GUD Holdings Limited

GUD Annual Review 2022

GUD Holdings Limited comprises three activity areas – automotive aftermarket, AutoPacific Group and water products, with its principal geographic markets being Australia and New Zealand

In all categories in which GUD's businesses compete, the Group's brands hold market leadership positions. In the automotive aftermarket, GUD owns an unrivalled stable of brands, including Ryco, Wesfil, Narva, Projecta, DBA, Injectronics, Goss and Permaseal. AutoPacific Group owns the market leading Hayman Reese brand as well as Best Bars, Parkside, Rola, Cruisemaster, Trojan and Christine Products. And finally, our water products business owns the highly respected Davey, Acqua by Davey, and Microlene brands.

In this Annual Review

Annual General Meeting

The Annual General Meeting of GUD Holdings Limited will be held on Thursday, 27 October 2022 at 10.00 am.

A Notice of Annual General Meeting will be sent to shareholders in mid-September.

Financial Calendar 2022/23

2022	
September	Payment of final dividend – 13 September Annual Report and Notice of Annual General Meeting sent to shareholders mid-September
October	Annual General Meeting – 27 October

2023	
February	Announcement of results for the six months ending 31 December 2022 Announcement of interim dividend
February/March	Record date for interim dividend Payment of interim dividend
June	End of Company's 2022/23 financial year
August	Preliminary announcement of results for 2022/23 financial year

Timing of events can be subject to change

From the Chairman

Graeme Billings

On behalf of the Directors of GUD Holdings, I am pleased to present the Annual Review for the 2022 financial year. The following Operational and Financial Review outlines in detail the performance of the GUD Group's businesses in the year and includes our Sustainability Review.

In addition, a separate Annual Report including full financial statements and Remuneration Report has been filed with the ASX and is available online at www.gud.com.au.

The financial year 2022 was transformational for GUD. Whilst the impact of COVID-19 remains with us, disrupting supply chains, industries, businesses and the lives of many people, GUD has been actively pursuing its portfolio strategy. Indeed, GUD made two seminal acquisitions during the year; the first, of Vision X, its first foray into an offshore acquisition, has been very successful and encouraged us to look at more international expansion. The second, the acquisition of AutoPacific Group expanded the capital base of GUD by 50%, and the potential earnings by more than 60%, meaning GUD is now a much bigger company overall less reliant on the three major automotive aftermarket retailers. The acquisition also took us into a new but aligned area of activity and gave us a solid manufacturing and marketing platform upon which to allow the businesses bought in the previous financial year to flourish.

Trading has been strong in the automotive aftermarket, exhibiting resilience throughout the latter stages of various government imposed lockdowns and the impact of the Omicron COVID-19 wave, but more importantly stepping up when supply chain and microchip shortages curtailed new vehicle supply. This later point impacted our newly acquired AutoPacific Group in the fourth quarter as vehicle deliveries from major vehicle manufacturers in the SUV and 4WD categories in particular stalled, making production planning difficult and constraining revenue opportunity. Due credit to our Management and our people, having adapted to the vagaries we are living through, they have shown resilience, care and compassion and yet have delivered for all our stakeholders – employees, customers, suppliers and shareholders.

Throughout the year, the Directors and Management continued monitoring and enhancing our safety practices and actions across GUD. We remain vigilant on matters impacting the safety of our employees. As a Board, we encouraged Management efforts to maintain the physical and mental welfare of our employees, recognising that the transition from COVID-19 lockdowns to a return to workplaces impacts people differently.

Our Board, with a number of relatively new members, has now worked together with Management for another year and respect and understanding continues to grow amongst us as does the passion and drive to make GUD a worthy company in which employees are proud to work and shareholders are rewarded for their commitment.

During the year, GUD released its portfolio vision, GUD2025 which sets out the direction and an articulation of success for the company through to 2025 and in some instances sets objectives for 2030. Management has focussed on operational delivery with increasing emphasis on developing, renewing and implementing the five key business foundations around customer relationships, supplier engagement, people cycle planning, product cycle planning and operational efficiency.

Our portfolio vision includes our commitment to the environmental, social and governance aspects of a corporate, a recognition that we all need to contribute to a better world. Much of GUD automotive aftermarket portfolio is centred around keeping the vast majority of vehicles on the road in peak running order and efficiency although it is acknowledged that the internal combustion engine has its days numbered. Nevertheless, we are excited by the developments and opportunities available to us in those parts of the automotive aftermarket that do not necessarily rely on an internal combustion engine and, even more so, in the nascent industries arising out of the move to electric vehicles.

I am pleased to provide an update on the performance of GUD in financial year 2022. The operational challenges continued from the past, felt most crucially in disrupted supply chains and the impacts of the war in Ukraine and the China COVID-19 lockdowns which forced closures of many businesses. We continued to enhance our relationships with employees, customers and suppliers. The year was also rewarding with the Group achieving another record financial performance.

The Board firmly believes GUD remains well positioned in the medium to long-term. Having continued our focus on the operational fitness of our businesses from prior years and re-doubled innovation efforts and new product introduction, we saw a number of opportunities to acquire businesses that were a strategic fit within our published portfolio vision. With the acquisition of AutoPacific Group we increased our exposure to the 4WD/SUV towing and trailering market. We also increased our investment in the automotive and speciality lighting business by acquiring Vision X. Both acquisitions were significant in that they led to expanded geographical exposure.

As part of the GUD strategic aspirations, we have set clear targets and defined the key impact areas in which GUD seeks to make a real difference, make a positive impact on the environment and strengthen the communities we operate in.

GUD acknowledges its role in our stakeholders' lives and will continue to strive to be a good partner through these challenging and turbulent times to our employees, suppliers, customers and shareholders.

On behalf of your Directors, I thank all staff for their effort, contribution and achievements over the year. I also thank shareholders for their ongoing support.

From the Managing Director

Graeme Whickman

In 2022 GUD successfully overcame many COVID-19 and unrelated macro challenges. Our strong operational disciplines enabled us to navigate through the difficulties of local floods, high absenteeism, Australian State lockdowns, Omicron waves, the Ukraine conflict, and the China zero-Covid-19 approach and still maintain the same level of focus on providing comprehensive support for our suppliers, employees and customers, as in the prior year.

Our approach to ESG has matured over the year to the point where we present substantial goals and metrics, commit to managing carbon emissions and waste in our value chain and have introduced non-financial metric targets in the incentive structures to encourage executives to focus on ESG priorities.

The ESG strategy reinforces each impact area with ambitious and objective targets for the mid-term (2025) and longer-term (2030) forming an aspirational vision to inspire the performance of our businesses and our people, and forms a core element of our employee value proposition.

Our ESG Strategy will see GUD make a positive impact on the environment and strengthen the communities we operate in.

Our established Aftermarket businesses continued to perform strongly over the past year, posting record results reflecting positive delivery of our strategy efforts and strong operational fitness disciplines in our existing businesses. Notable were the decisions made in the prior year to hold strong inventory levels which were continued through FY22. This allowed us to capitalise on the strong end user demand, particularly in H2.

The newly acquired AutoPacific Group was hampered by macro events which resulted in unprecedented supply constraints of new vehicles particularly in the fourth quarter. The resultant unmet demand and backorders are at levels never seen in ANZ. We expect these supply constraints to unwind over the next 12-18 months as supply returns to some level of normality.

The acquisitions made through the year have been well executed, and we are now in a period of transition, consolidation and exploration of the many synergies and opportunities available in respect of Vision X and APG, resulting in an Automotive portfolio that will be market leading, and set up well for future growth and sustainability.

Vision X, importantly our first offshore acquisition, is a compelling business supplying harsh-environment lighting solutions to automotive, industrial, and commercial customers across the world. Highly complementary to the existing BWI operation, the first seven months have been excellent in terms of integration and financial performance.

AutoPacific Group, acquired at the end of first half, when combined with GUD's existing businesses, created the second largest 4WD accessories and trailering business in ANZ. APG commands strong market share in towing and has three other pillars to the business with functional accessories, trailering, and cargo management – offering exciting growth opportunities for the mid and long term.

Our safety culture remains very strong, measures relating to our Safety Culture remain in the top quartile for the sixth year running. There was a reduction in high consequence injuries, but the number of sprain and strain injuries is higher than we aspire to as a top quartile business and will be the focus of continued efforts.

We have a clear portfolio vision elaborated in the Operating and Financial Review, which charts our future organic and acquisitions aspirations with clear measures of success. This is supported by key business foundations and organisational structure, all enabling stronger collaboration and leverage between businesses and brands.

The balance sheet is in a solid position with a high proportion of fixed, longer duration debt and circa $150 million of un-utilised debt facility capacity and borrowing covenant limits. GUD remains focused on the short-term target of reducing the leverage ratio to below 2x by 30 June 2023.

In reflection of this target, the final dividend was reduced, in line with the interim dividend, to a responsible level in order to enable the de-leveraging and the continued investment in our businesses.

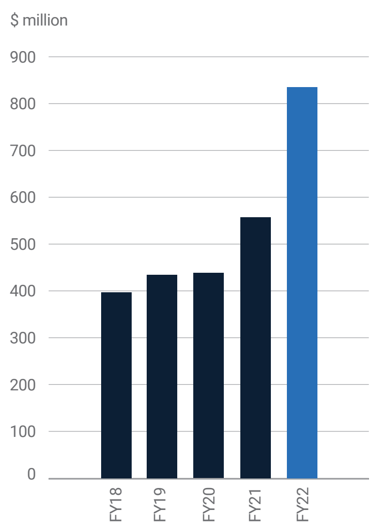
Finally, I'd like to express my appreciation for our people, all of whom have worked incredibly hard over the past year given the challenging environment in which all businesses and employees find themselves operating. Our culture is strong and positive – as evidenced in recent employee engagement surveys and importantly, by Ryco's placement in the AFR best places to work. My thanks also are extended to the leadership team who have led with discipline, courage and supported the wellbeing of all employees over this past year.

Year in Review
2022 Financial Highlights

- 50.0% uplift in revenue from operations
- 47.1% increase in underlying EBITA (pre inventory step up from acquisitions)
- 20.4% decrease in reported operating profit from operations before interest impacted by the impairment of Davey intangible assets
- Reported profit from operations after tax of $27.3m down from previous $61.0m
- Dividend decreased to 39 cents per share reflecting the expanded capital base following the equity raise for the APG acquisition which occurred mid-year and our stated desire to reduce net debt and gearing levels in the mid-term following the APG acquisition
- Net debt up from $146.6 million to $487.9 million resulting from the additional debt taken to fund the acquisition of Vision X and Auto Pacific Group
- Increase in core debt facilities by $471.1 million from $231.2 million in prior year with unused core borrowing facilities of $151.4 million to fund organic growth, consider modest bolt-on acquisitions, and weather turbulence from the current trading environment
- Acquired Vision X and Auto Pacific Group during the financial year
- Completed equity raise to support the acquisition of Vision X and Auto Pacific Group

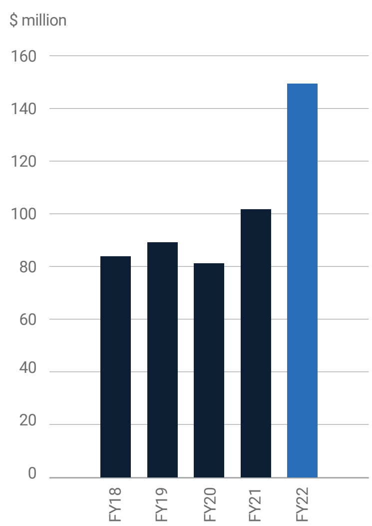
Group Revenue

$835.5 million



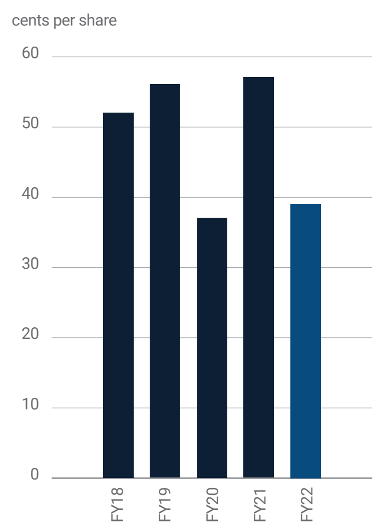
Group Underlying EBITA

$149.5 million



Total Dividend Per Share

39 cents per share



Summary of Operations

Our automotive brands

GUD's origins lie in the automotive aftermarket. Over time, the Company has established a portfolio of brands that hold market leadership positions in Australia and New Zealand.

Products designed to meet tough Australian conditions increasingly find favour with motoring enthusiasts the world over, offering attractive export opportunities.

Significant events

– Acquired Vision X (USA) in November 2021

Automotive

Products

Automotive parts and accessories, including:

- Oil, air, fuel particle and cabin air filters
- Engine management parts, ignition coils, spark plugs, fuel pumps and sensors
- Automotive gaskets
- Standard and performance disc rotors and brake pads
- New and remanufactured clutch components and systems
- Lighting products and electrical accessories
- Battery maintenance and power management products
- Repair and remanufacturing of vehicle and electronic engine electronic control units
- Car care including cleaning products, window tint and car detailing products
- 4WD lifestyle products such as awnings, fridges and portable solar solutions
- Frontal protection products like bull bars and nudge bars
- Service bodies and canopies for 4WD and commercial vehicles

Main markets and customer types

The main markets remain Australia and New Zealand where the businesses sell to:

- Automotive parts and accessories trade distributors, retailers and independent resellers
- Manufacturers of trucks and truck bodies, trailers, caravans, buses and other automotive and heavy-duty body or original equipment fitment fabricators
- Fleet customers
- Engine rebuilders

The acquisition of Vision X has seen the USA and Europe, where sales are made to resellers as well as specialist equipment suppliers for mobile or static applications, become increasingly important markets to the Automotive business.

Summary of Operations

AutoPacific Group

AutoPacific Group (APG) is Australia and New Zealand's leading supplier of towing products and has significant operations in trailering products and functional accessories.

The Company supplies original equipment for both factory and dealer fitment, as well as supplying APG branded products to the aftermarket.

Significant events

– Acquired APG on January 3rd, 2022, and Christine Products (New Zealand) on 31 January 2022

AutoPacific Group

Products

- Towbars
- Nudge bars
- Side steps
- Rear bars
- Sports bars
- Roof racks
- Trailering accessories
- Cargo management
- Camping accessories

Main markets and customer types

Australia, New Zealand, and exports to other markets including South Africa and the USA through original equipment manufacturers, after market resellers, and specialist fitment suppliers:

- Car dealers
- Automotive parts/resellers
- Specialist fitment suppliers

Our water brand

Davey Water Products is Australia's leading supplier of a comprehensive range of water products with applications in domestic, farm and community markets. Davey operates a manufacturing facility in Australia and enjoys a global supply network. The Company actively markets its products and solutions in Australia, New Zealand, France as well as long-established export destinations, including the Middle East, Africa, Asia, the USA and the Pacific.

Significant events

– New National Distribution Centre in Willawong, QLD with increased inventory to deliver sales growth and improved customer DIFOT

– New European warehouse with training and testing facilities

– ChloroMatic Lifeguard received gold awards for new and innovative products at SPASA Queensland and Tasmania Awards of Excellence 2022

– Launch of the Microlene Aquashield Max rainwater management and treatment package for homes

Davey

Products

Water pumps and associated equipment:

- Domestic water pressure systems
- Rain water harvesting products
- Swimming pool pumps, filters, salt water chlorinators and UV disinfection
- Spa pumps and controllers
- Domestic fire protection
- Farm and irrigation water supply systems
- Water quality improvement products and systems
- Water system monitoring and management products

Main markets and customer types

Australia, New Zealand, Europe and 40 other international markets:

- Water specialists
- Rural and plumbing merchants
- Pool builders and special retailers
- Water tank manufacturers
- International distributors

Operating and Financial Review

1 Overview

FY22 was another year of operational challenge due to the ongoing Covid-19 related impacts felt across the globe and in our home markets. Although not to be understated, these challenges were met with strong operational discipline and we were able to navigate through floods, high absenteeism, Australian State lockdowns, Omicron waves, the Ukraine conflict, and the China zero-Covid-19 approach, such that many of our auto aftermarket business units achieved record performance levels and delivered a Group record financial operating performance.

This was no mean feat as supply chain instability was difficult to manage, and logistics issues faced were at unprecedented levels of inconsistency and at prohibitively higher costs than the previous year, which were already at record levels.

FY22 began in the way that FY21 finished, with much uncertainty surrounding our business. In fact, the first half saw heightened domestic lockdowns at a level not seen in the prior Covid-19-impacted periods. Management of the businesses continued with the same level of focus as in the prior year and we continued to employ our well documented Covid-19 response framework, with a view to managing the business in a responsible, deliberate and, if required, tactical and nimble manner.

A cornerstone of this approach was maintaining focus on providing comprehensive support for our suppliers, employees and customers whilst not relenting on our priority of strengthening the foundations of each business, particularly in product, people, and operational fitness.

It was pleasing that in the first half the growth experienced in the aftermarket businesses was not from the typical 'wear and tear' business such as filtration. In fact, BWI, DBA and IMG experienced growth that was driven by new products, channels and customers, which reflected the hard work in prior periods architecting and then delivering through the Playing to Win strategy framework.

The decisions made in the prior year to hold strong inventory levels continued through FY22. This allowed us to capitalise on the strong end user demand, particularly in H2. Similar to FY21, our many warehouse and logistics employees again made a significant effort to keep pace with this demand at times in difficult circumstances. This was tested in H1 with the significant lockdowns and then again at the beginning of H2 when the Omicron wave worked its way through all business units – such that in January staff absenteeism was between 20 to 30%, which was particularly problematic in the manufacturing operations.

Workshop demand in the wear and tear businesses rebounded in H2. This positive trend continued throughout the half and combined with the positive momentum across the aforementioned new products, channels and customers. This demand remained operationally challenging to support, with shipping issues, and then the Chinese lockdowns in response to Covid-19, challenging maintenance of the competitively strong DIFOT levels of our automotive business.

Of course, FY22 was also a year of great transformation, and was in fact the most exciting in recent history as we started to enact the Portfolio Vision architected in FY21 and endorsed by the Board in early FY22. Our Portfolio Vision 'GUD2025' sets out the direction and an articulation of success for the company through to 2025, and to a degree, through to 2030. This will be detailed later in the Strategy section however this vision is the lynchpin into how GUD expects to grow in a meaningful and strategically balanced manner in the coming years.

The first acquisition of FY22 was Vision X, importantly an offshore operation that opens different geographies. Vision X is a compelling business supplying harsh-environment lighting solutions to automotive, industrial, and commercial customers across the world with a US Total Addressable Market (TAM) of circa $3.2 billion. The high product complementation to the existing BWI operation was one of the attractive elements of the purchase and the first seven months have been excellent in terms of integration and financial performance.

The acquisition of Auto Pacific Group (APG) was announced at the end of first half, and when combined with GUD's existing businesses, created the second largest 4WD accessories and trailering business in ANZ, where the TAM for parts is circa $2.4 billion and growing. APG commands strong market share in towing across Original Equipment Manufacturer (OEM), Original Equipment Supplier (OES), and aftermarket channels. It has three other pillars to the business with functional accessories, trailering, and cargo management – offering exciting growth opportunities for the mid and long term. The integration has progressed ahead of schedule; however, the business results have been constrained during our first six months of ownership. At the time of the acquisition, supply chains were not impacted by the Ukraine conflict and the China zero policy and accompanying lockdowns that have severely impacted the new vehicle sales market in ANZ and across the globe. These macro events have resulted in unprecedented supply constraints of new vehicles which have been well documented globally and resulted in unmet demand and backorders at levels never seen in ANZ. We expect these supply constraints to unwind over the next 12-18 months and believe the structural unmet demand will not meaningfully dissipate, even in an inflationary, lower-growth environment.

In both acquisitions we are really pleased with the capabilities and capacity of the management teams, who are engaging very well and the cultural and mindset alignment with the GUD values and portfolio vision aspirations are clear and evident.

Over the year focus has been given to the operating model that better supports the Group's Portfolio Vision. FY22 has seen a progressive move towards a Category Structure enabling stronger collaboration and leverage between businesses and brands within categories. These changes will ensure sharp management focus and that, structurally, GUD is organised for success. Across the portfolio there are 3 operating segments with six categories: 4WD Accessories & Trailering, Lighting & Power Management, Electric Vehicles, Powertrain, Undercar, and Water.

As part of strengthening the Group's Portfolio performance, we previously outlined a focus on 5 key Business Foundations: Customer Relationships, Supplier Engagement, People Cycle Planning, Product Cycle Planning and Operational Efficiency. In FY22 the work on these foundations has remained a priority even as further global events unfolded to test our operational 'mettle'.

Through these high operational fitness expectations, measures relating to our Safety Culture remain in the top quartile for the sixth year running with a score of 93% versus the International top quartile benchmark of 89%. No serious injuries of an ongoing nature were sustained in FY22, and the overall Lost Time Injury Frequency Rate (LTIFR) was below the SafeWork Australia industry average benchmark in most of the categories within which we operate. The LTIFR of our non-manufacturing orientated businesses at 2.36 compares favourably to the Wholesale Trade-Motor Vehicle Parts benchmark of 9.2 injuries per million hours worked. The LTIFR for our fabricated metal manufacturing businesses sits at 12.11, also favourable compared to the benchmark of 23.4. The incidence of sprains and strains over the year has meant our broader manufacturing orientated businesses have seen an LTIFR of 15.16, compared to the SafeWork AU Manufacturing benchmark of 8.5. The concerted effort placed on manual handling activities over the last 12 months will be increased over FY23 as a part of our goal to reduce musculoskeletal injuries which are the leading cause of these incidence rates.

The focus on supporting both the health and wellbeing of our people in the face of the challenges of prolonged Covid-19 impacts has remained of the utmost priority over the year. The peer-to-peer support network established in the early stages of Covid-19 has been strengthened, with our recently acquired businesses now also participating in the initiative. This year, for the first time, a set of targeted questions around Wellbeing was included in our annual Employee Engagement Survey. Pleasingly, the Wellbeing Dimension scored strongly at 76% favourable, telling us that our people feel able to ask for support when needed, and know how to access the various employee support and assistance mechanisms in place in all our businesses.

Looking to the broader measures of employee engagement remained strong at 76% on an annual basis, and 77% when measured on a three-year rolling basis, both ratings are above the global average of 73%, but just short of the Group's top quartile ambition of 79%. The global benchmark is measured on a three-year rolling basis and lags one year and is therefore not yet reflective of the ongoing Covid-19 impacted environment. In the FY22 engagement survey the dimensions related to Quality, Empowerment, Teamwork and Growth & Development all saw positive year on year improvement. The latter being particularly pleasing given the significant focus placed on the development and retention of our people.

We pay tribute to our people, all of whom have worked incredibly hard over the past year given the challenging environment which all businesses and employees find themselves operating within. Our people and our values, which we have reset and clarified over the past year, are a source of strength for GUD. As businesses have been acquired over the past year, we have sought to instil our values, which are as follows: People are at the heart of all that we do. We are true to who we are – acting with integrity, in a courageous, authentic, transparent way. We give everything we do our all, creating value through our products, services, and actions.

Substantial progress has been made over the year on our Environmental, Social and Governance (ESG) strategy. The input gained through the structured materiality assessment carried out this year has resulted in a high degree of clarity as to what ESG means to, and for, our stakeholders. This information, paired with the foundational work completed around ESG over previous years, has enabled the setting of clear targets, and the definition of the key impact areas in which GUD seeks to make a real difference.

With clear linkage to our overarching Portfolio Vision, GUD's ESG Strategy will see us make a positive impact on the environment and strengthen the communities we operate in, and better anticipate and meet our customers' needs of tomorrow, today. During the year we have continued to strengthen the Safety and Thriving People impact areas. The Board has set a net Carbon Neutral target for GUD's distribution businesses by 2025 and GUD's manufacturing businesses by 2030. In respect of Ethical Sourcing, GUD has this year adopted the Sedex platform, a globally recognised platform for supplier verification, qualification and audit which will create absolute transparency in being able to identify, remediate and report on modern slavery risks.

Notably the strategic acquisitions over FY22 (APG and Vision X) have grown the non-ICE share of GUD's Automotive Revenue from 60% in FY21 to 69% in FY22. Our Automotive businesses are actively exploring early-mover opportunities in electric vehicles. Innovative Mechatronics Group (IMG) is well advanced in capturing early-stage growth and market interest in its services and capabilities in relation to Hybrid Vehicle Battery remanufacturing is strong.

Each of the GUD businesses has conducted an emissions study for the FY22 year to establish a new Scope 1 and Scope 2 emissions baseline. As a first step, GUD is implementing the annual tracking of energy consumption and emissions including our most-recent acquisitions. This will be built upon in subsequent years.

1 Overview

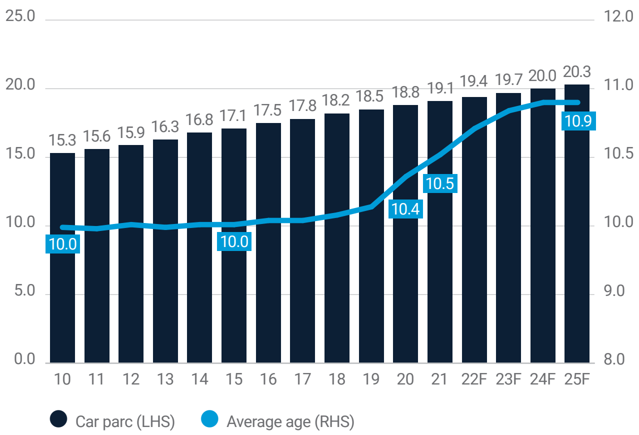
Automotive Segment

The automotive aftermarket is driven by the size of the car parc and average vehicle age. The addressable car parc in Australia (registered vehicles excluding buses and motorcycles) grew to 19.1 million units in calendar year 2021, up from 18.8 million in 2020. Steady growth is projected to continue through to CY25, reaching 20.3 million units. This is a positive for the Automotive Segment. Equally, the average vehicle age continues to support our wear and tear businesses. In 2021, the average vehicle age rose to 10.5 years, up from 10.4 years the year prior. Age is projected to rise to 10.9 years by CY25. Overall, more vehicles that, on average, are older expand the total addressable market for GUD's Automotive businesses.

The car parc size, age and proliferation (there are over 60 vehicle brands and 350 models sold in ANZ, this is 50% more brands than the US, at approximately 10% of the US volume) remains a compelling defensive moat. Importantly, GUD serves the car parc with approximately 90,000 SKUs, of which management estimate the revenue to be circa 80% generated from the non-discretionary products and services.

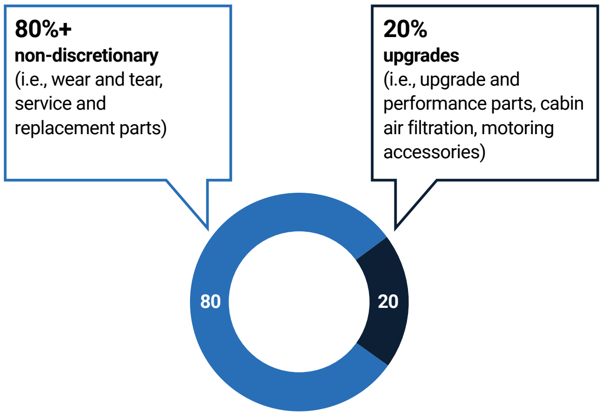
Car parc[1] and vehicle age[2]

parc in million units, age in years



1. ACA Research (Jul/22). Excludes buses and motorcycles
2. Australian Automotive Intelligence (Sep/21)

Automotive revenue breakdown[3]



3. Management estimate

Auto Electrical, Lighting, and Power Management

Brown and Watson International (BWI) in Australia delivered strong revenue growth in FY22. This was satisfying given it came from a mix of existing and new customers, products, and channels. BWI also benefitted from ongoing strength in the truck and trailer categories and were delighted to build on the Jayco business with power management products in the Projecta brand range. The Group was proud to see BWI placed in the top 10 of the Manufacturing & Consumer Goods section of the AFR Boss Most Innovative Companies Awards. Brown & Watson's 3rd place is attributed to their creation of a full program of jump starters utilizing Projecta's world-patented Rapid Recharge technology. Our Griffiths Equipment (GEL) business in NZ had flat revenue; this was acceptable given the detrimental NZ lockdowns and business interruption. Marine and Caravan/RV channels improved, and we expect the truck and trailer channels to strengthen in the coming year.

Our efforts in the USA and Europe are emerging as we launched the Projecta Brand in Europe in Q4 FY22, with the USA to launch in first half of FY23. This links nicely to the revenue synergy work in progress with Vision X as we plot the right product complementation synergy with BWI's existing product line up. To support this, in FY22 we nearly doubled the product development investment, similar to the prior year. Consequently, the BWI team were able to deliver circa 7% of its overall revenue coming from products launched in the last 12 months.

Powertrain

Ryco delivered strong revenue growth in FY22 which was noteworthy when cycling solid growth in the previous corresponding period, despite lock downs. In the second half the lockdown impact felt in the H1 started to abate and workshop demand was strong and vibrant. The team at Ryco were especially proud of the 2nd place in the AFR Boss Most Innovative Companies (with the MicroShield N99 'medical-grade' air filter product) and placing 7th in the AFR Best Place Places to Work in the manufacturing and consumer goods category.

Wesfil had a tough start to the year but managed the second half very competently to record strong revenue growth for the full year. Wesfil had the same experience as Ryco in the 2nd half as the wear and tear parts businesses got back to more expected growth trajectories. Wesfil also expanded their DC network with a new Victorian (Sunshine) warehouse launched to leverage growing western Melbourne independent marketplace.

AA Gaskets performance was satisfying with strong revenue growth, all the while completing the operational transition to a collocated site with Ryco. This involved ERP consolidation, shared distribution and back-office support, without losing the sovereignty of the business or brands.

IM Group experienced strong revenue growth across all IMG engine related segments and repair and remanufacture services. IMG experienced exceptional growth in heavy duty vehicle electronic repair services and over FY22 continued our planned geographic expansion of the mechatronics repair network to New Zealand, with Western Australia to follow shortly. Of particular interest is the first step IMG took in their industrial repair service offering, one to watch in the future.

Electric Vehicles

IMG were also excited by the level of exposure and industry press received on the Hybrid EV battery remanufacturing program moving into commercialisation stage. This new business segment is targeting the circular economy for hybrid and electric vehicle batteries. To this end IMG made a small acquisition of a company called 'Hybrid Battery Rebuild Australia' in H2, which has already been integrated into a co-located Hallam site and further strengthens our EV credentials.

BWI also stepped into EVs in a more meaningful way with the Projecta catalogue launching in Q1 FY23 including Level 1 EV charger and an EV charging accessories program.

Undercar

Disc Brakes Australia had a great year and delivered strong revenue growth. This came from domestic and export customers who were energised by our existing and new products. The business had to handle supply chain logistics complications given the import and export nature of the business, and understandably forgo sales to customers who we have paused selling to due to the Ukrainian conflict. Excitingly, our new product launch cadence continued from the Street Series disc pad program complemented with the Street Series calliper program launched H1 FY22.

Australian Clutch Services delivered solid revenue growth and the business is continuing to perform strongly more than twelve months after acquisition. NZ sales were negatively impacted by Covid-19 restrictions however USA growth exceeded targets, even accounting for the difficult logistical shipping challenges.

4WD Accessories and Trailering (G4CVA)

GUD 4WD and Commercial Vehicle Accessories (G4CVA) businesses were met with challenging operating conditions due to lack of new vehicle availability. Nonetheless, East Coast Bullbars had a year of consistent sales and strong demand from the OEM channel, and CSM Service Bodies welcomed strong order intake in the latter part of H2 with 3-6 months' worth of revenue in order books awaiting vehicles. Pleasingly, all G4CVA businesses managed to balance rising material costs and Covid-19 related labour cost inflation with price increases. Uneek 4x4/Barden Fabrication's integration into APG is well under way and progressing to plan. Despite low vehicle supply and strict lockdowns limiting the NZ market, Fully Equipped realised double-digit revenue growth in H2 through expanded canopy manufacturing capability.

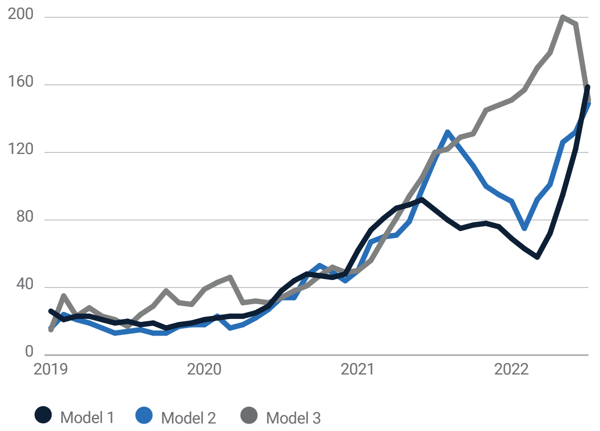
1 Overview

APG Segment

4WD Accessories and Trailering (APG)

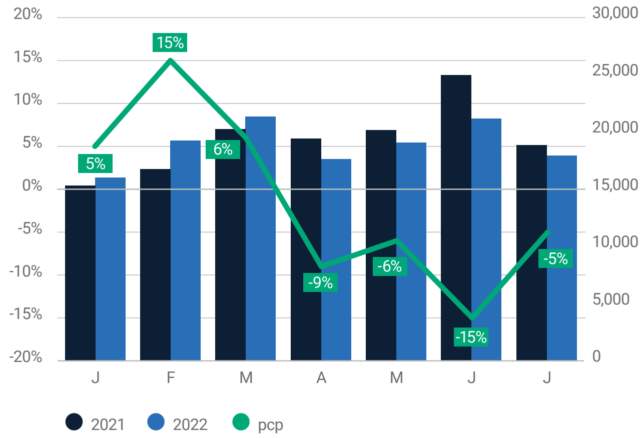
Turning our attention to the APG segment where the unprecedented macro impacts of Ukrainian conflict and China Covid-19 lockdowns compounded an already fragile supply chain for OEM customers. This resulted in new vehicle sales in ANZ far below expectations, with reductions in volumes in Q2 of sizeable proportions. The first 3 months of the year were trending at somewhat acceptable levels, after a tough January impacted by high absenteeism in the Omicron wave. What has transpired in Q4 has been massive supply constraints dictating the size of the new vehicle market, which in turn constrains our revenue opportunity.

Top 3 PU/SUV average days' wait[1]
in days



1. Top best-selling PU/SUV models by volume (source: pricemycar.com.au)

Pick Up unit sales[2]
% change vs pcpc (LHS), sales in units (RHS)



2. FCAI: Vfacts

With so much demand has been deferred since the start of Covid-19, exacerbated by more recent severe supply constraints, we expect to a steady flow of sales over a number of years as the supply constraints unwind.

Encouragingly for the future, in H2 and since the acquisition, APG have secured 41 new business awards representing c.$14m+ in revenue, of which c.$11m+ (78%) is incremental (new) revenue. APG have delivered an on-time, defect-free Ford Ranger launch, which has increased towbar penetration and supports a new Ranger Sports derivative with an APG sports bar factory fitted. Moreover, APG have won the Landcruiser nudge bar, which is on sale now, and a second functional accessory with Toyota to start in 2024. APG's largest Australian OE towing competitor has announced exit from the market and facility closure, with all customers re-sourcing business to APG. Finally, APG have managed to step in and win new trailering contracts from caravan and RV OEMs which supports the growth aspirations in this future category for APG. Putting aside the transitional supply constraint issues, we remain excited at the future prospects of APG and its ability to capture more new business.

Water Segment

Davey

The Davey strategic process is nearing completion under the new CEO who was appointed one year ago. The changes to date have involved a refresh of the senior leadership roles, an overhaul of sales and operational planning, and a new logistics fulfillment model. Many of those activities have driven change cost that has been absorbed within the underlying result which has contributed to a flat underlying EBIT result compared to the prior year. Further work is underway to embed the change and alignment efforts and we expect the work program will conclude in FY23.

In particular, a profound change was required in what finished goods inventory Davey holds, and where, in order to address unsatisfactory customer service levels. Consequently, a substantial increase in safety inventory was taken to lift the Delivery In Full On Time (DIFOT) performance in the near term and demonstrate profound change to our resellers. This saw sales accelerate strongly in the latter part of the year and we expect to partially moderate the safety stock levels in FY23.

The higher inventory level enabled Davey to grow sales by 11.9% over FY22 although the early noted costs absorbed much of the additional gross margin.

Notwithstanding the above, the impacts of the change program underway at Davey, an uncertain operating environment and a higher discount rate have been considered in our forward projections. As a consequence, the company has impaired Davey's intangible asset carrying value which were standing at $37.5 million. We believe this action will assist the business in resetting to achieve the mid-term outcomes.

2 Financial Overview

Introduction

Following two substantial acquisitions made during the financial year, and the associated equity capital raising and debt funding, the financial profile of the Group has changed substantially. It is important to note that despite these significant changes to the capital structure, the two acquisitions have only made a part year contribution: seven months from Vision X and six months from APG. It is also the first full year of contribution from the G4CVA businesses and Australian Clutch Service (ACS).

Later in this commentary, reference is made to 'organic' measures which applies to businesses which were held for a full twelve months, in both FY22 and FY21. Consequently, organic results exclude Vision X, APG, G4CVA, and ACS.

The FY22 financial result contains substantial 'significant items' which are largely non-cash and one off in nature. These relate to an impairment of Davey's inventory which was reported at the half year, an impairment of Davey's intangibles as well as acquisition-related transaction costs. The impairment of Davey's intangibles reflects a turnaround program which is still underway during a period of uncertainty.

Consequently, the underlying, non IFRS financial measures have been referenced to give a better indication of the operating performance of the Group. Within these underlying results further non-cash impacts relating to the two acquisitions made in this financial year have been removed from the underlying results of the group. The purchase price allocation process resulted in a non-cash increase in acquired inventory values and the acquired intangibles relating to the APG and Vision X acquisitions.

We will now comment on the statutory results and then comment on the underlying operating results of the Group.

Revenue

Total Group revenue increased 50% on prior year to $835 million, inclusive of acquisitions. The sales result includes revenue of $35.1 million from Vision X and $132.7 million from the APG acquisition introducing revenue bases in Asia and the USA which will be platforms for future organic growth as well as revenue synergies for GUD businesses.

Davey's revenue grew by 11.9%, and the Automotive businesses reported growth of 29.8% with organic growth of 6.5% with both achieving record organic sales levels. Excluding the year-on-year influence of acquisitions, the company achieved 7.8% organic growth from existing businesses.

The organic growth was broadly based across the year and the businesses and was aided by the elevated inventory commitment given supply chain delays and elongated shipping times.

Statutory profitability

The Group reported a net profit after tax (NPAT) of $27.3 million which decreased by 55.2%, and Reported EBIT decreased 24.4% to $77.5 million, inclusive of:

1. A full-year contribution from ACS and G4CVA which were acquired in FY21
2. Contributions from the FY22 acquisitions, of APG, Vision X, and a small acquisition of Christine Products in New Zealand which has been integrated into APG's New Zealand operation
3. Amortisation of acquired intangible assets of $8.9 million for APG, and $1.2 million for Vision X
4. A non-cash fair value adjustment to APG and Vision X acquired inventory which impacted net profit before tax by $7.2 million
5. Transaction costs of $4.9 million associated with the due diligence and transaction support costs in relation to the APG and Vision X acquisitions
6. The impairment of Davey inventory of $10.5 million as reported in the first half of FY22; and
7. The impairment of Davey intangible assets of $37.5 million.

Underlying operating results

Excluding the noted inventory revaluation impacts and amortisation, the Underlying Earnings Before Interest, Tax and Amortisation (underlying EBITA) increased 47.1% to $149.5 million, which is a record performance and Underlying NPAT rose by 38.9% to $88.9 million.

The result reflects both Automotive end-user demand through the year and contributions from the acquisitions. That said, supply chain disruptions have seen a significant decline in new car deliveries in the last quarter of FY22. As APG's products are predominately sold at the point of new car delivery, the supply chain disruptions flowed through to APG sales. Encouragingly, sales order backlogs are at unprecedented levels. We therefore see the lower Q4 sales as a deferral rather than permanently lost in sales.

2 Financial Overview

Cash Generation and Capital Management

Reported Net Cash Flow from operating activities was $92.0 million, up $17.6 million from the $74.4 million reported in FY21. A cash conversion result of 78.9.% was achieved compared to 86.5% in the prior year and was broadly consistent with our internal expectation.

Running higher inventory levels was part of our Covid-19 response plan, and the lower cash conversion performance results reflects the higher inventory level sustained across the businesses. With the global recovery in demand in FY22, our supply chains continued to experience difficulties in FY22 with securing shipping containers, securing container positions on ships, and difficulties with port clearance times. Consequently, we sustained higher stock in transit and safety stock inventory levels to mitigate supply chain disruptions and minimise lost sales.

During the year, the Company completed an equity raise of $479.6 million in support of the APG acquisition which involved a cash outflow of $731.0 million for the business net of cash acquired.

In the first half, we announced and completed the acquisition of the Vision X business which involved an initial net cash outflow of $48.1 million, and a deferred payment of $20.8 million due in FY23. In addition, a three-year contingent earn out payment of $20.1 million is anticipated.

At year end, net debt was $467.1 million (excluding deferred acquisition consideration of $20.8 million), an increase of $320.5 million over the prior year representing funds used to acquire Vision X and partly fund APG.

The Net Debt to Underlying EBITDA ratio stands at 2.36 times on a pre-lease (AASB16) accounting basis. If we include the deferred vendor payment for Vision X, the banking covenant ratio stands at 2.46 times. With strong cash conversion of the newly acquired business and appropriate dividend levels, the company is well placed to see further reductions in gearing levels in FY23.

EPS and Dividends

The reported basic earnings per share of 23 cps was down 65.8% from the pcp reflecting the expanded capital base in support of the acquisitions and the impairment of intangibles.

The final fully franked dividend payment to our shareholders is 22 cps bringing the full year total to 39 cps, and full year pay-out ratio of 61.7% of operating NPAT.

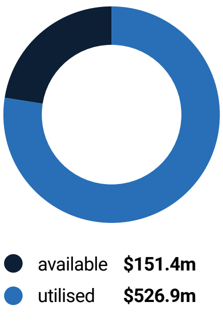
This compares with total dividends of 57 cents per share in the previous financial year, in part reflecting the expanded capital base following the equity raise for the APG acquisition which occurred mid-year, and in part reflecting our stated desire to reduce net debt and gearing levels in the mid-term following the APG acquisition.

The Board has not offered the Dividend Reinvestment Plan for this dividend.

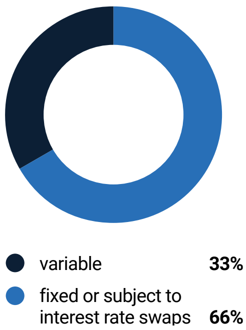
External Financing Capacity

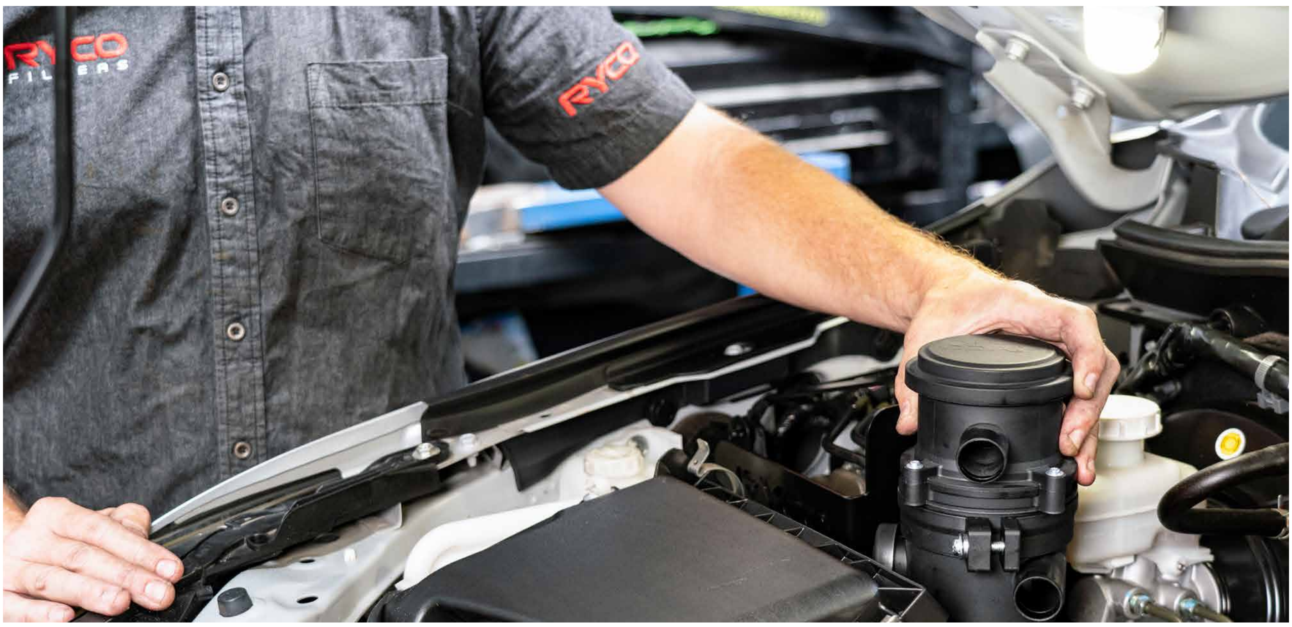
During the year, the Company added to its core debt facilities of $231.2 million from prior year, additional facilities of $447.1 million. With unused core borrowing facilities of $151.4 million and solid financier support, the Company is well positioned to fund organic growth, consider modest bolt-on acquisitions, and weather turbulence from the current trading environment.

Debt facilities
total $678.3m



Gross debt
vs floating interest rates





3 Strategy

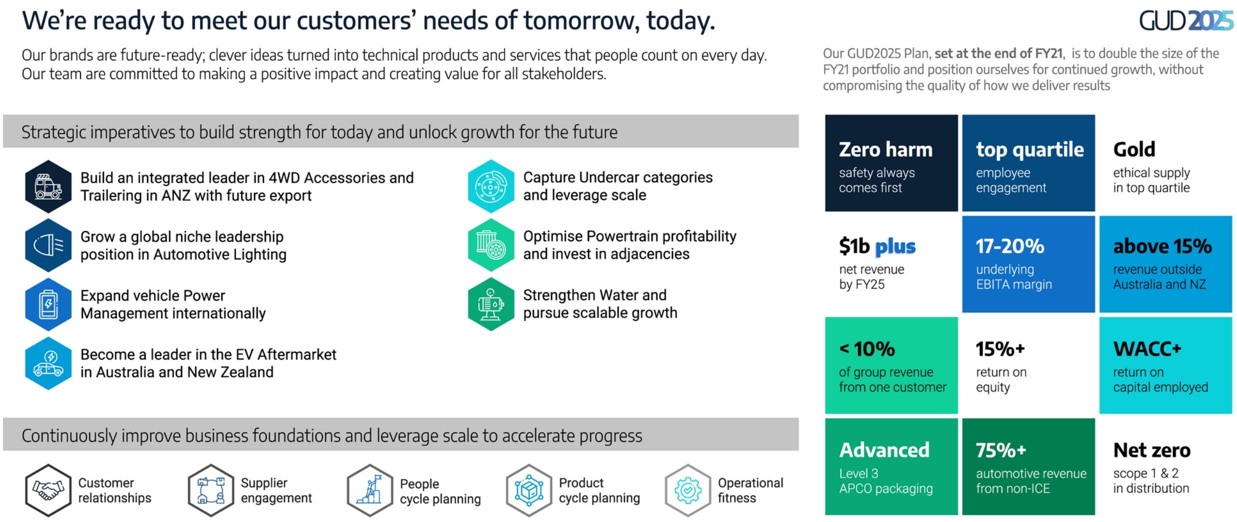
Board and Management upheld their focus on ensuring the strategic fitness of individual business units as well as the group portfolio in FY22. We use Roger Martin's 'Playing to Win' framework to guide strategy development and continue to work with Ignition Institute to embed tools and frameworks in the businesses. We have started the same approach with the businesses that were acquired in the past two financial years.

Portfolio Vision and GUD2025

At Group level, our actions and decisions are guided by our portfolio vision. GUD is the company behind industry-leading brands that are future-ready; delivering technical products and services that people count on every day. You can't always see our products, but you can count on them to keep your car on the road and water flowing in your home or farm.

Our team are committed to making a positive impact and creating value for all stakeholders. We drive to top-quartile performance in key impact areas, from employee engagement to EV transition. We invest in our people, sustainable supply chain and smart ways to manage our footprint. And we want to deliver strong shareholder returns. Our GUD2025 Plan is to double the size of the FY21 portfolio and position ourselves for continued growth, without compromising the quality of how we deliver results.

A set of 12 metrics helps us keep track of our progress to our GUD2025 Plan. These metrics represent a mix of financial, strategic and ESG key impact areas. The ESG metrics are covered in detail in the Sustainability Review on page 18 onwards.



FY22 achievements

We are a learning organisation, always looking for improvement. We will invest in the operational excellence of our businesses by fine-tuning business fundamentals and leveraging scale to accelerate progress. We invest in clear strategic imperatives that build strength for today and unlock growth for the future.

During FY22, GUD made significant progress on its strategic imperatives and metrics:

- The acquisition of Vision X supports the imperative to grow a global leadership position in specialist Automotive Lighting and diversifies the Group's geographic footprint with a beachhead presence in the US.
- In FY23, GUD will build on this foundation through the H1 FY23 bolt-on acquisition of Twisted Throttle, an online retailer of motorcycle accessories in North America and existing distributor of Vision X products.
- The acquisition of AutoPacific Group (APG) establishes GUD as the #2 in 4WD Accessories and Trailering in Australia and New Zealand and diversifies the Company's product portfolio beyond wear and tear parts into the growing 4WD category. APG completed a bolt-on acquisition of Christine Products in the second half of FY22, further strengthening their trailer parts product portfolio.
- Acquired 19.9% of equity in a major filtration supplier, including a new factory in Vietnam, as part of our supplier assurance program.
- Increased supplier diversification: China remains the largest country of product origin, but its share of total purchases is reducing with South Korea and Thailand growing rapidly.
- Increased our Automotive/APG revenue from products that do not rely on internal combustion engines (ICE) from 60% in FY21 to 69% in FY22 (before full year impact of powertrain-agnostic acquisitions).
- Completed acquisition of Hybrid Battery Rebuild Pty Ltd. to establish Australia's largest hybrid electric vehicle battery remanufacturing program.
- Reduced customer concentration through a mix of organic and acquisition activities, lowering the top 3 share of group revenue from 35% to 31%. Full-year contribution from acquisitions will see this reduce further.
- Launched more than 6,000 new Automotive SKUs in FY22.

The GUD Board and Management operate a steady rhythm of strategic dialogue to proactively manage the portfolio. We regularly review and update individual business unit strategy plans and remain confident in our current portfolio of businesses. With the appropriate prioritisation of balance sheet strength and reinvestment in existing BU strategies we remain willing to make logical automotive acquisitions that bolster the competitive strength of our portfolio and increase long-term shareholder value.

4 Risk

FY22 represented the fourth year since the Board created a separate Board committee to focus on Risk and Compliance. This year's risk reviews continue to build on, mature and respond to evolving industry and global risks including, but not limited to, climate change, customer risks, supply chain risks, cyber risks.

Although the global risk landscape has been challenging across multiple fronts, there has not been a need to make any fundamental changes to risk themes. The enduring risk themes, key risks, and mitigating actions are:

Risk Themes	Key Risks	Examples of Mitigating Actions
Climate change	Disruption to customer and market segments due to climate change.	Mitigation strategies and actions outlined in the following risk themes (e.g., customer risks, reputation risk and disruptive technology). GUD's maturing approach to ESG will also be a key mitigating factor to its response to climate change and environment.
Customer risks	Over reliance on single customers, or new entrants' routes to market, or potential disruptive existing customer behaviour.	Maintain a portfolio of compelling products, broad range of customers, establishment of long-term trading agreements, and continually assess both new entrants or new routes to market for GUD and respond accordingly. Recent acquisitions have diversified GUD's customer base in both segment and geography.
Production and Supply Chain risks	Over reliance on suppliers resulting on a loss in supply with potential sales impacts.	Multiple parallel sourcing for critical items, utilisation of a broad range of suppliers, supplier quality control processes, Quality and Supplier Council and shipping/freight agreements. Global supply chain disruptions also mitigated by maintaining higher levels of inventory to meet customer demands.
Reputation risks	Loss of confidence by end user customers or other stakeholders triggered by an event which falls short of community or stakeholder expectations.	Policies, education and compliance monitoring for work health and safety, anti-trust, ethical sourcing, modern slavery, bullying and harassment, bribery, and corruption, amongst others.
Disruptive Technology risks	Product technical obsolescence such as electric vehicles, new technologies such as autonomous vehicles and digital disruption impacting market and product segments.	Product cycle plans, reduce over time the share of internal combustion engine component sales, and build capabilities in new segments and technologies.
Financial risks	Variability of financial markets impacting the value of foreign currency to nominated assets and liabilities, profits, or sustainability of debt financing.	An effective financial risk management committee, long term debt financing agreements, foreign currency instruments and interest swap agreements.
People and Culture risks	Insufficient key personnel due to either retirement, or departure or inability to develop new talent.	People cycle planning, employee engagement surveys and action plans, diversity and inclusion programs, talent development plans, succession planning programs and retention programs.
Legal and Compliance risks	Failure to comply with product safety or regulatory compliance requirements leading to fines or product recalls.	Maintenance of product compliance certifications, standards and processes, internal policy management reviews and updates, management of regulatory policies (e.g., privacy) and market reporting requirements.
Safety risks	Employee and contractor workplace physical and mental health and safety incidents leading to injuries or death.	Regular safety risks assessments and audits, management of safety events or incidents using Vault, safety KPI's. GUD recently onboarded a group wide dedicated expert health, safety and wellbeing support leader.
Acquisition and Integration risks	Newly acquired business policies and processes do not meet GUD standards related to safety, compliance, cyber and risk management.	Establishment of acquisition integration blueprint to uplift newly acquired business policies, processes, and standards to GUD acceptable standards and levels. For larger acquisitions, assignment of dedicated integration lead.
Information Technology and Cyber risks	Continuity of business impacted or loss of reputation or other assets through physical loss or cyber penetration.	Security access controls, security monitoring, business continuity management, disaster recovery processes and off site back up facilities. Security access controls, security monitoring, business continuity management, disaster recovery processes and off site back up facilities. Onboarded dedicated Head of Cyber Security to lead the continued uplift of GUD's cyber security response and maturity. GUD has designed a cyber security and technology blueprint that is being adopted by all existing business units and future acquisitions.

GUD Management acknowledges that risk environments are not static and need to be monitored with appropriate responses in the risk mitigating processes and action plans. GUD maintains a series of governance and compliance forums, focused on proactive and reactive risk mitigation initiatives. These forums include:

- Regular risk reviews conducted with Business Unit Executive and Leadership teams during the Monthly Business Reviews
- Reviews of financial risks tabled with Business Unit finance leaders in Financial Risk Management forums
- Technology and cyber risks are reviewed regularly and monitored via both IT Council meetings and third-party IT security risk monitoring services
- Workplace safety risks and action plans reviewed during monthly WHS Steering Committee meetings
- Quality and Supplier Council with charter to monitor and mitigate emerging and longer-term supply and quality challenges, including ethical sourcing and modern slavery risks

The key risk themes, key risks and mitigating actions are also regularly tabled with the Board Risk and Compliance Committee.

5 Trading Update

Automotive sales have started positively across many of our legacy aftermarket businesses, reflecting solid wear and repair parts demand. GUD's strategically higher inventory position allows our brands to capitalise on this demand. Independent workshops continue to have strong bookings and are confident about demand. However, they remain concerned about staffing and Covid-19 related absenteeism. Cost increases are offset by pricing increases through Q1 and Q2.

APG is seeing Q1 OEM orders that remain muted due to component supply constraints. That said, we expect Q1 FY23 to improve slightly versus Q4 FY22. Further, the new Ford Ranger roll out leads us to expect further improvement through Q1 and Q2 (noting the constrained supply environment). Cost increases from Q4 are offset by price rises effective 1 July 2022. Pleasingly, the trailering business is seeing strong demand for Cruisemaster suspension products and, potentially, new products for caravan assemblers.

Water is witnessing strong demand into FY23, with sales starting positively. Cost inflation has prompted further price rises in Q2 FY23.

6 Outlook

GUD believes the automotive aftermarket will remain robust, and that its growing portfolio is in a strong position to leverage the domestic momentum and further capitalise on the opportunities presented by prospective offshore markets. The Automotive segment has a portfolio of strong brands, selling products and services that people count on every day; eighty per cent of our products are non-discretionary in nature. The large and proliferated car parc continues its steady growth, creating a defensible position for GUD. As the average vehicle age climbs, the addressable market for wear and tear, service and repair parts grows. Moreover, the net effect of tailwinds and headwinds demonstrates that the Automotive segment remains well positioned.

Further, investment in product development is proving beneficial to both short and long term outcomes. Today, multiple brands enjoy high single digit revenue contribution from products launched in the past 12 months. Strong new product development pipelines are in place to support sales through FY23 and beyond. Pleasingly, several brands are experiencing nascent success in international markets, on which we hope to build in FY23. Finally, our Portfolio Vision and ESG strategy call for GUD to become a leader in the aftermarket for electric vehicles. This year witnessed our first forays into EV, which laid the foundation for our efforts in future years.

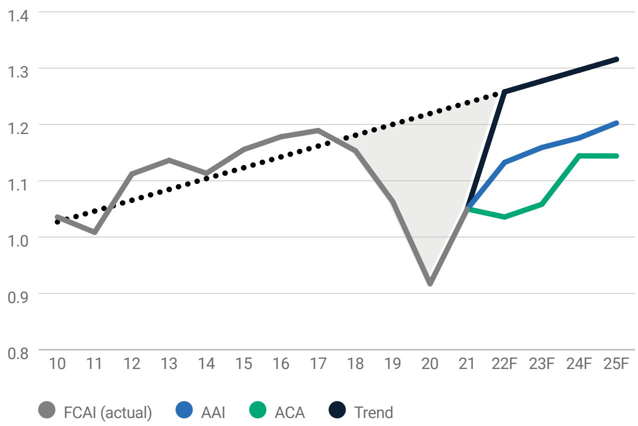
Aftermarket: Potential Covid-19 effects

▲ Tailwind ▼ Headwind

Key market drivers	Potential effect
Gross domestic product (GUD)	▲
Government stimulus	▲
Lower vehicle miles travelled	▼
Lower public transport use	▲
Higher domestic tourism	▲
Rise in used car sales	▲
Increase in average parc age	▲
More repair, less replacement	▲
Rise in DIY activities	▲
Cost inflation	▼
Supply chain disruption	▼
Export market volatility	▼

Our outlook for APG is strong as sales are projected to normalise to long-term trend. During the first half of FY23 new vehicles sales are expected to remain subdued as a result of constrained supply, but OEM sales backlogs remain at record levels. Deferred demand is set to be realised as the anticipated recovery to long-term trend takes hold in FY23 and FY24. The ongoing supply-constrained trough in sales represents an opportunity for APG as unmet demand get fulfilled. GUD believe that APG is a strong position to capture this demand as the market leader in Australia and New Zealand. In fact, we anticipate APG to capitalise on market share opportunities as competitors struggle with operational challenges as supply constraints unwind and deferred demand volumes hit the market (in additional to strong, ongoing demand for new vehicles). GUD remains confident in APG's ability to deliver its business case targets in the mid-term as OEM supply normalises. We expect EBITA skew of 45% in H1FY23.

New vehicle sales[1,2,3,4]
in millions



1. FACI: Vfacts.
2. AAI (Sep/21).
3. ACA Research (Jul/22).
4. Trend forecast using simple linear regression on 2000-2019 actuals (R^2 = 0.81).

At Group level, we expect Water performance to improve in FY23. Margin management will remain a key focus area. Acquisitions, some organic volume growth (subject to Covid-19 impacts), and focused margin management are expected to be the key profit drivers in FY23. Incremental investment is planned in FY23 to support key product development, channel, and geographic efforts to support future growth. GUD anticipate inventory to remain at elevated levels to buffer against supply chain disruptions and to strategically capture share from lower-stock competitors. However, we are planning for some moderation of inventory levels through Q2-Q3 of FY23. Our capital management efforts are focused on reducing the Net Debt/Underlying EBITDA ration to circa 2x by June 2023. GUD expect cash conversion circa 80-85%, with potential upside if supply chains start to normalise. In terms of acquisitions, we maintain our prior view. We have clear integration plans and resources in place for Vision X and APG (FY22 acquisitions). The opportunities, desire and capacity (after deleveraging) for Automotive aftermarket acquisitions are unchanged.

Sustainability Review

Jennifer Douglas

Independent Non-Executive Director and Chair of the Risk and Compliance Committee

Graeme Whickman

Managing Director and Chief Executive Officer

Message from the Chair of the Risk and Compliance Committee, and our Managing Director and CEO

We are pleased, on behalf of the Board of Directors, to present the GUD FY22 Sustainability Review.

There has been substantial progress made on our Environmental, Social and Governance (ESG) journey over the last year. At GUD we are building a culture where ESG performance is integral to who we are as people, how we operate as an organisation and how we partner with our customers and suppliers.

The Board and Executive team are committed and engaged in establishing an overall strategic and governance framework that will inspire, recognise, and reward tangible action that builds more sustainable and more successful GUD businesses. Rather than seeing ESG as something additional to our Strategy, we are taking the approach of embedding ESG within our strategy, and into how we work every day.

Under our ESG strategy development program, we have in FY22 carried out a structured materiality assessment to help define 'What ESG means to our stakeholders' and 'What ESG means to GUD.'

At its heart, our ESG Strategy will see GUD make a positive impact on the environment, strengthen the communities we operate in and ensure we are ready to meet our customers' needs of tomorrow, today. Our ESG actions will support our strategic intent to inspire our people and attract outstanding talent. Finally, and importantly, our ESG strategy supports the Board's objectives to effectively manage risks and capture opportunities in a dynamic external environment.

We are proud to update you on the substantial progress we have made to date including the articulation of a clear set of ESG impact areas backed by ambitious targets where GUD will leverage the strengths of our people, products, and capabilities to make a difference.

GUD and our businesses will continue our ESG journey into FY23 and beyond with an aim to build upon our strong momentum in Healthy Safety and Wellbeing (HSW) and people development and further strengthen our Ethical Sourcing program. We will leverage the growth in electric vehicles and clean energy transitions and will strengthen the management of carbon emissions and waste within our value chain. Additionally, FY23 will see GUD enhance our reporting and transparency on ESG to better align with the evolving international sustainability reporting standards.

Progress and Performance Highlights

Completed an externally focussed ESG materiality assessment	• GUD conducted a detailed externally focused ESG materiality assessment, engaging with a broad set of external stakeholders and supported by the guidance of specialist ESG consultants
Developed GUD's ESG Strategy and Impact Areas of focus	• Developed a comprehensive ESG strategy with ambitious targets set for the mid (2025) and long-term (2030) • Six ESG impact areas are now established as the focus of GUD's ESG strategy, initiatives, and performance tracking
Portfolio vision completed with clearly articulated metrics	• Portfolio Vision established to position GUD for continued growth • Our ESG strategy and financial and non-financial success metrics are integrated and embedded into the GUD Portfolio Vision • Building a more sustainable portfolio through further diversification of customers, geographies, technologies and channels
Established and implemented compensation linked ESG metrics	• Broadened the STI incentive structure, introducing non-financial metric targets, encouraging and rewarding executives for effort focused on ESG priorities • With a strong focus on the impact of climate change and striving for a lower carbon economy, from FY23 the LTI structure is amended to include a tranche tied to deriving a lower percentage of Group revenues from internal combustion engine (ICE) specific products
New 'Sustainability' category launched in GUD Excellence Awards	• The annual GUD Excellence awards are the preeminent awards across all GUD businesses • A specific Sustainability category has been added for the first time to recognise and reward outstanding performance in our EGS impact areas
Maintained strong performance in Safety Culture and People Engagement	• Safety culture performance remains in the top quartile for the sixth year running • No serious injuries of an ongoing nature were sustained in 2022 & the overall Lost Time Injury Frequency rate was again below the SafeWork Australia industry average benchmark • Strong People Engagement score at 76% favourable in the Employee Engagement survey
Implementing the Sedex platform to further strengthen the Ethical Sourcing program	• GUD adopted the Sedex platform, a globally recognised platform for supplier verification, qualification and audit which will create better transparency in being able to identify, remediate and report on modern slavery risks
Board commitment to a net Carbon Neutral GUD for Scope 1 and 2 emissions	• The Board has set a net Carbon Neutral target for GUD's distribution businesses by 2025 and GUD's manufacturing businesses by 2030 • We have now implemented tracking and reporting of energy consumption and carbon emissions on an annual basis
Rebalanced non-ICE revenue to 69% of the Automotive portfolio for FY22	• Strategic acquisitions over FY22 (APG and Vision X) have grown the non-ice share of GUD's Automotive Revenue to 69% for FY22 (up from 54% in FY18) with a full year run rate of ~74% non-ice
Capturing early growth in emerging EV and clean technology segments	• Innovative Mechatronics Group (IMG) is capturing strong early-stage growth and market interest in its services and capabilities capturing demand for Hybrid Vehicle Battery remanufacturing • Sustainability Victoria has awarded IMG a $200k grant to support the development of a circular economy business model for retired electric vehicle lithium-ion batteries

About this Review

GUD's Board commissioned Management to prepare this Sustainability Review. The Board sees this review as an important opportunity to outline and showcase the impact GUD has on its people, the environment, and the communities we operate in, as well as to identify and discuss the longer-term sustainability risks and opportunities for the Company.

This Review covers GUD's sustainability performance across our global operations (including Australia, New Zealand, Thailand, South Korea and the USA) for the year ended 30 June 2022.

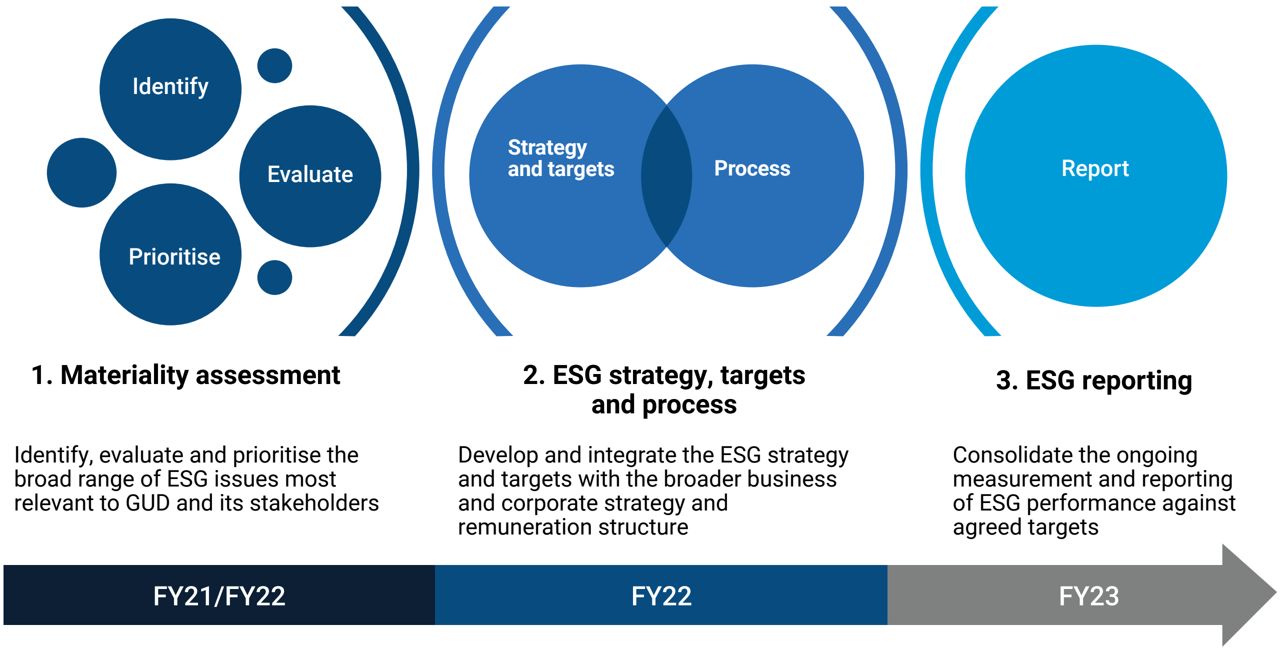
ESG Strategy Development

The GUD Board and Executive are committed to the responsible and sustainable management of our businesses. As an organisation, we continually review and evolve the key Environmental, Social and Governance (ESG) topics that could materially impact GUD and our stakeholders. In doing so we consider a range of factors, including regulatory and legislative changes, peer benchmarking, GRI and other standards, macroeconomic trends and stakeholder feedback on prior-year disclosures.

Over the course of FY22, the Board has placed significant focus, effort, and time into considering ESG issues, developing an ESG strategy and lifting the prominence and integration of ESG within decision-making, target setting, risk management, management priorities, and incentive structures.

Rather than ESG being additional to our Strategy, we have taken the approach of embedding ESG within our Portfolio Vision to build more sustainable and more successful businesses. GUD aspires to protect the environment, strengthen communities, demonstrate leadership and create value for our customers, partners, investors and people. Our ESG strategy leverages the unique strengths of GUD's people, products, and capabilities to make a difference. We are in the box seat to develop products and services to support the Electric Vehicle (EV) transition and provide consumers and customers with high-quality aftermarket EV solutions. Naturally, our strategy is also intrinsically linked with the management of ESG-related risk and the work of the Risk and Compliance Committee. The model below shows the phased ESG journey we are undertaking.

Overview of the GUD ESG strategy development program



A critical step in our ESG journey has been during FY21/22 conducting an externally focused Materiality Assessment to help define *What ESG means to our stakeholders*, informed by in-depth discussions with stakeholders to listen and understand what is most important to them and why. This process included a series of 20 interviews with investors, customers, board members and business leaders and two collaborative workshops guided by specialist ESG consultants with the GUD Board and Senior Executives.

The next step during FY22 has been to translate the outcome of the Materiality Assessment process into a definition of *What ESG means to GUD*, which has resulted in a set of ESG impact areas that form the *pillars* of GUD's ESG strategy and targets. GUD's ESG strategy, impact areas and targets are outlined in this Sustainability Review.

During FY23 the Board will oversee the enhancement of reporting and transparency on ESG to better align with the evolving international sustainability reporting standards and to show progress against the targets set in our ESG strategy.

Each year GUD will continually work to improve and evolve its ESG strategy and reassess targets and strategic priorities to continue to drive performance and respond to a changing environment.

ESG Strategy (Impact Areas, Ambitions and Objective Targets)

The GUD ESG strategy identifies six Impact Areas that are most materially important to our stakeholders and where GUD can influence and create the greatest impact.

These impact areas will prioritise GUD's ESG activities, resource allocation, investment, measurement and reporting on the topics of Health and Safety, Thriving People, Sustainable Sourcing, Energy and Emissions, Electric Vehicle Transition and Waste.

The ESG strategy reinforces each impact area with a statement of ambition and objective targets for the mid-term (2025) and long-term (2030) which form an aspirational vision to inspire the performance of our businesses and our people and will form a core element of our employee value proposition.

GUD ESG Strategy Framework

Health, Safety & Wellbeing

The health, safety and wellbeing (HSW) of our people is the top priority in everything we do

Ambition
A healthy and safe workplace commited to zero harm

Targets and metrics
Zero harm – Ongoing goal
Top quartile LTIFR – Benchmark

Thriving People

We invest in our people to develop a high-performing, highly-engaged, and diverse workforce

Ambition
Generate top quartile level of staff engagement in our businesses

Targets and metrics
Top quartile staff engagement

Sustainable Sourcing

We partner with suppliers to build their strength and capability to improve labour, ethical and environmental practices

Ambition
Sustainability supply chain committed to ethical sourcing

Targets and metrics
100% Bronze, 75% Gold by 2025
100% Silver, 90% Gold by 2030

Energy and Emissions

We will act and collaborate to reduce the carbon emissions of our businesses, products, and value chain

Ambition
Reduce emissions in our businesses and the value chain

Targets and metrics
Carbon neutral Distribution by 2025
Carbon neutral Manufacturing by 2030

Electric Vehicle Transition

We will actively manage our portfolio in line with car parc trends, and be an early mover in the EV aftermarket

Ambition
Become a leader in the EV Aftermarket in Australia and New Zealand

Targets and metrics
75%+ of Auto revenue from non-ICE by 2025
85%+ of Auto revenue from non-ICE by 2030

Waste

We will aid customers in reducing their waste footprint, and lead by example in our business operations

Ambition
Enhance the sustainability of our packaging design and materials

Targets and metrics
Advanced Level in packaging (APCO) by 2025
Leading level in packaging (APCO) by 2030

Appropriate corporate governance and GUD's core values underpin our ESG approach

GUD is committed to practising high standards of business conduct and corporate governance. The Board considers that the Company's reputation for honesty, transparency, integrity, accountability, excellence and fairness is one of its most important assets – essential for the long-term performance and sustainability of the company, and for protecting and enhancing the interests of security holders and other stakeholders.

Our core values of 1) *People are at the heart of all we do* 2) *True to who we are* 3) *We give our all*, set the tone for what it means to be a part of our company. GUD has a clear set of behavioural expectations that emphasise a culture of strong corporate governance, responsible business practices and good ethical conduct, incorporated in its general Company Code of Conduct, which applies to all employees. There are several other policies complementing the Code of Conduct. These policies and codes may be found in the corporate governance section of the Company's website at https://gud.com.au/corporate-governance.

Health, Safety & Wellbeing

The health, safety and wellbeing (HSW) of our people is the top priority in everything we do

Ambition
A healthy and safe workplace commited to zero harm

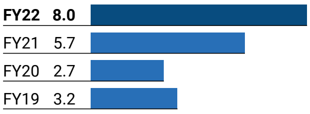
Targets and metrics
Zero harm – Ongoing goal
Top quartile LTIFR – Benchmark

Performance

8.0

Lost Time Injury Frequency Rate

1.2 below industry
Safe Work Australia industry benchmark of 9.2



93%

Safety Commitment Score

+4 over top-quartile
Qualtrics/IBM all organisations global top quartile 89%

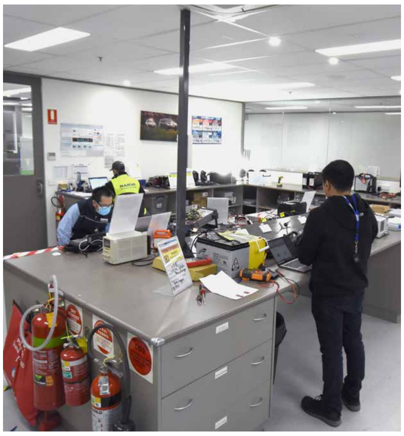
At GUD, our culture is driven by a strong level of engagement, ownership and accountability for health, safety, and wellbeing (HSW)

Our HSW management system is aligned with ISO45001. Employees are involved in the HSW decision-making processes through communication, consultation, and participation. Each GUD business has a designated health and safety committee (or committees) comprising representatives of management and workers. Individual sites or departments hold regular tool-box meetings to ensure safety is top of mind.

GUD's commitment to safety continues to be rated very highly by employees. For the sixth consecutive year, Safety was rated in the global top quartile in the annual employee engagement survey. 93% of respondents felt that there was a strong commitment to safety compared to the global top-quartile benchmark of 89%. In FY22, the employee engagement survey included wellbeing for the first time, with a 76% favourable response, showing that many employees have effective strategies in place for managing their wellbeing at work.

During FY22 our HSW approach continued to be underpinned by safety leadership, employee engagement and participation, robust HSW plans, targeted risk assessments, safety audits and regular Board safety walks. We were pleased in early 2022, to appoint our first GUD Head of Safety, a role which works in support of all businesses within the Group in driving and lifting our safety focus and performance.

Case study



The Brown and Watson Lab team

Brown and Watson International 'Stop for Safety'

Brown and Watson International (BWI) saw a safety gap within the business' laboratories. Even though BWI's LTIFR at 3.0 is well ahead of the industry average they made the courageous decision to stop work across the entire department to bring safety up to a best practice standard.

The 'Stop for Safety' program steps included:

- A team audit of the laboratory, identifying areas for improvement.
- Formal training for the Lab and Product teams to carry out effective risk assessments.
- Review and improvement of documented work instructions for all high-risk equipment followed by team member training.
- Development of a comprehensive Laboratory Safety Procedure (LSP) which provides clarity on access, authorisation, operating procedures, safety rules, testing requirements, pre-test start approvals, emergency management, after-hours work and off-site work requirements.

Following the changes, the safety performance of the Lab team has been exemplary.

Our leaders live the GUD safety ethos

All GUD Senior Leaders, including those from recently acquired businesses, participate in a Safety Leadership Program which ensures awareness of and commitment to their safety obligations. Additionally, over the past year, our emerging leaders have participated in a comprehensive Safety Leadership Program. The program, run in partnership with HSE Global, places an equal emphasis on wellbeing and physical safety elements while building a deeper understanding of critical risk analysis and management.

A concerted effort in response to Covid-19 and a changing environment remains important for employee safety, wellbeing, and mental health

As the world has opened from pandemic restrictions, we have rolled out COVID-Safe return to work plans and inductions across our businesses to maintain COVID-Safe protocols front of mind and keep our people and workplaces COVID-Safe as our people working from home have returned to their workplaces.

Our Non-Executive Directors continued their active safety engagement program with on-site safety walks and have resumed in-person (albeit physically distanced) 'town hall' meetings with staff.

Over the past year, we have strengthened the GUD Peer Support Program, developed in 2020 through our partnership with Benestar our employee assistance program provider. This program has continued to provide valuable mental health and wellbeing support to our employees in FY22. Volunteers across our businesses are trained by qualified facilitators to become 'Peer Support Officers' and take on a stress-management mentoring role within a set of parameters in the workplace. The program includes support provided by someone known to employees, prompt support to prevent other problems from arising, the guidance of employees to find more qualified help and support if needed and complements other wellbeing programs which exist within the businesses.

Our Peer Support Officers are themselves supported through quarterly 'check-in sessions' with Benestar counsellors.

The annual GUD Excellence Awards recognise and reward the leading safety programs, initiatives and people within GUD

Coming together for the first time in two years, we recognised the winners of the 2021 GUD Safety and Innovation Excellence Awards, at a function in early 2022. The awards are an opportunity to recognise and celebrate individuals and teams from across the businesses who have demonstrated key attributes in health, safety, and wellbeing leadership. The winners were:

1. *The Individual Award for Safety* – Lito Tolentino of AA Gaskets
2. *The Team Award for Safety* – Brown and Watson International Pty Ltd for their 'Stop for Safety' program
3. *The Business Award for Safety* – Griffiths Equipment Ltd for their 'Better Every Day' program.

Case study

Lito Tolentino accepting the Safety Award from GUD CEO Graeme Whickman

Individual courage and commitment to safety

Lito Tolentino, AA Gaskets Team Leader, ensures the smooth and safe running of inbound and outbound deliveries through the Altona warehouse every day.

During a time-sensitive site-move project, Lito was confronted by an external delivery driver pushing to load their truck with wheeled cages of AA Gaskets product. Despite significant pressure from the truck driver to immediately complete the load, Lito took the time to assess the potential safety risks and highlighted that this style of wheeled load requires the truck to have a secure tailgate. Lito explained to the truck driver why it was not safe to load his truck and advised management that the truck would not be loaded until a truck with a tailgate was provided.

Lito's actions are a clear demonstration of GUD's values – placing health and safety as the top priority, not only for the benefit of the AAG warehouse team but also for the truck driver, other road-users and the inbound warehouse.

Our safety metrics and performance

There was a reduction in high consequence injuries as defined by the GRI standard – from 2 (FY21) to 0 (FY22).

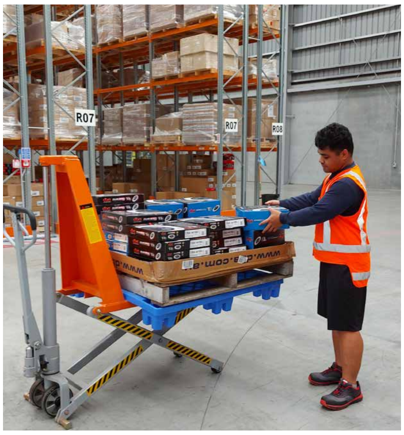
At the group level including all businesses acquired over the past year, there was an increase in lost time injuries this year which were predominately musculoskeletal in nature, requiring the injured person to rest their injury. We benchmark the safety performance of each of our businesses against the Safe Work Australia (SafeWorkAU) published benchmarks applicable to each business being Wholesale Trade-Motor Vehicle Parts, Fabricated Metal Manufacturing, and Manufacturing.

In comparison to the SafeWorkAU benchmark our non-manufacturing businesses' LTIFR of 2.4, continues to compare favourably to the Wholesale Trade-Motor Vehicle Parts benchmark of 9.2. The LTIFR for our fabricated metal manufacturing businesses sits at 12.1, also favourable compared to the SafeWork AU benchmark of 23.4. While our other manufacturing businesses sit at 15.2, compared to the SafeWork AU Manufacturing benchmark of 8.5. A concerted effort was placed on manual handling activities in the last 12 months and there has been a reduction in musculoskeletal injuries overall, reducing Medical Treatment and Lost Time injuries from 61% FY21 to 52% in FY22, though work here continues with programs to focus on hazardous manual practices planned into FY23.

Further information on our safety performance and metrics are detailed in the Sustainability Profile and Performance Data section of this review.

Case study

Business-wide safety uplift at Griffiths Equipment



New variable height pick/pack trolleys in operation at GEL warehouse

Griffiths Equipment Ltd (GEL) is a leading distributor of quality automotive products in the New Zealand Market. The GEL 'Better Every Day' program was established to uplift HSW culture through every team member, every day. The program has implemented over 30 initiatives delivering improved safety, more effective communication, and strengthened safety leadership.

Key initiatives include:

- Interview program with all warehouse staff to gain their direct input into the ideas and priorities.
- Third-party H&S audit to identity best-practice opportunities.
- Implementing a 15kg max manual handling limit.
- Purchase of variable height trolleys for picking and packing.
- Wellness checks to screen for blood pressure, cholesterol, weight, and diabetes and provide referrals for further action.

The breadth, scale, and holistic nature of the program impressed the GUD Excellence award judges to see GEL win the 2021 Business Safety Award.

Thriving People

We invest in our people to develop a high-performing, highly-engaged, and diverse workforce

Ambition
Generate top quartile level of staff engagement in our businesses

Targets and metrics
Top quartile staff engagement

Performance

76%
Staff Engagement Score

Qualtrics/IBM all organisations global top quartile 79%

76%
Staff Wellbeing Score

New metric implemented

Our sound foundations – we are an inclusive organisation which treats all people fairly and equitably

We have refreshed and reinforced our core values in FY22 as our employee numbers have grown, and new businesses have integrated into GUD. These values are 1) People at the heart of all we do, 2) True to who we are, and 3) We give our all.

The Board lays the foundations for the culture at GUD and is committed to a diverse and inclusive organisation which treats all people fairly and equitably. Our leaders set and hold themselves and our people to a high standard, where not only is no one discriminated against, but where people are physically and psychologically safe and well. Our Equal Employment Opportunity Policy highlights this and reinforces the focus GUD places on inclusion. There have been no incidents of discrimination reported this year; hence our GRI Indicator 406-1 is zero. Where there is an incident, we will deal with this in line with best practice investigation procedures, including that the complainant is supported throughout the process.

At the Board level, our gender diversity exceeds the Board's target of 30% female representation at Director level. At the Senior Management level (i.e., direct reports to the Managing Director and direct reports of Chief Executives of the principal business units) our female representation on a like-for-like basis comparing businesses who were a part of the group at the same time last year, has remained at 20%. Including the introduction of the recently acquired manufacturing-orientated businesses, the proportion of women at this senior level is now 14%. Over the next 12 months, we will extend our focus to achieving greater gender diversity within all businesses.

GUD Values

People are at the heart of all we do

We care deeply about our team, our customers, our suppliers, our communities & our partners.

True to who we are

We are courageous, authentic, transparent and honest. We always act with integrity.

We give our all

We are entrepreneurial, curious, driven and commercially strong. We create value through our products, our services and our actions.

Our people are highly engaged and our ESG interests are aligned

Over the course of FY22, we have completed the two-year work programme to modernise our incentive programs. Three separate non-financial metrics were introduced to the STI plan, targeting areas key to our ESG objectives they were, a key safety metric (LTIFR), a key measure of employee engagement, and a key ethical sourcing objective. Our people have told us through our regular engagement mediums that these are important to them, as they are to our broader stakeholders.

In 2022, despite the challenges of a prolonged Covid-19 impacted operating environment and the inevitable fatigue experienced by employees globally, our employee engagement rating remained strong at 76% on an annual basis, and 77% when measured on a three-year rolling basis, both above the global average of 73%, but just short of our top quartile ambition of 79% (which are measured on a three-year rolling basis and lag one year behind). Given the lag in the external measures and the incidence of 'Covid-19 fatigue' amongst global workforces, GUD's 77% may remain in the top quartile, which will be able to be confirmed once the latest-year benchmarks are calculated and published. Safety remained our highest scoring dimension in the employee survey, and we saw the dimensions related to Quality, Empowerment, Teamwork, and Growth and Development improve. In 2022 we added a new bespoke dimension, Wellbeing, which scored strongly at 76% favourable.

We continue to grow and develop our people

In a year where much has been written about the great resignation, we have worked hard to engage and retain our people. Leadership Development is one of the key foundational pillars that we set about focusing on three years ago. The strategic framework in place for our leadership programs sees a focus on Established, Emerging and Future Leaders within the businesses. Several our Established Leaders have undertaken internationally recognised development programs during 2022. During 2022 the third cohort of our Emerging Leaders Program leaders commenced the two-year, twelve-module program. We measure the progress of participants using the LSI (Life Styles Inventory) profiling tool. Early results from the first two cohorts show an increase in behaviours which lead to greater team and individual outcomes.

Our volunteering partnership with Fareshare remains an integral part of the program and an opportunity for our people to give back to the community. Also in 2022, we launched our inaugural Future Leaders Program, aimed at the next generation of potential leaders. These programs together with our partnerships with universities and support of internship programs are a part of our talent pipeline strategy.

We launched a GUD-wide internal job board during the year which ensures transparency of opportunities across the company and seeks to encourage the taking up of career progression opportunities from within the GUD network. Having launched our workplace flexibility policy just prior to Covid-19, we have continued to evolve our approach to support flexible and hybrid working arrangements.

Our partnerships with employees and unions are strong

Our partnerships between employees, unions and the organisation are constructive and are highly valued. There are six collective agreements in place across the Group. One is currently under negotiation and the remainder are due for negotiation at differing times in 2024.

We are committed to supporting our employees when they need it. In 2022 we made 10 paid days of domestic and family violence leave available to all our employees regardless of where they are located globally.

Case study

Celebrating our diversity at AA Gaskets

AA Gaskets Harmony Day festivities

AA Gaskets (AAG) is the market leader in automotive gaskets in Australia and New Zealand, with a healthy stable of brands including Crossfire, MLS-R and Permaseal.

Like all our businesses, AAG is comprised of people from a diverse range of backgrounds and ethnicities. The AAG team hosted a Taste of Harmony Day as part of their actions to bring people back together after the need for physical distancing under Covid-19 protocols. With 22 ethnicities represented amongst the 23-person strong team, the event allowed the team to share their cultures through the preparation and sharing of food from their country of origin.

Case study

Flexible ways of working at Davey

The all-new collaboration spaces in action at Davey Scoresby

We are building a culture at Davey that can be characterised as striving for high levels of both flexibility and performance. To support the journey that Davey is on, we have invested in custom designed workspaces that will encourage greater collaboration and creativity – and provide space for communication, learning and development in a team environment. This approach creates considerable benefit where people can interact and collaborate with one another in person, both in a formal and informal capacity, as well as participate in training and interact directly with our people and products. Many of our Davey team, who have been working from home are keen to get back to the office to engage face to face with colleagues, the attraction of both the flexibility of working from home and in a refreshed and purpose-built collaboration-friendly workspace when in the office is proving a winning combination.

Sustainable Sourcing

We partner with suppliers to build their strength and capability to improve labour, ethical and environmental practices

Ambition
Sustainability supply chain committed to ethical sourcing

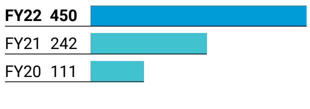
Targets and metrics
100% Bronze, 75% Gold by 2025
100% Silver, 90% Gold by 2030

Performance

450

Suppliers in Ethical Sourcing program

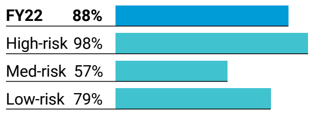
↑ 200+ prior year



88%

Of spend at Bronze level (or above)

98% for high-risk



GUD's Ethical Sourcing Program builds a strong commitment to ethical and sustainable practices from our global supply base

GUD's Ethical Sourcing Program is now in its 4th year. The Program involves securing a contractually binding commitment by GUD suppliers to GUD's Ethical Sourcing Code. This is supplemented with supplier self-assessment against a detailed questionnaire to test compliance with the Code standards. In the reporting period, GUD has augmented this by introducing third-party audits.

Our Sourcing Code seeks to go well beyond compliance

GUD's Ethical Sourcing Code sets three standards – Bronze, Silver and Gold – which encompass legal, social and environmental factors. At a minimum, GUD companies require adherence by their suppliers to the Bronze standard as a minimum. Our base level of compliance, Bronze, is the standard required by the Modern Slavery Act, 2018 and prohibits any slavery-type practices as well as compliance with international labour standards and appropriate wage payments.

The Silver and Gold standards encompass work health and safety, environmental, non-discriminatory and ethical business practices. GUD companies leverage their long-term relationships with their suppliers to monitor their progress and to ensure that they strive to achieve these higher standards.

GUD Ethical Sourcing Code – Three Standards of compliance

BRONZE

PART A
Slavery

- Recruitment
- Child Slavery
- Child labour
- Debt bondage
- Human trafficking
- Hazadous work

PART B
Labour

- Working conditions
- Disciplinary actions
- Payment conditions
- Forced labour

SILVER

PART C
Health & Safety

- ISO certification
- Safety audits
- Working conditions
- Dormitory condtions
- OHS reps
- First aid training
- Emergency response
- Safety data sheets
- Hazardous materials
- Drinking water

PART D
Discrimination

- Equal opportunity
- Working conditions
- Equal pay
- Job training
- Collective barganing
- Form trade unions

GOLD

PART E
Environment

- ISO certifications
- Impact assessments
- Self audit
- Waste management
- Recycling
- Energy
- Water
- Hazardous waste

PART F
Ethics

- Business conduct
- Policy development
- Corruption
- Bribery
- Extortion
- Information security
- Intellectual property

We continue to evolve and extend our ethical sourcing program

GUD has now released its second Modern Slavery Statement, in respect of the period ended 30 June 2021, which summarises this progress and reports on actions taken by GUD to address modern slavery issues identified in the course of supplier monitoring. You can view a copy of this in the Governance section of our website https://gud.com.au/corporate-governance.

GUD's Ethical Sourcing Program is continually evolving – in terms of scope, reach and impact. With each year of the program, a higher percentage of first-tier product and component suppliers across the GUD group confirm their commitment to the Ethical Sourcing Code. Increasingly, service providers are being brought into the Program. Ultimately, second-tier suppliers will be included.

The Short Term Incentive structure now includes Ethical Sourcing as a non-financial metric to link ESG performance to remuneration

To encourage and reward business executives for the implementation and performance of the Ethical Sourcing Code, non-financial STI metrics have been broadened to incorporate ethical sourcing targets at an individual business level.

With each new GUD business acquisition, the reach of the Program is further extended. All newly acquired GUD businesses are required in their first year to self-assess against the Code, complete supply chain mapping, undertake a risk assessment of their supply chain, and ensure at least 50% (by value) of their suppliers comply with the Code. KPIs are then set to ensure the new GUD businesses align with the group objectives for supplier compliance.

We will launch the Sedex platform to GUD businesses during FY23 to further strengthen our program

In this reporting period, GUD has signed up to Sedex, a globally recognised platform for supplier verification, qualification and audit. Access to Sedex is expected to reduce task repetition, improve efficiency in monitoring supplier compliance and create better transparency in being able to identify, remediate and report on modern slavery risks.

Case study

Sustainable Sourcing at BWI


Workstation at BWI supplier

In implementing the GUD Ethical Sourcing Program, BWI closely supported one of its suppliers of lighting products in China to achieve significant operational and facility improvement. Driven by feedback from the comprehensive GUD Self-Assessment Questionnaire and a customer audit, significant safety improvements have been made at the supplier including:

- Introduction of new flame-proof cabinets for the safe storage of chemicals.
- Comprehensive changes to the emergency evacuation program, such as: updating the alarm system, powered exit signs at doors, replacement of fire extinguishers and adding handrails to stairs.
- Improved operator safety by providing vacuum extraction, face masks for soldering stations and ear plugs for welding stations.

Energy and Emissions

We will act and collaborate to reduce the carbon emissions of our businesses, products, and value chain

Ambition
Reduce emissions in our businesses and the value chain

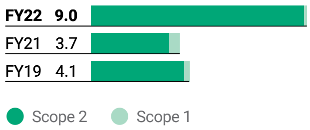
Targets and metrics
Carbon neutral Distribution by 2025
Carbon neutral Manufacturing by 2030

Performance

9.0

ktC0_2e Scope 1 & 2 Emissions

↑ With acquisitions



82

MWh Solar Export

Solar power export to the grid

We will act and collaborate to reduce the carbon emissions of our businesses, products and value chain

In a collective effort to mitigate the impacts of human-induced climate change, important action is taking place globally to reduce the amount of greenhouse gas emissions released into the atmosphere. We understand that GUD and our businesses have a shared role to take action, demonstrate leadership and proactively plan for and respond to the key risks and opportunities of climate change and the related transition to clean energy sources.

As a first step, GUD is implementing the annual tracking of energy consumption and emissions including our most-recent acquisitions

In FY19 we conducted a detailed scope 1 and scope 2 emissions study which confirmed that GUD's aggregate scope 1 and 2 emissions were well below the National Greenhouse and Energy Reporting (NGER) thresholds.

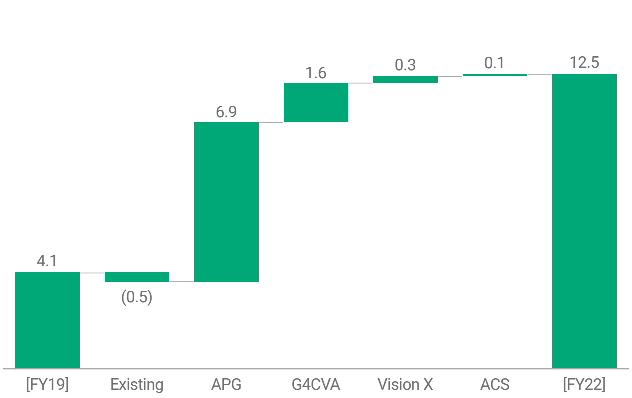
Since the FY19 emissions study, GUD's portfolio has expanded and evolved to include much greater manufacturing activity, primarily through the AutoPacific Group, G4CVA and Vision X acquisitions. The energy-intensive nature of manufacturing (including metal cutting, forming, welding and paint curing) adds to GUD's aggregated energy consumption and emissions. While GUD's emissions still remain below the NGER thresholds we have taken the voluntary step to establish the annual tracking and reporting of Scope 1 and Scope 2 emissions across all of our businesses in recognition of the importance of collective action and leadership in our industry.

Each of the GUD businesses has conducted an emissions study for FY22 year to establish a new Scope 1 and Scope 2 emissions baseline for GUD. Total GUD emissions are estimated at 12.5kt ktCO_2e per annum, measured on a full-year run-rate basis including businesses acquired during the FY22 financial year. This is a material uplift from the 4.1ktCO_2e measured in the FY19 study however is reflective of the heavy manufacturing activity of AutoPacific Group's operations in Australia and Thailand, G4CVA operations in Australia and Vision X operations in Korea.

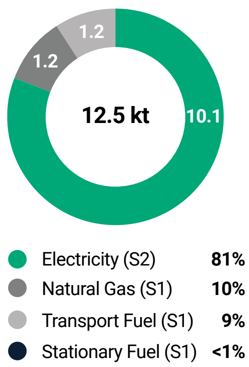
Purchased electricity (Scope 2) to power manufacturing activity is the primary driver of GUD's Scope 1 and 2 emissions

The emissions study has highlighted that ~80% of GUD's greenhouse gas emissions stem from electricity purchased from the grid (Scope 2) with smaller contributions from natural gas and transport fuel. In addition, over 80% of our emissions are concentrated in a relatively small set of six manufacturing sites. These manufacturing sites will be the focus of emissions reduction efforts through a combination of energy efficiency improvements, on-site solar generation, and the procurement of carbon-neutral electricity.

Change in Emissions FY19-FY22 Run Rate
(ktCO_2e, Scope 1 and 2 full year run rate)



Emissions Source Profile FY22 Run Rate
(ktCO_2e, Scope 1 and 2 full year run rate)



Over the next 24 months, each GUD business will be tasked with developing an energy and emissions reduction plan to contribute to GUD's net carbon-neutral ambitions.

GUD has set a net Carbon Neutral ambition for Scope 1 and 2 emissions

GUD is committed to playing an industry leadership role and working towards recognition as a net Carbon Neutral organisation for Scope 1 and 2 emissions.

We have set an ambitious target for our distribution businesses to be net Carbon Neutral (Scope 1 and 2) by 2025 and our Manufacturing businesses to be net Carbon Neutral by 2030 considering the greater complexity and energy intensity of manufacturing. We aim to demonstrate leadership, share our experience and promote broader action in our industries and value chains to support a Net Zero future.

During FY23 GUD will undertake a Scope 3 'hot-spot' assessment with select businesses to identify the primary sources of Scope 3 emissions within GUD's value chain and identify emissions reduction opportunities.

Case study

BWI Energy and Emissions Dashboard

Energy Tracking and Management – BWI

GUD has invested in an online electricity metrics dashboard for all Australian businesses to track their electricity consumption and emissions on a yearly, monthly, and daily basis. This data will inform and drive action and business decisions to better manage and reduce energy consumption.

The team at BWI have been using this tool over the FY 22 to conduct a detailed energy review of their Knoxfield distribution centre. Actions from the review have generated a ~20% reduction in electricity spend through high impact 'quick win' initiatives including:

- The conversion of office lighting to low-energy LEDs.
- Optimisation of the automated on/off time settings for the plant air compressors which has reduced overall run-time and shifted demand to off-peak times.
- Management of office heating/cooling zones which has improved HVAC system efficiency and flattened the site peak load curve.

Building on this success, the BWI team will focus on further initiatives for implementation in FY23 including installing LED lighting for outdoor applications, upgrading the air-conditioning systems, and on-site solar generation.

Case study

New Ford Ranger high-strength light-weight tow bar

Vehicle light weighting for improved fuel economy

TriMotive is a leading tier-one supply partner to the major automotive vehicle manufacturers, specialising in end-to-end solutions in the vehicle accessory space.

TriMotive's automotive OEM customers are aggressively pursuing weight reduction to improve vehicle fuel economy, reduce corporate average emissions and offer consumers a stepped transition into the low carbon future.

Awarded the towbar supply contract for the new model Ford Ranger, the Trimotive team set about and end-to-end redesign of product, manufacturing process, materials and supply chain with a focus on weight minimisation whilst maintaining performance characteristics. This innovative whole of value-chain design approach delivered a 14 kg or 45% weight saving over the previous model design, which directly translates to reduced fuel consumption and carbon emissions of vehicles on the road and competitively positions Trimotive as a low-carbon supply partner of choice.

Electric Vehicle Transition

We will actively manage our portfolio in line with car parc trends, and be an early mover in the EV aftermarket

Ambition
Become a leader in the EV Aftermarket in Australia and New Zealand

Targets and metrics
75%+ of Auto revenue from non-ICE by 2025
85%+ of Auto revenue from non-ICE by 2030

Performance

69%

Automotive revenue from non-ICE

+9 ppts
Automotive only

74%

Total revenue from non-ICE

+6 ppts
Including Water portfolio

Becoming a leader in the EV Aftermarket in Australia and New Zealand

We have set an ambition to be a leader in the EV Aftermarket in Australia and New Zealand, leveraging the long-term transition of automotive powertrains towards electrification (and other clean energy technologies) which is being accelerated year on year by regulatory change, technological advancement, OEM investment, and shifting consumer trends.

The uptake of electric vehicles (EV) in Australia has been relatively slow to date with EVs representing a small slice of the total car parc, however, growth signals remain strong with 20,665 new electric vehicle sales in 2021 tripling the 6,900 EVs sold in 2020. We understand that the electrification of the vehicle fleet will be critical to achieving national net-zero commitments as the transport sector is the second largest contributor (18%) to Australia's carbon footprint. Global and national efforts to accelerate the net-zero timeframes are likely to provide further tailwinds to EV adoption by increasing OEM supply and consumer demand.

To position GUD at the forefront of the EV transition in Australia GUD has joined the Electric Vehicle Council. The Electric Vehicle Council is the national industry body representing businesses involved in producing, powering and supporting EVs, the Council 'aims to accelerate the electrification of road transport for a more sustainable and prosperous Australia'.

Our businesses are actively exploring early-mover opportunities in electric vehicles

GUD's Innovation program led the inaugural GUD EV summit held in 2H FY22. This summit brought together business and product development leaders from across GUD to learn about the emerging trends in electric vehicles. Exploring the lessons of international markets with higher EV adoption rates, the team completed a teardown study to better understand EV products (including powertrain, batteries, charging, sealing, cooling systems), collaboratively scoped EV businesses opportunities, and identified future capability needs. The EV summit was a strong success, leading to the scheduling of a second EV summit to be held in 1H FY23.

Case study

Projecta Product Catalogue

Projecta to launch EV accessories range

Projecta is a renowned brand in automotive battery and power management products. Projecta's strong technical and supply chain capabilities are well aligned to the emerging market needs for EV-specific power and charging accessories.

Based on market research and an interview program of EV drivers, Projecta is developing a range of essential EV gear *'that every EV driver should have'* including charging cables, adaptors and accessories to suit most makes and models of electric vehicles and charging stations. The initial EV product range will be launched to market through established channels and promoted in the Projecta catalogue. This launch will mark a strategic and early-mover entry to the emerging EV market for the Projecta brand, starting with a range of 14 SKUs to test market needs and learn from solving real-world user problems.

Recent acquisitions have shifted our underlying portfolio weighting further towards non-ICE products

In the short to medium term, we will continue to actively manage our portfolio in line with car parc trends leveraging our existing strengths in combustion-based categories (e.g., engine oil and air filtration), growing activity in non-ICE segments (including lighting, power management and 4WD accessories) while exploring early-mover EV opportunities (e.g., hybrid vehicle battery refurbishment).

The FY22 acquisition program saw AutoPacIfic Group and Vision X join the GUD automotive portfolio. Both businesses produce non-ICE linked products continuing the strategic deleveraging of our portfolio's exposure to ICE-specific products. Including organic growth and acquisitions, GUD has strategically shifted the portfolio mix of automotive revenue from non-ICE segments from 54% in FY18 to 69% in FY22.

Innovative Mechatronics Group (IMG) is translating its automotive electronics capability to commercialise EV business opportunities

Electric Vehicle products and services are a natural extension of the IMG's core capability set in electronic components, diagnostics, repairs and remanufacturing. IMG has now established a dedicated business unit and appointed a General Manager to incubate and commercialise new growth corridors in the circular economy, energy storage and electric mobility. IMG's recent innovations include the establishment of Australia's first nationwide hybrid vehicle battery remanufacturing program and being awarded a $200,00 business support grant from Sustainability Victoria to create a sustainable business model for repurposing retired electric vehicle batteries for stationary energy storage.

Case study

Expansion of IMG's hybrid vehicle battery program

Hybrid EV battery testing station

Innovative Mechatronics Group (IMG) established the first nationwide remanufacturing program for batteries from hybrid electric vehicles (HEV). Genuine replacement batteries for HEV are expensive (up to 25% of vehicle value at the time of failure) and without the battery, there is no economic (mileage) or environmental (tailpipe reduction) benefits from driving a HEV. Engineers at IMG developed a process for identifying and removing 'unhealthy' cells from a battery pack and combining 'healthy' cells in a rebalanced new pack for in-vehicle use. The remanufactured batteries come with all the companion components and are a true plug-and-play solution.

In the second half of FY22, the company expanded its reach through the asset purchase of Hybrid Battery Rebuild, Victoria's leading remanufacturer of HEV batteries. All staff and IP integration has been completed and the team are focused on leveraging IMG's national scale to build on HBR's success in Victoria.

Case study

Battery energy storage system pilot


Battery Energy Storage System (BESS) made with EV cells

As lithium-ion batteries begin to dominate the waste stream as by product of the EV industry, alternative sustainable and responsible end-of-life waste management methods need to be developed.

IMG has been awarded a $200k 1:1 co-contribution grant by Sustainability Victoria to develop a circular economy business model to create Australia's first scalable reuse and recycling program for retired electric vehicle lithium-ion batteries (still having 70-80% of full capacity) into commercial Battery Electric Storage Systems (BESS) which can be coupled with a photovoltaic solar system to provide 24/7 power and cut grid-energy consumption and carbon emissions.

Using retired Nissan Leaf EV batteries, the IMG team have successfully commissioned their first fully operational pilot storage system in June 2022. Real-world testing and development of this system over the next 12-24 months will be fundamental in proving the concept to end-users and refining a successful business model.

Waste

We will aid customers in reducing their waste footprint, and lead by example in our business operations

Ambition
Enhance the sustainability of our packaging design and materials

Targets and metrics
Advanced Level in packaging (APCO) by 2025
Leading level in packaging (APCO) by 2030

Performance

5

Signatories to the Australian Packaging Covenant

↑ 3 on prior year

FY22	**5**
FY21	2
FY20	2
FY19	2

2

Businesses at APCO Leading level or above

Ryco – Advanced level

FY22	**2**
FY21	2
FY20	1
FY19	0

GUD will aid customers in reducing their waste footprint, and lead by example in our business operations

We seek to minimise waste within the GUD value chains including upstream suppliers, GUD facilities and downstream customers and consumers. We understand the most significant waste points in our value chain occur outside of GUD's doors and in particular the disposal of product packaging by our customers and end-users. Hence GUD can have the greatest impact on waste reduction by ensuring products leave our facilities with sustainable packaging designs and recyclable, reusable or compostable materials built in to minimise the potential of waste to landfill.

During FY23 GUD's Australian businesses will become signatories to the Australian Packaging Covenant

Several of our businesses are long-term signatories to the Australian Packaging Covenant, however, we are committed that all our Australian businesses acquire membership of the Australian Packing Covenant Organisation (APCO) as a minimum expectation. This process will see the adoption of best-practice sustainable packaging principles across our businesses and a commitment to annual tracking and reporting of progress and performance. This program was kicked-off within GUD with Sustainable Packaging webinar presented by APCO experts to the GUD businesses in April 2022.

We have set an ambitious target for GUD business to be recognised as 'Advanced' level in sustainable packing by 2025

The APCO reporting framework provides a benchmark to measure the progress of businesses in implementing sustainable packaging actions and delivering desired outcomes. From FY23 our Australian business will report against this framework with an ambitious target to achieve an 'Advanced' level by 2025 by demonstrating tangible action and outcomes in packing sustainability. We will leverage the experience of the Ryco and BWI businesses who have been APCO members for several years and have achieved Leading and Advanced levels respectively for 2022.

Case study

Ryco 4WD Service Kit

Sustainable packaging review: Ryco Service Kits

Ryco's filter kit range is a rapidly growing segment for the business. With the range and volumes now reaching a significant scale due to increased market demand, the Ryco team have identified an opportunity to redesign and improve the filter kit packaging. Ryco has established a packing review program that has identified several innovations in packaging design that can deliver significant benefits to both customers and the business including enhanced protection during transit, reduced customer shelf-space, ~20% reduction in transport and warehouse cube volumes. During FY23 Ryco will work with their customers to refine and endorse the changes and launch the redesigned packaging to market.

GUD Excellence Awards

The preeminent awards across all GUD businesses, the annual GUD Excellence Awards celebrate the truly extraordinary people and teams that makeup GUD and the outstanding efforts that they put in to create value for our customers, suppliers, community, and partners.

The 2021 GUD Excellence Awards were an especially important opportunity to bring together GUD people from across Australia, and businesses old and new following prior years of Covid-19 travel restrictions. The awards night was a resounding success with host, automotive enthusiast, and avid fan of GUD products Shane Jacobson entertaining the crowd and celebrating the winners on stage.

GUD people celebrating the 2021 Excellence Awards finalists and winners

Sustainability will now be elevated as a stand-alone category from 2022 in recognition of its importance within GUD

Building on our Health and Safety, and Innovation focus the GUD Excellence awards have been expanded to elevate Sustainability to a stand-alone category. In November 2022 we will celebrate the top three finalists and winning submissions across GUD businesses in the areas of:

- Health, Safety and Wellbeing – Individual, Team and Business
- Innovation – Product Innovation, Process Innovation, Innovation Partnership
- Sustainability

We will share highlights from the Excellence Awards winners in this and subsequent Sustainability Reviews.

Integration of new businesses

Case study

Vision X USA Team

New Acquisitions: Vision X embracing the GUD safety ethos

New acquisitions in FY22 took up the challenge to improve their safety health and wellbeing systems and programs. Some businesses undertook internal safety walks and audits to find and address hazards in their workplaces, while others took up the offer of a GUD HSW Compliance and Management Audit (through the GUD cross-company audit program) to get a full picture of their current state and identify learnings and opportunities for improvement. President of Vision X USA and Korea, Tony Georgitsis acknowledges they were 'doing a good job of looking after Vision X team members' safety and wellbeing before, and now they do a 'great job' of this'.

Corporate Governance

GUD's governance framework plays a critical role in helping the company deliver on its ESG strategy. It provides the structure through which business objectives are set, performance is monitored, and risks are managed. It includes a framework for decision making across the company and provides guidance on the standards of behaviour expected of GUD's people.

As part of the thrust to develop and integrate the ESG strategy and targets with the broader corporate and business strategy, the Board has broadened the STI incentive structure, introducing non-financial metric targets, encouraging and rewarding executives for effort focused on ESG priorities. For FY22 and FY23, emphasis is placed upon safety, employee engagement and ethical sourcing. This emphasis may change in the future, particularly after we conclude our strategy development. Longer term, the impact of climate change and striving for a lower carbon economy, sees the LTI incentive structure amended from FY23 to include a tranche tied to deriving a lower percentage of Group revenues from internal combustion engine (ICE) specific products.

The Board has adopted policies, including a general policy on corporate governance, a code of conduct and a share trading policy, which together include procedures specifically for Directors in relation to Directors' duties and conflicts of interest, dealings in Company shares, obtaining of independent professional advice and ensuring full and timely access to such information necessary for Directors to discharge their responsibilities.

These policies and codes may be found in the corporate governance section of the Company's website at gud.com.au/corporate-governance.

GUD complies with the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the ASX Principles and Recommendations).

GUD's governance framework and main governance practices for the year ended 30 June 2022 are detailed in our 2022 Corporate Governance Statement. This statement, together with GUD's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in GUD's Corporate Governance Statement, FY21 Corporate Report and website, is lodged with the ASX.

Next steps FY23 and beyond

GUD continues its ESG journey into FY23 and beyond. With our ESG strategy and targets now in place and an STI incentive structure encouraging and rewarding executives for efforts focused on ESG priorities we look forward to updating you on our progress over the next year in the FY23 Sustainability Review.

During FY23 we will also undertake a review to enhance our ESG reporting, this exercise will include assessing the convergence of international sustainability reporting standards currently in progress including the work of the newly created International Sustainability Standards Board (ISSB). We will align our reporting with appropriate internationally recognised standards and demonstrate progress against the targets set in our ESG strategy.

Further detail on GUD's sustainability metrics, performance and past-year data is presented in the 'Sustainability Profile and Performance Data' appendix of this report.

Appendix: Sustainability Profile and Performance Data

Reporting Notes

GUD seeks to continuously enhance its disclosures utilising the GRI Standards to improve the comparability of our reporting. Selected Global Reporting Initiative (GRI) Standards were leveraged to inform the content and scope of the report where applicable and accordingly, this report is GRI-referenced.

Health, Safety & Wellbeing

GRI Indicator 403-9 Work-related injuries	FY20		FY21		FY22	
	Number	Rate[1]	Number	Rate[1]	Number	Rate[1]
For employees						
Fatalities as a result of work-related injury	0	0	0	0	0	0
High consequence work-related injuries[2]	1	0.68	2	1.13	0	0
Lost Time GUD total	4	2.7	10	5.7	21	8.0
Wholesale trade motor vehicle	–	–	–	–	3	2.4
Fabricated metal manufacturing	–	–	–	–	10	12.1
Manufacturing	–	–	–	–	8	15.2
Recordable work-related injuries[3]	10	6.8	45	25.5	52	19.8
Main types of work-related injuries	Manual handling, slips, trips and falls		Sprains, strains, cuts, slips/trips and falls		Sprains, strains, cuts, slips/trips and fall	
Number of hours worked	1,464,942		1,766,697		2,623,190	
For contractors[4]						
Fatalities as a result of work-related injury	0	0	0	0	0	0
Lost Time[3]	–	–	0	0	0	0
High consequence work-related injuries[2]	0	0	0	0	0	0
Recordable work-related injuries[4]	0	0	0	0	0	0
Main types of work-related injuries	–	–	–	–	–	–
Number of hours worked	41,189		92,265		208,324	

1. Rates are per 1,000,000 hours worked.
2. Data prior to FY21 has counted LTIs in the high consequence category. From FY21 onwards LTIs are excluded from the high consequence category as per the GRI standard.
3. FY22 Recordables include total lost time injuries and medical treatments that are outside of the GRI metric. Data includes the new acquisitions of APG and Vision X.
4. Contractors are all workers who are not employees but whose work and/or workplace is controlled by the organisation.

Work-related hazards	FY22
The work-related hazards that pose a risk of high-consequence injury, including actions taken or underway to eliminate these hazards and minimise risks using the hierarchy of controls.	We have developed controls that respond to identified high-risk workplace hazards in areas including: • Mobile Equipment (e.g., forklifts) • Driving • Materials falling from heights • Individuals falling from heights • Electrical safety • Manual Handling

Thriving People

Staff Engagement Survey Scores

Employee Engagement Survey	FY19	FY20	FY21	FY22
Employee Engagement Score	75%	77%	79%	76%
Engagement Global 75th Percentile[1]	77%	77%	79%	79%
Employee Wellbeing Score	n/a	n/a	n/a	76%
Safety Commitment Score	95%	94%	94%	93%
Safety Global 75th Percentile[1]	88.5%	88.5%	89%	89%

1. Global 75th Percentile values are Qualtrics/IBM all organisations benchmark values updated each year.

Workforce demographics

GRI 102-8 Employees & other workers	FY20		FY21			FY22		
	Male	Female	Male	Female	Non-binary	Male	Female	Non-binary
Number of full-time employees	545	203	852	244	1	1,492	378	1
Number of part-time employees	6	27	13	22	0	19	32	0
Number of temporary employees	13	18	18	10	0	109	24	0
Total number of employees	564	248	883	276	1	1,620	434	1
Percentage of employees	69%	31%	76%	24%	–	79%	21%	–

GRI 405-1.a Board Composition[1]	FY20		FY21		FY22	
	Number	%	Number	%	Number	%
By Gender						
Male	4	67%	4	57%	4	67%
Female	2	33%	3	43%	2	33%
By Age						
Under 30 years old	0	–	0	–	0	–
30 – 50 years old	0	–	0	–	0	–
Over 50 years old	6	100%	7	100%	6	100%

1. Board composition includes the Managing Director.
2. GUD targets at least 30% female representation at the Board level.

GRI Indicator 401-1 New employee hires[1]	FY20		FY21		FY22	
	Number	Rate[1]	Number	Rate[1]	Number	Rate[1]
Employee new starters by gender						
Male	76	76%	175	78%	294	74%
Female	24	24%	49	22%	103	26%
Employee new starters by age group						
Under 30 years old	25	25%	72	32%	141	36%
30 – 50 years old	58	58%	121	54%	187	47%
Over 50 years old	17	17%	31	14%	69	17%
Employee new starters by region						
Australia	79	79%	202	90%	314	79%
New Zealand	21	21%	22	10%	65	16%
Thailand					16	4%
Other					2	1%
Total	**100**	**12%**	**224**	**19%**	**397**	**19%**

1. For gender, age group and region the new hire rate is the percentage of total new hires; The total new hire rate is the percentage of total employees.

Sustainable Sourcing

Ethical Sourcing Program	FY20	FY21	FY22
Suppliers assessed (Number)	111	242	450
Suppliers at Bronze or above (% of spend)	n/a	**79%**	**88%**
High Risk	n/a	98%	98%
Medium Risk	n/a	90%	57%
Low Risk	n/a	58%	79%

1. Further FY22 data will be published in the 2022 GUD Modern Slavery Statement, you will be able to view a copy of this in the Governance section of our website at gud.com.au/corporate-governance.

Energy and Emissions

Energy Consumption and GHG Emissions	FY19	FY20	FY21	FY22
Energy Consumption				
Total energy consumed (GJ)	26,920	n/a	26,800	66,820
Total electricity consumed (MWh)	3,140	n/a	3,000	10,330
Estimated GHG Emissions				
Scope 1 Emissions (tCO_2e)	1,010	n/a	1,050	1,820
Scope 2 Emissions (tCO_2e)	3,100	n/a	2,620	7,130
Scope 1 + Scope 2 emissions (tCO_2e)	4,110	n/a	3,670	8,950

Electric Vehicle Transition

ICE/Non-ICE Revenue Mix	FY19	FY20	FY21	FY22
Non-ICE revenue % (Automotive portfolio)	59%	59%	60%	69%
Non-ICE revenue % (Total)	69%	69%	68%	74%

1. Captures non-ICE revenue for reporting period; run rate including full-year contributions from acquisitions show a higher rate.

Waste

Australian Packaging Covenant	FY19	FY20	FY21	FY22
Signatories Businesses	2	2	2	5
Business at Leading level (or above)	0	1	2	2

Product Recalls

Safety is held in very high regard at all GUD businesses and safety extends beyond company walls to those who handle and use our products. One way we monitor our product safety record is by actively managing product recalls. GUD business had three product recalls in FY22, at Davey, ACS and Cruisemaster (prior to GUD acquisition). GUD product recalls compared with industry recall rates are illustrated in the table below.

Product Recalls[1]	CY17	CY18	CY19	CY20	FY22
GUD businesses[2]	1	0	1	0	2
Industry sector total[2,3]	187	217	260	158	240
GUD % of total	0.5%	0.0%	0.4%	0.0%	0.8%

1. Product recall reporting was updated to the financial year period from FY22. Prior year data (CY17 to CY20) is reported by calendar year.
2. The Cruisemaster FY22 product recall is excluded from the data table as it occurred prior to acquisition by GUD.
3. Relevant Industry sectors included are Cars, Trucks and Buses, Caravans and motorhomes, Trailers and Pools and Spas. Australian Industry recall data is reported online at www.productsafety.gov.au/recalls and www.vehiclerecalls.gov.au.

Legal Action

In the past year, we have had no legal actions; hence our GRI Indicator 206-1 is zero.

Board of Directors

Directors

The names of the Directors who held office during the financial year and details of their qualifications, experience and special responsibilities are as follows:

G A Billings*

BComm FCA MAICD

Appointed Non-Executive Director on 20 December 2011, and Chairman on 1 October 2020.

Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years, where he was head of the Melbourne Assurance practice as well as heading the firm's Australian and Global Industrial Products business.

Mr Billings is currently a Non-Executive Director and Chairman of Austco Healthcare Ltd (appointed 21 October 2015) and a Non-Executive Director of Clover Corporation Limited (appointed 20 May 2013) where he is Chair of the Audit Committee. He is a former Non-Executive Director of DomaCom Limited (retired 15 June 2021) and a former Non-Executive Director and Chairman of Korvest Limited (retired 31 August 2021).

D D Robinson*

BSc MSc

Appointed Non-Executive Director on 20 December 2011, and Chair of the Remuneration, People and Culture Committee.

Mr Robinson spent the past 22 years, prior to joining the Board, with global automotive parts, general industrial and consumer products manufacturer and marketing company Robert Bosch GmbH.

In that time, he has worked in the USA, Germany and Australia and had responsibility for sales, marketing, engineering, manufacturing, accounting and personnel. He was President of Robert Bosch Australia and Robert Bosch New Zealand.

J A Douglas*

BSc LLB (Hons) LLM MBA GAICD

Appointed Non-Executive Director on 1 March 2020, and Chair of the Risk and Compliance Committee.

Ms Douglas is currently a Non-Executive Director of Judo Bank and Chair of the Remuneration Committee (appointed August 2021) and a Non-Executive Director of Essential Energy (appointed 15 March 2018) where she is Chair of the Regulatory Committee. She is also a Non-Executive Director of St Kilda Football Club and Peter MacCallum Cancer Foundation. She is a former Non-Executive Director of Hansen Technologies Ltd (retired 28 February 2022), a former Non-Executive Director of OptiComm Limited (until it was taken over by Uniti Group in late 2020), a former Non-Executive Director of Telstra SNP Monitoring (retired 2016), Family Life Inc (retired 2010), Pacific Access Superannuation Fund (retired 1999), and Kilvington Girls Grammar School (retired 1994).

Ms Douglas has significant experience as an executive in the communications and technology sectors having held a diverse range of executive roles at Telstra and Sensis from 1997 to 2016. Prior to this, Ms Douglas was a lawyer with Mallesons and Allens where she specialised in intellectual property, communications and media law.

C L Campbell*

B Ec FCA GAICD

Appointed Non-Executive Director and Chair of Audit Committee on 16 March 2021.

Ms Campbell has over 30 years' financial executive experience in a range of industries including professional services, financial services, media, mining and industrial services. Ms Campbell commenced her career with KPMG and has held executive roles with Macquarie Group, Westpac Institutional Bank, Seven West Media, Bis Industries and Merivale.

Ms Campbell is currently a Non-Executive Director of Southern Cross Media Group Limited (ASX:SXL) and Deputy Chair of the Australian Film, Television and Radio School. She was previously a Non-Executive Director of Humm Group Limited (retired 30 June 2022) and a Non-Executive Director of IVE Group Limited (retired November 2020).

Prof J Pollaers OAM*

BElecEng (First Class Hons) BSc MBA

Appointed Non-Executive Director on 23 June 2021.

Professor Pollaers has over thirty years' experience in FMCG and healthcare sectors, as well as considerable manufacturing experience. Mr Pollaers was CEO of Pacific Brands from 2012 until 2014. Before that he was CEO of Fosters prior to the sale to SAB Miller. His executive career commenced with Diageo where he spent almost 20 years rising to the role of President Asia-Pacific.

Mr Pollaers is currently Chancellor of Swinburne University of Technology, Chairman of Convergence.Tech and Independent Chair of the Australian Financial Complaints Authority.

Mr Pollaers was formerly Chairman of the Australian Advanced Manufacturing Council, Chair of the Aged Care Workforce Strategy Taskforce for the Federal Government, Executive Chair and Founder of Leef Independent Living Solutions, Chairman of the Australian Industry and Skills Committee and a member of the Prime Minister's Industry 4.0 Taskforce.

A L Templeman-Jones*

BComm MRM EMBA
CA FAICD

Appointed Non-Executive Director on 1 August 2015, and appointed Deputy Chair on 1 October 2020. Resigned 31 August 2021.

Ms Templeman-Jones is currently Chair of Blackmores Limited (appointed 28 October 2020), a Non-Executive Director of Commonwealth Bank of Australia (appointed 5 March 2018) and a Non-Executive Director of Worley Parsons Limited (appointed 1 November 2017). Anne previously served as a Non-Executive Director of The Citadel Group Limited (retired May 2020), HT & E Limited (formerly APN News & Media Limited) (retired May 2018), Cuscal Limited (retired March 2018), Pioneer Credit Limited (retired November 2016), Notre Dame University (retired December 2016) and HBF Health Limited (retired October 2014).

Ms Templeman-Jones has considerable executive experience in institutional and commercial banking, wealth management and insurance, having previously held senior executive roles within Westpac and ANZ.

G Whickman

B Bus MAICD

Appointed Managing Director and Chief Executive Officer of the Company with effect from 1 October 2018.

Mr Whickman was previously President and Chief Executive Officer of Ford Australia and New Zealand (2015 – 2018). He had a 20-year career with Ford with senior executive roles in Asia Pacific, Europe and North America.

* All Non-Executive Directors are independent.

Corporate Executives

Chief Financial Officer

M A Fraser

B Bus EMBA GAICD FCA

Mr Fraser's early career was with Coopers & Lybrand in Australia, followed by over 25 years in senior finance and operational roles in Asia and Europe with McIntosh Hamson Hoare Govett, Jardine Matheson Ltd and the Schindler Group. He has been Chief Financial Officer since 1 January 2012.

Company Secretary

M G Tyler

LLB BComm (Hons)
MBA FGIA MAICD

Mr Tyler is a fellow of Governance Institute Australia, a former partner with Freehills and general counsel with Southcorp Limited. He has held a legal practicing certificate in Victoria for over 35 years.

Financial Summary and Ratios

Financial Summary and Ratios		FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
Sales and Profitability[1]								
Sales Revenue	$m	595.5	396.7	396.7	434.1	438.0	557.0	835.5
Underlying EBITA[7]	$m	80.1	84.1	83.9	89.2	81.2	101.7	149.5
Underlying EBIT[8]	$m	78.6	83.6	83.5	88.9	80.7	101.2	147.8
Underlying NPAT[8]	$m	44.4	51.9	88.9	60.9	48.2	64.0	89.0
Acquisition, integration, restructuring and impairment costs[9]	$m	(87.3)	(0.3)	(6.6)	(1.9)	(6.5)	(3.9)	(70.2)
Net Profit Before Tax[2]	$m	(23.3)	72.7	70.2	80.2	63.6	87.0	59.5
Net Profit After Tax	$m	(40.9)	51.5	50.5	59.6	43.7	61.0	27.3
Reported NPAT	$m	(43.0)	(7.3)	101.8	59.6	43.7	61.0	27.3
Cash Flow								
Cash flow from Operating Activities	$m	70.2	45.4	59.4	44.5	65.5	74.4	92.0
Financial Position								
Current Assets	$m	343.4	202.6	243.7	250.9	260.4	356.5	558.7
Current Liabilities	$m	168.7	100.9	86.5	86.2	96.9	132.8	258.7
Net Debt	$m	167.8	160.8	92.5	132.7	142.2	146.6	487.9
Net Tangible Assets	$m	44.8	(36.6)	30.5	(8.8)	(8.8)	35.9	(283.0)
Total Equity	$m	274.6	200.9	265.3	278.6	274.8	388.8	847.4
Per Share Performance								
Underlying Basic Earnings Per Share[1]	cps	52.0	60.5	64.1	70.4	55.6	70.3	74.5
Basic Earnings Per Share[1]	cps	(48.0)	60.1	58.6	68.9	50.4	67.0	22.9
Interim and Final Dividend	cps	43	46	52	56	37	57	39
Total dividend per share	cps	43	46	52	56	37	57	39
% Franked		100%	100%	100%	100%	100%	100%	100%
Payout Ratio		83%	76%	81%	80%	67%	84%	62%
Total shareholder return[3]		8%	46%	13%	-26%	19%	9%	-30%
Share Statistics (at 30 June each year)								
Total Shares on Issue	m	85.3	86.2	86.1	86.5	86.7	94.2	140.9
Closing Share Price	$	9.11	12.91	14.16	10.01	11.51	11.99	8.00
Market Capitalisation	$m	777.3	1,112.7	1,219.2	865.7	997.7	1,129.9	1,127.1
Key Ratios								
Underlying EBIT/Sales[1]		13.2%	19.6%	21.0%	20.5%	18.4%	18.2%	17.7%
Return on Capital Employed[1, 4]		10.0%	14.3%	15.4%	14.8%	11.6%	12.0%	6.7%
Return on Equity[1]		16.2%	25.8%	20.8%	21.8%	17.5%	16.5%	10.5%
Return on Assets[1]		7.2%	11.3%	11.0%	12.2%	7.5%	7.8%	4.7%
Net Debt/Total Capital		37.9%	44.5%	25.9%	32.3%	34.1%	27.4%	36.5%
Net Debt/Market Capitalisation		21.6%	14.5%	7.6%	15.3%	14.2%	14.1%	43.3%
Working Capital/Sales[1,5]		22.7%	27%	40%	38%	37%	40%	37%
Capital Expenditure/Depreciation and Amortisation[1,6]		90.9%	58%	97%	191%	43%	33%	37%
Interest Cover – times[10]		6.1	8.4	11.5	12.8	11.8	17.3	10.9

1. Based on underlying earnings from continuing operations.
2. Before share of equity accounted investees and non-controling interests.
3. Total shareholder return equals share price movement over the year plus dividends received, divided by the opening share price.
4. Capital employed equals equity plus net debt.
5. Based on working capital from continuing operations, as reported.
6. Based on capital expenditure from continuing operations, as reported.
7. FY22 excludes inventory step up on acquisition of $7.2 million.
8. FY22 excludes inventory step up on acquisition of $7.2 million and acquired intangibles amortisation of $10.1 million.
9. FY22 includes inventory step up on acquisition of $7.2 million and acquired intangibles amortisation of $10.1 million.
10. Based on banking covenants underlying EBITDA of $198.3 million including normalised EBITDA for acquisitions as if GUD had owned these for a 12-month period.

Corporate Directory

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Graeme Whickman, CEO/Managing Director
David D Robinson
Jennifer A Douglas
Carole L Campbell
John C Pollaers

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Martin A Fraser

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Malcolm G Tyler

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