GUD Holdings Limited
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22 September 2021

Manager, Company Announcements
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

GUD Holdings Limited – Annual Review

Attached is a copy of the GUD Holdings Limited 2021 Annual Review, which will be forwarded to shareholders today.

Approved for release by the Company Secretary.

Yours faithfully

Malcolm G Tyler
Company Secretary

Direct: +61 3 9243 3380
Email: malcolmt@gud.com.au

Attached

GUD ANNUAL REVIEW 2021

GUD HOLDINGS LIMITED

GUD HOLDINGS LIMITED COMPRISES TWO ACTIVITY AREAS – AUTOMOTIVE AFTERMARKET 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, ACS, Injectronics, Goss, Permaseal, ECB, Fully Equipped, CSM, Barden/Uneek and AE4A. In water products, GUD owns the highly respected Davey brand.

IN THIS ANNUAL REVIEW

ANNUAL GENERAL MEETING

The Annual General Meeting of GUD Holdings Limited will be held on Friday, 29 October 2021 at 10.00 am.

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

FINANCIAL CALENDAR 2021/22

2021	
September	Payment of final dividend – 3 September Annual Report and Notice of Annual General Meeting sent to shareholders mid-September
October	Annual General Meeting – 29 October

2022	
February	Announcement of results for the six months ending 31 December 2021 Announcement of dividend
February/March	Record date for interim dividend Payment of interim dividend
June	End of Company's 2021/22 financial year
August	Preliminary announcement of results for 2021/22 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 2021 financial year (FY21). 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.

It is fair to say that FY21 was unprecedented. The impact of COVID-19 has been immense, wreaking havoc on industries, businesses and people. Fortunately, the industries represented in GUD's portfolio have shown striking resilience throughout the various government imposed lockdowns, especially when operating norms have been tested. 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, in which COVID-19 played such a significant factor.

In March 2021, we were joined on the Board by Ms Carole Campbell. Carole has over 30 years' financial executive experience in a range of industries including professional services, financial services, media, mining and industrial services. Carole is a non-executive director on two other listed companies and serves the community in not-for-profit roles.

Further, in June 2021, we welcomed Professor John Pollaers to the Board. John has over thirty years' experience in FMCG and healthcare sectors, as well as considerable manufacturing experience. He also has experience on government advisory committees, in the education sector and not-for-profit space.

We look forward to our shareholders approving the election of both Carole Campbell and John Pollaers at the upcoming Annual General Meeting.

I am pleased to provide an update on the performance of GUD in FY21. This was a challenging period in an operational sense, but a successful one in respect of our relationships with employees, customers and suppliers. The year was also rewarding with the Group achieving a record financial performance.

FY21 began with much uncertainty surrounding our business and the customers we serve. Management of our businesses continued with the same level of focus employing our well documented COVID-19 response plan framework, with a view to managing our business in a responsible, deliberate and if required, tactical and nimble manner.

The Board firmly believes GUD remains well positioned in the medium to long-term. Having strengthened our focus on the operational fitness of our businesses and continued with innovation efforts and new product introduction in the prior year, we saw a number of opportunities to acquire businesses that were a strategic fit. We increased our exposure to the 4WD/SUV market with the acquisition of a number of business units from AMA Group and subsequently acquired Australian Clutch Services, a leading player in the replacement and performance clutch market.

The focus on strategic planning continues. Whilst the Board expects Management to drive the operational delivery in the short-term, over the last 18 months there has been increasing emphasis on developing, renewing and implementing clear business strategies for the medium to long-term. In tandem, we are evolving our corporate strategy, identifying the drivers of our portfolio vision and ensuring this is understood at Board level and within Management as a cohesive, rational prescription for the growth of GUD's portfolio.

As part of the GUD portfolio aspirations, we recognise there is further work on our Environment, Social and Governance (ESG) strategy to be completed. We continue to take early steps to allocate human and financial resources reflecting the Group's ESG aspirations. In the Sustainability Review we detail the next steps of our ESG journey. This will ensure GUD understands the impact of our footprint and takes a clear view on our part of the solution, whether it be the way we operate or the products and services we provide.

GUD acknowledges its role in our stakeholders' lives and will continue to strive to be a good partner through these difficult 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

As we entered 2021, we faced ongoing COVID challenges continuing from the second half of 2020. The entire GUD leadership group were cautious in ensuring we remained operational, recognising a safe working environment for the team remained a priority. I was really proud of how each GUD leader approached the situation, finding the right balance of mitigating key risks and leveraging the opportunities as they unfolded throughout 2021. We doubled down on our mantra to be a good partner to our suppliers, employees and customers. We also worked hard on offence as much as defence, which resulted in many positive outcomes ranging from employee engagement, product launches, market share gains, customer acquisition and our resultant financial results.

I thank the leadership group and all employees of each GUD business. I know firsthand how much flexibility, resilience and commitment was at play as we came in and out of the multiple lockdowns.

GUD continued its journey on ESG matters in 2021. This will continue in earnest over the next 12 to 24 months as we embrace the materiality assessment currently in progress which will be instructive as we shape and finalise our next stage of ESG strategy with clear and measurable targets. We wish to acknowledge our role and impact in society, knowing we have a dual responsibility to ensure the long-term health and sustainability of the Company.

Our performance in safety remained well below the Safe Work Australia industrial norms. However, we did see our internal performance drop. Digging a little deeper into our LTIFR rate increase shows an increase in sprains and strains related injuries and this resulted in a dedicated workstream on this category of injury.

Positively, our employees rated our 'strong commitment to safety' as the highest attribute in the employee survey. The overall employee engagement score grew from last year and cemented our place in the top quartile of the Qualtrics global study. We were also delighted to receive further positive recognition domestically with Ryco receiving a top 10 placing in the AFR Boss Best Places to Work.

Employee development continued and we were able to run our leadership programmes on-line to ensure we didn't pull back from investing in helping our people be the best version of themselves. We did have two noticeable retirements from Davey and GEL NZ, where we wish both David and Peter the best and welcome Valentina and Gemma into their important leadership roles.

The financial results for GUD were positive and delivered record setting revenue, EBIT and NPAT operating results. Revenue grew 27.2% up to $557 million; encouragingly, organic growth was 15.2%. Underlying EBIT increased 25.4% to just above $101 million, underpinned by organic growth of 17.1%. This all culminated in a result slightly higher than our guidance range put forward earlier in the year and our shareholders were rewarded with dividend growth from prior years.

As expected, the second half did prove to be tougher with previously guided cost pressures rolling into our business equation. Needless to say, the leadership have numerous mitigation plans in place to address.

The balance sheet remains in a relative position of strength. Suffice to say our publicly stated acquisition tempo can be supported with the current low levels of debt.

Talking of acquisitions, we announced the purchase of Australian Clutch Services (ACS) and a business unit of 4WD businesses from AMA – separately they form a Friction division and 4WD division within GUD. These acquisitions are directly in line with the strategy detailed in the last investor day, being acquisition interest in the 4WD thematic and product categories where we don't play in the traditional automotive aftermarket.

The year wasn't all about acquisitions as the leadership group continued working hard to strengthen their business foundation in five keys areas: Customer Relationships, Supplier Surety, Product, People Planning and Operational Efficiency. As mentioned, we kept our levels of human and financial resource targeting 'offence'; and this was no better demonstrated in our product cycling and innovation efforts. GUD actually increased the product development investment in 2021 and we were delighted to receive AFR Most Innovative Company top 10 placings for BWI and Ryco. We are particularly excited about IMG's launch of the Hybrid battery refurbishment program, Davey's Australian launch of the Lifeguard product, Ryco innovative N99 cabin air filters and DBA's first entry into the disc pad market, with the newly launched street series range.

In summary, 2021 was an exceptionally strong year in both financial and non-financial measures. This was delivered in a context of considerable operational change management due to a COVID backdrop. Our shareholders should have confidence in our ability to maintain an operational tempo whilst still delivering the right balance of short, mid and long-term deliverables.

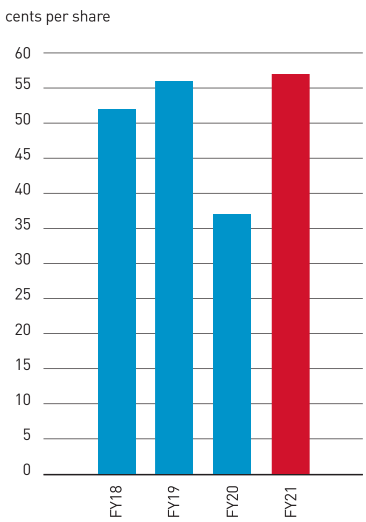
YEAR IN REVIEW
2021 FINANCIAL HIGHLIGHTS

Strong performance across Automotive portfolio as COVID-19 defence and offence plans positioned the business to achieve organic and acquired growth

- 27.2% uplift in revenue from operations
- 31.1% increase in reported operating profit from continuing operations before interest and tax
- Reported profit from operations after tax of $61 million up from previous $43.7 million
- Dividend increased to 57 cents per share from 37 cents reflecting improved economic conditions
- Net debt up from $142.1 million to $146.6
- Acquired G4CVA and ACS Group in the second half
- Completed Equity Raise to support the acquisition of G4CVA

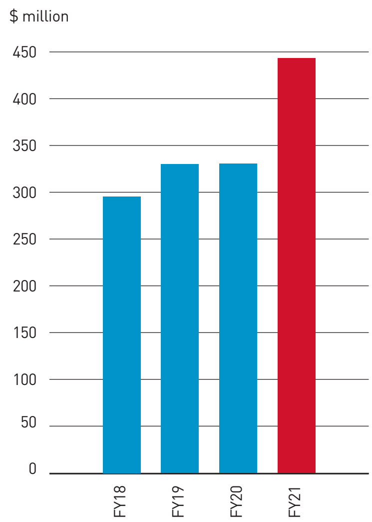
Total Dividends

57 cents per share



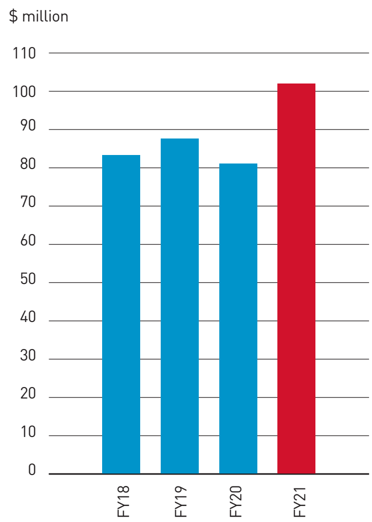
Automotive Revenue

$443.5 million



Automotive Underlying EBIT

$101.9 million



SUMMARY OF OPERATIONS

OUR AUTOMOTIVE BRANDS

Significant events

- Completed two acquisitions to strategically capture portfolio opportunities in new product categories (ACS in clutch) or strong industry thematics (G4CVA in 4WD accessories)
- Launched more than one thousand new products across the Group
- IM Group launched a national remanufacturing service for hybrid EV batteries
- Ryco and BWI ranked amongst the top 10 in the AFR BOSS Most Innovative Companies List 2020 in the Manufacturing and Consumer Goods category. Ryco also ranked 7th in the AFR BOSS Best Places to Work 2020 List

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.

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

Australia and New Zealand:

- 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

SUMMARY OF OPERATIONS

OUR WATER BRAND

Significant events

- Appointed Valentina Tripp as new CEO in March 2021
- Expanded smart pool suite with a range of connected pool heaters, building on the success of the Lifeguard launch in FY20
- Launched Microlene Centurion UV water filter system for chemical-free residential water disinfection
- Approved product cycle plan for strategic growth and renewal of existing categories

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.

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

We are pleased to provide an update on the performance of GUD in FY21. This was a challenging period in an operational sense, but a successful one in respect of our relationships with employees, customers and suppliers. FY21 was also rewarding with the Group achieving a record financial operating performance.

FY21 began in the way that FY20 finished, with much uncertainty surrounding our business and the countries and customers we serve. Management of our businesses continued with the same level of focus employing our well documented COVID-19 response plan framework, with a view to managing our business in a responsible, deliberate and if required, tactical and nimble manner.

We maintained the same emphasis on both offence and defence, meaning that we didn't just stop at ensuring our business remained healthy. We also looked for tactics to make our business stronger than when we first entered the COVID-19 period.

The attention on our employees, customers and suppliers continued unwaveringly. The groundwork laid in the early COVID-19 response resulted in GUD enjoying the benefits of strengthening revenue and profitability as the market started to rebound. The Automotive Business Units (BUs) benefitted greatest from their resilient addressable market and industry, validating a view we have held for some time.

The beginning of the year started strongly, particularly in our Automotive businesses with our customers responding to strong domestic demand, in part to restock, and in part due to strengthening end user demand. We did, however, experience large fluctuations in demand throughout the year from our export customers.

The decisions made in the prior year to maintain a strong inventory position allowed us to leverage this increased demand. However, reasonably high operational costs were experienced to ensure we could meet elevated demand in the first half and this effect was heightened in the second half of the year. The significant effort shown by our many warehouse and logistics employees was commendable. There were periods where constrained employee numbers were in place due to mandated lockdowns, and other times where we had semi-permanent overtime hours and were employing incremental casual labour to keep pace with order backlogs and rebounding demand.

Our supply base remained loyal and provided tremendous support in ensuring our demand forecasts were met with priority and speed. The increase in global demand meant that the Group encountered substantial shipping and logistics challenges. Getting the products to the embarkation ports turned out to be the easiest part of the supply chain. The greater challenge was unprecedented increases in shipping costs which began to emerge early in the year. However, these costs escalated in late Q2 and continued to hit hard in Q3 and Q4. In addition to these cost increases, an unparalleled amount of time and energy was employed managing the logistics chain to maintain a constant supply of our goods. This often resulted in a difficult balance of sea and airfreight logistics, and we chose to take a position where we would airfreight products to avoid disappointing our customers. All these actions were taken in a calculated and strategic way, knowing that the upside in customer relationships could manifest in broader share of wallet and market share opportunities.

We are proud of our businesses, all of which remained operational throughout each lockdown. Our commitment then, and now, is to maintain a safe working environment. Our workplaces were in a constant state of flux reacting to various COVID-induced effects. Each businesses' response to the COVID-19 situation was built off a common 'platform' of WHS actions, developed through a dedicated COVID-19 WHS subcommittee. Naturally the normal health and safety efforts ran in the background, and we had a full year of utilising the Vault reporting platform. We were pleased with the increase in the level of general reporting through Vault, including the number of hazards and near misses, and believe the safety culture in GUD continues to get better each year. We recognise the Lost Time Injury Rate (LTIFR) measure increased vs prior year. We re-classified physiotherapy-treated injuries as Medically Treated Injuries (MTI's). The increase in LTIFR was predominantly a trend of 'strains and sprains', which has driven a bespoke workstream to review and improve across the BUs.

GUD's overall LTIFR performance was still significantly better than the Safe Work Australia's industry benchmarks. However, we also need to recognise the performance of our acquired businesses, which by nature of their manufacturing operations, carry a greater injury risk potential to our employees. This has been mitigated with significant upweighting in the attention and focus of the acquisition management teams who are working to the GUD level of health and safety expectations and standards.

We were pleased with the results of our FY21 employee satisfaction survey. This was conducted at a time of much uncertainty and yet the results improved versus the prior year and again placed GUD in the top 25% of global companies measured in the Qualtrics study. Importantly, 15 of the 17 key attributes in this study improved over 2020 and employees' highest rated attribute at 94% was a 'strong commitment to safety' at GUD (see Sustainability Review).

In terms of financials the revenue for the year increased 27.2% to $557 million, with revenue growth in Australia up 24% and NZ up 37%. The performance of the latter reflects a longer and more severe lockdown in the prior year.

Reported EBIT increased 31% to $97.4 million. This included $2.8 million in JobKeeper receipts in H1 and also reflected $3.9 million of significant items which principally relate to restructuring costs associated with AA Gaskets ceasing manufacturing and acquisition transaction and diligence costs.

Underlying EBIT increased 25.4% to $101.2 million, which was just above the top end of our guidance and a record for operating performance. Underlying NPAT rose by 32.7% to $64.0 million.

Consequently, the reported basic earnings per share of 67 cps was up 32.9% from the prior year's result of 50.4 cps. The final dividend payment to our shareholders is 32 cps bringing the full year total to 57 cps, and a pay-out ratio of 83.7% of underlying NPAT.

Our balance sheet remains strong with gearing, being lease adjusted net debt against net debt plus equity, of approximately 27%, and robust interest cover. Pre-tax cash conversion of 86.5% was achieved for the period which was above our guidance. At the reporting date, available unused banking lines were in excess of $42 million with an undemanding lease-adjusted net debt to earnings ratio of 1.4 times. Hence, the Company is well placed to support both organic growth and further bolt-on acquisitions.

As outlined earlier, we saw the follow through of the expected step up in cost pressures in H2. These incremental costs came in the form of higher sea freight costs (in many cases the spot rates were between 6 to 10 times the normal contracted rates), a much higher proportion of air freight as well as the overtime and casual labour rates loadings. In addition, the hedged foreign currency cross rates in H2 were notably lower than H1. While we expect these cost pressures to remain, we expect to benefit from more favourable currency and pricing as we move into FY22.

As detailed, the operational impacts across all the GUD businesses have been comprehensive, as has our response. The fact remains that GUD's automotive businesses continued to enjoy a strong and unique market position, with market-leading brands and a healthy track record of both product and service innovation and pricing power.

Every automotive business experienced double-digit sales growth and therefore contributed strongly to the aggregate 17.6% organic revenue growth.

Brown and Watson International (BWI) was the largest contributor to Automotive revenue growth. The breadth of category offering (upwards of 20 major categories) really assisted in tapping into strong demand from its traditional base of auto electrical products in auto retail and auto trade channels. BWI also benefitted from strong pent-up demand from OEM customers in the truck and trailer categories and were delighted to win the Jayco business with power management products in the Projecta brand range. The Group was proud to see BWI receive a top 10 place in the AFR Boss Most Innovative Companies category awards.

Innovative Mechatronic Group's (IMG) sales growth was outstanding. IMG's sales of engine management parts servicing the independent reseller channels continued strongly. The bigger lift came in repair and remanufacturing sales which regularly set record jobs per day through FY21. Importantly, IMG started to increase its repair footprint geographically by opening an operation in NSW during the year with new locations to follow. IMG were also excited by launching a groundbreaking ANZ Hybrid battery refurbishment program in H2 and the consequent long-term growth prospects for this greenfield business opportunity.

1 OVERVIEW

AA Gaskets (AAG) delivered strong growth throughout the year. This was even more impressive when you consider a year in which there was such significant operational disruption in both the domestic operations and the offshore supply chain. Domestically, AAG completed the proof-of-concept integration project. This resulted in the total operation moving 40 kms to the Ryco location. The scope was large and involved decommissioning the old site, building a 1,200 square metre mezzanine floor at Ryco to work from, moving to a shared Ryco ERP and setting up the complete operation, all while recording significant sales growth on the prior year.

Disc Brakes Australia's (DBA) performance in export markets improved on FY20 and achieved a faster rate of growth than the domestic business. This led to offshore customers contributing just over 20% of total sales in 2021. DBA added to its international customer base in countries such as USA, Peru, Chile, Fiji and Eastern European Countries such as Kazakhstan. Export and domestic sales both delivered double digit growth, and this was supported by strong rotor sales with particular attention on brake upgrades, growing New Zealand sales and later in the year the new disc pad program.

In the 2020 year, Wesfil delivered strong sales growth, which was counter to most other Automotive business units. It was satisfying to see that Wesfil was able to maintain good growth in FY21. Wesfil's product positioning in the market continues to be well received, particularly with the independent reseller network.

Ryco reversed its prior year fortunes with strong growth throughout the year. Ryco was watching closely for any sign that sales growth driven by the early Q1 restocking would abate. This didn't occur with the strong sales growth being sustained throughout the year. In addition to Ryco's typical filter range expansion, it also had a more expansive range of newly launched catch can products and reflecting the COVID-19 world in which we now live, Ryco launched a N99 cabin air filter range. Pleasingly, Ryco was the recipient of two top 10 rankings from the AFR, the AFR Most Innovative Companies and AFR Boss Best Places to Work awards.

Our water business fared less strongly given its exposure to local manufacturing and assembly which felt the direct impact of lockdowns. The numerous and lengthy lockdowns resulted in factory inefficiencies of substantive proportions. Davey remained operational at all times in FY21 but at factory loads of between 50% to 66%. In addition to an inefficient factory load, Davey was unable to produce certain products that were deemed 'non-essential'.

On the demand side, the domestic marketplace continued to show some strength, but the export markets of Davey were massively disrupted for large parts of FY21. When select export markets started to show some life, the Davey team were then short of product supply. This resulted in further cost imposts as we chose to supply whatever we could using higher cost labour and freight arrangements to support the customers. Davey will take some time to right size its demand-aligned inventory position as raw materials supply and production challenges normalize.

As part of strengthening the Group's Business Foundations, we previously outlined a focus on five key areas: Customer Relationships, Supplier Engagement, People Cycle Planning, Product Cycle Planning and Operational Efficiency. When we commenced work on the Group's business foundations, nobody could foresee a global pandemic. However, in FY21 our ongoing attention to these business foundations allowed a 'springboard' for better operations and results.

GUD's portfolio is centred on the Automotive and Water businesses. Product cycle planning is a critical workstream to drive organic growth. However, acquisitions also remain part of GUD's growth pathway. GUD laid out its acquisition thinking in the last Investor Day. We spoke of acquisitions in product categories where we do not presently operate, and two key themes, being 4WD/SUVs and Electric Vehicles.

In FY21, GUD reviewed multiple acquisition opportunities using our refined acquisition criteria developed and implemented over the last 2 years. During the year, GUD made two acquisitions that were in line with the strategy outlined at our 2019 Investor Day. GUD acquired Australian Clutch Services (ACS) and the ACAD businesses which consisted of 5 individual BUs serving the 4WD/SUV market. The latter are now internally referred to as the GUD 4WD & Commercial Vehicle accessories (G4CVA).

Mindful of avoiding any acquisition 'indigestion' issues, we put key structures in place. ACS has been put into a newly formed Friction Division, alongside DBA, and led by our existing DBA leader. We pulled out the AE4A business from G4CVA and moved that into the BWI Group, where AE4A's core auto electrical brands and products sit most naturally, and forms an Auto Electrical Division alongside Griffiths Equipment (GEL) in NZ. Finally, the onboarding of the remaining G4CVA businesses has been assisted by a dedicated integration leader. This is a first for GUD and picks up from recent lessons learnt. In terms of the G4CVA businesses, we are concentrating on three stages of 'buy, bolster and build', which is over the first 12 – 18 months.

We have been pleased with the top and bottom-line performance of the newly acquired businesses. Their performance is in line with our expectations and the integration efforts are well advanced. The businesses are working in line with the philosophy of 'sovereignty with strength', leveraging the scale of our operations without threatening the autonomy and accountability for delivery.

GUD believes acquisition opportunities for the automotive portfolio are still available and desirable. As the environment remains fluid with COVID-19 impacts, GUD will move with calculated caution to pursue its acquisition pathway.

As part of the GUD portfolio aspirations, we recognise there is further work on our ESG strategy to be completed. GUD was happy to see the continued improvement over prior years of its non-internal combustion engine (ICE) related revenue, which is now 60% of total Automotive revenue. We continue to take early steps to allocate human and financial resources reflecting the Group's ESG aspirations, and in the Sustainability Review we detail the next steps of our ESG journey. This will ensure GUD understands the impact of our footprint and takes a clear view on our part of the solution, whether it be the way we operate or the products and services we provide.

2 FINANCIAL PERFORMANCE REVIEW

Revenue

Total Group revenue increased 27.2% on prior year inclusive of acquisitions, with organic growth of 15.2%. Davey's revenue grew by 5.8%, and the Automotive businesses reported growth of 34.1% with organic growth of 17.6%.

The result reflects not only the acquisitions for the year which contributed $52.6 million, but organic growth of 15.2% from existing businesses. These businesses saw both a recovery in demand after the fall away in the fourth quarter of the prior year and strong year on year sales growth across the year. GUD's inventory was well positioned for recovery in demand, which is reflected in the growth in inventory balances in the year. This positioned us strongly to respond to the level of market demand and potentially achieve market share gains.

Profitability

The Group reported a net profit after tax of $61.0 million which increased by 39.6% on the prior year.

i. Significant one-off costs of $3.9 million were incurred in relation to supporting the portfolio activities including acquisition due diligence and execution costs ($1.2 million);

ii. Costs associated with the remaining AA Gaskets restructuring back-office integration into Ryco ($2.3 million); and

iii. Davey restructuring costs ($0.4 million).

The reported underlying NPAT of $64.0 million compared to $48.2 million the prior year, representing an increase of 32.7%.

Reported underlying Earnings Before Interest and Tax (underlying EBIT) was $101.2 million compared to $80.7 million in the prior year, an increase of 25.4%. The result principally reflects higher Automotive end-user demand through the year as well as a contribution of $6.7 million from the newly acquired entities. Similar to the prior year, we received an amount of $2.8 million in government COVID-19 subsidies which were more than absorbed by higher operational costs and maintaining pay levels for staff who were under-employed or unable to do their job as a result of government mandated COVID-19 shutdowns.

Dividends

The total dividend for FY21 was 57 cents per share, consisting of an interim dividend of 25 cents per share and a final dividend of 32 cents per share. Both dividends were fully franked and represent an aggregate 84% payout of full year underlying NPAT. This compares with total dividends of 37 cents per share in the previous financial year where caution was exercised given the uncertainty around the prevailing trading conditions and the potential impacts from the COVID-19 pandemic. The full year dividend represents circa 2% growth over FY19 (pre-COVID levels) which is pleasing considering the expanded capital base following the capital raise prior to the acquisition of the G4CVA business and that the G4CAV and the ACS acquisition only contributed six and four months, respectively, to the FY21 result.

In line with the desire to position the Company for organic or acquisition growth opportunities, the Board has re-activated the Dividend Reinvestment Plan for the final dividend with a 2.5% discount.

Cash Generation and Capital Management

Reported Net Cash Flow from operating activities was $74.4 million, up $8.9 million from the $65.5 million reported in FY20. A cash conversion result of 86.5% was achieved compared to 97.8% in the prior year but was slightly above 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 FY21, our entire supply chain is experiencing difficulties securing shipping containers, securing container positions on ships which is extending shipping times, and difficulties with port clearance times. Consequently, we believe that the higher inventory levels may need to remain for some time to mitigate supply chain disruptions and minimize lost sales.

During the year, the Company completed an equity raise of $75.7 million in support of the G4CVA acquisition which involved a net cash outflow of $66.5 million for this business. In the second half, we announced and completed the acquisition of the ACS business which involved a net cash outflow of $30.1 million. At year end, net debt was $146.6 million, an increase of $4.5 million over the prior year. The total cash balance at year end was $42.6 million.

External Financing

During the year, the Company added to its core debt facilities of $225.0 million with an additional facility of USD1.0 million. In addition, as part of a COVID-19 response plan, on 1 July 2020, the Company secured additional short-term facilities of $22.5 million which were not renewed on their expiry date of 30 June 2021. With unused borrowing facilities of $42.1million and solid financier support, the Company is well positioned to contemplate additional bolt on acquisitions and continue to fund organic growth.

3 STRATEGY OVERVIEW

In FY21, the Board and Management maintained its attention and focus on the individual business unit strategy plans.

At an individual business level, we continue to apply the GUD high-performance approach for both operational fitness actions and broad strategy execution. We utilise the Roger Martin 'where to play and how to win' framework to guide strategy development and continue to work with the Ignition Institute to embed the associated strategy framework tools and approach in the businesses. This same approach will be rolled out to our newly acquired business units over the next 12 – 18 months.

The Board and Management remain committed to delivering appropriate shareholder returns sustainably. We regularly review and update individual business unit strategy plans and remain confident in our current portfolio of businesses. We continue to sharpen our strategic direction by focussing on three pillars of **Core, Growth** and **Acquisition**.

We believe these pillars provide fertile ground for further top and bottom-line growth. However, these initiatives do not materialise overnight and require a steady and thoughtful approach in the short to medium-term. Importantly, we pursue these workstreams with dedicated in-house people and cost-efficient external expertise to ensure we deliver results.

GUD Strategic Pillars

CORE

Group-wide initiatives that leverage scale and promote operational fitness

Examples include:

- GUD Quality Council and GUD IT Council leverage groupwide scale and skills
- Dedicated management resources to uplift IT capability and manage cybersecurity risks
- Completion of AAG/Ryco integration proof of concept which may serve as a blueprint for the future

GROWTH

Individual business unit strategies seeking organic growth and innovation

Examples include:

- Maturing of business unit competitive strategies and introduction to Playing to Win framework in acquired businesses
- Increased investment in new product development across business units
- Further strengthened resources dedicated to innovation and strategy development

ACQUISITION

Programmatic approach to capture strategic categories and grow the portfolio

Examples include:

- Completed two acquisitions to strategically capture portfolio opportunities in new product categories (ACS: clutch) or strong industry thematics (G4CVA: 4WD accessories)
- Established acquisition integration blueprint for future acquisitions
- Strong automotive acquisition capacity of dedicated management team members

Our belief remains that the focus on these three key pillars and our five business foundations will provide a good level of opportunity for further growth. In FY21, we added to the Group team two new roles whose mandate is to further assist in the M&A and strategy development at BU and Group level.

In FY21 the Board and Management have taken further steps to ensure we deliver comprehensive and methodical integration workstreams.

The GUD Board and Management operate a steady rhythm of strategic dialogue to proactively manage the portfolio in response to both opportunities and threats in the macro environment. We remain willing to make logical automotive acquisitions that bolster the competitive strength of our portfolio and increase long-term shareholder value.

4 RISK REVIEW

FY21 represented the third 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.

Consequently, there has not been a need to make any fundamental changes to risk themes, key risks or key mitigating action plans. 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)
Customer risks	Over reliance on single customers, or new entrants' routes to market, or potential disruptive existing customer behavior	Maintain a portfolio of compelling products, broad range of customers, and continually assess both new entrants or new routes to market for GUD and respond accordingly
Production and Supply Chain risks	Over reliance on suppliers resulting in a loss in supply with potential sales impacts. Consistent supply depends on availability of reliable logistics	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
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 programmes, talent development plans
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
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

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, focussed on proactive and reactive risk mitigation initiatives. These forums include:

- Regular risk reviews conducted with Business Unit Executive and Leadership team 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 periodically tabled with the Board Risk and Compliance Committee.

5 OUTLOOK

At the time of writing, the country has been put back into lock down settings across many of the bigger states. These settings are different from state to state, with NSW under significant restriction settings. In the short-term, mobility restrictions represent the largest swing factor of revenue. GUD's ability to remain operational should follow the same pattern set in FY20, with both Automotive and Water businesses deemed as essential services. This of course requires GUD to ensure it complies with any Federal or State Government direction and could result in less-than-optimal operational patterns of work.

GUD believes our short-term prospects over the next year remain relatively positive. GUD's contention put forward in last year's OFR remains relevant. The mobility trends that have been experienced in FY21 such as higher domestic tourism, lower public transportation usage and used car sales velocity are expected to play out in a similar way, creating what GUD believes is a positive but hard to estimate net tailwind.

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

▲ Tailwind ▼ Headwind

In the mid-term to long-term, GUD remains well placed. The Automotive division maintains strong brands, products and customer service in support of a large and proliferated car parc which is strongly defensive. The 5 years old plus car parc grew again in FY21 and is forecast to grow at a modest and steady rate in the mid-term. The average age and composition of the car parc, with higher volumes of Pick Ups and SUV's, is a strong trend that plays to our existing and newly acquired businesses products and channel to market strengths.

The vibrancy of the independent workshops was further assured in 2021, with the 'Right of Repair' legislation being passed into law in June 2021.

GUD's position on the long-term outlook for electric and autonomous vehicles remains unchanged. GUD modelling concluded that the addressable market in 2030 of 5 year-old plus vehicles with internal combustion engines (ICE) would remain largely consistent with the circa 14.5 million units seen in FY21. In FY21, GUD generated 40% of its automotive revenue from products specific to ICE vehicles, which was less than the prior year and is in line with recent GUD trajectory. Although our modelling concludes that there will not be a material impact of electrification for at least the next decade, GUD is already embarking on developing products and services to serve its early stage market, such as the Hybrid battery refurbishment program. In addition, our capital and human resource allocation is deployed with the future in mind.

GUD's view on our water business remains unchanged. Davey's prospects remain strong given the varying countries we serve and our view of the secular growth opportunity presented by the global need for water management. Short-term efforts are concentrating on getting Davey back to normal operational patterns which will not be an easy undertaking given supply chain disruptions. Disappointedly, Davey has clearly lost valuable time in its broader strategy execution. However, this does not serve as a deterrent for GUD to push hard to unlock further value in the Davey operation.

6 TRADING AND GUIDANCE

The underlying structural support for the Automotive aftermarket sector is unchanged and we expect that our strong market position, coupled with growth in the car parc is supportive of sustained organic growth in Automotive. Similarly, our desire and capacity to pursue Automotive aftermarket acquisitions has not altered and the pipeline of opportunities remains attractive.

That said, as we have articulated, short term challenges remain. Volatile trading conditions returned in July and have continued into August 2021. Looking through the lockdowns, and as we cycle a record sales performance in the prior year, our expectation is that Automotive organic growth will moderate and normalise over time. With a return to a more normal manufacturing environment, we expect the performance of the Water business to improve in FY22.

We anticipate that a mix of organic growth, the full year contribution for the acquired business, and focussed margin management will be the key profit growth drivers in FY22 although volume growth may continue to be impacted by COVID-19 lock-downs and mobility restrictions.

While ongoing COVID impacts continue to create uncertainty, the net effect of the tailwinds and headwinds suggest that GUD remains relatively well placed.

Given the recent and more widespread COVID lockdowns with uncertain durations, the demand environment is too dynamic to provide reliable full year guidance. We expect to provide a further update at the AGM on 29 October 2021.

SUSTAINABILITY REVIEW

Performance highlights

→ **94% of staff feel there is a 'strong commitment to safety' placing GUD in the global top-quartile Safety focus**

- For the fifth consecutive year, Safety was rated in the global top quartile in our annual employee engagement survey. 94% of respondents felt that there was a strong commitment to safety compared to the global top-quartile benchmark of 89%
- Adoption of our new mobile-app based safety reporting system, Vault, has seen an ~20% increase in safety hazard and incident reporting
- The health, safety and wellbeing of our employees has continued to be a key priority as COVID-19 continues to impact our people and businesses

→ **GUD employee engagement is ranked in the global top quartile with Ryco listed in the Top Ten Best Places to Work**

- Ryco recognised in the 2021 AFR Boss Top Ten Best Places to Work List for the Manufacturing and Consumer Goods category
- Overall employee engagement is ranked in the global top quartile, up 2ppts on last year to 79%

→ **Automotive Group revenue has grown to 60% non-ICE related product over the last three years**

- Through a mix of organic growth and strategic acquisitions, the non-ICE share of Automotive group revenue has grown from 54% to 60% over the last three years balancing successful growth in the ICE related product range

→ **We have strengthened female representation on the Board exceeding our minimum 30% target and increased female representation at the Senior Management level**

- During the year our third female Director joined the Board exceeding our minimum 30% female representation target
- Female representation at the Senior Management level has increased 4ppts to 20% highlighted by two new female business leads at Davey and Griffiths Equipment joining the Group

→ **The GUD Ethical Sourcing Code has been extended to encompass the recently released Modern Slavery Statement**

- GUD has upgraded and integrated its Ethical Sourcing Program with the release of GUD's first Modern Slavery Statement published in March 2021

About this Review

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

This Review covers GUD's sustainability performance across our Australian and New Zealand operations for the year ended 30 June 2021.

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.

Sustainability at GUD

GUD is committed to the responsible management of our businesses and our interactions with communities and the environment.

ESG Framework and Focus Areas

GUD is focussed on delivering appropriate shareholder returns, sustainably. The Company creates value through a set of reinforcing strategic pillars:

- Core: group-wide initiatives that leverage scale and promote operational fitness
- Growth: individual business unit strategies seeking organic growth and innovation
- Acquisition: a programmatic approach to capture categories and grow the portfolio

OBJECTIVE
Delivering strong shareholder returns sustainably

CORE	GROWTH	ACQUISITION
Group-wide initiatives that leverage scale and promote operational fitness	Individual business unit strategies seeking organic growth and innovation	Programmatic approach to capture strategic categories and grow the portfolio

SUSTAINABILITY
Responsible management of our businesses and our interactions with communities and the environment

Environment | Social | Governance | Innovation

Within each of these pillars, our actions are guided by our commitment to sustainability through the responsible management of our businesses and our interaction with communities and by living by GUD's core values. We pay particular attention to material topics across four Sustainability categories Social, Environment, Governance and Innovation.

As a holding company, GUD comprises a group of businesses that deliver a diverse product range. We recognise that some of our businesses are more advanced than others in terms of their sustainability practices; however, as an overarching entity, we set minimum standards and expect all businesses to achieve these.

OUR VALUES

GUD's core values are principles that guide our decisions and which the Company and individuals live by.

Customer Focus
Our customers are important in our priorities; we aim to meet customers' needs.

Professionalism and Respect
We encourage constructive, candid and open communications. We are accessible. We always treat our people with fairness and equality. We trust our colleagues.

Highest Standards of Integrity
We always act honestly. We say what we mean.

High Performance and Business Success
Business success secures our future. Our profits permit us to invest for long-term customer satisfaction, a rewarding future for our people and a return to the shareholders. We have a bias for action and for achieving results.

Innovation and Continual Improvement
We seek new ways of doing things, taking risks where necessary in pursuing new opportunities.

Teamwork
We acknowledge our interdependence. We give recognition for a job well done.

Focussing on the Topics That Matter

As an organisation, we continually review and evolve the key environmental, social, governance and innovation 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 Standards, macroeconomic trends and stakeholder feedback on prior-year disclosures. We have focussed this review on the environmental, social, governance and innovation topics outlined below with Climate Change and Clean Technology added as a new topic in FY21.

Element	Our Material Topics	Definitions
SOCIAL	Health and Safety	Our culture is driven by a strong level of engagement, ownership and accountability for health, safety, and wellbeing (HSW)
	Human Capital	Investing in people and culture strategies which foster a high-performing and engaged workforce and realise the full potential of our human capital
	Diversity and Inclusion	Building an inclusive workplace that values and promotes diversity and treats all people fairly and equitably
	Product Safety and Quality	Ensuring our products are designed and manufactured to be safe and of high quality for their intended use
ENVIRONMENT AND CLIMATE CHANGE	Climate Change and Clean Technology Transition	Effectively managing and responding to the risks and opportunities presented by climate change and the transition to clean technologies
	Water Management	Efficient use of water resources and responding to the water scarcity and quality challenges in Australia and New Zealand
GOVERNANCE	Compliance and Competitive Behaviour	Complying with relevant legal requirements and regulations including ensuring that our practices are consistent with the values and policies of the Group and do not restrict competition contrary to the law
	Sustainable Procurement	Partnering with responsible suppliers to build compliance, monitoring and improvement in the standards of labour, safety, ethical practices and environmental impact
INNOVATION	Product and Process Innovation	Change that adds value – focussing on new ideas and processes that create value for our customers

Advancing the GUD Sustainability Strategy

As part of GUD's commitment to sustainability and in response to the increasing importance of sustainable business practices and managing climate change risks GUD is undertaking a structured program to develop a comprehensive Sustainability Strategy and Reporting Framework over the next 24 months. Development of the Sustainability strategy will be integrated with the overall business and corporate strategy and aligned with internationally-recognised sustainability guidelines, standards and good practices.

The overall Sustainability strategy program will comprise three key phases:

1. Materiality Assessment: To identify, evaluate and prioritise the broad range of ESG issues most relevant to GUD and its stakeholders
2. Strategy, Targets and Process Development: To develop and integrate the ESG strategy and targets with the broader business and corporate strategy and remuneration structure
3. Reporting: To consolidate the ongoing measurement and reporting of ESG performance against agreed targets GUD is targeting completion of the Materiality Assessment in first half of FY22 and the Strategy Review in the second half FY2022

Materiality Assessment

While we have previously conducted a materiality assessment with internal stakeholders to prioritise the sustainability topics that matter most to our businesses, feedback has highlighted the additional benefit of broadening our consultation to include a range of external stakeholders.

We have engaged a consultancy to conduct an externally focussed Materiality Assessment including consultation with a set of key shareholders, debt holders and customers to identify their expectations and topics of importance. This Materiality Assessment will provide an additional input to the Board and Executive team in setting an integrated business-sustainability strategy and targets. This consultation program is now underway with the findings together with the above-mentioned Strategy Review to be reported in next year's sustainability review.

Social

Workplace Health and Safety

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 AS/NZ 4801. Employees are involved in the safety decision-making process through communication, consultation and training. All businesses have health and safety 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 fifth consecutive year, Safety was rated in the global top quartile in our annual employee engagement survey. 94% of respondents felt that there was a strong commitment to safety compared to the global top-quartile benchmark of 89%.

During FY21 our HSW approach continued to be underpinned by safety leadership, employee engagement, robust HSW plans, targeted risk assessments, safety audits and Board safety walks. In addition, the following three areas have been of particular focus over the past year.

1. Maintaining employee safety, wellbeing and mental health in response to COVID

The health, safety and wellbeing of our employees has continued to be a key priority as COVID-19 continues to impact our people and businesses. Initiatives to ensure a steady flow of information, communication and contact with all employees whether working from home or attending at their worksite have been a constant focus.

COVID-Safe plans have been actively deployed and employees engaged in ensuring everyone plays their part in keeping our people and workplaces COVID-safe.

Our Non-Executive Directors continued their active Safety engagement program with safety walks and physically-distanced 'townhall' meetings with staff, held in our warehouses where space allowed this to occur safely.

The collaborative HSW sub-group formed in the early stages of COVID-19 and comprised of a member from each business has continued to be very active over 2021. The group has been instrumental in supporting the following key actions within our businesses:

- Communication campaigns on health and hygiene matters related to COVID-19
- Tailored plans to ensure the needs of our people were met in returning to our workplaces
- A comprehensive mental health and wellbeing program, including the establishment of a Peer Support Program, where people within each business are trained (and supported) to provide mental health and wellbeing support to their peers
- Promotion of our partnership with Benestar, our employee assistance programme provider

2. Establishment of a new online reporting system to drive increased reporting and risk identification across all business units

Over the past two years, we have established Vault, an online reporting system for workplace incidents and accidents, for all our businesses. Employees can report directly using the Vault app, through their supervisors, or via a member of their HSW committee. All hazards, incidents or matters reported via Vault are automatically forwarded to senior management in the business.

With the Vault platform now established, our focus over the last year turned to increasing the level of reporting of hazards across all business units. In addition, to ensure a complete picture of all injuries, preventative physiotherapist treatments which were historically not considered medical treatment injuries, were reclassified to being medical treatment injuries in this last year. The rationale is to ensure that all injuries, no matter how minor, are recorded to facilitate a better understanding of where and how our people are injured or are experiencing discomfort and to allow early intervention and support where this is the case. GUD actively works to combat complacency in respect of the safety of our people.

This increased reporting highlighted two areas key for the HSW Committee and sub-groups to apply focus on over the past year

- the risk of objects falling from height; and
- sprains and strains.

The comprehensive internal audit schedule forms a core element of the HSW system. Where restrictions did not allow physical on-site audits, these were moved to a virtual environment to allow these audits to continue.

3. Incorporating newly-acquired businesses into the GUD HSW system

The completion of detailed pre-acquisition safety reviews has facilitated a 'fast start' in ensuring GUD's requisite level of HSW focus was met within all businesses joining the GUD Group in the past year.

Our annual safety Awards recognised the excellent safety programs and initiatives within our businesses

Despite the disruptions of a COVID-19 restricted environment, we recognised the winners of the 6th Safety and Innovation Excellence Awards in late 2020. The awards are an opportunity to recognise and celebrate individuals and teams from across the businesses who have demonstrated key attributes in safety leadership. Last year's winners were:

- The Simon Arnold Individual Contribution for Safety Award – Hellen Prins from AAG for the buy/sell/swap program she developed and ran in support of team wellbeing.
- The Team Award for Safety – Griffiths Equipment in New Zealand for their Speak Up Safety Culture program.
- The Business Award for Safety – Davey Water Products for their Work Safe/Home Safe campaign.

The 7th Safety and Innovation Excellence Awards winners will be celebrated in November 2021.

Case study

GRIFFITHS EQUIPMENT 'BETTER EVERY DAY' PROGRAM

8am stretching program

We believe that every one of our initiatives create a huge jump forward in terms of being 'better every day' and demonstrating care and respect for each other.

Griffiths Equipment Ltd (GEL) is a leading distributor of quality automotive products in the New Zealand Market. In 2020 GEL established the 'Better Every Day' program to uplift WHS culture through every team member, every day. The program has implemented over 30 initiatives to-date focused on safety improvements, clear communication and developing safety leadership including:

- Daily 8am stretching program
- Formal manual handling training for warehouse staff
- Monthly team communications meeting and morning tea
- Wellness checks led by an occupational nurse to screen for blood pressure, cholesterol, weight, and diabetes and provide referrals for further action
- Updated traffic management plan and forklift safety controls
- Drug & Alcohol Policy and random drug and alcohol testing

How we measure progress

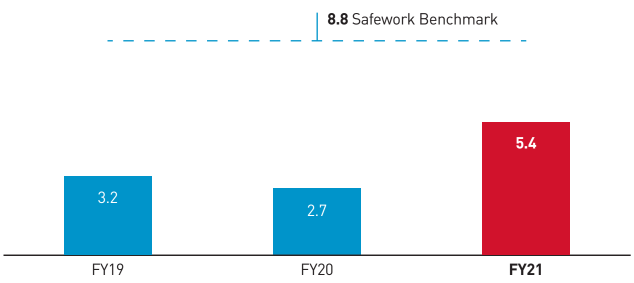
Recent acquisitions have included manufacturing-intensive operations with a different risk profile including Fabricated Metal Product Manufacturing operations (SafeWork Australia LTIFR benchmark of 26.4). As such, there is a concerted focus on integrating these businesses fully into GUD's safety systems and the alignment of our performance metrics and targets with good-practice benchmarks.

On a like for like basis (excluding acquisitions), LTI's increased from 4 in FY20 to 6 in FY21. These injuries were predominately sprains, which required the injured person to rest their injury. The increase in lost time injuries (LTI's) this year, whilst being consistent with the drive for increased reporting and the inherently higher safety-risk profile of acquired manufacturing businesses, is disappointing and is an area of concerted focus.

Our total LTIFR of 5.4, continues to compare favourably to the SafeWork Australia industry benchmark for Wholesale Trade-Motor Vehicle Parts of 8.8.

The majority (61%) of the medical and lost time injures experienced over the last year are relatively lower consequence muscular-skeletal injuries. 9% of the injuries were as a consequence of a cut, 5% were as a consequence of the actions of a third party (e.g. motor vehicle accident) and 5% were related to a slip or fall.

Lost Time Injury Frequency Rate
(Injuries per 1,000,000 hours worked)



GRI Indicator 403-9 Work-related injuries	FY19		FY20		FY21	
	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	0.67	1	0.68	2	1.13
Lost Time[3]	5	3.4	4	2.7	10	5.7
Recordable work-related injuries[4]	9	6.0	10	6.8	45	25.5
Main types of work-related injuries	Manual handling, slips, trips and falls		Manual handling, slips, trips and falls		Sprains, strains, cuts, slips/trips and falls	
Number of hours worked	1,489,008		1,464,942		1,766,697	
For all workers who are not employees but whose work and/or workplace is controlled by the organisation (Contractors)						
Fatalities as a result of work-related injury	0	0	0	0	0	0
Lost Time[3]					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	50,893		41,189		92,265	

Work-related hazards	FY21
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

1. Rates are per 1,000,000 hours worked
2. Note: Previous year reviews have counted LTIs in the high consequence category. This year's review excludes LTIs to align with GRI definitions
3. Lost Time Injury Frequency Rate is not a GRI metric, however, it is included as it is the standard Safe Work Australia benchmark metric
4. FY21 Recordables includes physio treatment injuries which have not previously been counted as Recordables. For FY21, 23 of the 45 FY21 Recordables were Physio treatments

Case study

BWI SUPPORT OF THE 'SHINE A LIGHT ON ROAD SAFETY' – COMMUNITY WALK

'Shine a Light' Walk Team
May 2021 – Albert Park Lake

Brown & Watson International (BWI) is the company behind the market leading automotive light and electrical brands NARVA and Projecta which services markets as diverse as Automotive, Light and Heavy Transport, 4WD, Emergency Vehicles, Agriculture, Mining and Marine.

To highlight the important work Road Trauma Support Services Victoria (RTSSV) a team of BWI staff participated in the 'Shine a Light on Road Safety' community walk at Albert Park Melbourne raising funds to support this non-profit organisation.

Shine a Light on Road Safety is a national community campaign led by RTSSV to raise awareness, stop deaths and injuries on our roads, and raise funds to support those impacted by road trauma.

Human Capital, Diversity and Inclusion

We invest in people and culture strategies which foster a high-performing and engaged workforce and realise the full potential of our human capital.

GUD Employee engagement is strong and growing

We were proud to have Ryco recognised as Australia & New Zealand's 7th best place to work in the AFR Boss Best Places to Work List (Manufacturing and Consumer Goods) for 2021.

In 2021, the overall employee engagement rating which last year moved into the global top quartile (IBM All Organisations Benchmark) remains in the top quartile. We saw an improvement in fifteen of the seventeen dimensions measured in our annual employee engagement while the other two dimensions remained at the 2020 level.

In 2021, a further six of the survey dimensions now sit within the top quartile. These are change and resilience, manager effectiveness, recognition, safety, work/life balance and engagement. The biggest positive shifts YOY were seen in communication, future vision, change and resilience, manager effectiveness, recognition, and innovation. These are all areas our leadership have actively sought to develop over the past year in response to analysis of prior surveys.

We seek to build constructive partnerships with employees and unions

Our partnerships between employees, unions and the organisation are constructive and are highly valued. There are five collective agreements in place across the Group. The Ryco Australia and AA Gasket agreements have been re-negotiated over the past year with three-year agreements reached. Renegotiation of the Davey agreement has begun and is currently in progress.

Case study

RYCO TOP 10 BEST PLACES TO WORK AWARD

We're proud to report that RYCO Group has been awarded 7th place amongst the Manufacturing and Consumer Goods category of the 2021 AFR Best Places to Work competition.

The award recognises the strength of the Ryco workplace culture and the organisational commitment to ensuring *'that our team go home in as good as or better state than when they arrive at work'* both through COVID-19 but more generally.

Employees strongly value Ryco's wellbeing and development programs and flexible working conditions that prioritise mental health, promote sustainable working norms and smarter working practices. The positive employee experience shared by the Ryco team has resulted in a staff engagement score of 84% for FY21.

Ryco commits to continually improve and offer an even greater place to work for our valued employees. We thank our team for all their hard work in making RYCO what it is today and allowing us to continue to provide the best automotive filtration products on the market.

We are investing in staff development and training

All staff have access to self-directed online learning in support of their personal and professional development. Limitations due to COVID-19 resulted in a temporary pause in the inaugural two-year, twelve module Emerging Leaders Program launched in 2020. During the pause, the cohort has continued self-directed learning and several emerging leaders participated in the co-delivery of the nine internally-developed and delivered wellbeing and leaderships modules for People Leaders. The Emerging Leaders Program encompasses a social volunteering element which will see the cohort working in Fareshare's Abbotsford kitchen to create nutritious food to feed those in need from ingredients that would otherwise go to waste.

GUD is committed to building a diverse and inclusive organisation which treats all people fairly and equitably

The Board is active in setting and guiding the culture of 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 no one is discriminated against on the basis of age, politics, ethnic background, family responsibilities, gender, physical appearance, criminal record, marital status, pregnancy or potential pregnancy, race, religious beliefs or activity, social origin, physical or mental disability, trade union membership or activity, sexual preference or personal association with a person who is identified with any of the above.

Our Equal Employment Opportunity Policy highlights this and is intended to set a shared understanding amongst all employees, temporary staff, independent contractors, volunteers and work experience personnel of expectations regarding acceptable and appropriate behaviour within the workplace. Our Speak Up Policy encourages people to raise concerns regarding unethical, unlawful or undesirable conduct supported by a confidential phone/online whistleblowing service. 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.

As with many workplaces in the past year, our businesses have adopted hybrid working as the norm in roles where a daily presence in the workplace is not essential. This change represents the natural progression of the flexible work options policy introduced in 2019 as part of our Diversity and Inclusion work program.

We have strengthened female representation on the Board exceeding our minimum 30% target and increased female representation at the Senior Management level

During the year, our third female Director joined the Board, improving gender diversity and exceeding the Board's target of 30% female representation at Director level.

The representation of women within the Senior Management Group (direct reports to the Managing Director and direct reports of chief executives of the principal business units) has increased 4ppts to 20% during 2021 emphasised by two new female business unit leads at Davey and Griffiths Equipment joining the Group.

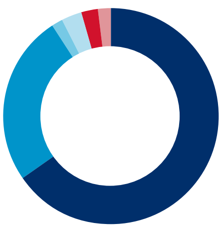
Our workforce and new-hire demographics

Our boarder workforce demographics are as shown below.

GRI Indicator 102-8 Employees & other workers

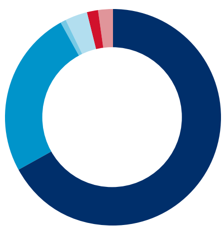
EMPLOYEES BY GENDER AND EMPLOYMENT TYPE

FY19



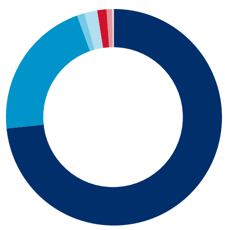
Full time male employees	550
Full time female employees	217
Part time male employees	14
Part time female employees	24
Temporary male employees	21
Temporary female employees	16

FY20



Full time male employees	545
Full time female employees	203
Part time male employees	6
Part time female employees	27
Temporary male employees	13
Temporary female employees	18

FY21[1]



Full time male employees	**852**
Full time female employees	**244**
Part time male employees	**13**
Part time female employees	**22**
Temporary male employees	**18**
Temporary female employees	**10**
Full time non-binary employees	**1**

1. FY21 inclusive of newly acquired businesses. On a like for like basis (i.e. excluding the businesses acquired in FY21) the percentage of females within levels other than Directors and Management (where the number of females has increased) has remained constant with FY20

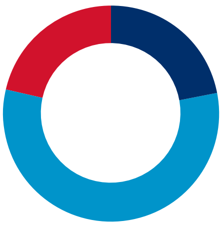
GRI Indicator 401-1 New employee hires

EMPLOYEE NEW STARTERS BY GENDER

	FY19	FY20	FY21
Male	91	76	175
Female	32	24	49

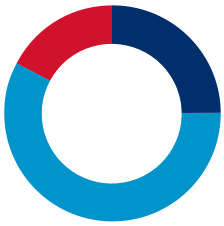
EMPLOYEE NEW STARTERS BY AGE GROUP

FY19



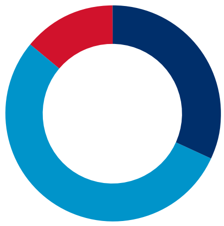
Under 30 years old	27
30-50 years old	70
Over 50 years old	26

FY20



Under 30 years old	25
30-50 years old	58
Over 50 years old	17

FY21



Under 30 years old	**72**
30-50 years old	**121**
Over 50 years old	**31**

EMPLOYEE NEW STARTERS BY REGION

FY19

114 9

FY20

79 21

FY21

202 **22**

Product Safety and Quality

Designing and manufacturing safe, reliable products that meet customers' needs is a key priority

GUD is committed to maximising the value of its brand portfolio as well as achieving superior brand reputation through providing safe and reliable products that meet customers' quality expectations. All our products are developed and tested against stringent quality control and assurance processes.

Product safety and quality is managed at the business level with best-practise guidance from the GUD Quality and Supplier Council

Product safety and quality processes are managed locally by each business unit to maximise effectiveness and allowing efficient responsiveness within the respective business environment based on its product diversity.

GUD has an established Quality and Supplier Council which brings together key functional leaders across all businesses to share best practices and thought leadership amongst the Group in all aspects of product safety and quality, ethical sourcing, supplier governance, supplier risk management and sustainability.

Our product quality measures have resulted in zero recalls across all GUD business and product ranges in FY21

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 achieved zero product recalls in calendar year 2020 which demonstrates our strong track record. GUD product recalls compared with industry recall rates are illustrated in the table below.

Product Recall Quantity (GUD and Industry Sector) by Calendar Year

Product Recalls	2016	2017	2018	2019	2020
GUD businesses	1	1	0	1	0
Industry Sector Total[1]	201	187	217	260	158
GUD % of total	0.5%	0.5%	0%	0.4%	0%

1. Relevant industry sectors to GUD are Cars (within Transport) and Pools and Spas (within Outdoor) as reported online at www.productsafety.gov.au/recalls

GUD continues to invest in leading-edge capabilities and infrastructure to ensure product safety, quality control and customer satisfaction

GUD's commitment to product safety, quality control and customer satisfaction is demonstrated by the investment in developing leading-edge capabilities and product testing infrastructure.

Over the last twelve months, GUD businesses have completed several significant product quality projects including:

- DBA: Commissioning of an advanced Disc Thickness Variation (DTV) measurement facility which provides a non-contact digital measurement capability not available elsewhere in Australia or New Zealand
- DBA: Certification for 1,200+ rotors and brake pads to European ECE R90 standard which provides the market assurance of the product compliance with stringent OEM/OES quality and performance standards
- Wesfil: Introduction of a new freight management system and software to improve product stocking and customer delivery performance

Case study

Ryco Air Filter Test Laboratory

RYCO INVESTMENT IN AIR FILTER TEST LABORATORY

Australian vehicles regularly experience hot, dry and dusty environments and we have some of the finest dust in the world. The air filtration systems of many original equipment manufacturers are not adequately designed to suit the demands of the Australian environment.

Ryco has been designing and testing aftermarket filters to international standards for the ANZ market for decades and has acquired significant field experience during that time.

Ryco's ability to develop world-class filters is underpinned by world-class testing facilities that can accurately measure filter performance. Unlike fluid filters that use the more accurate fractional efficiency method of testing, international standards for air filtration still employ a basic gravimetric method to establish filter efficiency.

Ryco has worked with a leading German test rig supplier to specify and build an air filter test system that tests air filters to a higher degree of accuracy. The system includes a particle counting system to measure the exact size of particles that permeate filter media providing a much higher resolution of filter media performance.

Ryco now has the capability to test air filters at a far greater accuracy than current international standards enabling better solutions to be developed to suit the ANZ automotive market as well as expand future opportunities.

Environment and Climate Change

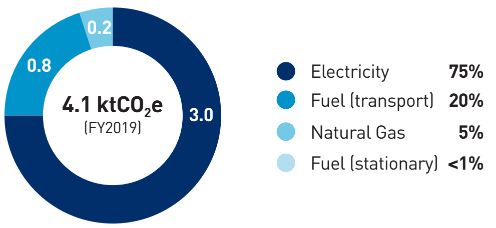
Energy and Emission Management

GUD's Scope 1 and Scope 2 emissions are well below National Greenhouse and Energy Reporting (NGER) thresholds, however, we are cognisant of the need to reduce emissions across the whole of industry and endeavour to reduce our existing carbon footprint.

At the instigation of the Board, a scope 1 and scope 2 emissions study was conducted in FY19 which confirmed GUD's aggregated Scope 1 and Scope 2 emissions of 4.1ktCO_2e are well below the National Greenhouse and Energy Reporting (NGER) thresholds at both facility level 25ktCO_2e and corporate group level 50ktCO_2e.

The Board nevertheless is cognisant of the need to reduce emissions across the whole of industry. As part of the aforementioned ESG strategy and targets, the Board and Management will come forward with a broader plan over time to reduce GUD's carbon footprint and through 2022 we will continue with the monitoring of the emissions and encourage actions within the businesses to reduce emissions. We plan to renew the GUD Scope 1 and Scope 2 emissions study over the next year to incorporate business units acquired since the FY19 study. During development of the GUD sustainability strategy we will also consider further ways GUD can support the reduction of carbon emissions along the broader value chain (by our customers and suppliers) beyond GUD's Scope 1 and Scope 2 emissions including through clean energy transition actions.

GUD Scope 1 and Scope 2 Emissions



Clean Technology Transition

We are actively rebalancing our portfolio to suit the extent and pace of the market transition towards clean technologies

As the mix of propulsion systems in the car parc changes over time, we will actively rebalance our portfolio in a timely manner so that we can both leverage our strengths in combustion-based categories and grow opportunities in engine-agnostic and electric vehicle segments. Our focus is on managing our portfolio to suit the extent and pace of the transition away from internal combustion engines (ICE).

We closely monitor the industry, consumer and car parc trends

According to the latest motor vehicle census, there are 23,000 electric vehicle (EV) registrations in Australia. This represents 0.1% of the 20.1m car parc. Whilst numbers are small, growth in the segment is strong and the trend towards electrification is likely to accelerate in the medium-to-long term. By regularly monitoring the market, GUD can proactively rebalance its portfolio to match the transition towards clean technologies.

Capital allocation decisions consider our portfolio's ICE exposure

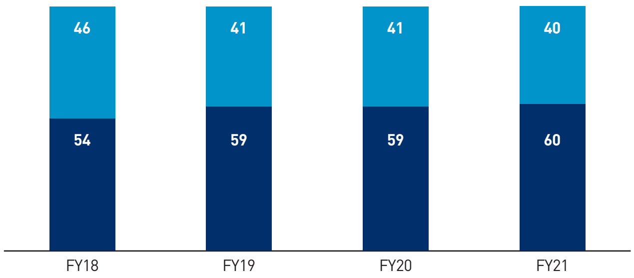
GUD considers ICE exposure when making capital allocation decisions. For instance, when evaluating potential acquisitions, we consider the impact on long-term exposure of the portfolio to ICE. This does not exclude ICE acquisitions from the consideration set; however, sizeable acquisitions with high ICE exposure are unlikely. Similarly, our investment in product development over-indexes on non-ICE initiatives without limiting the growth potential of businesses with a higher ICE reliance.

We have grown the Automotive Group non-ICE vehicle related revenue mix to 60% over the last three years

While revenue from ICE-related products continued to successfully grow in FY21, strategic acquisitions and organic growth initiatives have increased the non-ICE revenue mix of the Automotive Group from 54% in FY18 to 60% in FY21.

This continues the strategic trend of deleveraging GUD's exposure to internal combustion engines.

Automotive Sales Split: ICE vs Non-ICE
(Revenue %, FY18-21)



Case study

AUSTRALIA'S FIRST NATIONAL REMANUFACTURING SERVICE FOR HYBRID VEHICLE BATTERIES

Innovative Mechatronics Group (IMG) is a leader in the testing, repair and remanufacture of automotive electronic components. Remanufacturing is the process of rebuilding a product to the specifications of the original manufactured product using a combination of reused, repaired and new parts. In February 2021, IMG launched Australia's first national remanufacturing service for hybrid electric vehicles (HEV). This creates an affordable alternative for HEV vehicle owners who want to ensure a longer life for their car and avoid sending waste batteries to landfill.

When the battery packs in a HEV fails, the benefits of improved mileage, reduced fuel costs and lower emissions evaporate. A battery pack will fail when select cells stop functioning properly; however, remaining cells in the pack often remain fully functional. Remanufacture of hybrid batteries involves the disassembly of waste packs, testing and grading individual cells, recombining and rebalancing 'like' cells into a new pack. To this end, IMG has developed automated testing stations to accurately grade large volumes of cells and customised equipment for balancing the remanufactured packs. Cells that are no longer capable of meeting vehicle duty-cycle demands are recycled to recover valuable metals. IMG has developed strict protocols and packaging to ensure the safety of staff, fitters and customers.

Water Management

Davey Water Products has the capability to respond to the water scarcity and quality challenges in Australia and New Zealand.

We understand the challenge of water scarcity and quality in the Australian and New Zealand context and through our Davey Water Products business, have the capability to make a positive impact. Davey has a growing influence upon water management in society with the expansion of its product portfolio to include the commercial pumping, irrigation and commercial pool markets in addition to servicing its traditional domestic water pumping, water treatment and swimming pool and spa markets. We know that water management is important to a broad cross-section of our customers because of limited supply, particularly in remote areas of Australia.

Water management for our customers is about knowing how much water is being used, protecting the water supply through leak detection, and assuring water quality with treatment solutions.

Davey has several water management solutions in their range and are continuously investing in new opportunities that meet the challenges faced by our customers.

Case study

Microlene Centurion
UV water filter system

MICROLENE UV WATER TREATMENT SYSTEMS – SAFE DRINKING WATER MADE SIMPLE

Many rural households and community groups rely on rainwater for their drinking water supply as they do not have access to a municipal-treated mains water supply.

Families and households are more focussed than ever on making sure their water supply is safe to drink and free from disease-carrying micro-organisms and pathogens that can commonly find their way into the rainwater collection systems including, E. coli, Giardia and Cryptosporidium.

Working closely with customers and the Davey dealer network, the Davey product development team have designed and developed the Microlene UV System range using the power of ultraviolet light for reliable, effective, chemical-free disinfection.

The Microlene UV disinfection process occurs almost instantly preventing the growth of disease-carrying micro-organisms with no impact on odour or taste, no chemical use or by-products and no moving parts to wear out or break.

Davey has a range of Microlene UV products that deliver safe and clean drinking water for the smallest cottage through to light commercial operations. The all-new Centurian range comprises easy-to-install kits which combine filtration and disinfection in a pre-assembled, wall-mounted unit launched in NZ in March 2021 with the Australian release to follow.

Case study

Auckland Zoo

AUCKLAND ZOO – DAVEY RAINBANK RAINWATER HARVESTING AND REUSE

Davey Water Products has been a strong advocate of rainwater reuse for many years, an 'ahead of their time' concept. Many organisations across Australia and New Zealand are now embracing Davey's innovative focus on water resource management. Harvesting and re-use of rainwater is becoming standard in all new builds, industrial/commercial and domestic, and where possible retro-fitted into existing facilities where practical.

Recently Auckland Zoo underwent a $40m re-development which provided the opportunity for the Zoo to expand their water conservation measures and reduce their reliance on and operating costs of drawing water from the municipal water supply and the nearby Western Springs Lake.

In line with Davey's partnership philosophy, the Davey technical team collaborated with the Zoo from the very beginning of the project to help shape the overall system design and specifications for an integrated rainwater harvesting and re-use system.

The Davey RainBank system now supplies 'free' water for all non-potable uses at the zoo; public toilets, garden irrigation, animal enclosure cleaning, and filtered mist to provide a humid atmosphere for the reptile house. This type of system and project approach is a win-win-win for the Zoo, the city and most importantly the resource.

Innovation

GUD is committed to innovation—from the smallest tweak to an existing process to brand-new business units that disrupt markets, innovation is instrumental in future-proofing our businesses.

We foster an innovation community of practice

Each business has its own innovation frameworks and practices to suit its specific needs. In addition, several group-wide initiatives promote collaboration and sharing of insights between our businesses. For example, the Innovation Council offers a forum for our senior leaders and innovation managers to drive innovation strategy and culture. This is further supported by training programs and hands-on coaching by subject matter experts.

We use an ecosystem approach to accelerate our efforts

We recognise that partnerships with external parties such as universities, peak bodies and specialist agencies may help deliver on our innovation projects faster, better and sooner. Moreover, we proactively seek out opportunities to leverage grant funding support.

Our businesses are ranked amongst the Most Innovative Companies and have been successful in winning competitive grant funding

As every business adopts its own innovation frameworks, measurement of innovation performance also sits at the business-unit level; there are deliberately no Group-wide metrics that can accurately represent these activities. However, select highlights from our business units attest to GUD's intent:

- Ryco Filters and Brown & Watson International were ranked Australia and New Zealand's 5th and 8th most innovative companies, respectively, in the Consumer Goods and Manufacturing category on the 2020 AFR BOSS Most Innovative Companies List
- Our businesses were successful in three government grant submissions across three business units
- Multiple business units derived in excess of 10% of FY21 revenue from products that did not exist 24 months ago—a testament to their product creation and commercialisation capability
- Group-wide we launched more than one thousand new SKUs during FY21
- Two business units enjoy active collaboration agreements with university partners, both domestic and international

Case study

ACS Tech Bulletin and QR Code

DELIVERING TECHNICAL FITMENT INFORMATION ON-DEMAND

Australian Clutch Services (ACS) is a market leader in the supply of new and re-manufactured clutch components and systems, with a commitment to delivering quality product and technical knowledge to their customers. To service modern vehicles ACS customers require ready access to up-to-date and intuitive technical information covering a vast range of vehicle platforms and components.

Through ACS's customer engagement, it was identified that mechanics often suffer from an overload of paper-based workshop manuals, fitment instructions and service bulletins but struggle to simply find the right information, at the time, without impeding their workflow.

ACS has developed a simple 1-2 page critical instructions summary that ships in-box with every product. Each summary includes a QR code link to a video fitment tutorial. Mechanics now have instant access to a guided video fitment instruction directly from their mobile phone, avoiding the need to search through traditional paper-based manuals or leave their workshop to go to the office.

ACS technical information is continually updated and managed through an online database with every model of clutch individually tested and catalogued, giving ACS the edge in product knowledge.

The ACS YouTube channel has now generated 2.9 million views since launch demonstrating the value of this information platform to customers.

Governance

Corporate Governance

We believe that corporate governance will allow us to be an organisation that operates effectively and efficiently to benefit our stakeholders while being a good corporate citizen.

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

GUD's governance framework plays a critical role in helping the business deliver on its 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 business and provides guidance on the standards of behaviour expected of GUD's people.

GUD has a clear set of values 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 a number of 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 www.gud.com.au.

As part of the thrust to develop and integrate the ESG strategy and targets with the broader business and corporate strategy, the Board has broadened the STI incentive structure, introducing non-financial metric targets, encouraging and rewarding executives for effort focussed on ESG priorities. For FY22, emphasis will be placed upon safety, employee engagement and ethical sourcing. This emphasis may change in the future, particularly after we conclude our strategy development.

The Board has also adopted a number of policies, including a general policy on corporate governance, a code of conduct specifically for Directors in relation to Directors' duties and conflicts of interest, and a share trading policy, which together include procedures for dealing in Company shares, conflicts of interest, obtaining independent professional advice at the Company's expense, and 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 www.gud.com.au.

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 2021 are detailed in our 2021 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.

Compliance and Competitive Behaviour

The Board and senior management are committed to embedding compliance and competitive behaviour processes across the Group. To support this, our people, governance structures and management systems help us ensure this is part of the way we work. For many years, online training on competitive behaviour has been undertaken by all relevant employees and directors as a part of the suite of mandatory online compliance modules. The training exposes employees to the law, creates awareness around this topic and articulates how we should deal with competitors, suppliers and customers. We take this seriously and understand that mismanagement may result in regulatory and financial, as well as reputational impacts. In the past year, we have had no legal actions; hence our GRI Indicator 206-1 is zero.

Sustainable Procurement

GUD is committed to sourcing products in a responsible manner and to supporting our suppliers to improve their social and environmental practices and ensure compliance with the Australian Modern Slavery Act.

GUD's businesses source products and services from a range of locations. Whilst approximately 40% of our products are sourced locally from within Australia, we obtain supply from many other locations including China, Taiwan, Europe and New Zealand. Sourcing products from these regions creates shared economic benefits as well as allowing our businesses to provide affordable products to consumers.

GUD's Ethical Sourcing Program reflects a commitment to sustainable procurement across a broad range of areas. The program is built on GUD's Ethical Sourcing Code ('Code') which imposes standards for supplier operations associated with safety, environmental sustainability and business ethical matters and explicitly prohibits human rights abuses requiring an absolute commitment to respect their workers' welfare.

GUD's Ethical Sourcing Program underpins our engagement with our international supply chain

GUD's Ethical Sourcing Code's tiered approach is designed to secure honest feedback from suppliers, develop awareness and support long-term sustainable change in advancing suppliers towards achieving 'Gold' standard. The tiered layers build additional expectations of broader corporate and social responsibility at each level:

- Bronze: to combat modern slavery practices, improve working conditions and improve labour standards
- Silver: to raise health and safety standards and to protect workers from discrimination
- Gold: to promote compliance with environmental standards and ethical business practices

While the Bronze level addresses the minimum regulatory compliance, standards required of all GUD suppliers, we aim to partner with those suppliers committed to improving standards of labour, health and safety, equality, business ethics and environmental management.

GUD prioritises its Ethical Sourcing Program engagement with suppliers located in countries that are at a higher risk of having modern slavery practices. Currently, this has seen a prioritisation of suppliers in Asia, however, with a supply chain reaching across the world, we maintain ongoing evaluation and monitoring across a broad range of countries.

GUD's Ethical Sourcing Program is now well established, and GUD businesses have maintained good progress in implementing the Code through their supply chains, focussing on high and medium risk country suppliers. GUD has applied significant resources to bringing the newly-acquired GUD businesses into the Ethical Sourcing Program.

Case study

GUD MODERN SLAVERY STATEMENT

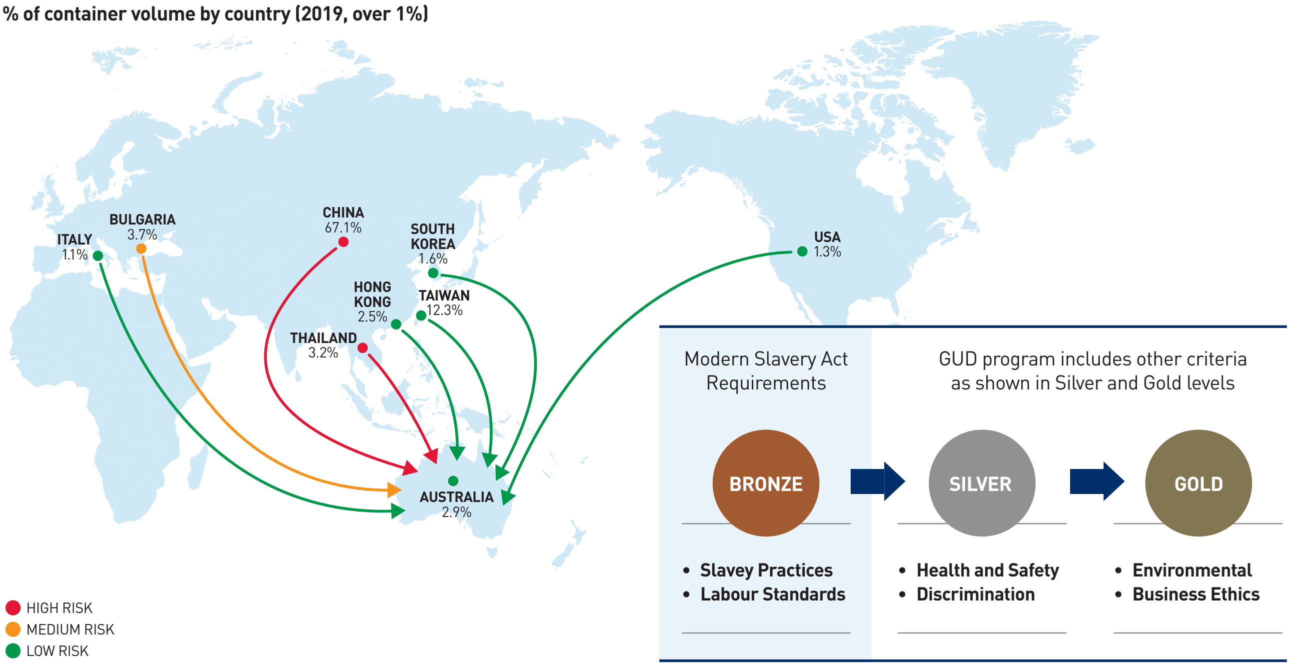
GUD's success has been built on strong product design and development, and its companies' skills in offshore sourcing and supply chain management. Fundamental to the efficient and effective delivery of quality products is the long-term relationships that GUD businesses have developed with their suppliers. GUD has an established Ethical Sourcing Policy and Code in place which articulates the minimum standards suppliers should adhere to when conducting business with GUD.

In the last year, GUD has upgraded and integrated its Ethical Sourcing Program with the release of GUD's first Modern Slavery Statement published in March 2021. Consistent with the requirements of the Modern Slavery Act 2018, the minimum 'Bronze' standard required of all GUD suppliers prohibits the use of involuntary labour or exercise of any 'ownership' type powers over workers; and requires compliance with local laws or collective bargaining agreements regulating wages and other working conditions.

As GUD acquires new businesses, it will work with each new GUD company to implement GUD's ethical sourcing policy and code within a reasonable time after acquisition.

A copy of the Modern Slavery Statement may be found at: https://gud.com.au/corporate-governance

% of container volume by country (2019, over 1%)



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 4 September 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 of Korvest Limited (appointed May 2013) and became Chairman of that company in September 2014, a Non-Executive Director and Chairman of Austco Healthcare Limited (appointed 21 October 2015), a Non-Executive Director of Clover Corporation Limited (appointed 20 May 2013) where he is Chair of the Audit Committee. He was formerly a Non-Executive Director of DomaCom Limited (retired 15 June 2021).

D D Robinson*

BSc MSc

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

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

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 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.

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 Hansen Technologies Limited (appointed 15 February 2017) 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 Opticomm Limited (retired November 2020) and 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 considerable 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 Campbell

BEcon, Acc and Fin Mgmnt GAICD

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

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 and Chair of the Audit Committee for Humm Group Limited (appointed May 2018) and Non-Executive Director of Southern Cross Media Group Limited (appointed September 2020). She is also Deputy Chair of the Australian Film, Television and Radio School. She was previously a Non-Executive Director of IVE Group Limited (retired November 2020) and The Sydney Film Festival.

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 and Founder of Leef Independent Living Solutions Pty Ltd and recently appointed as 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, Chairman of the Australian Industry and Skills Committee and a member of the Prime Minister's Industry 4.0 Taskforce.

G Whickman

BBus 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.

Chief Financial Officer

M A Fraser

BBus 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. Mr Fraser joined the Company in 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 35 years. Mr Tyler joined the Company in June 2005.

FINANCIAL SUMMARY AND RATIOS

Financial Summary and Ratios		FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Sales and Profitability[1]							
Sales Revenue	$m	595.5	396.7	396.7	434.1	438.0	**557.0**
Underlying EBIT	$m	78.6	83.6	83.5	88.9	80.7	**101.2**
Underlying NPAT	$m	44.4	51.9	88.9	60.9	48.2	**64.0**
Acquisition, Integration, Restructuring and Impairment Costs	$m	(87.3)	(0.3)	(6.6)	(1.9)	(6.5)	**(3.9)**
Net Profit Before Tax[2]	$m	(23.3)	72.7	70.2	80.2	63.6	**87.0**
Net Profit After Tax	$m	(40.9)	51.5	50.5	59.6	43.7	**61.0**
Reported NPAT	$m	(43.0)	(7.3)	101.8	59.6	43.7	**61.0**
Cash Flow							
Cash Flow from Operating Activities	$m	70.2	45.4	59.4	44.5	65.5	**74.4**
Financial Position							
Current Assets	$m	343.4	202.6	243.7	250.9	260.4	**356.5**
Current Liabilities	$m	168.7	100.9	86.5	86.2	96.9	**132.8**
Net Debt	$m	167.8	160.8	92.5	132.7	142.2	**146.6**
Net Tangible Assets	$m	44.8	(36.6)	30.5	(8.8)	(8.8)	**35.9**
Total Equity	$m		200.9	265.3	278.6	274.8	**388.8**
Per Share Performance							
Underlying Basic Earnings Per Share[1]	cps	52.0	60.5	64.1	70.4	55.6	**70.3**
Basic Earnings Per Share[1]	cps	(48.0)	60.1	58.6	68.9	50.4	**67.0**
Interim and Final Dividend	cps	43	46	52	56	37	**57**
Total dividend Per Share	cps	43	46	52	56	37	**57**
% Franked		100%	100%	100%	100%	100%	**100%**
Payout Ratio		83%	76%	81%	80%	67%	**84%**
Total Shareholder Return[3]		8%	46%	13%	-26%	19%	**9%**
Share Statistics (at 30 June each year)							
Total Shares on Issue	m	85.3	86.2	86.1	86.5	86.7	**94.2**
Closing Share Price	$	9.11	12.91	14.16	10.01	11.51	**11.99**
Market Capitalisation	$m	777.3	1,112.7	1,219.2	865.7	997.7	**1,129.2**
Key Ratios							
Underlying EBIT/Sales[1]		13.2%	19.6%	21.0%	20.5%	18.4%	**18.2%**
Return on Capital Employed[1, 4]		10.0%	14.3%	15.4%	14.8%	11.6%	**12.0%**
Return on Equity[1]		16.2%	25.8%	20.8%	21.8%	17.5%	**16.5%**
Return on Assets[1]		7.2%	11.3%	11.0%	12.2%	7.5%	**7.8%**
Net Debt/Total Capital		37.9%	44.5%	25.9%	32.3%	34.1%	**27.4%**
Net Debt/Market Capitalisation		21.6%	14.5%	7.6%	15%	14.2%	**14.1%**
Working Capital/Sales[1, 5]		22.7%	27%	40%	38%	37%	**40%**
Capital Expenditure/Depreciation & Amortisation[1, 6]		90.9%	58%	97%	191%	43%	**33%**
Interest Cover – Times		6.1	8.4	11.5	12.8	11.8	**17.3**

1. Based on earnings from continuing operations, as reported.
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.

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