



GUD Holdings Limited

GUD Modern Slavery Statement 2022

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Introduction

Our 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.

This Modern Slavery Statement is published in compliance with Australian *Modern Slavery Act 2018 (Cth)* for GUD Holdings Limited ('GUD') headquartered in Melbourne, Australia. It covers the financial year 1 July 2021 to 30 June 2022 and is a joint statement applying to all wholly owned GUD subsidiary companies listed in the 2021/22 Annual Report conducting business in Australia as listed in Annexure 2 to this Statement on page 30.

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



Graeme Whickman
Managing Director and
Chief Executive Officer



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

We are pleased to present GUD's third Modern Slavery Statement. It is the unfortunate reality that the exploitation of individuals still takes on many forms and hides in many workplaces. Reflecting that slavery is very much a modern-day issue, our portfolio vision released this year 'GUD 2025'¹ identifies a commitment to ethical sourcing as one of six key impact areas in our ESG Strategy, with long reaching goals through to 2030.

These goals are linked to the rate at which GUD's Ethical Sourcing Program is implemented through GUD's supply chain. There has been excellent progress towards these goals in FY22 with a significant uptake in suppliers engaged in the Program and continual improvements in grade compliance.

FY22 brought about international expansion of our operations with the acquisition of Vision X and the AutoPacific Group businesses, including off-shore manufacturing facilities in New Zealand, South Korea, Thailand, the USA and China. Investigating the potential for modern slavery and health and safety risks at such sites pre-acquisition, and subsequently uplifting health and safety standards, was a top priority.

As GUD continues to add to its dynamic portfolio of businesses, it is pleasing to see the reach of our Ethical Sourcing Program extend internationally. If non-compliance with our Program standards is identified anywhere in our operations, we need to act to resolve the situation and prevent its future occurrence. Human rights abuses, regardless of where in the world they occur, are serious crimes which no law-abiding business can condone.

To support our businesses in their continued implementation of the Ethical Sourcing Program we joined Sedex in FY22, one of the world's leading ethical trade membership organisations. This provides GUD businesses with an online platform and specialist tools for ethical sourcing due diligence, and access to the SMETA human rights auditing methodology. Importantly it also provides opportunities for collaboration with other Sedex members. With these new Sedex resources we look forward to achieving even greater transparency into modern slavery risks in our supply chain.

This year, we bring our report on modern slavery risks forward in our Statement to give it appropriate focus. We look closely into both GUD's own operations and those of its supply chain for modern slavery issues. We report on any failures to meet the standards of GUD's Ethical Sourcing Code, and associated improvements. This is, after all, the objective of the Ethical Sourcing Program and the underlying purpose of the modern slavery legislation.

We started developing our Ethical Sourcing Program in 2018 to identify and address modern slavery practices and risks in our own operations and our supply chains. Our Ethical Sourcing Program is being continually refined and developed. The Ethical Sourcing Program is described from page 26 onwards, together with an update on its implementation and how we monitor its effectiveness and impact.

Looking forward, we note that the New Zealand government has now commenced a consultation on legislation addressing slavery and worker exploitation, in a proposal towards modern slavery reporting. Fortunately, GUD's New Zealand businesses have already been included in our Ethical Sourcing Program and reporting processes, and they will continue to be closely supported in anticipation of this new modern slavery legislation.

¹ For more information on GUD 2025 portfolio vision refer to the GUD Annual Review 2022 published at <https://gud.com.au/financial-reports>

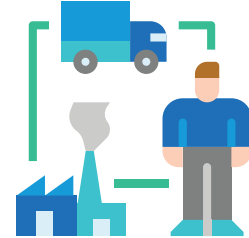
FY22 Highlights

2x

Doubled the number of suppliers assessed in the Program



Supply chain consolidation improvements



98%

of spend in high-risk regions assessed in compliance with modern slavery principles²



Audit and remediation of new business off-shore manufacturing facilities

GUD2025 Portfolio Vision established with ethical sourcing targets



Joined Sedex with membership access to Sedex platform and resources



ESG executive incentive program introduced with ethical sourcing metrics



Independent audit program and introduction of SMETA Audit platform



FY21 acquisition businesses ethical sourcing targets aligned with existing business targets



Updated risk assessment matrix

Compliance focus on freight and cleaning services



Revised ethical sourcing reporting template



² This metric is associated with the product spend of existing GUD businesses and does not include newly acquired businesses AutoPacific Group and Vision X

GUD

About GUD

GUD Holdings Limited ('GUD') is the Australian company behind leading products in the automotive aftermarket, 4WD towing and trailering market and water products market.

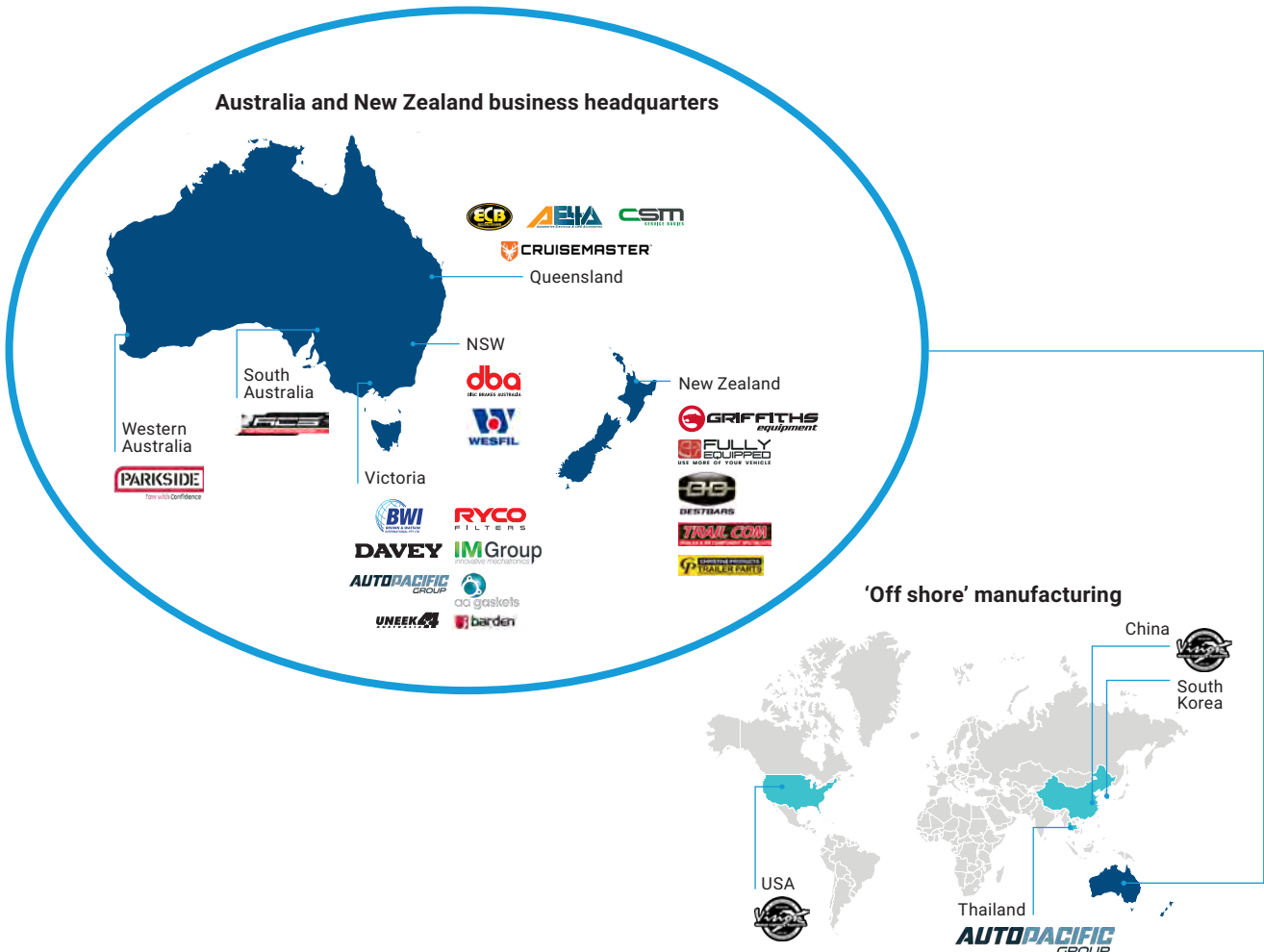
GUD has been listed on the Australian Stock Exchange for over 50 years. GUD's subsidiary companies have been traditionally based in Australia and New Zealand – many of which were established decades ago and have become household names.

As a result of acquisitions completed in FY22, GUD's operations have diversified to include product development and manufacturing facilities throughout Asia and the United States. Our personnel count has almost doubled since last year.

Products from GUD's wholly owned subsidiaries ('GUD businesses')³ are sold worldwide with primary sales markets in Australia and New Zealand including through these trade channels:

- automotive afterparts retail channels such as Bursons, Repco and Supercheap Auto
- original equipment manufacturers including Toyota, Ford, Mitsubishi, Isuzu and Subaru
- the extensive Davey Dealer network of retailers of water management products

The recent acquisitions of Vision X and AutoPacific Group provide access to an established customer base in the USA, Europe and South Africa.



16
businesses

2,050+
personnel

A\$835m
revenue

11,700+
shareholders

³ A list of GUD companies covered by this Statement is included at Annexure 2

GUD Products

Our Automotive brands



GUD's automotive aftermarket businesses produce a comprehensive range of products.

Through strong market growth and strategic acquisitions in the reporting period the automotive aftermarket businesses are leading suppliers of:

- Lighting products including automotive globes, workshop lamps and emergency lighting
- Electrical accessories such as terminals, cables, switches, fuses and connectors
- Battery maintenance and power management products
- Repair and remanufacturing of vehicle and electronic engine control units
- Car care including cleaning products, window tint and car detailing products
- Oil, air, fuel particle and cabin air filters
- Engine management parts, ignition coils, spark plugs, fuel pumps, automotive belts and sensors
- Automotive gaskets
- Standard and performance disc rotors, brake pads and ancillary brake components
- New and remanufactured clutch components and systems
- Frontal protection such as bull bars
- Service bodies
- Canopies
- Portable solar solutions
- 4WD lifestyle accessories such as fridges and awnings



AutoPacific Group



The FY22 addition of the AutoPacific Group's towing and trailering business has substantially expanded GUD's reach into the 4WD category.

AutoPacific Group's products include:

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



Our Water brand



Davey Water Products is an 88 year old Australian business which is a leading supplier of:

- 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



GUD's portfolio of market leading products reflect continual innovation and investment in product improvement

800+
trade marks

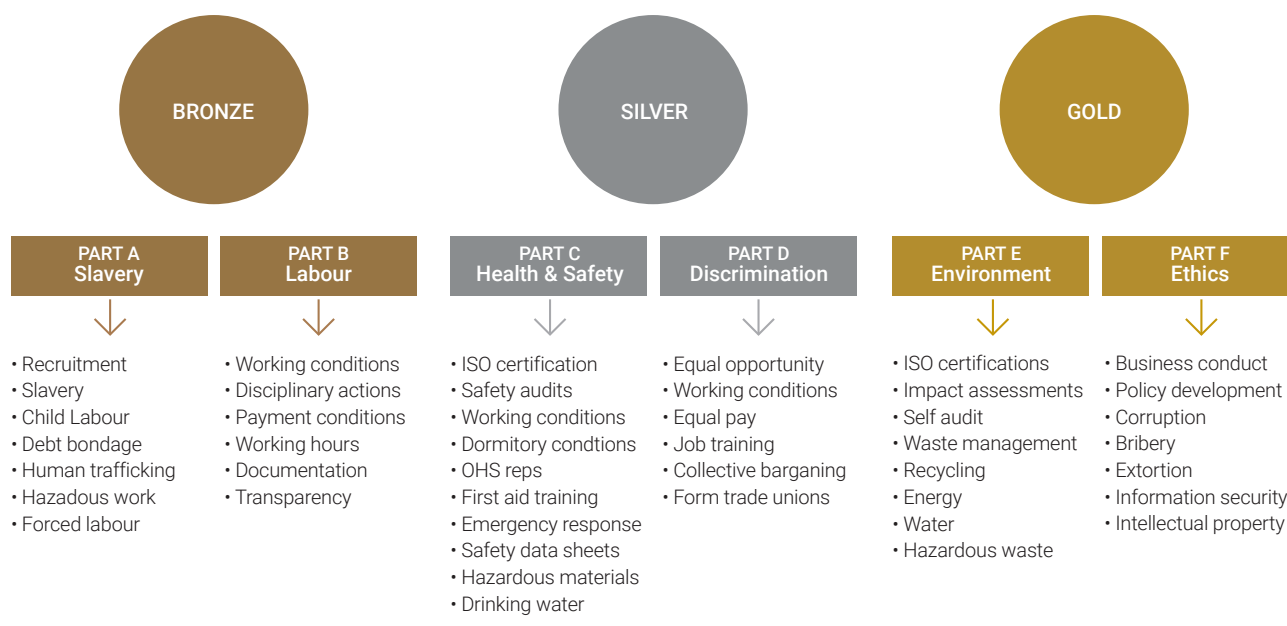
485+
designs

97+
patents

GUD Ethical Sourcing Code

Underlying GUD's approach to identifying and addressing modern slavery risks and ethical sourcing is the GUD Ethical Sourcing Code. The GUD Ethical Sourcing Code can be found online at <https://gud.com.au/corporate-governance>.

GUD's Ethical Sourcing Code sets three graduated compliance standards



The prohibition of 'modern slavery' practices referred to in the *Modern Slavery Act 2018* (Cth) are addressed at the Bronze entry level and assume prime importance. Bronze compliance requires supplier assurance against any modern slavery practices – which includes:

- human trafficking
- slavery
- forced labour
- servitude
- child labour
- debt bondage
- deceptive recruiting for labour or services

Given that modern slavery rarely occurs in isolation, and in recognition that certain practices in a work environment can be indicators of forced labour⁴, complementary standards in the GUD Ethical Sourcing Code address:

- Wage standards and labour rights (Bronze Part B)
- Health and safety practices (Silver Part C)
- Racial and gender discrimination (Silver Part D)

Gold tier compliance requires meeting specific environmental and business ethical standards, which are unrelated to modern slavery but reflect broader social objectives important to GUD.

The GUD Ethical Sourcing Code ('Code') applies equally to GUD's own operations and those of its suppliers.

To ensure optimum impact compliance with the Code within GUD's supply chain is achieved through direct and targeted engagement with individual suppliers. At a minimum, suppliers are required to meet the Bronze tier standards, which provide assurance against slavery practices and meeting wage and labour standards. Through corrective action plans suppliers are required to remediate any non-compliances and progress through the higher Code tiers to achieve Gold tier compliance.

⁴ 'ILO Indicators of Forced Labour' by International Labour Organisation published at https://www.ilo.org/global/topics/forced-labour/publications/WCMS_203832/lang-en/index.htm

Modern Slavery Risks

Modern slavery risks, and failure to meet other Code standards associated with labour rights, health and safety practices anti-discrimination, environmental responsibility and ethical business practices, are evaluated in both GUD's operations and within its supply chain.

In FY22, GUD's acquisition of the Vision X businesses and AutoPacific Group changed the risk profile for GUD operations, as this involved control and operation of off-shore manufacturing facilities. Given the different nature and location of these operations, we report on modern slavery and related risks in the ANZ and international GUD operations separately below.

This analysis of GUD's operational modern slavery risks is followed by analysis of modern slavery risks in GUD's supply chain, which has to date been the focus of GUD's Ethical Sourcing Program.

GUD ANZ Operations

GUD's automotive aftermarket and water businesses have historically operated in Australia or New Zealand. Excelling in product design and development, quality sourcing and supply chain management, a majority of the GUD businesses have over the years transitioned away from manufacturing operations to remain competitive.

Some facilities for the local manufacture and customisation of product, where occupational health and safety issues can be more acute, remain operated by Disc Brakes Australia and Davey in New South Wales and Victoria. All GUD businesses also manage warehousing facilities.

GUD's manufacturing capacity also expanded with the acquisitions of the East Coast Bullbars, CSM and Barden businesses in FY21. These businesses manufacture industrial steel or alloy products including bullbars, service bodies and other structural or protective automotive accessories in Queensland and Victoria. Fully Equipped is a New Zealand based manufacturer and installer of fibreglass utility canopies and bed liners.

Cognisant of addressing risk in these operations, GUD oversaw the assessment and remediation of occupational health and safety risks and closely reviewed the labour practices of these transitioning businesses.

Given GUD's opportunity for direct oversight of these geographically close operations and GUD's strong compliance track record with local Australian and New Zealand labour, health and safety laws, the risks of modern slavery practices in its ANZ operations are very low.

Ongoing assurance and transparency concerning any modern slavery practices in GUD operations is managed by requiring every GUD business to self-assess and report against GUD's Ethical Sourcing Code. In FY22 these assessments confirmed there were no modern slavery practices identified in GUD's own operations.

These positive results are consistent with GUD culture, policies and protocols which reflect a strong level of ownership and accountability for the wellbeing of its personnel. In FY22 GUD appointed its first Head of Safety to work across the GUD businesses to further strengthen safety standards.

Three out of the six impact areas in GUD's FY22 GUD 2025 portfolio vision and Environmental Social and Governance Strategy framework, are associated with worker welfare.⁵



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 committed 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

GUD tiered ethical sourcing framework – high and medium risk geographies

Accountability and assurance as to the absence of modern slavery practices is also driven by external factors including:

- An increasing number of social responsibility audits of GUD businesses and their supply chain requested by large account customers (at least 20 external audits encompassing modern slavery and human rights were conducted across the group in FY22)
- Anti-slavery and child labour declarations are required by original equipment manufacturers
- GUD business compliance with the ISO social responsibility accreditations

⁵ For more information on GUD's ESG Strategy refer to the GUD Annual Review 2022 published at <https://gud.com.au/financial-reports>

GUD Operational Improvements – Health, Safety and Wellbeing

Feedback from the newly integrated ANZ GUD businesses in their ethical sourcing reports in FY22 confirmed that their integration into GUD prompted improvements in health, safety and wellbeing:

“we introduced a transparent recruitment process, an in-depth new employee induction process, and a set of core values which includes safety, teamwork and the Benestar employee assistance program”

“we took a fresh look at how we had been operating and are now more vigilant in identifying safety improvements”

“we upgraded the personal protective equipment in the factory – this challenged the old way of doing things, but our people have adjusted and embraced these changes”

“we appointed safety representatives to lead improvements in work health and safety”

“we identified that containing the interaction between man and machine reduces risk and made improvements to improve traffic management in the warehouse and the shopfloor”⁶

GUD’s established businesses were also encouraged to identify opportunities to improve their workplace safety through employee engagement and participation. In FY22, the following initiatives were developed:

- Brown & Watson International’s ‘Stop for Safety’ program which resulted in the development of a comprehensive Laboratory Safety Procedure
- Griffiths Equipment’s ‘Better Every Day’ program which resulted in 30 initiatives delivering improved safety
- Ryco and AA Gasket’s comprehensive wellbeing calendar of activity focusing on the holistic wellbeing of employees, including their mental health and wellbeing.

Additional information and reports on health, safety and wellbeing outcomes for GUD operations is contained in GUD Holdings Limited’s 2022 Annual Review.⁷



⁶ These and other quotes in the Statement are reflections by GUD supplier and procurement personnel submitted with the GUD Ethical Sourcing reports
⁷ The GUD Annual Review 2022 is published at <https://gud.com.au/financial-reports>

GUD Off-shore Manufacturing – Vision X & AutoPacific Group Acquisitions

In a transformative year, GUD's operations diversified through acquisitions to include off-shore manufacturing facilities:

- in 2021, the Vision X acquisition delivered product development and manufacturing operations for specialist automotive and industrial lighting products in South Korea and China, and a limited manufacturing, product development, warehouse and sales base in the USA.
- in 2022, the AutoPacific Group acquisition included multiple factories and significant warehousing facilities located in Chon Buri Thailand which produces towing, trailering, cargo management and other automotive accessories.

GUD was aware that there may be a heightened risk of modern slavery practices with facilities in such off-shore locations, especially those located in countries with weak rule of law and low wage rates. Both are factors which have been recognised by the International Labour Organisation as contributing to conditions increasing the risk of modern slavery.⁸

Prior to these acquisitions, GUD conducted due diligence on human rights issues, and carried out health and safety inspections of each of the site facility conditions. Issues identified in due diligence were assessed for severity of risk. All audits reported acceptable working conditions and raised no concerns with respect to workers' rights and compliance with local labour laws.

Following acquisition, comprehensive audits were undertaken to bring workplace environments in line with best-practice standards. Corrective action plans, progressively monitored, as well as guidance and education ensured that non-compliance matters transformed into improvements.

While Vision X and AutoPacific Group's overseas operations (employing just under 400 people) had related ISO accreditations and strong labour practice standards, improvements for workplace health and safety were identified in each of the off-shore manufacturing and warehousing locations. These improvements – identified as part of the pre-acquisition audits, post-acquisition WHS Compliance and Management System Audits and site walk-throughs by Executive Management – included corrective actions associated with the following.

Vision X South Korea:

- increasing the number of trained fire and emergency wardens; rectifying obstructed egress pathways; improving machinery guarding; reducing the weight of products and items that were being manually moved around the factory.

Vision X China:

- improving fire protection systems; exit signage; and emergency alarm and lighting systems.

Vision X USA:

- improvements to racking and shelving; removal of fall from height hazards; further improving facility ventilation, continuous improvement of battery recharge PPE safety; improving ergonomics and manual handling; and reducing trip hazards.

AutoPacific Group Thailand:

- signage improvements; improved visitor induction and security access; focus on adherence to safety rules and visual management practices; improvement of cutting equipment and pressing machine safety; improved manual handling activities; and the layout of the manufacturing facility, forklift pathways and evacuation maps.

In each case, the new businesses have been receptive to the process of making improvements to their established safety procedures, showing a willingness by each team to share and learn.

This due diligence also confirmed there were in place many health and wellbeing initiatives for workers across these facilities, including having a nurse on-site and/or first-aid resources, free meals and access to clean water or milk in the Asian factories, annual health check-ups and regular social activities.

GUD's approach inter-company is to set consistent standards on human rights and ethical issues, regardless of location. The operations of the newly acquired businesses have now been integrated into the GUD Ethical Sourcing Program and their compliance reporting includes assessment of their manufacturing and warehousing sites. In this regard, in FY22 the Vision X businesses and AutoPacific Group self-assessed and reported as compliant with the GUD Ethical Sourcing Code at Silver and Gold levels confirming not just the absence of modern slavery practices but adherence to higher standards.

Apart from the quality, commercial and competitive advantages which come with GUD's ownership of these companies, GUD now has oversight of working conditions in these facilities which has already brought about positive changes through the improvements described above. Further changes, such as the introduction of a mental health wellbeing program have been recommended.



8 'ILO Indicators of Forced Labour' by International Labour Organisation, 2012

Environmental certification

Finally, acknowledging that this is not a modern slavery issue but included in GUD’s ethical sourcing assessments, we note that in FY22 many GUD businesses reported innovations in waste recycling management practices to reduce environmental impact and improved sustainability practices.

Nevertheless, almost all GUD businesses identified improvement required associated with environmental policy, certification and audit requirements. The issue was not of improper practices, however an absence of systems management and certification. Formalising these individual measures into cohesive protocols to certification standard will be an area of future focus.

Improvements in this area will also be driven by plans to meet targets in the key impact areas on the ESG strategy including Waste and Energy and Emissions.



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
Carbon neutral for GUD scope 1 and 2 emissions



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



GUD Suppliers

GUD businesses manage around 1,350 suppliers⁹. These are predominantly tier 1¹⁰ suppliers of product components and products intended for re-sale. This number also includes direct service providers identified to date in service chain mapping. The overall number of suppliers has reduced from last year. This is partially attributable to:

- supply chain consolidation and natural attrition as the FY21 new automotive aftermarket businesses have been absorbed into existing business structures
- synergies for internal sourcing have been explored with the FY22 acquisitions
- closer analysis of supply chain data resulting in non-current suppliers being removed

GUD businesses source a range of raw materials, product components and finished products. Key categories in the automotive businesses include:

- steel plate, steel bars, fibreglass, alloy sheet and extrusions
- production materials such as powdercoat, paint and sealing products
- lighting products and components: automotive driving lights, fog lights, workshop lamps, beacons, lamps, and globes
- electrical products: fuse accessories, terminals, cables, connectors, switches, wiring
- automotive gaskets and seals, clutches, disc rotors, brake drums and shoes, disc pads, automotive filters and auto belts
- engine management and mechatronics products, traffic management products
- harnesses, winches, handles, latches and wiperblades
- portable refrigerators and awnings

The Davey business sources product components and finished products for water pumps, pressure tanks, controllers, filters and chlorinators.

All GUD suppliers are individually mapped and evaluated for modern slavery risks. This supply chain risk mapping ensures that the highest risk suppliers are prioritised into the Ethical Sourcing Program where they are required to confirm their commitment to the GUD Ethical Sourcing Code and agree to co-operate with remediation actions and audit measures.

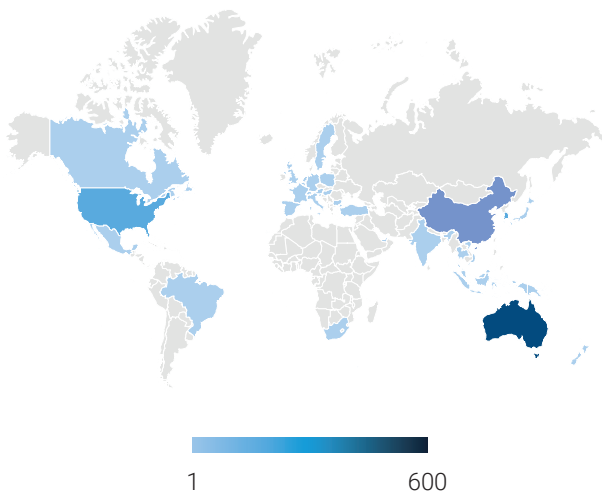
Key risks are initially identified by the geographical location of the supplier. While many organisations use country location as a risk indicator of modern slavery practices, GUD's methodology is unique because of the combination of resources on modern slavery and human trafficking data used in order to rank countries as High, Medium or Low risk (Refer to **Modern Slavery Risk Mapping & Risk Matrix**, p. 14).

Other data mapped against each supplier includes:

- proportion of annual spend with supplier
- length of engagement as a GUD supplier
- the regularity of GUD supplier engagement, such as performance reviews
- the number of site visits per year
- the number of independent audits

While these factors are not indicators of modern slavery they do reflect GUD's exposure to risk and GUD's leverage or influence on supplier conduct. They also are relevant risk mitigation factors (Refer to **Ethical Sourcing Program – Challenges** p. 22).

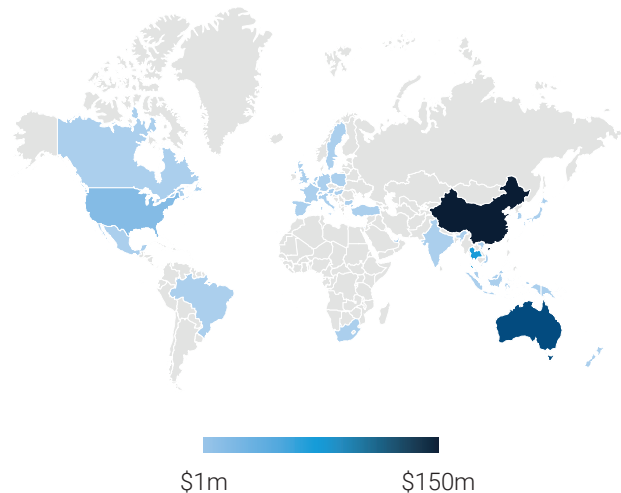
GUD Suppliers by Quantity



1,350
suppliers

630
ANZ based suppliers

GUD Suppliers by Spend



720
internationally based suppliers

⁹ Inclusive of product and product component suppliers, however not all service providers are included in this figure

¹⁰ A tier 1 supplier is a supplier directly engaged by a GUD business

Modern Slavery Risk Mapping & Risk Matrix

GUD's risk management framework grades countries into bands identifying if they have a High, Medium or Low risk of modern slavery. Countries are ranked for the risk of modern slavery on a scale of 1 to 10, which determines whether the countries sit in the High, Medium or Low bands. All GUD businesses map their supply chains and prioritise direct supplier engagement on ethical sourcing by risk, depending on geographic location.

GUD determines risk by country by using a Risk Matrix developed from range of international resources which each measure modern slavery risk in different ways. Using a combination of source material is designed to address inherent deficiencies in individual ranking approaches.

For example, the Global Slavery Index ranking methodology is an excellent resource but is heavily reliant on instances of reported slavery. However, self-reporting of slavery is less prevalent in countries with restricted civil liberties, and transparency in monitoring and reporting slavery practices can differ by country.

Accordingly, GUD's risk matrix also uses Freedom House score data (which measures the availability of civil liberties) and rankings based on TVPRA¹¹ data which measures global government action to eliminate human trafficking, combining all three to achieve a balanced country risk ranking.

With this adjustment China's risk ranking changed from Low (under the Global Slavery Index) to High using GUD's risk matrix.

Resource	Ranking	Source Material & Methodology	Responsible
Global Slavery Index	Ranks countries on risk of modern slavery from 1-167 grading from: highest (1) to lowest (167) risk	Estimates the number of people in modern slavery using probabilistic surveys across countries on reported cases; data from assisted victims of trafficking in IOM ¹² databases; estimates from ILO ¹³ on state-imposed forced labour	Walk Free Initiative by the Minderoo Foundation (assoc. with Fortescue Metals Group)
Freedom House Score	Ranks countries as: <ul style="list-style-type: none"> • Free • Partly Free • Not Free 	Measures individual's access to political rights and civil liberties using on the ground research, NGO reports, academic data, news articles and professional contacts	Freedom House (US organisation established in 1941)
TVPRA Tiers Trafficking in Persons reports	TVPRA Tiers rank countries into four tiers on gov. actions taken to eliminate human trafficking	Measures a governments actions to combat human trafficking against criteria specified in the Trafficking Victims Protection Reauthorization Acts (TVPRA)	US Bureau of International Labor Affairs, regulating the TVPRA
GUD Modern Slavery Risk Matrix	Ranks countries at High, Medium and Low risk of modern slavery prevalence using a numeric score out of 10	Points allocated referencing the ranking of country by: <ul style="list-style-type: none"> • Ranking on Global Slavery Index • Freedom House Score • Ranking in TVPRA Tiers • Total points out of 10 (highest score is highest risk) 	GUD Ethical Sourcing Working Group

In FY22 the GUD Ethical Sourcing Working Group reviewed the country risk assessment matrix and replaced the TVPRA List with the TVPRA Tiers. The TVPRA List identifies specific goods likely to be produced in countries of forced or child labour, however it had limited application to GUD sourced products.

The new TVPRA tiering system (created by the US Bureau of International Labor Affairs in 2020 from Trafficking in Persons reports) provided a more nuanced way to rate all supplier countries for risk based on their government's actions to combat human trafficking.

11 Trafficking Victims Prevention Reauthorization Acts, USA (2000, 2003, 2005, 2008, 2013, 2019)

12 International Organization for Migration

13 International Labour Organisation

Supply Chain Risks

The risk of modern slavery is at its greatest in the international supply chains used by GUD businesses, especially those which are geographically distant. GUD manages supply chain risk as follows:

- Future facing: all newly appointed suppliers are required to comply with GUD's Ethical Sourcing Code and are automatically brought into the Ethical Sourcing Program at the procurement stage.
- Established supplier base: historically appointed suppliers are progressively brought into the Ethical Sourcing Program via individual assessment and assurance.

To best leverage GUD's influence to effect change, and ensure direct accountability for remediation of modern slavery risks, GUD's approach has been to engage with each and every supplier in its Ethical Sourcing Program.

However just to reach all tier 1 suppliers involves individual engagement and monitoring of hundreds of suppliers across the GUD group. Accordingly, efforts are prioritised in countries where the modern slavery risk is high and with suppliers where the annual spend is high.

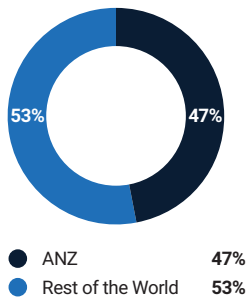
Once all high, medium and low risk country tier 1 suppliers are brought into the Ethical Sourcing Program, the Program will be extended to tier 2 suppliers¹⁴.

Supplier Country Risk Profile

Australian suppliers make up around 45% of the GUD supply chain, many of which are long term relationships. This is particularly the case for the automotive afterpart businesses acquired in FY21, which specialise in custom designed solutions for Australian conditions and predominantly use locally sourced materials and services.

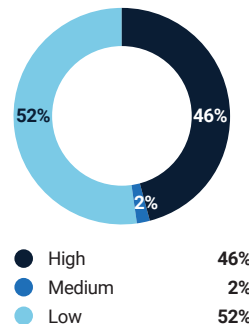
47% by number of GUD's suppliers are located in Australia and New Zealand contributing to 32% of total spend in the reporting period.

GUD Supplier Location by Number (ANZ vs Rest of the world)



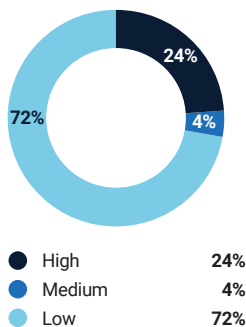
By GUD spend there is a fairly even split between suppliers located in countries with low and high risk, with less than 2% of spend with medium risk countries.

Supplier Country Risk by Spend (by GUD spend)



Across the group, the majority of GUD's 1,350 suppliers are located in countries ranked as having a low risk of modern slavery and a strong regulatory environment.

Supplier Country Risk by Number (by no. of suppliers)



Our FY22 review of the GUD supply chain offered the following high level insights as to country risk:

- High: amongst those suppliers operating in high risk countries the majority of spend remains with China, however there is increasing diversification within the high risk group with increasing spend with suppliers in Thailand, Mexico and Bulgaria.
- Medium: representing only a small number and low spend of GUD businesses, suppliers in Medium risk countries are located in Germany, Italy, Hong Kong and South Africa.
- Low: Australian suppliers represent half of GUD spend in low risk countries, with the remaining spend being with suppliers located in the USA, New Zealand, the United Kingdom, Japan, South Korea and Taiwan.

¹⁴ Tier 2 suppliers are suppliers engaged by tier 1 suppliers and are often raw materials providers

Greater transparency as to modern slavery and related risks in supplier operations is obtained as suppliers are engaged in the Ethical Sourcing Program and undertake due diligence against the Code standards (refer to **Ethical Sourcing Program**, p. 18 and **Supply Chain Due Diligence & Remediation**, p. 20.)

Completion of Self-Assessment Questionnaires (SAQs) determines the level of supplier compliance as Bronze, Silver or Gold and identifies areas of non-compliance for remediation.

All GUD businesses work to common progress goals to bring their entire supply chain into the Ethical Sourcing Program. In FY22, this involved assessment of tier 1 suppliers of:

- products and product components for re-sale
- service providers in the fields of freight forwarding and on-site cleaning

Refer to **Monitoring Progress**, p. 24 for a report on group progress.

Product and Product Component Suppliers

In the course of achieving Bronze level, which is the entry Code standard in which modern slavery and labour practices are assessed, non-compliances associated with supplier working hours and wages were identified:

- Excessive overtime
- Employees not being provided at least one day off a week
- Wages for over-time incorrectly calculated
- Severance pay not paid correctly
- Holiday pay not accurately compensated
- Deducting from employee wages if the employee makes an error

These non-compliances were remediated in FY22 prior to the suppliers achieving Bronze level compliance. As part of the remediation process, corrective action plans are developed and best practice standards are identified.

GUD acknowledges that issues related to wage practices may reflect culturally accepted practices which are considered reasonable in some countries. However, change can be effected through a combination of raising awareness, communication about GUD's expectations, commercial leverage and the financial incentive of continued engagement as a GUD supplier.

Otherwise, the compliance grades of product and product component suppliers engaged in the Ethical Sourcing Program in FY22 indicate that supply chain risks most commonly arise in the fields of:

- health and safety
- environmental risk management and certification

While these are not risks of modern slavery, they do indicate a failure to meet GUD's full Ethical Sourcing Code standards.

Just over 20% of suppliers engaged in the Ethical Sourcing Program and which have completed initial assessment are at bronze level which indicates current risks of non-compliances may exist in the areas of:

- Health and safety (however not slavery related issues)
- Anti-Discrimination

The most commonly reported non-compliances with suppliers in this group were not, however, associated with discrimination but health and safety concerns prevailed. Corrective actions reported at this level were for health and safety issues including:

- Lack of formalised safety management systems, including third party certification and audit of these systems
- Lack of documented work health and safety check-lists (although undertaken as part of daily production preparedness)
- Lack of health and safety training
- Lack of first aid attendants on site
- Lack of proper machine safeguards
- Inconsistent use of personal protective equipment

These non-compliances were remediated in FY22 or are the subject of current corrective action plans.

Just over 20% of suppliers engaged in the Ethical Sourcing Program are at Silver level which indicates current risks of non-compliance may exist in the areas of:

- Environmental responsibility
- Ethical business conduct

In this regard, lack of formal environmental risk management systems and certification was the most commonly identified non-compliance area. Suppliers in this category usually passed questions associated with environmentally responsible practices, but failed to achieve Gold compliance because they lacked the formal management systems to document these practices to certification standard.

For more information as to supplier compliance levels across the GUD group refer to **Effectiveness of Actions**, p. 23 and **Monitoring Progress**, p. 24.

Service Providers

All service providers are being incrementally included in the Ethical Sourcing Program according to the severity of modern slavery risk generally associated with the service industry represented.

In our last Modern Slavery Statement we identified that some services carry a higher level of modern slavery risk, including:

Maritime cargo shipping companies and freight forwarders:

- due to the multi-national and fragmented regulatory regime that governs the industry and the practical limitations to effectively monitoring and enforcing work practices and conditions on board vessels

Cleaners:

- due to sub-contracting practices, traditional lower level wages and high proportion of unskilled persons or migrant labour making this a service provided by potentially vulnerable workers

In FY22:

- all GUD businesses mapped or commenced mapping their entire service provider supply chains
- all GUD ANZ businesses engaged service provider in the fields of freight forwarding and on-site cleaning in the Program
- the Self-Assessment Questionnaire (or SAQ) was adapted for smaller on-site service providers such as cleaners

Outcomes identified from the FY22 assessments of freight forwarders and on-site cleaners:

- All freight forwarders were assessed and achieved the following compliance levels represented by % of spend (from annual expenditure of \$27 million):
 - 73% at Gold
 - 15% at Silver
 - 11% at Bronze
- GUD's overall spend with freight forwarders is concentrated with seven (generally national or international) suppliers
- Cleaning services were provided by a larger number of (mainly local) suppliers at a significantly lower spend of well below \$1 million
- Cleaning service providers representing 85% of this spend assessed at Gold, Silver or Bronze – with the majority achieving Gold
- A small number of cleaning service providers are pending completion of the SAQ or are yet to be brought into the Program. Problems engaging these suppliers may be because they are smaller operators and not used to managing such requests. However, efforts will continue to secure assessment responses, and if appropriate undertake independent audits of these suppliers, given the high risk nature of these services.

Overall, 99% of suppliers by spend in the categories of freight forwarders and on-site cleaners have engaged in the Program and achieved compliance levels providing an assurance against modern slavery risks.

Progress through other service provider categories will continue in FY23.

COVID-19 Risks & Impacts

In FY22, COVID-19 impacts continued to have an unprecedented impact on businesses, industries and people which have the potential to heighten risks associated with modern slavery.

Complications of COVID-19 (such as businesses operating at low capacity due to personnel on sick leave or in mandatory isolation) have resulted in significant world-wide logistical and supply chain challenges.

GUD is aware that increased demands on suppliers to address product shortages will necessarily be felt in their workplace. For example:

- through a stretching of resources which increases the risk of workers being pressured to work excessive overtime
- by engaging in unorthodox recruitment practices to secure or retain labour

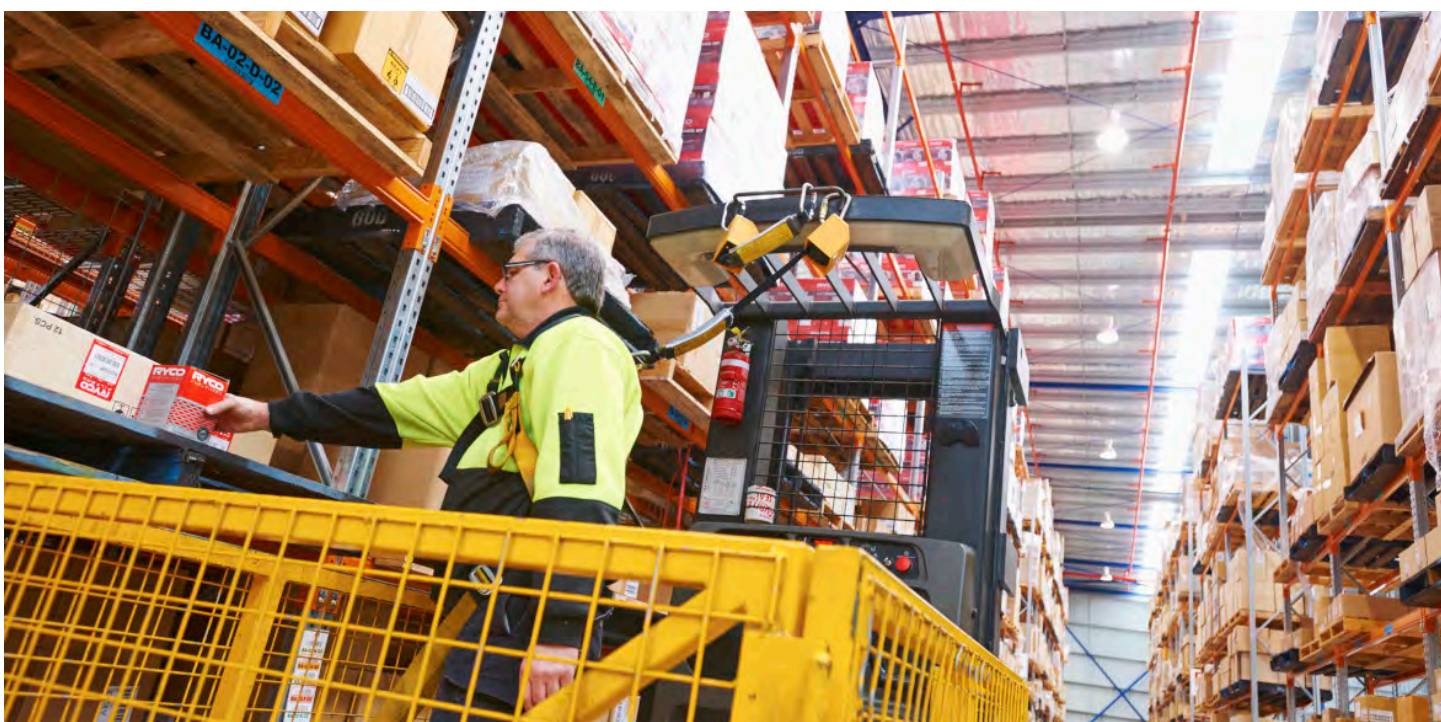
GUD is mindful of the potential for increased modern slavery risks and remains committed to manage such issues with its suppliers with resilience and compassion.

“Supply chain interruptions, ongoing labour shortages, raw material shortages, may put pressure on our suppliers and their staff to meet customer demands, remembering while we are cognisant of our responsibilities, other customers may not be”

Throughout FY22, COVID-19 travel restraints have continued to create obstacles to in person visits, especially to international supplier sites. The China zero-Covid approach has meant that access to Chinese supplier sites still remains very limited.

This has meant that engagement with suppliers continue to rely heavily on telephone and video conferencing, which provides limited opportunity for independent verification as to supplier assurances. Increasingly, GUD businesses are relying on contractors and third party auditors located in China for this purpose.

“Covid has caused supply disruptions to our factories. We had to find secondary sources to mitigate the risk and in some cases to avoid production stoppages”



Ethical Sourcing Program

In this section we provide:

- an overview of the GUD Ethical Sourcing Program – including its foundational elements and our implementation and verification approach to compliance
- FY22 improvements and initiatives
- challenges to successful implementation of the Program

Ethical Sourcing Governance

GUD maintains a series of governance and compliance forums for ethical sourcing which develop proactive and reactive risk mitigation initiatives.

The Ethical Sourcing Working Group comprises experienced GUD supply and procurement managers, GUD’s General Counsel, GUD’s Senior Manager Innovation & Strategy and a specialist legal adviser in ethical sourcing compliance. The Ethical Sourcing Working Group developed GUD’s fit for purpose multi-faceted Ethical Sourcing Program and:

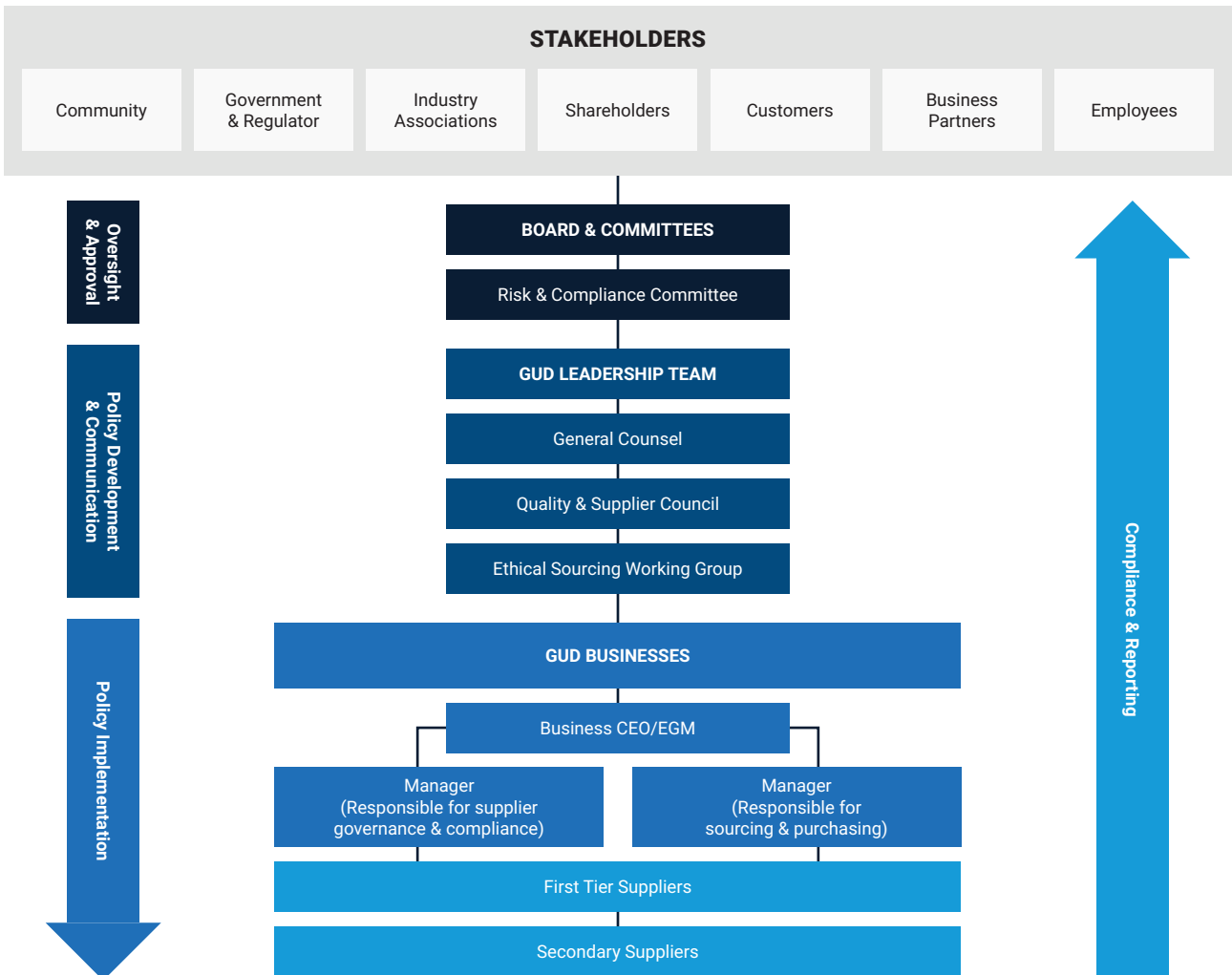
- sets ethical sourcing compliance targets
- provides training and develops resources on supplier due diligence
- manages the group-wide annual reporting on modern slavery risks and remediation of non-compliances
- develops the annual Modern Slavery Statement

The Ethical Sourcing Program is implemented across the group via the Quality & Supplier Council, which has a charter to monitor and mitigate emerging and longer-term supply and quality challenges.

The Council is made up of procurement and supply managers from each GUD business who are responsible for deployment of the Ethical Sourcing Code through their supply chains and monitor supplier compliance with the Code. The GUD Quality & Supplier Council meets quarterly and creates a forum to discuss progress with Code implementation, problem solve and access training and resources.

Ethical sourcing reports and operational self-assessments against Code standards are prepared annually by each GUD business and signed by their General Managers or Chief Executive Officers.

The Ethical Sourcing Working Group and Quality & Supplier Council report to the GUD General Counsel on these issues, who briefs the Board’s Risk & Compliance Committee, responsible for providing oversight and related recommendations to the Board. The Board has overarching responsibility for GUD’s Ethical Sourcing Program and related statements by GUD. GUD’s Modern Slavery Statement is reviewed by the Risk & Compliance Committee and the Board and published only after Board approval.



Ethical Sourcing Program Policies & Protocols

GUD's Ethical Sourcing Program is a comprehensive compliance framework designed to ensure that GUD suppliers meet the ethical sourcing standards outlined in the GUD Ethical Sourcing Code. It is built on the following policies and procedures.

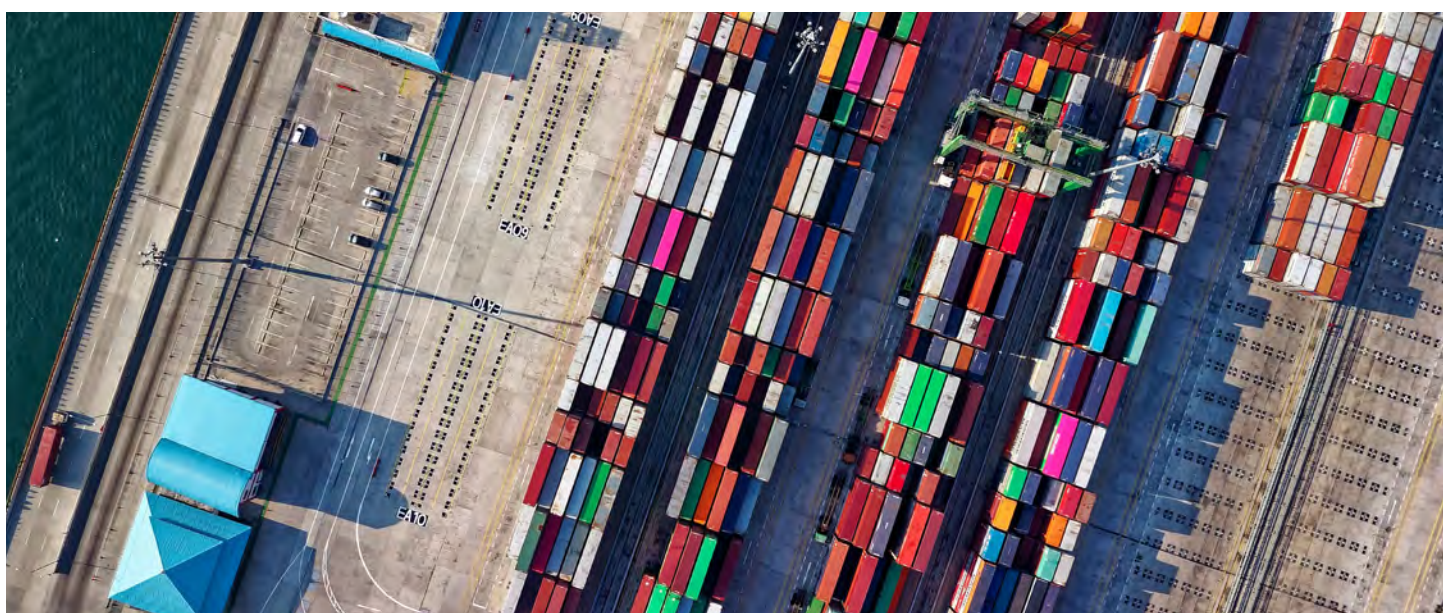
Implementation of the Program, through supplier due diligence and assessment, identifies modern slavery risks. Corrective action plans are developed and non-compliances are monitored to remediation.

With each year of the Ethical Sourcing Program, a higher percentage of suppliers and service providers to GUD businesses confirm their commitment to the Ethical Sourcing Code.

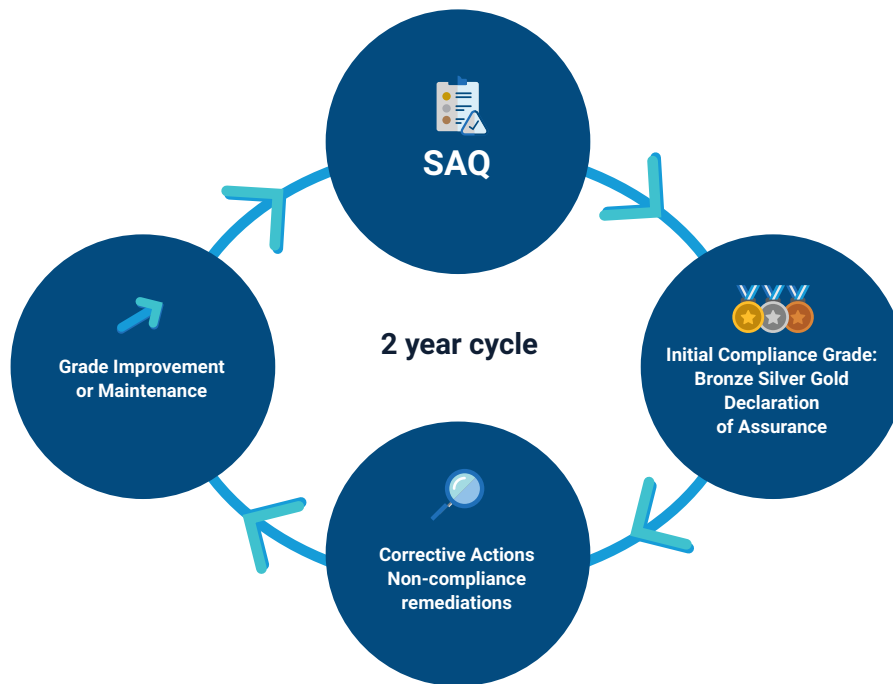
Item	Description
Ethical Sourcing Code	Establishes the standards that suppliers are required to comply with in relation to labour, human rights, health, safety, environment, social governance and business ethics. At a minimum, it specifically prohibits modern slavery practices (as defined in the <i>Modern Slavery Act 2018 (Cth)</i>) and enshrines internationally recognised human rights values as described in the United Nations Guiding Principles on Business and Human Rights.
Ethical Sourcing Policy	Sets out GUD's expectations as to application of the Ethical Sourcing Code to all GUD businesses and throughout the operations of their supply chain.
Implementation Guidelines	Provides internal guidance for GUD businesses on how to implement the Ethical Sourcing Code. The Guidelines creates common standards to manage supplier engagement and undertake assurance activities and confirms the internal progress reporting required to ensure that all GUD businesses progress the implementation of the Code uniformly and consistently throughout their supply chain.
Country Risk Matrix	A matrix used by GUD businesses referencing multiple resources to evaluate risk of modern slavery by country.
Supply Chain Risk Map	A risk evaluation template used for GUD businesses to map their supply chain, evaluate risk and identify risk mitigation opportunities.
Ethical Sourcing Self-Assessment Questionnaire (SAQ)	Is required to be completed to determine and test supplier compliance with the Code. The questionnaire (available in English and Mandarin) automatically determines supplier compliance at Bronze, Silver or Gold level and highlights any remedial actions to address any areas of non-compliance.
Declaration of Compliance	Is incorporated into the Self-Assessment Questionnaire and is a contractually binding assurance of compliance with the Ethical Sourcing Code, co-operation and access for audit and agreement to undertake any remedial actions required towards achieving Gold standard compliance.
Ethical Sourcing Progress Report	Required to be completed annually by the GUD businesses to track and measure progress of Code implementation within their supply chains, identification of modern slavery risks and supplier remedial measures undertaken across the group. This is analysed by the Ethical Sourcing Working Group and aggregated results are reflected in the Modern Slavery Statement.
Ethical Sourcing compliance clauses	Template clauses for inclusion in supply agreements to ensure compliance with ethical sourcing standards, co-operation with audits and grounds for termination if standards are not met.

In FY22 the Ethical Sourcing Working Group revised and updated:

- the Country Risk Matrix
- the Ethical Sourcing Progress report



Supply Chain Due Diligence & Remediation



Due diligence starts with GUD's Self-Assessment Questionnaire (SAQ). This is a comprehensive and interactive document which tests the supplier's Code compliance with a series of questions which explore the policies and practices of the supplier operations against the GUD Ethical Sourcing Code.

The SAQ has been translated into Mandarin which mitigates against the risk of the questions not being fully understood with our Chinese suppliers, and has contributed to the successful engagement of GUD suppliers in China.

The SAQ automatically determines the level of supplier compliance as Bronze, Silver or Gold and identifies areas of non-compliance for remediation.

Alternatively, the supplier has the option to provide assurance based on certification and audit documentation against independent standards which are equivalent to those in GUD's Ethical Sourcing Code.

Evaluation of the SAQ outcomes prompt GUD businesses to work with the supplier to:

- identify non-compliance remediations to achieve or improve compliance
- provide guidance on international benchmarking standards
- agree on clear, measurable and time-framed corrective action items
- provide inducements to encourage achieving full Code compliance – including incentives for preferred supplier status to be awarded to Gold suppliers.

GUD businesses often implement such processes as an extension to their supplier quality compliance programs and activities. Importantly the Ethical Sourcing Program ensures that human rights issues and worker welfare is now becoming an established part of their conversations with suppliers.

"Ethical Sourcing SAQ has become part of the tool box used for supplier visits and new supplier plans"

As the Ethical Sourcing Program evolves third party auditors and other independent verification measures are increasingly being used by GUD businesses to identify and monitor to completion remediation actions.

While remediation of specific non-compliances is important, GUD is aware that remediation is too often a one-off solution. Sustainable change comes from suppliers who are empowered to act in a way that considers the business pressures they face. This might involve the challenges of meeting the cost of improvements or changing recruitment practices. GUD reassures suppliers that they will not be dropped if sub-standard labour practices are identified at their sites. Rather, GUD will work with them to build their skills in identifying and addressing modern slavery issues.

It is only if a supplier refuses to complete the SAQ or provide assurance against equivalent standards or fails to progress identified corrective actions to achieve full Code compliance that a plan will be made to transition away from the supplier. Fortunately, in FY22, this has been reported as a last resort only on fewer than five occasions after substantial encouragement and dialogue failed.

Audits

Self-Assessment Questionnaires completed by suppliers provide a good foundation for raising supplier awareness as to modern slavery issues, securing compliance assurance and remediating non-compliances. They were also the primary option available to implement the Program during much of the last few COVID-19 years of travel restrictions.

To keep compliance grades current, under the GUD Ethical Sourcing Program:

- suppliers provide assurance of ongoing Code compliance every two years
- suppliers are required to report on any changed circumstances which might impact on their compliance status.

However, despite such measures, self-assessment requires assurance and verification by other means.

“One key risk is taking self assessments at face value. This is the reason suppliers need to be engaged via auditing, to ensure compliance particularly with those in the high risk category”

Subject to any travel restrictions, GUD businesses achieve this assurance through a combination of:

- a. Informal reviews and observations of Code compliance as part of periodic site visits
- b. On-site audits conducted by GUD personnel against the SAQ
- c. On-site audits by independent third parties
- d. Certification of the Supplier’s practices against equivalent standards
- e. Regular communication with suppliers and acting on any new information about changed supplier conditions or circumstances which may impact on compliance

All GUD businesses conduct supplier performance reviews and have a policy to visit suppliers (local and overseas) on a regular basis. Since the Ethical Sourcing Program was started, GUD businesses have developed a high understanding of modern slavery risks and have increasingly included compliance with the Ethical Sourcing Code in their supplier reviews.

“In terms of selection of new suppliers, we are now ensuring that only suppliers with an understanding of modern slavery and worker welfare is part of the initial engagement assessment”

“Things are definitely improving. The focus is shifting, there is a general awareness with actions starting to flow through. Persistence, and site visits and audits is the key thing”

Increasingly, GUD businesses are using independent sub-contractors, specialist teams of supplier assessors and third party auditors – often located in the supplier country – for on-boarding new suppliers and for compliance assurance with existing suppliers.

In FY22 GUD businesses commenced a more formalised group wide approach to using independent on-site audits to supplement the self-assessments. This included providing access to a range of auditing resources including the Sedex Members Ethical Trade Audit (SMETA) platform.

The SMETA audit methodology is considered to be global best practice for social auditing and is conducted by affiliated audit companies (all being APSCA¹⁵ certified third party audit providers). The SMETA audits assess suppliers against local laws and the Ethical Trade Initiative Base Code (based on the United Nations International Labor Organisation Convention).

The SMETA 2 and 4 pillar audit approach aligns with the graduated GUD Code – with 4 pillar equivalent to Gold, and both 2 and 4 pillar meeting essential labour and non-slavery Bronze standards. There is also the opportunity to keep a record of other supplier certifications and audit reports on the Sedex platform, corrective action plans and track non-compliance remediations.

In FY22 GUD set targets for increased independent auditing across the GUD businesses and made financial incentives available within the group to encourage use of the SMETA platform for third party audits. The FY23 targets are to conduct SMETA audits on 50% of:

- Suppliers located in high and medium risk countries representing an annual spend of \$100,000+
- Suppliers located in low risk countries representing an annual spend of \$250,000+

It is anticipated that the ability to identify specific non-compliances by supplier and their progress to remediation from using SMETA will help provide a more comprehensive understanding of modern slavery risks, and in depth reporting on these.

Ethical Sourcing Program – Challenges

From a process perspective, GUD is aware that there are risks to the success of its Ethical Sourcing Program and to achieving the underlying goal of identification and remediation of modern slavery risks in its supply chains.

These risks include:

- by their nature, slavery practices are often hidden – relying on self-assessment of Code compliance provides unscrupulous suppliers with the opportunity to falsely represent their compliance status
- ensuring that standards do not slip after corrective action items are completed and old practices are not quietly re-instated by suppliers
- suppliers can be reluctant to share information as to who they source product or outsource operations to, due to commercial sensitivity, which limits reach of the Program into their supply chain

While GUD's declaration of compliance is a contractually binding document, and provides legal assurance of achievement and maintenance by a supplier of Code standards, GUD acknowledges that this is only part of the solution.

To better understand how such risks can be practically mitigated, GUD businesses map the following data against each supplier:

- proportion of annual spend with supplier
- length of engagement as a GUD supplier
- the regularity of GUD supplier engagement, such as performance reviews
- the number of site visits per year
- the number of independent audits

A combination of these factors can provide GUD businesses with increased confidence that the supplier is genuinely engaged in the Ethical Sourcing Program:

- Commercial leverage can be a powerful motivation, and high value suppliers have more to lose if they do not maintain Code compliance.
- Regular performance reviews with suppliers promote transparency and provide GUD businesses with opportunities to track non-compliance remediations through to completion.
- Site visits provide opportunities for verification of supplier self-assessments and site conditions.
- Independent audits are powerful tools to affirm compliance and also educate suppliers by identifying correction actions (refer to **Audits**, p. 21).

Importantly, the length of the supplier relationship can be key to implementing genuine change. GUD businesses report that improved trust arises from long term relationships and there is greater supplier transparency where relationships are long term and amicable.

GUD businesses supplier relationships tend to be long standing. GUD businesses reported that:

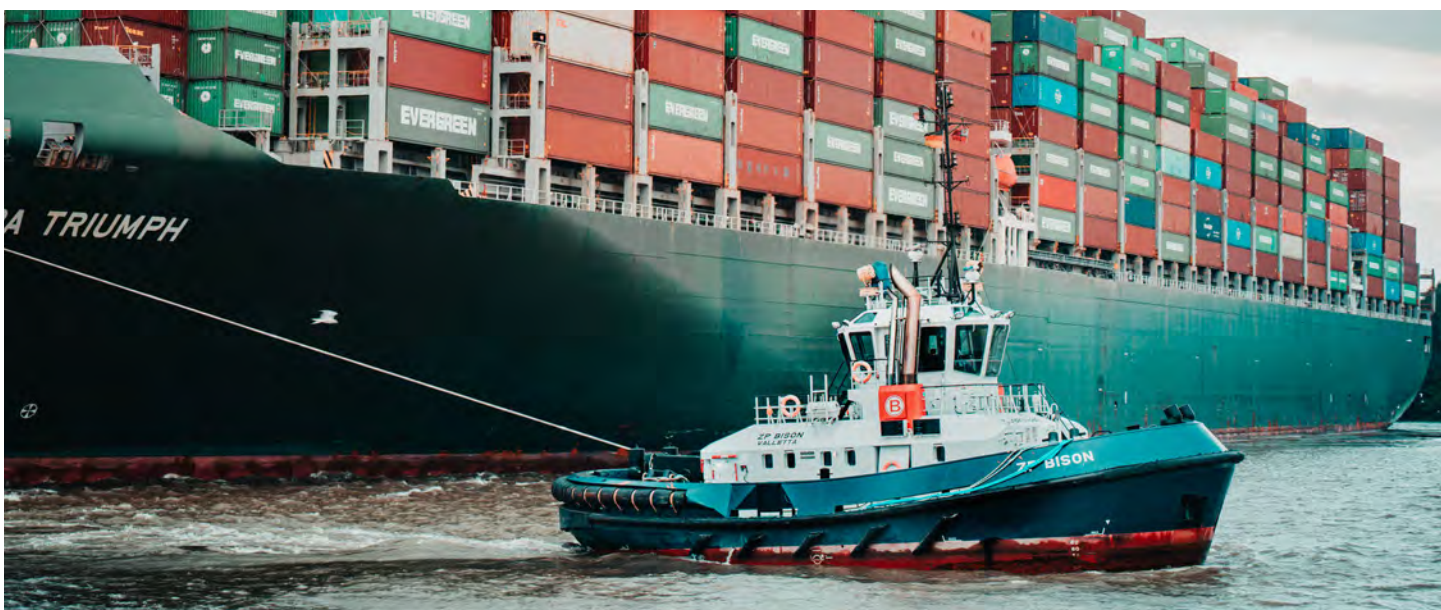
- 33% to 82% of their supplier relationships exceed 5 years
- in some cases 70% of their supplier relationships exceed 10 years

Requests to suppliers to change their employment and operational practices are more likely to be successful where both parties are committed to the relationship and have mutual trust. Managing this process also requires good communication.

***“Communication with suppliers is creating a greater awareness and understanding of ethical sourcing and highlighting the critical importance and focus to our internal team.*”**

“We know through engaging with our suppliers that education around process is the key to limiting these risks.”

By engaging directly with our suppliers – through deep due diligence, awareness raising, education and change practices as non-compliances are remediated – GUD businesses can be confident of genuine engagement which creates sustainable and lasting changes.



Impact

In this section we report on how GUD measures the effectiveness of its Ethical Sourcing Program and FY22 metrics on the progress of its implementation in GUD's supply chains.

Effectiveness of Actions

GUD assesses the effectiveness of its actions to address modern slavery in its operations and its supply chain in several ways. Primarily this is achieved by measuring and reporting on how extensively the Ethical Sourcing Program is implemented in GUD's supply chain and the compliance grades achieved.

The Ethical Sourcing Program objective is to ensure supplier compliance with the Code standards. At a macro level, performance against key performance indicators measure:

- **supply chain reach:** GUD monitors the gradual roll-out of the Code by business through its supply chain against annual goals of:
 - % of annual spend
 - % of suppliers located in High, Medium and Low risk countries
- **supplier improvement:** GUD sets graduated compliance goals and measures the percentage of suppliers at Bronze, Silver and Gold levels of the Code

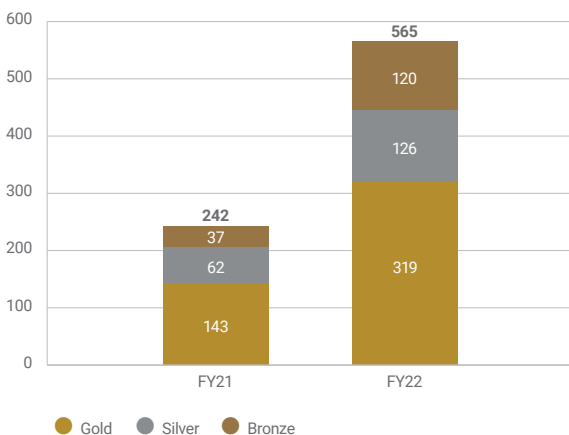
These key performance indicators are increased each year and apply consistently across the GUD group to facilitate joint reporting on group performance. In the initial year of a newly acquired GUD business, lower KPIs are set however the new business is expected to align to group progress within the following year.

Each GUD business reports on progress against KPIs in an annual comprehensive ethical sourcing report. Aggregated group performance data against these metrics is included in this Statement (refer to **Monitoring Progress**, p. 24).

In FY22, the following year on year improvements were identified:

- 135% increase in uptake of the Ethical Sourcing Program. The number of suppliers individually engaged in the Program more than doubled.
- Strong growth and upwards movement in the compliance levels:
 - 123% increase of suppliers at Gold
 - 103 % increase of suppliers at Silver
 - 224% increase of suppliers at Bronze

GUD Ethical Sourcing Assessment Progress



These positive trends provide compelling evidence as to how GUD's Ethical Sourcing Program effects improvements in worker welfare in GUD's supply chains.

The strong growth of suppliers in the Bronze category reflects the significant uplift in the number of suppliers brought into the Ethical Sourcing Program for the first time. It is not indicative of any backward trends in compliance levels with suppliers already in the Program.

Rather, achieving Bronze is a critical measure of how many GUD suppliers have been assessed, and provided a continued commitment:

- To not engage in modern slavery practices
- To respect labour rights, wage entitlements and provide good working conditions

Movements from Bronze to Silver represents improvements in worker welfare in the complementary areas of:

- Health and safety
- Anti-Discrimination

Progress from Silver to Gold represents supplier:

- Environmental responsibility
- Ethical business conduct

In FY22, additional metrics to measure the long term effectiveness of GUD's Ethical Sourcing Program were introduced in the GUD 2025 vision. These identified minimum expectations to be applied to the first tier supply chain for all GUD businesses:

- 2025: 100% Bronze, 75% Gold
- 2030: 100% Silver, 90% Gold

Performance against these ethical sourcing goals will be reported in each GUD Annual Review (refer to **Sustainable Sourcing – GUD 2025**, p. 26). This means that the progress and impact of the Ethical Sourcing Program is open to broader scrutiny including by the stakeholders whose feedback determined 'Sustainable Sourcing' as a key impact area.

On a micro level, the effectiveness of the Program is measured by the improvements to working conditions implemented by suppliers as a result of the identification and remediation of non-compliances.

Monitoring Progress

Progress objectives for Code implementation with GUD's tier 1 suppliers¹⁶ are set each year to ensure continual progress towards the ultimate objective of 100% of suppliers reaching Gold compliance standard. A tier 1 supplier is a supplier which is engaged by a GUD business, as opposed to their raw material suppliers (tier 2 suppliers).

Annual targets are linked to both a percentage of annual spend and country risk indicated by supplier location. The starting point is to engage high value suppliers in high risk countries, and then progress across the risk categories. Once these progressive targets are reached with tier 1 suppliers, new targets for tier 2 supplier engagement will be set.

GUD ANZ businesses

For the ANZ GUD businesses already engaged in the Ethical Sourcing Program (Davey and the automotive aftermarket businesses) the goal was to engage all tier 1 suppliers (of products and product components for resale) located in high and medium risk countries in the Ethical Sourcing Program:

High – 100%¹⁷ target

Medium – 100% target

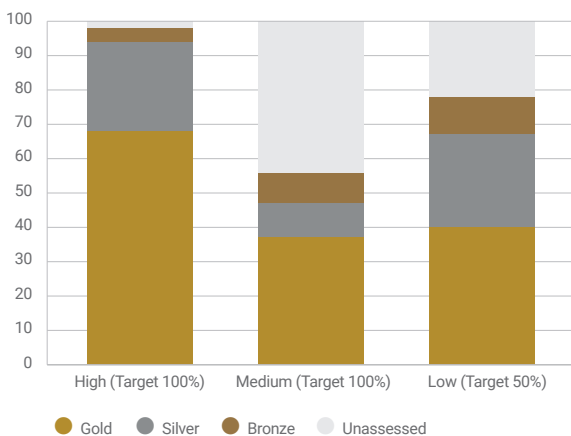
Low – 50 % target

Performance against targets in FY22 was strong in high and low risk countries where a majority of GUD existing businesses supplier spend occurred.

In FY22, across the GUD existing businesses, suppliers representing:

- 98% of spend in high risk countries across the group were engaged in the Ethical Sourcing Program
- 57% of spend in medium risk countries were engaged in the Program, well below the 100% target
- 78% of suppliers in low risk countries were engaged in the Program, exceeding the 50% target

Completion of FY22 Targets (total spend by country)



In the reporting period, GUD businesses recorded significant progress against their FY22 completion targets.

These targets were more ambitious for the ANZ GUD businesses, including those which were acquired in FY21 and whose strong performance brought them into alignment with the GUD group goals.

Lower targets were set for the new businesses AutoPacific Group and Visions X businesses as they were being initiated into the GUD Ethical Sourcing Program.

More than 70% of the GUD ANZ businesses achieved their 100% high risk country target. Those businesses which did not achieve this target reported challenges engaging suppliers representing a small percentage of their spend. It was reported that suppliers in Indonesia and Malaysia have been slower to engage than suppliers in China which may indicate ethical sourcing requests being less common in these countries.

Pleasingly 75% of the automotive afterpart businesses acquired in FY21 met the 100% high risk target, showing rapid progress on aligning their ethical sourcing targets.

Group spend with medium country suppliers is less than 2% and is with a relatively small number of suppliers (refer to **Supplier Country Risk Profile**, p. 15). GUD suppliers in medium risk countries are primarily located in Germany and Italy, some of which are global original equipment manufacturers and OE aftermarket suppliers. Some GUD businesses encountered resistance by such suppliers to provide assurance against GUD's ethical sourcing standards. However, in a number of cases they were able to provide equivalent standard assurances based on their own or third party comprehensive ethical sourcing standards and compliance actions.

Accordingly, the disappointing performance of engaging suppliers in medium risk countries is partially due to communicating expectations and process issues. It is also mitigated by these suppliers having a proportionately low representation and impact in GUD's overall supply chain. With more focussed efforts in FY23 this result should significantly improve.

The strong performance with engaging suppliers in low risk countries, which represents a large proportion of supplier spend, has boosted the overall uptake of the Ethical Sourcing Program. Overall:

- 88% of suppliers engaged in the Ethical Sourcing Program are now at Bronze level or above
- 84% of suppliers representing purchases over \$200k with GUD businesses are at Gold or Silver ranking

¹⁶ Targets are currently linked to tier 1 suppliers of products or components for re-sale directly engaged by a GUD business

¹⁷ % is by spend – suppliers representing the proportion of annual spend in the risk category

New FY22 GUD businesses

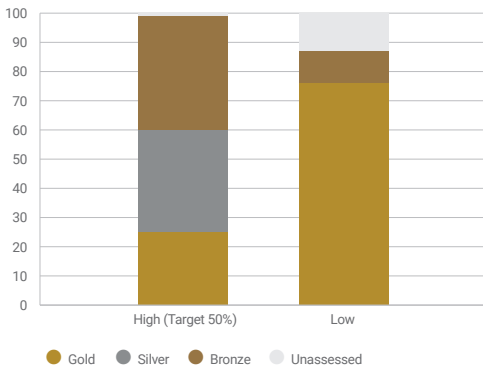
Modest targets were set for the businesses newly acquired in the reporting period as Vision X and AutoPacific Group started the journey of engaging tier 1 suppliers in the Ethical Sourcing Program.

Their goals were to engage 50% of tier 1 suppliers (of products and product components for resale) located in high risk countries in the Ethical Sourcing Program within six months of acquisition (by 30 June 2022):

High – 50%* target

Both of these businesses exceeded these targets.

New FY22 Businesses – Completion of FY22 Targets (total spend by country) – excluding VisionX USA



Reflecting a strong start, collectively Vision X and AutoPacific Group companies engaged suppliers across both high and low risk level countries with strong tier compliance results.

Vision X

The Vision X acquisition involved acquiring two Asian based product development and manufacturing businesses and their US partner and key wholesaler.

As the wholesaler of the Vision X lighting products, the Vision X USA business aligns most closely to the traditional GUD business model. Recognising that the acquisition was mid-financial year and for consistent reporting we note as follows.

In FY22 Vision X USA confirmed that by annual spend:

- 99.9% of its products and product components for re-sale were sourced from low risk countries (USA and South Korea)
- 96% of its products came from two tier 1 suppliers (being Vision X Korea and Vision X China) which are now wholly owned by GUD
- 96% of Vision X USA's traditional tier 1 supply chain is engaged in the Ethical Sourcing Program and self-assessed as compliant at Silver and Gold

Accordingly, progress against targets for Vision X USA was exceeded.

Since being acquired by GUD, Vision X Korea and Vision X China (which conduct research, product development and manufacturing of components and finished automotive lighting products) have been integrated into GUD's international operations and:

- have been initiated into the Ethical Sourcing Program
- have risk mapped their tier 1 product and product component supply chains
- each rely on local supplier relationships in predominantly low risk countries for Vision X Korea in South Korea and high risk countries for Vision X China in China
- report that their relationships with suppliers tend to be long term with companies which are financially and ethically well organised
- have been engaged in health and safety improvements in their manufacturing and warehousing facilities since acquisition by GUD which have resulted in an immediate raising of standards

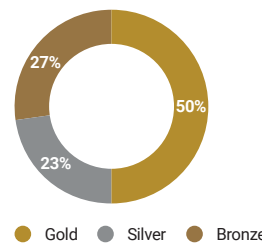
While these companies do not operate in Australia and as such are not required to report on modern slavery under the Australian legislation, GUD's 2025 portfolio vision applies to the GUD group companies irrespective of location. Additional focus on supply chain in these businesses will occur in FY23 and an update will be provided in the FY23 Modern Slavery Statement.

AutoPacific Group

AutoPacific Group has exceeded its targets on its services, product and product component supplier bases. 67 suppliers were engaged in the GUD Ethical Sourcing Program and self-assessed against the GUD Ethical Sourcing Code. In addition to going well beyond the target of engaging 50% of product and product component suppliers in High risk countries in the Ethical Sourcing Program, huge progress was made in engaging a majority of their suppliers in other countries as well.

All AutoPacific Group's service suppliers for freight-forwarding and on-site cleaning services achieved Gold tier compliance. Similarly, a majority of suppliers of product and product components (by number and representing 50% of annual spend) also achieved Gold tier compliance.

APG Compliance tiers by Spend (%)



Case study



AutoPacific Group's 'Gold, Silver, Bronze' supplier rating system

AutoPacific Group was a quick adapter of the Ethical Sourcing Program. It already had a well established supplier rating system, grading each supplier against traditional Cost, Quality and Delivery metrics.

Inspired by the Ethical Sourcing Code standards, APG:

- modified the supplier scorecard to include compliance on ethical sourcing
- applied Bronze, Silver and Gold ratings against all suppliers reflecting their overall performance
- provides incentives and rewards to Gold suppliers to promote compliance

Ethical Sourcing Program Support

Sustainable Sourcing – GUD 2025

In FY22, as part of its portfolio vision GUD 2025, GUD developed a comprehensive Environmental Social and Governance (ESG) strategy with substantial goals and metrics. The ESG strategy reinforces each impact area – which also includes Health, Wellbeing & Safety, Thriving People, Waste, Energy and Emissions and Electric Vehicle Transition – with ambitious and objective targets for the mid-term (2025) and longer-term (2030).

Sustainable Sourcing was identified as one of six focus areas important to stakeholders and where GUD believes it has influence to create significant positive impact. The term 'sustainable sourcing' reflects GUD's approach to ethical sourcing, which involves leveraging established relationships to work collaboratively with suppliers to build their strength and capability to improve labour, ethical and environmental practices. This is the key to these changes being sustainable.



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

565

Suppliers assessed in Program

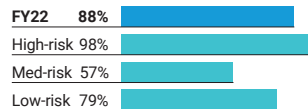
↑ 320+ prior year



88%

Of spend at Bronze level (or above)

98% for high-risk



Building on the FY22 Annual Review estimated outcomes¹⁸ the extent of engagement in the Ethical Sourcing Program swelled due to the extension of the program with the newly acquired businesses and service providers. In the reporting period 565 suppliers had completed assessment in the Ethical Sourcing Program.

The 2025 goals include:

- 100% of suppliers at Bronze level (or above) which equates to an assurance of no modern slavery practices in GUD's tier 1 supply chain. The GUD businesses in the Program have collectively achieved 88% progress to this target.¹⁹
- 75% of suppliers at Gold level.

Achievement of non-financial metric targets on progress of the Ethical Sourcing Program at an individual business level have been included in the incentive structures for GUD executives as a further endorsement of the importance of these ESG priorities.

We're ready to meet our customers' needs of tomorrow, today.

Our brands are future-ready; clever ideas turned into technical products and services that people count on every day. Our team are committed to making a positive impact and creating value for all stakeholders.

Strategic imperatives to build strength for today and unlock growth for the future

<ul style="list-style-type: none"> Build an integrated leader in 4WD Accessories and Trailering in ANZ with future export Grow a global leadership position in specialist Automotive Lighting Expand vehicle Power Management internationally Become a leader in the EV Aftermarket in Australia and New Zealand 	<ul style="list-style-type: none"> Capture Undercar categories and leverage scale Optimise Powertrain profitability and invest in adjacencies Strengthen Water and pursue scalable growth
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Continuously improve business foundations and leverage scale to accelerate progress

Customer relationships	Supplier engagement	People cycle planning	Product cycle planning	Operational fitness
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GUD 2025

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

Zero harm safety always comes first	top quartile employee engagement	Gold ethical supply in top quartile
\$1b plus net revenue by FY25	17-20% underlying EBITA margin	above 15% return on capital in Australia and NZ
< 10% of group revenue from one customer	15%+ return on equity	WACC+ return on capital employed
Advanced Level 3 APGD packaging	75%+ automotive revenue from non-ICE	Net zero scope 1 & 2 in distribution

¹⁸ The Annual Review published 450 suppliers assessed in the Ethical Sourcing Program, however this figure rose to 565 suppliers from the FY22 Ethical Sourcing reports

¹⁹ The 88% progress metric is associated with suppliers of products and product components only, and does not include newly acquired businesses AutoPacific Group and Vision X

Supplier Ethical Data Exchange (Sedex)

In FY22 the GUD group became a member of the Supplier Ethical Data Exchange (Sedex) providing the GUD businesses with access to its platform including the Sedex Members Ethical Trade Audit (SMETA) resources.

The Sedex Platform is a globally recognised platform for supplier verification, assessment, certification and audit against ethical sourcing standards.

There is strong alignment of the Sedex ethical sourcing standards with GUD's Ethical Sourcing Code which were created independently. Both are tiered and:

- based on a foundation of prohibiting modern slavery practices; and
- layered with standards on worker welfare, health & safety, environmental and sustainability considerations and (business) ethics.

The Sedex platform delivers benefits in the administration of supplier human rights due diligence:

- reduces task repetition and administrative burden for managing ethical sourcing actions
- promotes consistent implementation of ethical sourcing standards
- improves efficiency in monitoring supplier compliance with ethical sourcing standards
- increases transparency as to modern slavery risks
- provides close monitoring of non-compliance remediations

Sedex also brings businesses together, with 60,000 member organisations from over 180 countries. Due to the broad membership of Sedex it also provides GUD businesses with:

- the potential to directly access ethical sourcing certification and third party audit material from Sedex supplier members, providing valuable independent verification
- collaborative opportunities with Sedex members and forums to share experiences and insights through seminars and training sessions

The transitioning of major GUD suppliers to the Sedex platform is being undertaken on an incremental basis. It is expected that smaller suppliers will be managed off-platform applying the established complementary standards and approach of the GUD Ethical Sourcing Program.

Training

In FY22 a variety of training on human rights issues was undertaken by the GUD businesses:

- SafeTrac Modern Slavery courses and booster training was completed by 184 GUD personnel using interactive electronic presentations, with testing at a 90% pass rate on completion. This training was successfully undertaken by directors, staff and contractors – including all CEOs, Executive General Managers and first level down management including finance, procurement, product development, quality, facilities, Work, Health and Safety and Human Resources
- Training on managing supplier engagement in the Ethical Sourcing Program and conducting audits was provided to GUD procurement and supply management personnel via the periodic meetings of the Quality & Supplier Council
- Induction into the Ethical Sourcing Program was provided to the newly acquired GUD businesses by a specialist consultant in a series of meetings
- Buddies were allocated to the procurement and supply managers of new GUD businesses who provided one on one mentorship to assist their implementation of the Ethical Sourcing Program
- Sedex seminars were provided on understanding and interpreting audits

Grievance Mechanisms

GUD's whistleblower policy, Speak Up, applies to all GUD subsidiary companies. GUD has established an external whistleblower facility, which includes 24/7 online reporting (<https://www.whistleblowingservice.com.au/gud-holdings/>) and telephone reporting during business hours in order to:

- encourage people to Speak Up if they become aware of potential misconduct;
- explain how to Speak Up and what protections a discloser will receive;
- outline GUD's processes for responding to Speak Up disclosures; and
- promote a workplace environment in which everyone feels safe, supported and encouraged to Speak Up.



Looking Forward

2023 Ethical Sourcing Program Objectives

- Continued progress to GUD 2025 Sustainable Sourcing targets of 100% Bronze, 75% Gold
- Progressive implementation and due diligence of the Ethical Sourcing Code in line with FY23 targets achieved for:
 - Product and product component suppliers
 - Service providers
- Sedex Membership targets achieved of 50% of:
 - Suppliers located in high and medium risk countries representing an annual spend of \$100,000+
 - Suppliers located in low risk countries representing an annual spend of \$250,000+
- SMETA Audit Program targets achieved of 50% of:
 - Suppliers located in high and medium risk countries representing an annual spend of \$100,000+
 - Suppliers located in low risk countries representing an annual spend of \$250,000+
- Continued focus on recently acquired businesses to align them with GUD group targets
- New Zealand business focus in anticipation of New Zealand modern slavery reporting legislation

Consultation Process

Each of GUD's businesses (including all reporting entities conducting business in Australia) were consulted in the development of this Statement.

As part of the consultation process in FY22 every company owned or controlled by GUD was actively engaged in the Ethical Sourcing Program and was regularly consulted as to their progress by the Ethical Sourcing Working Group and through direct engagement and meetings of the Quality & Supplier Council.

At the end of the financial year, all GUD businesses provided the General Counsel with a comprehensive report on their Ethical Sourcing activities and observations covering relevant reporting criteria mandated by the *Modern Slavery Act 2018* (Cth).

A key metric reported on by GUD businesses is their progress in engaging suppliers into the Program achieving a full roll-out of the Ethical Sourcing Code, as well as the grade of compliance.

In FY22 the reporting template was substantially revised to include additional questions aligning with GUD's focus in the areas of:

- steps taken for validation of supplier compliance grade including independent audits, on-site assessments and third party certifications
- GUD operational modern slavery risks and any non-compliance areas
- COVID-19 impact
- Implementation of the Code with tier 2 suppliers

These reports were then consolidated by the Ethical Sourcing Working Group into findings reported to the Board Risk & Compliance Committee and included in this Statement.

This Modern Slavery Statement has been approved by the Board of GUD Holdings Limited on 14th December 2022.



Jennifer Douglas

Non-Executive Director and Chair of GUD Board Risk & Compliance Committee

Annexures

Annexure 1 – Modern Slavery Act 2018 (Cth) Mandatory Criteria Check-List

Principal Governing Body Approval

This modern slavery statement was approved by the *principal governing body* of GUD Holdings Limited as defined by the *Modern Slavery Act 2018 (Cth)*²⁰ ('the Act') on 14th December 2022.

Signature of Responsible Member

This modern slavery statement is signed by a responsible member of GUD Holdings Limited as defined by the Act²¹.

Mandatory criteria

The table below outlines where information related to each of the mandatory criteria in section 16 of the Act can be found:

Mandatory criteria	Page number/s
a) Identify the reporting entity.	Page 1 and Annexure 2
b) Describe the reporting entity's structure, operations and supply chains.	Page 1–7
c) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	Page 9–17
d) Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes.	Page 8 & 8–18
e) Describe how the reporting entity assesses the effectiveness of these actions.	Page 23–26
f) Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity covered by the statement).	Page 28
g) Any other information that the reporting entity, or the entity giving the statement, considers relevant.*	Page 26–28

* You are not required to include information for this criterion if you consider your responses to the other six criteria are sufficient.

20 Section 4 of the Act defines a principal governing body as: (a) the body, or group of members of the entity, with primary responsibility for the governance of the entity; or (b) if the entity is of a kind prescribed by rules made for the purposes of this paragraph – a prescribed body within the entity, or a prescribed member or members of the entity.

21 Section 4 of the Act defines a responsible member as: (a) an individual member of the entity's principal governing body who is authorised to sign modern slavery statements for the purposes of this Act; or (b) if the entity is a trust administered by a sole trustee – that trustee; or (c) if the entity is a corporation sole – the individual constituting the corporation; or (d) if the entity is under administration within the meaning of the Corporations Act 2001 – the administrator,

Annexure 2 – GUD Holdings Limited Subsidiary Companies covered by The Modern Slavery Statement

Company	Country of Incorporation
Companies Conducting business in Australia	
AA Gaskets Pty Ltd	Australia
ACAD Limited	Australia
AECAA Pty Ltd	Australia
Australian Clutch Services Pty Ltd	Australia
AutoPacific Australia Pty Ltd	Australia
AutoPacific Group Bidco Pty Ltd	Australia
AutoPacific Group Holdco Pty Ltd	Australia
AutoPacific Group Holdings Pty Ltd	Australia
AutoPacific Group Midco Pty Ltd	Australia
AutoPacific Group Topco Pty Ltd	Australia
Brown & Watson International Pty Ltd	Australia
Cruisemaster Australia Pty Ltd	Australia
Davey Water Products Pty Ltd	Australia
Disc Brakes Australia Pty Ltd	Australia
E C B Pty Ltd	Australia
Innovative Mechatronics Group Pty Ltd	Australia
Parkside Towbars Pty Ltd	Australia
Ryco Group Pty Ltd	Australia
Service Body Manufacturing Australia Pty Ltd	Australia
Uneek 4x4 Australia Pty Ltd	Australia
Vehicle Components (2018) Pty Ltd	Australia
Wesfil Australia Pty Ltd	Australia
Companies conducting business outside Australia	
Vision X Global Co Ltd	China
Davey Water Products S.A.S.	France
Brown & Watson International Limited	Korea
Vision X Global Co Ltd	Korea
ACS NZ Pty Ltd	New Zealand
AutoPacific New Zealand Limited	New Zealand
Fully Equipped (Wellington) Limited	New Zealand
Fully Equipped Auckland Limited	New Zealand
Fully Equipped Group Limited	New Zealand
Fully Equipped Limited	New Zealand
Griffiths Equipment Limited	New Zealand
GUD NZ Holdings Limited	New Zealand
NZ Gaskets Limited	New Zealand
Trimotive Asia Pacific Limited	Thailand
GUD North America Inc	USA
Vision Motor Sports Inc	USA
Vision X Offroad LLC	USA
XClutchUSA, Inc	USA

This Modern Slavery Statement is a joint statement which applies to the above wholly owned subsidiary companies of GUD Holdings Limited in the following capacity:

- for those companies conducting business in Australia in compliance with the Australian *Modern Slavery Act 2018* (Cth) reporting requirements;
- for those companies conducting business outside Australia in a voluntary capacity.

