of the Company, for the year ended 30 June 2017, be adopted."

Voting Exclusion Statement

In accordance with sections 250R and 250BD of the Corporations Act:

1. Subject to paragraph 2, a vote must not be cast (in any capacity) on this resolution 3 by or on behalf of the Company's key management personnel (KMP) (including the Directors), details of whose remuneration are included in the Remuneration Report, or their closely related parties, whether as a Shareholder or as a proxy. However, a vote may be cast on this resolution 3 by a KMP, or a closely related party of a KMP, if:
 - (a) the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution 3; and
 - (b) the vote is not cast on behalf of a KMP or a closely related party of a KMP.
2. If you appoint the Chairman of the 2017 AGM as your proxy, and you do not direct your proxy how to vote on this resolution 3 on the proxy form and the proxy appointment expressly authorises the Chairman of the 2017 AGM to exercise your proxy even if resolution 3 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2017 AGM.

The Chairman of the 2017 AGM intends to vote undirected proxies in favour of resolution 3.

Please refer to the Explanatory Statement for further information on the items of business. The Explanatory Statement forms part of this Notice of Meeting.

By Order of the Board



David Fox

General Counsel and Company Secretary

29 September 2017

Notice of meeting continued

VOTING AND PROXY INSTRUCTIONS

- (a) Shareholders, who are unable to attend and vote at the 2017 AGM or any adjournment thereof, are entitled to appoint a proxy. Shareholders can appoint a body corporate or an individual as their proxy.
- (b) A Shareholder who is entitled to cast at least two or more votes at the 2017 AGM is entitled to appoint one or two proxies. Where a Shareholder is entitled to, and does, appoint more than one proxy, each proxy must be appointed to represent a specified portion of the Shareholder's voting rights. If a Shareholder appoints two proxies but does not specify how many votes each proxy may exercise, each proxy may exercise half the votes. A proxy need not be a Shareholder of the Company.
- (c) Should a Shareholder desire to direct the proxy how to vote, the Shareholder should place a mark in the appropriate box, otherwise the proxy form will be deemed to constitute a direction to vote as the proxy decides.
- (d) Proxies will only be valid and accepted by the Company if they are received by the Share Registry of the Company by electronic lodgement by visiting www.linkmarketservices.com.au or by forwarding a hard copy to c/- Link Market Services, Locked Bag A14, Sydney South NSW 1235 Australia or by fax +61 2 9287 0309 or by Hand to 1A Homebush Bay Drive, Rhodes, NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000 so as to be received not later than 48 hours before the 2017 AGM.
- (e) If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed (or a certified copy) must also be received by the Share Registry of the Company not less than 48 hours before the time of the 2017 AGM or at the time of any adjourned meeting, unless it has previously been provided to the Company's Share Registry.
- (f) If you appoint a proxy, you may still attend the 2017 AGM. However, your proxy's right to speak and vote are suspended while you are present. Accordingly, you will be asked to revoke your proxy if you register at the 2017 AGM.
- (g) If a representative of a corporation is to attend the 2017 AGM, an appropriate document appointing the representative should be produced prior to admission.
- (h) The Company has determined in accordance with regulation 7.11.37 of the Corporations Regulations 2001 and ASX Settlement and Operating Rule 5.6.1, that for the purpose of voting at the 2017 AGM, shares of the Company will be taken to be held by the persons who appear on the Company's share register as holding them at 7.00pm (Sydney time) on Wednesday, 1 November 2017.

EXPLANATORY NOTES

The following Explanatory Notes explain the items of business to be considered at Hills 2017 AGM and form part of the Notice of Meeting. The Explanatory Notes are set out in the order of items in the Notice of Meeting and should be read with the notice.

ORDINARY BUSINESS

1. Consideration of Reports

Section 317(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) requires a public company to lay before its Annual General Meeting the Financial report, the Directors' report and the Auditor's report for the financial year that ended before the Annual General Meeting.

Shareholders may access a copy of the Annual Report, which includes the Financial report, the Directors' report and the Auditor's report, on the Company's website at <http://www.corporate.hills.com.au/investors>.

Shareholders will be given a reasonable opportunity to consider, comment on and ask questions of the Directors and the Auditor of the Company about the management of the Company, the conduct of the audit and the preparation and content of the financial statements and reports for the financial year ended 30 June 2017.

There is no vote on this item.

2. Re-election of Mr Philip Bullock AO as a Director of the Company

Under the provisions in the Company's Constitution for the rotation of Directors, Mr Philip Bullock AO will retire at the 2017 AGM and offers himself for re-election.

Mr Bullock was appointed as a Director in June 2014 and was last elected as a director of the Company at its 2014 Annual General Meeting of the Company. Mr Bullock is the Lead Independent Director and Chairman of the Nomination & Remuneration Committee.

Mr Bullock brings to the Board local and Asian experience as a senior executive and director in the areas of technology, financial services, health and government.

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 CSG Limited and Healthscope Limited.

Further details of Mr Bullock's experience is outlined on page 11 of the 2017 Annual Report.

Recommendation

The Board (with Mr Bullock abstaining) unanimously recommends that Shareholders vote in favour of Mr Bullock's re-election, either by attending the 2017 AGM in person or by ticking the box marked "**For**" and submitting your proxy form in accordance with the instructions in the note to the Notice of Meeting ("Voting and Proxy Instructions") (**Note**) and the instructions contained in the proxy form.

3. Adoption of Remuneration Report (Non-binding resolution)

The Company's Remuneration Report for the 2017 financial year is set out in pages 17 to 33 of the 2017 Annual Report which is available at <http://www.corporate.hills.com.au/investors>. The Remuneration Report explains the Company's approach to executive remuneration, performance and remuneration outcomes for the Company and its Key Management Personnel (**KMP**) for the year ended 30 June 2017. The Remuneration Report has been audited as required by Section 308 (3C) of the Corporations Act.

During this item of business, members as a whole will be given a reasonable opportunity to ask questions about, and make comments on, the Remuneration Report.

Remuneration Policy and Practice

The Remuneration Report explains:

- the Board's policy in relation to the nature and amount of remuneration paid to Directors and Key Management Personnel;
- the relationship between the Board's remuneration policy and the Company's performance, including information about performance hurdles applicable to incentive components of the remuneration of Key Management Personnel, and
- details of the remuneration paid to each Director of the Company and to the Key Management Personnel of the Company for the financial year ended 30 June 2017.

The Remuneration Report has been audited as required by Section 308 (3C) of the Corporations Act.

Remuneration Policy and Practice

Hills remuneration philosophy seeks to align with and support the achievement of Hills business strategy, while ensuring remuneration outcomes are aligned with shareholder interests and are market competitive.

Hills is a business that is heavily focused on key performance indicators (KPIs) and rewards its people at all levels on achievement of those KPIs.

Our Remuneration Policy is designed around the following guiding principles:

1. Remuneration is positioned at the appropriate level relative to the market to be competitive and attract, retain and reward employees;
2. Remuneration is structured to motivate employees to deliver business results and is fair and equitable in its application;
3. Remuneration directly links individual and Company performance;
4. The remuneration structure is simple, and easily understood;
5. Remuneration and incentive outcomes are aligned with business goals and results including supporting the completion of the transformation and delivery of the growth strategy; and
6. The remuneration structure is understood by all stakeholders and employees.

REMUNERATION STRUCTURE

The structure of Hills remuneration for the CEO, up to 30 June 2017 comprises the following components:

- fixed remuneration;
- a single variable incentive that is subject to performance conditions; and
- where performance conditions are satisfied, 50% of the variable incentive will be paid in cash and 50% in equity with the equity vesting over three years.

Details are as set out on pages 21 and 25 of the Remuneration Report.

In FY17 the CEO also received a sign-on bonus of 200,000 Performance Rights, with the first tranche of 100,000 shares awarded on or around 1 September 2017 irrespective of whether Mr Lenz remains employed by the Company, and the second tranche in September 2018 subject to Mr Lenz being employed by Hills at time of vesting.

In FY17 the variable incentive was based on a balanced scorecard approach which is aligned to the Company's strategic plan. The balanced scorecard focused on the following key areas:

Element	Measure
Financial (80%)	NPAT
	Operating Cash Flow
	EBITDA / Sales
	Inventory Management
Non-financial (20%)	Employee Engagement
	Vendor Engagement

Weighting is distributed across these measures.

In FY17 the Board determined that none of the financial targets had been met, with the exception of a reduction in inventory. On non-financial targets, there was a concerted effort to help drive improved employee morale and vendor alignment and loyalty and accordingly they have been deemed to be met by the Board.

To strengthen the governance of the remuneration strategy, Hills has an executive remuneration Clawback Policy in place. The policy is designed to further align the remuneration outcomes of the Hills senior executive team with the long term interests of Hills and its shareholders, to ensure that excessive risk taking is not rewarded, and to provide the Board with the ability to claw back incentives paid, where there has been a material misstatement in Hills Financial Statements.

The vote on Resolution 3 will be advisory only and does not bind the Company or its Directors. Notwithstanding the 'advisory' status of the vote, the Board will take the outcome of the vote into account when considering the future remuneration arrangements of the Company. Members will be given a reasonable opportunity at the AGM to ask questions about, and make comments on, the Remuneration Report. The voting exclusion statement for this resolution is set out on page 3 of this Notice of Meeting. The Directors unanimously recommend that shareholders vote in favour of Resolution 3.

The Corporations Act provides that the vote on this resolution is advisory only and does not bind the Directors of the Company. However, if at least 25% of the votes cast at two consecutive Annual General Meetings are against the adoption of the remuneration report, a resolution must be put to Shareholders at the second Annual General Meeting as to whether an extraordinary general meeting (called a Spill Meeting) should be held to consider the election of the Directors.

If that resolution at the Spill Meeting is passed, the Directors (other than a Managing Director) who were Directors when the 25% 'no' vote was passed at the second Annual General Meeting will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following the spill meeting, those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The Remuneration Report resolution was passed with a vote of 87% in favour at the 2016 Annual General Meeting. A 25% 'no' vote at the 2017 AGM will not result in a spill meeting but could result in such a meeting if 25% or more votes are also against the Remuneration Report at the 2018 Annual General Meeting.

Voting

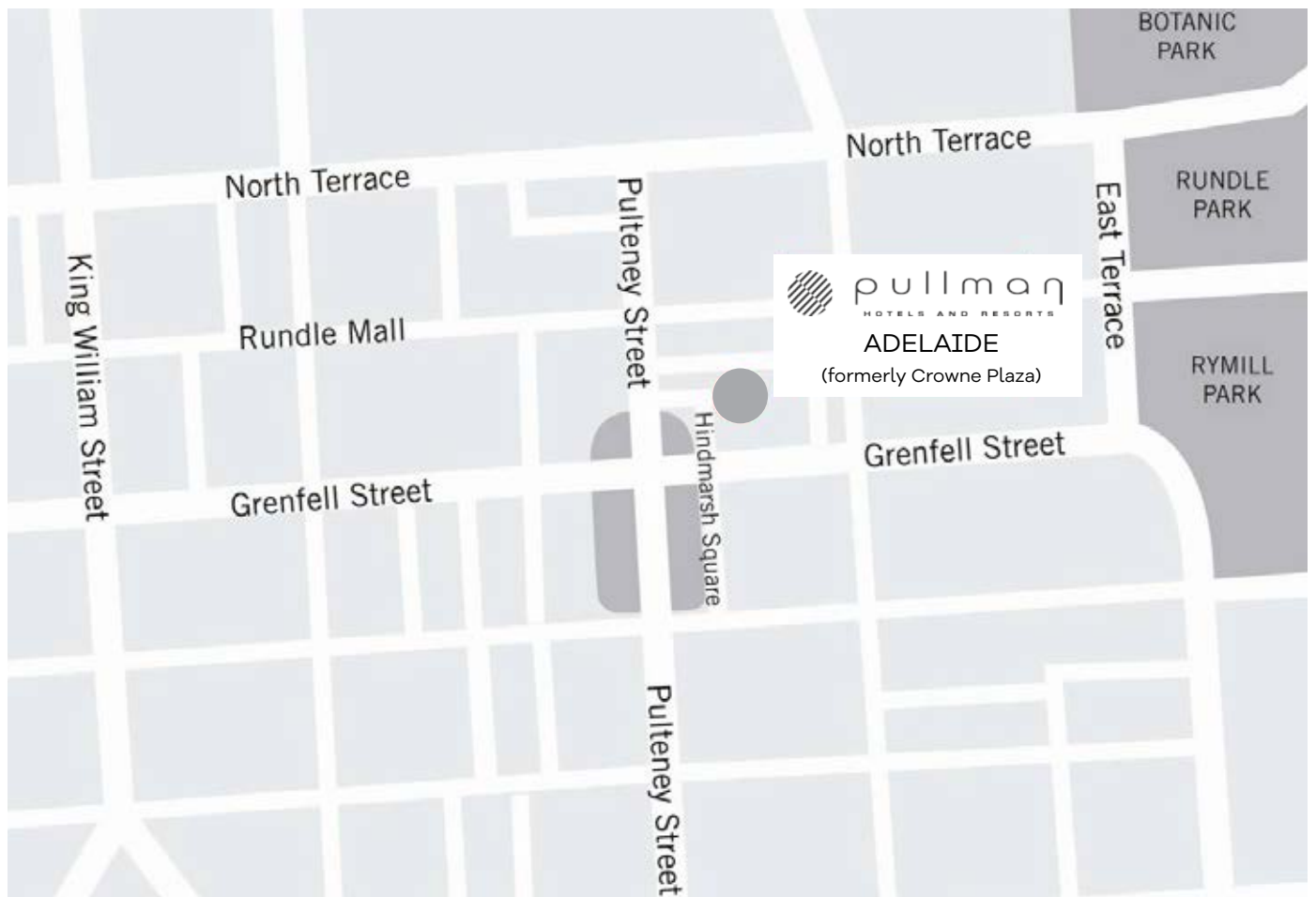
The vote on this resolution is advisory only and does not bind the Directors of the Company. The Board will take the outcome and comments made by shareholders into consideration when reviewing the remuneration practices and policies of the Company.

Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution, either by attending the 2017 AGM in person or by ticking the box marked "For" and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

The Chairman of the meeting intends to vote all available proxies in favour of the adoption of the Remuneration Report.

Where it is



Pullman Adelaide (formerly Crowne Plaza)

Centrally located in the heart of Adelaide

Questions from Shareholders

Your questions regarding any matter relating to the Company are important and we encourage you to raise them with us. We request that you use this question sheet to submit any questions that you would like answered at the 2017 General Meeting.

Please return this question sheet in the reply paid envelope or email it to info@hills.com.au by 2.30pm (Adelaide time) Friday 27 October 2017.

We will endeavour to answer as many of the frequently asked questions as possible at the 2017 General Meeting, in the Chairman's and Chief Executive Officer's addresses.

Name: _____

Security Reference Number (SRN) or Holder Identification Number (HIN): _____

Address: _____

Questions

Matter subject: _____

Question: _____

Matter subject: _____

Question: _____

Matter subject: _____

Question: _____


Matter subject: _____

Question: _____





LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Hills Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Hills Limited (the **Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:30pm on Friday, 3 November 2017 at Pullman Adelaide (formerly Crowne Plaza), 16 Hindmarsh Square, Adelaide, SA, 5000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolution 3: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 3, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).


The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

	For	Against	Abstain*
2 Re-election of Mr Philip Bullock AO as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:30pm on Wednesday, 1 November 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Hills Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**