



GUD Holdings Limited

A.B.N. 99 004 400 891

29 Taras Avenue,
Altona North, Vic 3025
Australia.

PO Box 62
Sunshine, Vic 3020
Australia.

Telephone: +61 3 9243 3311
Facsimile: +61 3 9243 3300
Email: gudhold@gud.com.au
Internet: www.gud.com.au

18 September 2020

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 2020 Annual Review, which will be forwarded to shareholders today.

Approved for release by the Company Secretary.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Malcolm G Tyler', with a long horizontal flourish extending to the right.

Malcolm G Tyler
Company Secretary

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

Attached

ANNUAL REVIEW 2020



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, Injectronics, Goss and Permaseal, and in water products, the highly respected Davey brand.

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ANNUAL GENERAL MEETING

The Annual General Meeting of
GUD Holdings Limited

will be held as a virtual meeting on
Tuesday, 27 October 2020 at 10.00 am.

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

FROM THE DEPUTY CHAIRMAN



**Graeme Billings,
Deputy Chairman**

On behalf of the Directors of GUD Holdings, I am pleased to present the Annual Review for the 2020 financial year. The following Operational and Financial Review outlines in detail the performance of the GUD Group's businesses in the year.

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.

Throughout the year, the Directors and Management continued the enhancement of 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, particularly throughout the latter part of the year when COVID-19 became a significant factor. Commendably, we noted an improvement in our safety record, which you will see later in our Sustainability Review.

In March 2020, we welcomed to our Board, Ms Jennifer Douglas. A non-executive director with considerable experience in communications and technology, Ms Douglas is a non-executive director of two other listed companies and serves the community in not-for-profit roles. We look forward to Shareholders approving her election at the upcoming Annual General Meeting.

The 2020 financial year was a year of two parts, solid performance in the first half impacted by the arrival of COVID-19. GUD still delivered solid sales and robust but lower EBIT. The Board reduced the final dividend to shareholders; this prudent approach was reflective of the efforts of Management and the Board to maintain a strong financial position and liquidity.

In hindsight, the year demonstrated the relative resilience of GUD's businesses and the industries in which we trade. Our businesses continue to deliver branded products which are needed on a day-to-day basis by customers to keep their vehicles on the roads, or water pumping in their homes, farms and businesses.

The Board firmly believes GUD remains well positioned in the medium to long-term. In this year of consolidation, we strengthened our focus on the operational fitness of our businesses and continued with innovation efforts and new product introduction. Critically, we did not reduce these expenditures, even when COVID-19 required cash conservation.

The focus on strategic planning continues. The Board expects Management to drive the operational delivery in the short term. Nevertheless, there is increasing emphasis on developing, renewing and implementing clear business strategies for the medium to long term.

The Board is committed to the current portfolio of companies within GUD. Where prudent, we intend to grow the portfolio in the automotive aftermarket area, whilst remaining disciplined in our approach to acquisition. Further acquisition opportunities will arise in the coming years, in part as an expected fall-out of COVID-19 but also as the aftermarket industry continues to consolidate.

We recognise FY20 was clearly impacted by the well-publicised and challenging COVID-19 realities. As these distressing impacts were felt around Australia and the World, we thankfully had in place actions to ensure the health and safety of our employees.

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.

At the time of going to print we were deeply saddened to learn that our recent Chairman and respected colleague, Mark Smith, had passed away following a short illness. On behalf of the Board, Management and the entire GUD team, we mourn and pay tribute to Mark.

Mark was a Non-Executive Director for 11 years from May 2009 to September 2020 and Chairman for 3 years from 2017 until his retirement on September 4, 2020.

Prior to taking on Non-Executive Director roles including joining GUD, Mark enjoyed a distinguished career with Cadbury Schweppes, culminating in his leadership of the Australian and New Zealand businesses as Managing Director.

Mark had a deep understanding of the GUD business. He was a great supporter of innovation, both in technical solutions and operational processes. As a Chairman he was pragmatic and sought to keep things simple – he believed that in complication there is wasted time and effort that could be focussed on the business. He was at all times inclusive of his fellow Board colleagues and Management.

Mark was passionate about engagement with employees, in particular seeking to ensure their wellbeing. His commercial experience and expertise along with his clear focus on strategy have been instrumental in positioning GUD for the future. He has had an enormous impact on GUD and we will always be indebted to him for his contribution.



FROM THE MANAGING DIRECTOR



Graeme Whickman,
Managing Director

Thank you to the employees of each GUD business. I recognise the hard work of each team member, particularly in this period when everyone is impacted by COVID-19.

In late March 2020, at the height of the COVID-19 uncertainty enveloping the world, GUD made a statement to the ASX, withdrawing earnings guidance for FY20. In that statement GUD noted that its COVID-19 task force, established in January, was focussing on people health, operational health, financial health, and stakeholder management. Whilst the leadership team and Board viewed the COVID-19 impacts to be temporary in nature, with no significant longer-term structural shift in the industries we serve, our responses on a number of fronts served the Company well. The accompanying Operational and Financial Review details COVID-19-related impacts and mitigating actions.

The financial results for GUD showed relative resilience in the face of some significantly challenging external factors, in particular COVID-19. GUD revenue grew by 1% whilst underlying NPAT was down 14% on a like-for-like basis. The result principally reflects late second-half lower end-user demand from partial or total Government imposed lock downs, coupled with reseller destocking which resulted in negative operating leverage. We believe there are underlying strengths to the industries and markets we serve. Notably, in the automotive aftermarket we see a number of 'tailwinds' - a decline in new car sales and the corresponding increase in the age of the car parc, increased frugality amongst consumers leading to more repair than replacement, travel restrictions inevitably leading to more domestic tourism and seeming aversion to public and commercial transport usage.

A prudent approach throughout COVID-19 ensured our balance sheet remains strong. After finalising the successful refinance process in January, our balance sheet position also supports further acquisitions in the automotive aftermarket, at a time where we expect to see increasing opportunities and where our appetite exhibits keenness tempered by appropriate caution.

In what was considered a year of consolidation, GUD continued its high-performance approach to both operational fitness actions and broad strategy execution. Our 'play to win' framework is designed to identify incremental growth levers, beyond what have been deployed in recent years. This remains critical as we reinforce the need to 'futureproof' our individual businesses around three key pillars of Core, Growth and Acquisition.

In addition, Management continued working hard to strengthen each businesses foundation in 5 keys areas: Customer Relationships, Supplier Surety, Product, People Planning and Operational Efficiency. In retrospect, GUD was better-positioned because of this foundational work as COVID-19 impacted in H2. These areas are detailed in our Operating and Financial Review and form the core of our actions to maintain and increase relevance and necessity of our products, services and businesses.

In automotive, the aftermarket supports a strong and proliferated vehicle car parc. GUD's companies possess many market-leading brands and generally rank in the number 1 or 2 position in the category. This strong brand and product position is supported by industry leading customer service and we are proud to have received a multitude of customer recognition awards in 2020, including Supplier of the Year at customers of BWI, Ryco and Davey.

We are also proud of the continued employee satisfaction levels in 2020, in the top 25% globally. In late 2019, we launched a talent development program, a first for GUD, concentrating on emerging leaders across GUD. GUD remains an inclusive workplace and launched an enhanced Diversity and Inclusion program with a clear charter and vision of success.

We continue to bolster our innovation and product creation focus. In 2020 GUD businesses have kept the innovation mindset strong and launched many new products such as Lifeguard, a connected chemical control unit for swim-ready pool water year-round, and Projecta's Intelli-RV range of plug-and-play, smart power management systems. GUD products won awards for design and innovation. We plan to further strengthen the product creation process throughout GUD. We were awarded four government grants under the Automotive Innovation Lab Access Grants scheme.

GUD continues to recognise and work with our extended stakeholders. Our Environmental, Sustainability and Governance efforts are comprehensively set out in the Sustainability Review.

In summary, we aspire to always be an admired employer, a key partner to our suppliers and a valuable partner to our customers, and this aspiration was intensified as COVID-19 impacted our business. Through this challenging time, Management have been focussed on delivery in the short term, with the right balance of playing defence and offence in strengthening the future performance of GUD.

YEAR IN REVIEW

2020 HIGHLIGHTS

GUD's broadened the focus on its automotive and water segments during the 2019-20 year to formulate and implement COVID-19 defence plans and position the businesses with appropriate offence plans for a post-COVID-19 recovery phase.



1% uplift in revenue from operations



Net debt up from \$132.7 million to \$142.1



15% decrease in reported operating profit from operations before interest and tax



IMG Group successfully achieved the purchase price earn out in the final year



Reported profit from operations after tax of \$43.7 million down from previous \$59.6 million



Substantial financial capacity to support organic and acquired growth

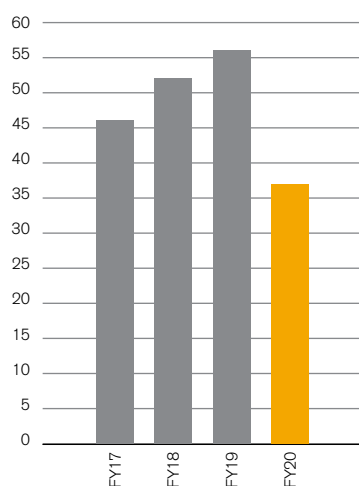


Dividend decreased to 37 cents per share from 56 cents reflecting economic conditions in the second half

Total Dividends

37 cents per share

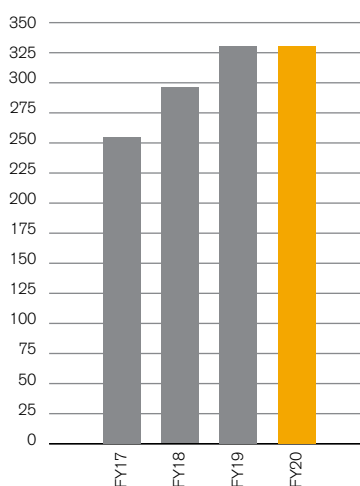
cents per share



Automotive Revenue

\$330.7 million

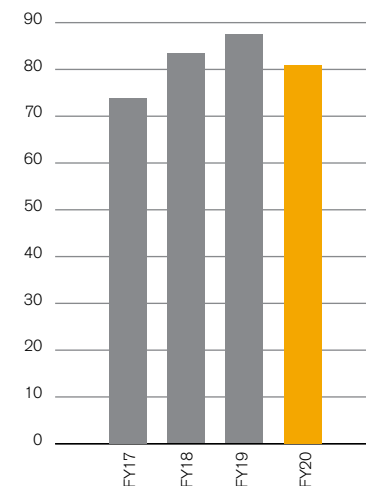
\$ million



Automotive Underlying EBIT

\$81.0 million

\$ million



SUMMARY OF OPERATIONS

OUR AUTOMOTIVE BRANDS

GUD's origins lie in the automotive aftermarket. Over time, the Company has established one of the strongest brand portfolios in the Australasian automotive aftermarket. Today, our businesses 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.



RYCO
FILTERS

GRIFFITHS
equipment



GOSS
VEHICLE MECHANICS

NARVA
THE VISION TO GO FURTHER

PROJECTA
more switched on

permaSeal
quality automotive gaskets

dba
DISC BRAKES AUSTRALIA

IMGroup
innovative mechanics

Products

Automotive parts and accessories, including:

- Oil, air, fuel particle and cabin air filters
- Heavy-duty and agricultural filters
- Wiper blades
- Spark plugs
- Fuel pumps
- Ignition coils and oxygen sensors
- Engine management parts
- Automotive gaskets
- Lighting products and electrical accessories
- Battery maintenance and battery power products
- Standard and performance disc rotors and brake pads
- Accessories, including cleaning products, chemicals, window tint and car detailing products
- Repair and remanufacturing of vehicle and engine electronic control units

Main markets and customer types

Australia and New Zealand:

- Automotive parts 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
- Engine rebuilders

Significant events

- New product introductions in all automotive business units
- Won government research and development grants of \$0.5M
- Ryco ranked third most innovative company in consumer goods and manufacturing category in AFR BOSS Most Innovative Companies List ANZ 2019
- AAG integration proof of concept well progressed
- Leveraged operational fitness opportunities in real estate, logistics, IT and revenue management
- Won supplier of the year awards

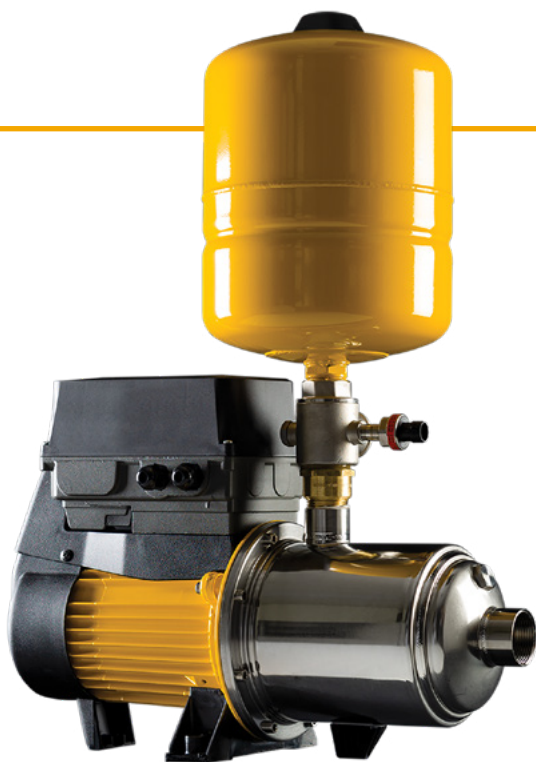


SUMMARY OF OPERATIONS

OUR WATER BRAND



Davey Water Products is Australia's leading supplier of a comprehensive range of water-related 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 and long-established export destinations, including the Middle East, Africa, Asia, the USA and the Pacific.



DAVEY

Products

Water pumps and associated equipment:

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

Main markets and customer types

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

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

Significant Events

- Launch of several new innovative products, including Lifeguard
- Expanded presence in engineered treatment solutions to include hospitality and hospitals
- Approved product cycle plan for strategic growth and renewal of existing categories
- Created Heartland Helpers campaign to support communities impacted by bushfires
- Won SCP supplier of the year in Europe



OPERATING AND FINANCIAL REVIEW

1. Overview

In FY20, the year should be viewed in two parts. GUD's performance was tracking to our previously announced guidance throughout much of the year. However, it was clearly impacted by the well-documented and challenging COVID-19 realities as we approached Q4. As sobering as these impacts were felt around Australia and the world, we are thankful to be able to confirm actions taken to date have resulted in a relatively respectable and solid financial result underpinned by careful and deliberate measures to protect the health of our people, operations and financial stability.

The Management were clear from the outset of FY20 that the year was one of consolidation. We needed to manage significant currency shifts, absorb domestic cost inflation, bed down the incremental costs in securing multi-year supply agreements, push hard on supplier cost reductions and deliver appropriate pricing increases. The team identified and secured a 'steady state' on the differing financial inputs whilst architecting the refreshed Business Unit strategies for future growth and keeping up the acquisition dialogue.

This approach was well advanced and then the COVID-19 Pandemic hit the radar screens. GUD reacted early, and in late January, the executive team started planning for both supply-side, and then demand-side impacts to the business. GUD were, and remain, determined to act as a good partner to our suppliers, employees and customers throughout this period. The leadership team and Board viewed the COVID-19 impacts to be temporary in nature with no significant longer-term structural shift in the industries we serve. We will address a number of these COVID-19 related impacts and mitigating actions in detail in the next section of this report, where 'controlling the controllables' was a clear mantra amongst the Group.

It should be noted we viewed the developing and ongoing COVID-19 situation with a lens of both 'defence' and 'offence'. Meaning that we put in place mitigation plans to ensure we could 'weather the storm', but also played 'offence' and actively managed opportunities to drive product development efforts, increase product cataloguing, drive the operational fitness projects, refine our business unit strategies with a short to medium term focus and reassess any acquisition targets that might re-emerge.

GUD have been vigilant in ensuring we maintain a safe working environment. This was made increasingly more difficult with the overlay of so many 'off standard' working practices brought about by the COVID-19 situation. We increased the level of attention, engagement and communication across all businesses and were relentless in examining unforeseen hazards and risks. Consequently, the full year safety metrics improved over last year, and importantly did not deteriorate through the 2nd half of the year. Encouragingly, the GUD LTIFR rate is substantially less than half of the Safe Work Australia industry benchmark rate. GUD will not 'sit still' and has further plans for ongoing health and safety enhancements, with details outlined in our Sustainability Review.

Revenue for the year increased 1% to \$438 million despite second half COVID-19 volume impacts.

Reported EBIT decreased 15% to \$74.3 million reflecting \$6.5 million of significant items of which \$4.9 million were non-cash, and principally relate to implementing Davey's Product Cycle Plan and organisational restructuring plan, the impairment of the Monarch brand, as well as restructuring costs associated with AA Gaskets ceasing manufacturing and relocating to the Ryco facility in Altona North.

Pre-AASB 16 Underlying (excluding significant items) EBIT of \$80.1 million was down 10% from the \$88.9 million in the prior corresponding period. The result principally reflects lower end-user demand from partial or total lock downs coupled with reseller destocking which resulted in negative operating leverage. Cost savings from government COVID-19 subsidies and internal cash conservation efforts were more than offset by higher operating costs under COVID-19, H2 factory load utilisation, and FX impacts given a significantly weaker AUD in much of the second half of the year, as well as appropriate Group provisions considering the economic climate.

On a like-for-like basis, excluding AASB 16 impacts, underlying¹ NPAT was down 16% to \$50.9 million. Adjusting for a one-off tax provision release of \$2.5 million in the prior corresponding period and \$0.5 million in the current period, underlying NPAT was down 14%. In addition, the current year's result includes an interest expense of \$1.1 million reflecting the final earn-out provision in relation to the acquisition of IM Group in July 2017.

Consequently, the reported basic earnings per share on a pre-AASB 16 basis of 53cps was down from the prior year's result of 69 cps.

The final dividend payment to our shareholders is 12 cps bring the full year total to 37 cps, or 67% of underlying NPAT.

Our balance sheet remained strong with gearing, being net debt against net debt and equity, of approximately 34%, and robust interest cover. Pre-tax cash conversion of 97% was achieved for the period which was well ahead of internal targets. Our banking lines were renewed in January 2020 with staggered maturities over one, four and eight years. At the reporting date, available unused banking lines were in excess of \$57 million and further short-term facilities of \$22.5 million were secured commencing July 2020. Hence, the Company is well placed to support both organic growth and further bolt-on acquisitions.

The team at GUD are working on three areas of strategic attention, being the Core, Growth and Acquisition workstreams. As mentioned, 2019-20 was a year of consolidation, to ensure we started to leverage the scale of the GUD businesses, drive operational fitness actions, solidify our customer relationships and embark on the next stage of planning for organic and acquisitive growth in the coming years.

At the time of writing, the business environment remains fluid with conflicting comments as to what the short-term future holds. GUD's efforts to improve operational fitness, outlined in our 2018-19 review, certainly gave us a head start before the emergence of COVID-19. We have been working on the philosophy of 'sovereignty with strength', leveraging the scale of our operations without threatening the decentralised, and very accountable existing business unit culture. This gave rise to projects such as real estate footprint review, supplier cost reductions and business restructuring in the first half.

In the short term, we expect to operate within a tough general economic environment. Naturally this might impact parts of our businesses with products of a more discretionary nature. It is hard to accurately forecast any further deterioration to the miles travelled due to social distancing and mobility restrictions. However, in the automotive aftermarket, we note potential tailwinds in terms of 'miles travelled' with public transport and ridesharing usage dropping and domestic tourism increasing. We recognise consumers were already showing signs of more cautious or frugal spending and we expect that to become more prevalent in the short term. This 'frugality' could also be viewed as a further tailwind, as the aftermarket will likely encounter higher used car volumes, increasing DIY activity, increasing interest in repair and replacement of parts and potential migration from OEM service lanes to independent repairers to stretch their dollars further.

New vehicle sales continued to drop in 2019-20. Whilst this has had a moderate negative impact on some of our businesses, the bigger positive impact will mean the natural scrappage rate will drop and increase the average fleet age of the car parc, therefore, increasing the 15 million plus car parc of 5-year-old plus vehicles in Australia.

GUD's position on the long-term future of electric and autonomous vehicles remains unchanged. GUD modelling concludes the addressable market in 2030 of 5-year-old plus vehicles with internal combustion engines (ICE) would remain largely consistent with today's 15 million units, as new vehicles continue to flow into this age category. In 2019-20, GUD generated just above 40% of its automotive revenue from products specific to ICE vehicles.

GUD's view on our water business remains unchanged. The impacts of bushfires and longstanding droughts certainly were felt across many geographies and sectors in Australia throughout the year. Davey moved quickly to support the rural economy with donations of bore water pumping products in the stricken areas through their master dealer network. As the bushfires abated, Davey experienced solid demand from rural infrastructure investment.

At the beginning of the year, we detailed our desire to build on the excellent existing stakeholder relationships, with attention on Suppliers, Employees and Customers. This aspiration was of course tested through the 2nd half of the year, and we will review the impacts of COVID-19 to our stakeholders later in this Operating and Financial Review (OFR).

We were pleased with the results of our recent FY20 employee satisfaction survey. This continued our recent trend and placed GUD again in the top 25% of global companies measured in the Qualtrics study. Our leaders worked hard to ensure our employees remained connected and engaged with our business objectives and purpose.

GUD were encouraged to see the same trend in customer satisfaction repeat from prior years and we were proud to receive awards in FY20 from our customers. BWI won both the GPC Asia Pacific Supplier of the Year (the first time this award has been given to a GUD business) and GPC's Exceptional Support to the Store Network (AUS and NZ). Ryco was awarded GPC's Most Innovative Trade Campaign, and Supercheap Auto's Most Innovative Trade Partner awards.

Finally, in late 2019, Davey were excited to be awarded the overall Supplier of the Year by SPC, one of the leading global wholesale distributors of swimming pool supplies, equipment and leisure-related products, recognising Davey's great traction in Europe.

The leadership team and Board remain convinced of the tangible link between employee satisfaction, customer satisfaction and subsequent financial and non-financial business deliverables.

GUD's portfolio is centred on the automotive and water businesses. Throughout FY20, we have examined numerous acquisition opportunities across a multitude of automotive product categories. We were careful with our analysis on the strategic fit and valuation, using the common acquisition criteria developed and implemented over the last 2 years. Our prudent approach has served us well with the unexpected impacts of the pandemic. This has meant we are not caught with an overvalued recent acquisition with high integration efforts and risk of impairment. Nevertheless, as part of our 'offence' actions, we have been continuing to review and speak with vendors, even throughout the COVID-19 period. GUD remains clear that acquisition opportunities for the automotive portfolio are still available and desirable, however, appropriate caution will be exercised with the prevailing uncertainty. As always, the timing of opportunities will ultimately be dictated by the willingness of vendors.

OPERATING AND FINANCIAL REVIEW CONTINUED

In the FY19 OFR, we outlined a focus on five key topic areas of **Customer Relationships, Supplier Engagement, People Cycle Planning, Product Cycle Planning** and **Operational Efficiency**, all with a view to strengthen our business foundations. The attention has continued, and further improvements have been made.



Customer Relationships – Building on our multi-year preferred supplier agreements with two of our critical automotive customer reseller groups, we have experienced positive growth in a number of our own brands, seen the take up of new products and in a few cases, both in automotive and water, customers turn to the respective business for house brand supply and management. We have added further OEM customers in addition to Toyota and Paccar and worked tirelessly through COVID-19 to assist our customers in creative ways. FY20 was also a proud year for Supplier of the Year recognition across BWI, Ryco and Davey.



Supplier Engagement – We continue to work with critical suppliers to confirm sourcing security as a priority. Additionally, our project work on COG's cost reductions became incredibly important and proved to be successful. Utilising our Quality and Supplier Council, we also embarked on the journey to drive better Environmental Social Governance (ESG) outcomes with our supply base and announced the launch of the GUD Bronze, Silver and Gold supplier program, which is detailed later in the Sustainability Review.



People Cycle Planning – We have been working diligently to develop future leaders for our current businesses and future acquisitions to ensure the right balance and focus at the executive leadership level. In late 2019, we launched a talent development program, a first for GUD. This concentrates on emerging leaders across GUD and has two cohorts participating in a two-year program, facilitated by a selection of external leadership and business experts. GUD remains an inclusive workplace and launched an enhanced Diversity and Inclusion program with a clear charter and vision of success. Finally, we strengthened our Ryco and BWI leadership team with a new Executive General Manager at Ryco and Chief Operating Officer at BWI. Both leaders come with decades of aftermarket experience and are well known and respected in the Australian and NZ markets.



Product Cycle Planning – We continue to bolster our innovation and product creation focus. Throughout the year, GUD released hundreds of new SKU's. Davey and BWI each had more than 10% of revenue generated by products that did not exist 24 months ago. Amongst the new launches were Lifeguard, a connected chemical control unit for swim-ready pool water year-round, and Projecta's Intelli-RV range of plug-and-play, smart power management systems. Narva won a Good Design Award, Projecta took home top honour for the most innovative product at the Australian Auto Aftermarket Awards, and Ryco Filters ranked third in the consumer goods and manufacturing category in the 2019 AFR BOSS Magazine Most Innovative Companies List. Moreover, we were awarded four government grants under the Automotive Innovation Lab Access Grants scheme, matching Research and Development funding of ~\$0.5 million. More details are outlined in the Sustainability Review.



Operational Fitness – As stated in last year's OFR, the need for operational efficiencies remained paramount in a year of consolidation. This business foundation was modified to increase its remit to review the broader operational fitness levels of the business units. Part of the fitness work has been to look across the wider GUD group to achieve cost savings through leveraging greater commonality and scale. In parallel, the opportunities to improve operational fitness in revenue management, sales, ordering and purchasing (SOP) management and lean operating structures have also been embraced.

Taking the opportunity to summarise each business, it is clear GUD has been impacted by the COVID-19 pandemic, although not uniformly across the portfolio, or even within the Automotive Business Units. Each of GUD's automotive businesses continues 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.

Our brands continue to be demanded by end users. We took the opportunity in our October Investor Day briefing to outline information on the brand strength. As an example, our two filtration offerings, with Ryco and Wesfil combined, had 81% of the 1st choice recommendation of workshops. In recent brand surveys, we saw many of our brands in the top quartile of their respective segments. This is supported by a strong pull model, where in some businesses, an active field force visits many thousands of workshops per annum to educate workshops and conquest competing brands.

Wesfil's strong sales growth was supported by its well-recognised value-orientated brand proposition. This was further supported by its comprehensive state-based customer service and distribution strategies and the ongoing momentum of newly launched incremental product categories.

Ryco maintained their FY19 sales level. However, the demand in the second half was quite variable from month to month with the impacts of large destocking from our resellers and the NZ lockdown. Ryco maintained the ongoing tempo of filter product releases and saw increasing growth from its catch can products which was the recipient of the AFR Innovation award featured later in our Sustainability Review.

In FY20, the overall filter market was no less competitive, and collectively, Wesfil and Ryco remain proactive in defending our strong market position.

BWI experienced contraction in the top-line, as the most impacted of the automotive businesses with the shutdown of its offshore markets and slippage in the more discretionary and OEM product channels in Australia. Encouragingly, BWI were able to add new customers and helped some existing customers with their own house-branding programs. BWI were recognised for the new products with several awards and satisfyingly, BWI recorded more than 10% of its revenue in products less than 12 months old.

Our smaller businesses of DBA, IMG and AAG all delivered strong revenue growth. IMG experienced an uptick in the repair and remanufacturing demand, with record jobs per day. IMG also gained traction in distributing engine management parts to the independent reseller channels, increased product cataloguing substantially and launched a new website to enable better velocity in the repair process.

DBA's performance was a result of primarily strong domestic sales with the COVID-19 impact in Russia and other European countries being mostly offset with strong growth in the USA. DBA expanded their product range with the launch of a DBA branded disc pad program in pursuit of a larger share of the 'wheel end' market. DBA was delighted to gain R90 certification, which is an important Economic Commission for Europe (ECE) automotive design standard to enable further Western European market distribution.

AAG delivered strong growth, and in fact saw a stronger demand through the back end of the year as end customers started to consider engine rebuilds with a greater intensity. The AAG integration and relocation proof of concept project continued in the background, although delayed by 3 months due to practical impacts of COVID-19. Other than the timing delay, the scope remains unchanged.

The year also saw much activity around building a foundation within Davey for profitable mid-term growth. While revenue grew modestly, the EBIT was impacted through new product development costs, restructuring and the significant impact of government lock downs and factory load recovery variance.

Davey's farm trials of Modular Water Treatment products (MWT) continues. In addition, MWT sales have been secured in new applications such as hospital and hospitality and other agricultural applications. Further, Davey sold out its entire allocation in Europe of its new Nipper chlorinator and delivered the launch of the Tank Sense product.

Davey remains committed to its strategic plan and now is in execution mode. This focusses Management efforts around the strategic pillars of supply chain optimisation, commercialisation of product innovation, diversifying channels to market and improving people and culture outcomes as they roll out their strategy.

As the drought eased and fires abated, we certainly experienced the start of infrastructure rebuild, where importantly, water pumping was high on the list of remedial repair or replacement.

2. COVID-19 Pandemic

GUD's Executive COVID-19 task force was established in January, initially focussing on potential supply chain disruptions. This quickly progressed to a response framework for wider business impacts in countries where GUD has operations and staff such as Australia, New Zealand and Europe. Naturally, through this period, we commenced COVID-19 meetings with the Board which, at their height, were held weekly but now are held within the monthly Board meetings.

We identified 20 key Defence and Offence actions in support of our COVID-19 response framework, which focussed on **people health, operational health, financial health, and stakeholder management**.

People Health

During the second half of the year, in response to COVID-19, the Company implemented air travel bans, heightened hygiene protocols and social distancing measures in the workplace including split shifts and staggered break times in warehouses and production facilities. We activated business continuity plans to support working from home wherever possible, consistent with the current Australian and/or New Zealand Government health advice.

In addition, where necessary, employees could access two weeks' special COVID-19 leave. This is to support those who needed to be isolated but cannot work from home or as an income supplement for those experiencing scaled back working days due to work hour reductions or government required lock downs.

The scale back of employee remuneration naturally included senior management in each business, who have had their salaries scaled back by between 10% and 15% if their business triggered JobKeeper, or if any subsidiary company triggered JobKeeper in the case of Group staff. The scale back of salaries for Key Management Personnel and Board members was 20%, subject to the same triggers.

These two initiatives reflected a desire to not only address cash conservation but to also, as far as possible, keep our workforce intact and engaged for a post COVID-19 recovery. To date, this approach has avoided termination and re-hire costs and addressed a desire to avoid employee financial hardship.

Significantly greater attention has been paid to the mental health and well-being of our staff throughout this period. We have heightened the counselling services available, developed and implemented mental health champions in each business and rolled out wellbeing seminars across the business. Our strong employee communication with our teams was enhanced with frequent one-on-one contact and enhanced use of digital mediums. Information bulletins on topical matters such as 'adjusting to our new normal', working from home, and self-care strategies were provided to our people.

Operational Health

Through a combination of our pre-existing safety stock levels, strong collaborative relationship with our suppliers and early supplier engagement, we have been able to ensure a high rate of product supply throughout. In some areas, we have selectively increased safety stock levels, seeing a run up in inventory which will normalise going forward into the next fiscal year. Inventory actions also included the negotiation of deferrals of outstanding purchase orders where practical, and in a responsible manner which would not put supplier financial viability at risk.

We needed to make significant operational changes to accommodate the COVID-19 direction from the varying government health agencies. Staggered shifts in warehouses across our businesses, split shifts in our manufacturing and assembly operations and significant health and safety changes to all workplaces, whether in-situ or in remote places of work. This unparalleled series of changes come at a cost but measured only in dollars and not in safety outcomes.

Customer demand impacts from COVID-19 were not evident until late March and into April. In the Water business, Australian demand was robust throughout much of the COVID-19 period whilst virtually zero in countries experiencing government-mandated lock downs which included New Zealand, France, and some export countries.

Product demand increased strongly in all Automotive businesses except Disc Brakes Australia from May, whilst Disc Brakes Australia saw an increase in demand from June. The performance in June across all Automotive businesses was satisfying as it grew compared to prior comparable period.

The New Zealand Automotive business experienced close to zero sales during the mandatory shut down period of 6 weeks. The NZ operations experienced an improving trend after lockdown, however the trajectory has been a slower to return to prior levels.

Financial Health

An appropriate level of careful financial modelling was completed through this period and the Company is in solid financial health. Debt facilities were renewed in January 2020 involving \$150 million for the next four years, a further \$50 million for eight years and \$25 million of short-term facilities that are reviewed every January. On 1 July 2020, the Company secured further short-term facilities of \$22.5 million. Although the existing borrowing facilities were not fully used during the year, the additional facilities leave the Company better placed to respond to potential organic or acquisition growth opportunities which may arise over the next year.

Although the Australian Dollar lost significant value against the US Dollar in much of the second half followed by a recovery in June, we remained largely hedged through FY20. Steps were taken in late June to hedge the vast majority of our FY21 foreign currency needs at the prevailing exchange rates. Given the hedges and a full year contribution from supplier cost reductions achieved in FY20, the Company is better placed to manage deflationary pressures in the coming year.

Financial health efforts also addressed cash conservation action plans in response to demand changes from COVID-19 impacts, many of which have been previously outlined under Operational Health which more than offset the incremental costs of operating under COVID-19 conditions. It is also worthy to note that some businesses have qualified for JobKeeper, and its equivalent. The FY20 subsidies amount to \$179,000 for the water business and \$2,771,000 for the automotive businesses.

Stakeholder Management

As part of our desire to be a good partner through this time, we put in place a strong stakeholder management plan. This was primarily across our supply, employee, customer, and financier stakeholder bases. Our level of communication naturally increased in frequency and intensity to ensure key messages and actions are not left open to interpretation and therefore lacking in urgency, efficiency or effectiveness. We are satisfied with our efforts to work with stakeholders ranging from our union partners and employees through to our investors and financiers, all which have been well recognised and proven productive.

3. Financial Performance Review

Revenue

Total Group revenue increased 1% on the prior year's level. The Automotive businesses reported a slight increase while Davey's revenue grew by 3%.

The primary drivers of the changes in revenue during the year reflect:

1. Strong growth in Davey's Australian business from both existing and new products.
2. A significant fall away in Davey's New Zealand and France sales during the government-imposed lock down periods.
3. A near collapse in the Automotive business' sales in New Zealand during their government-imposed lock down periods.
4. Lower Automotive sales in the fourth quarter due to resellers destocking and end customer user demand more than offsetting range expansions of several businesses.
5. Softer export demand in certain markets for Disc Brakes Australia in the fourth quarter.
6. Further range extensions in all automotive businesses achieving sell through.

Profitability

The Group reported a net profit after tax of \$43.7 million. On a pre-AASB 16, the NPAT result was \$46.4 million which compares with the prior year's result of a net profit after tax of \$59.6 million.

The result includes a tax provision write back of \$0.5 million offset compared to a \$2.5 million tax provision write back in the prior comparable period. Excluding the above tax one-off items in the respective years, the NPAT decreased by 14% on a like for like basis. In addition, the current year's NPAT result includes an interest expense of \$1.1 million in relation to the final earn-out provision in relation to the acquisition of IM Group in July 2017.

During the year significant one-off costs were incurred in relation to:

- Non-cash items related to the impairment of a Davey subsidiary brand Monarch of \$2.1 million, the impairment of Davey inventory of \$2.5 million in line with a change to the approach to product development and life cycle maintenance, and \$0.3 million of inventory mark downs associated with restructuring AA Gaskets manufacturing.
- Cash costs associated with restructuring AA Gaskets manufacturing (\$0.2 million) and \$1.4 million associated with Davey restructuring costs.

The reported underlying NPAT was \$48.2 million, or \$50.9 million on a pre-AASB 16 basis, compared to the prior year's result of \$60.9 million representing a reduction of 16% or 14% excluding the one-off tax impacts mentioned earlier.

Reported underlying Earnings Before Interest and Tax (underlying EBIT) was \$80.7 million, or \$80.1 million on a pre-AASB 16 basis compared to the prior year's result of \$88.9 million, a decrease of 10%. The result principally reflects lower end-user demand from partial or total lock downs coupled with reseller destocking which resulted in negative operating leverage. Cost savings from government COVID-19 subsidies and internal cash conservation efforts were more than offset by higher operating costs under COVID-19, H2 factory load utilisation, and FX impacts given a significantly weaker AUD in much of second half of the year, as well as appropriate group provisions considering the economic climate.

Dividends

The total dividend for FY20 was 37 cents per share consisting of an interim dividend of 25 cents per share and a final dividend of 12 cents per share. Both dividends were fully franked and represent a 67% payout of full year underlying NPAT. This compares with total dividends of 56 cents per share in the previous financial year. The lower final dividend reflects uncertainty around prevailing trading conditions as the economy and user demand move through a recovery from the COVID-19 pandemic.

The Board considers such prudence appropriate and notes that it leaves the Company well positioned to fund organic or acquired growth opportunities that may arise.

In line with the desire to position the Company for growth opportunities, the Board has reactivated the Dividend Reinvestment Plan for the final dividend.

Cash Generation and Capital Management

Reported cash flow from operating activities was \$65.5 million, up \$21.0 million from the \$44.5 million reported in FY19. On a pre-AASB-16 basis, which was the basis of the FY19 reported result, cash flow from operating activities was \$54.3 million. Measured on either a reported or pre-AASB 16 basis, cash conversion result of 98% was achieved compared to 78% in the prior year. Measured on either a reported or pre-AASB 16 basis, cash conversion of 98% was achieved compared to 78% in the prior year.

The cash conversion was well ahead of internal targets for the year due to the timing of supplier purchases in the last quarter of the year. This yielded a higher level of payables than usual at year end alongside efforts to tightly manage other net working capital elements.

Net debt was \$142.17 million, an increase of \$9.4 million over the prior year. The increased debt level is primarily from a combination of higher tax payments, a slight increase in capital expenditure to support innovation and renewal, and a loan to a key supplier to assist in building a new plant.

External Financing

During the year, the Company completed a refinancing of its debt facilities of \$225.0 million. The new facilities, which are dominated in AUD or NZD were executed in January 2020 on commercially compelling terms and involve:

- A core debt facility with Westpac, National Australia Bank and Citibank for 4 years totalling \$150 million.
- Short term facilities with Westpac and National Australia Bank totalling \$25 million which we expect to renew annually, and,
- An 8-year fixed term loan of \$50 million with Pricoa.

In addition, on 1 July 2020, the Company secured additional short-term facilities of \$22.5 million. While the facilities are not immediately required and are available for general corporate purposes, the Board believes the renewed and additional facilities will leave the Company well positioned to quickly respond to compelling organic or acquisition growth opportunities which may arise over the coming financial year.

4. Strategy Overview

Overview

Throughout the year, the Board and Management continued to refresh and review individual business unit strategy plans. We remain comfortable with the current businesses within the GUD Holdings portfolio and are willing to make logical automotive acquisitions.

At an individual business level, we continue to apply the GUD high-performance approach for both operational fitness actions and broad strategy execution. In 2019, we introduced 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 remains critical as we reinforce the need to ‘futureproof’ our individual businesses.

We have previously mentioned the defence and offence actions guiding the businesses through the COVID-19 period. Regardless of this period GUD continues to sharpen its **strategic direction**, at the **GUD group-wide, individual business unit** and **future acquisition** efforts, focussing on three pillars being:

Our belief is the focus on these 3 key pillars will provide a good level of opportunity for further top and bottom-line growth. These are not overnight solutions and require a steady and thoughtful approach across the short to medium term. Importantly, we have dedicated resources and continued to utilise cost-efficient external expertise to leverage the wider Group Management team to pursue results in the Core, Growth and Acquisition workstreams.

Core: Group Wide Initiatives



- Leverage multi-year preferred supplier agreements in select automotive categories
- Quality and logistics councils to leverage scale and skills
- Internal management resources pivoted to address operational fitness opportunities in real estate, logistics, IT and revenue management
- Increase emphasis on achieving supplier costs
- First shared logistics facility opened in Auckland, build capability which could be applied elsewhere
- AAG integration proof of concept to establish blueprint for the future

Growth: Individual Business Unit Strategies



- Individual business unit competitive strategies with appropriate COVID-19 overlays
- Addressing new organic growth pathways with existing customers and a focus on ‘low touch’ exports
- Strengthened resources dedicated to innovation and product development, under our new Chief Innovation Officer.

Acquisition: Portfolio and Category Plans



- Established acquisition criteria and decision thresholds including returns above the cost of capital beyond initial integration
- Appropriate balance of opportunity and caution through post COVID-19 period
- Internally, developing a pool of potential managers for acquired businesses under the leadership of our new Chief People Officer.
- Securing new customers and categories through acquisition
- Strong automotive acquisition and strategy capacity of our dedicated acquisition and strategy leader

5. Risk Review

Overview

FY20 represented the second year since the Board created a separate Board committee to focus on Risk and Compliance. This year's risk reviews added to the foundation work of the prior year and saw fine tuning of risk assessments and greater familiarity with the Alyne risk management tool.

The COVID-19 pandemic provided an opportunity to test whether the risk mapping, reviews and action plans which had been prepared in the prior year were realistic, complete and effective, which proved to be the case.

This is a significant observation, given the nature of the COVID-19 pandemic which saw customer demand, supply chain risks and cyber security risks occur in an overlapping time frame.

While we did not foresee the exact nature of the COVID-19 event, the risk mitigation, business continuity and crisis management plans responded appropriately. As noted earlier in this report, certain levels of disruption were relatively high but at no time did the Company experience an unacceptable or undesirable liquidity event or solvency position.

Consequently, there has not been a need to make any fundamental changes to risk themes, key risks or key mitigating action plans. They were complemented by the COVID-19 response framework and defence actions. The enduring risk themes, key risks, and mitigating actions are:

Risk Themes	Key Risks	Examples of Mitigating Actions
Customer risks	Over reliance on single customers, or new entrants' routes to market, or potential disruptive existing customer behaviour	Maintain a portfolio of compelling products, broad range of customers, 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	Multiple parallel sourcing for critical items, utilisation of a broad range of suppliers, supplier quality control processes and Quality and Supplier council
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
Information Technology and Cyber risks	Continuity of business or loss or 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

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

6. Outlook

At this time, GUD would normally provide insights and thoughts on the coming year, with a view on expected industry trends and company prospects. The current COVID-19 situation and the ever-changing social and economic landscape gives us less certainty as to the backdrop we operate within.

That said, GUD remains well positioned for the medium to long term horizon. The Automotive division maintains strong brands, products and customer service in support of a large and proliferated car parc which is strongly defensive. The Water division continues to increase its customer intimacy and product line up as pumping and treating water remains an important societal challenge.

The short-term prospects for GUD are still relatively positive. This is true of the automotive aftermarket, particularly as you consider the potential industry level tailwinds and headwinds.

Potential COVID-19 effects

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 age	▲
More repair, less replacement	▲
Rise in DIY activities	▲

▲ Tailwind ▼ Headwind

We need to be clear that things can change daily, and we are not forecasting a return to normality in the near future. In the event the core markets of Australia and NZ don't enter a prolonged series of lockdown levels, then we would expect vehicle service and repair to still be needed. It should not be overlooked that other structurally attractive drivers of the aftermarket industry were also at play pre-COVID-19. The overall car parc growth of the 5 year plus vehicles, more SUVs and Pick-ups, increased diesel engines and the ongoing proliferation of the vehicle car parc with clearer customer access to the independent workshops through the right of repair legislation have not changed through this period.

Davey continues with its rollout of the strategic vision. We experienced improvements in the first half of the year, although clearly impacted in the latter part. We expect the plan to continue and will not relent on the 4 key strategy execution pillars of People and Culture, Supply Optimisation, Product Innovation and Channels to Market. Our view has remained unchanged as Davey progresses over the next 24 months and pulls through the potential value of the water segment.

Last year, we detailed a series of operational fitness actions such as supply base cost reductions and operating leaner in our businesses to offset large currency movements, domestic cost inflation and a tighter pricing environment. In FY21, we plan for the same level of operational fitness intensity to support our margins going forward. However, this doesn't signal any reduction in new product development or acquisition activity, as we remain committed to ensuring we have the right mid-term foundations in place for long-term growth and shareholder value.

Trading and Guidance

We have seen recent Automotive sales in June and the first part of July to be above the prior comparable period and showing strong double-digit demand growth. Recent empirical and anecdotal feedback suggests workshop and end customer demand coming back strongly. This is primarily from our Automotive businesses in Australia, more so than our NZ operations. In parallel with this demand, there is a sense from customers this might moderate as the year progresses and they are watching carefully on the changes in government stimulus in the middle to back end of the year. Much of this sentiment is, of course, dependent on whether countries or indeed states are in various forms of lock down or other mobility restrictions.

In this current environment with so many variables at play it is not prudent to put forward any guidance with reliability at this stage. A further update will be provided at the Annual General Meeting on 27 October 2020.



SUSTAINABILITY REVIEW

Highlights

Four of GUD's automotive businesses were successful in their Automotive Innovation Lab Access Grant applications, jointly securing more than \$500k in funding and accelerating their R&D efforts.

Safety was rated very highly by employees. For the fourth consecutive year, we received a score that was above the global 75th percentile in our annual employee engagement survey.

Scope 1 emissions were estimated to be slightly in excess of 1 ktCO₂e, well below reportable levels. Fuel for transport purposes comprised the major component at 80%.

Employee engagement lifted by 2 percentage points in our annual employee engagement survey and is now in the Global 75th percentile.

About this Review

This Review covers GUD's sustainability performance across our Australian and New Zealand operations for the year ended 30 June 2020. Selected Global Reporting Initiative (GRI) Standards were leveraged to inform the content and scope of the report and accordingly, this report is GRI-referenced. GUD seeks to continuously improve its disclosures utilising the GRI Standards to improve the comparability of our reporting. In that respect, we have sought and received feedback on our first Sustainability Review, issued last year. This feedback reinforces our existing view that we continue and deepen our consultation with stakeholders and that the impact of Climate Change on the economy is increasingly important, not only to our business.

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.

Focussing on the topics that matter

Last year, we undertook our first materiality assessment to identify, prioritise and validate the topics that matter most to our stakeholders and our businesses. Whilst we have maintained for this year the list of topics considered, in future, we intend to seek input from a broader range of stakeholders in compiling the topics of materiality. This year we have introduced the topic of climate change.

As a holding company, GUD comprises a range of businesses that produce diverse products. 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.

We have identified and confirmed those environmental, social and governance topics that could impact upon GUD and our stakeholders. In doing so we considered a range of factors, including regulatory and legislative changes, peer benchmarking, GRI Standards, macroeconomic trends and stakeholder feedback on prior year disclosures.

Our Material Topics	Definitions
Health and Safety	Embedding a positive health and safety culture in the workplace.
Product Safety and Quality	Ensuring our products are designed and manufactured to be safe and of a high quality for their intended use.
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
Innovation	Change that adds value – focussing on new ideas and processes that create value for our customers.
Equality and Non-Discrimination	Promoting equality and non-discrimination across our employees and wider stakeholders.
Human Capital and Labour Management	Investing in people and culture strategies to improve employee satisfaction and retention.
Sustainable Procurement	Considering legal, environmental and social factors when making procurement decisions.
Water Management	Managing the impacts of our water use.

Health and Safety

At GUD, our culture is driven by a strong level of engagement, ownership and accountability for health and safety. This year we continued to reinforce the importance of safety leadership, enhanced business safety plans including key performance indicators and consolidated use of the online reporting tool, giving us greater insight into near miss incidents and recording a wider array of metrics to improve the comparability of our safety performance. In addition, we enhanced our internal WHS audit function with further training and a simpler audit tool.

In addition, as the world headed into uncharted territory as a result of COVID-19 and its consequences, we made the health and safety of our employees a key priority. This involved driving initiatives to ensure a steady flow of information, communication and contact with all our employees whether temporarily stood down, working from home or attending at their worksite. This level of communication, the nature of which evolved weekly, ensured that our employees were confident of continuing support from GUD throughout the challenging times.

'Each of you should recognise and understand the responsibility and actions needed in the pursuit of safety for yourself, your co-workers and anyone who comes into our workplaces. You have my commitment and support to take the right actions to enable a safe working environment, regardless of any business consequence.'

Graeme Whickman, Managing Director and CEO





WORK SAFE, HOME SAFE

Safety matters. But how do you make it really matter so that it becomes a personal priority for every employee?

At Davey, the Work Safe/Home Safe campaign was designed to do just that.

Originally designed to promote open conversation about fatal risks, the initiative used all-hands on roadshows and interactive competitions and activities that promote safety reflections whilst connecting teams. When COVID-19 hit in March, the Work Safe/Home Safe campaign took on an entirely different dimension. For some of the team, the separation between work and home disappeared entirely when they started working from home. The campaign was adjusted to address relevant issues of working safely from home, covering topics ranging from home office safety to wellness and mental health topics. For others, their workplace looked entirely differently, and the support of those team members shifted towards reinforcing workplace hygiene and safety protocols, in addition to promoting wellbeing strategies for all.

Taking safety into the home and personal lives of employees has transcended a focus on compliance and 'at work' risk mitigation. Work Safe/Home Safe has resulted in numerous examples of employees taking safety seriously at a personal level and has created increased awareness, camaraderie and respect in the Davey team. Today, the team at Davey continue to build a community of people who actively partake in challenges around specific risk areas, who share personal safety stories, and who actively engage online and in-person to make sure everyone gets to work safe, home safe.

Safety is driven by our leaders

Whilst health and safety is everyone's responsibility, ultimate responsibility for health and safety resides with the Managing Director and Board of Directors. Health and safety is the lead item on every Board, Executive Leadership Group and Monthly Business Review meeting and forms part of the standing agenda. The Group Executive and the Board conduct regular safety walks and receive a monthly report which covers a range of leading and lagging indicators including training initiatives, audits completed, corrective action plans implemented, number of work injuries, near misses and number of other incidents.

This year a comprehensive safety campaign around the importance of not being complacent and emphasis on reporting of safety concerns was undertaken. A speaker, Alan Newey, shared his personal account of his workplace accident and the years following with all employees. A key message being that the impact a workplace accident has is not only on an individual, but on those around the person.

Our health and safety management system

All workers and workplaces at GUD are covered by our workplace health and safety management system. Our management system aligns to AS/NZ 4801, meeting the legislative requirements in Australia and New Zealand; and has been regularly updated to reflect the shifting business context. Key elements prescribed in our health and safety management system and implemented in our business activities include:

- Each of our businesses have safety business plans in place identifying key performance indicators and comprehensive risk factors to be managed, responsible persons and timelines that have been committed to in order to improve safety performance. Performance against these are reported on and reviewed with senior management on a quarterly basis.
- 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 and individual sites or departments hold regular tool-box meetings to ensure safety is top of mind.
- Each business in the GUD group maintains risk registers and job safety analyses. To inform this process, requirements for conducting risk assessments are contained within the management system.
- Key personnel are trained on safety leadership, internal auditing and incident investigation.
- We maintain and support the use of Vault, an online reporting system for workplace incidents and accidents. Employees may report directly using the Vault app on mobile phones or workplace-stationed iPads, or reporting to their supervisors, or via a member of their workplace health and safety committee. All incidents or matters reported via Vault are automatically forwarded to senior management in the business.
- Where there is an incident or other safety-related concern, our safety escalation process enables an individual to report a safety concern initially to his/her immediate supervisor, but if unresolved to progressively report to higher levels of management.
- Internal audits are conducted by trained personnel from within the businesses on a rotational basis and provide opportunity for an evaluation of the effectiveness of the health and safety management system. The comprehensive internal audit schedule was updated and rationalised during the year. All businesses have emergency preparedness procedures which are audited as part of the GUD internal audit programme and are tested every six months. The provision of feedback is shared with the business being audited and with other businesses as a learning opportunity.
- GUD has a WHS Steering Committee comprising thirty to forty management personnel who meet monthly for the purposes of sharing information and learnings across the Group and recommending initiatives.
- A sub-group of the WHS Steering Committee was formed in early January firstly to ensure that safety risks around the Australian Bushfires and then latterly COVID-19 received the concentrated focus required in these extraordinary situations. The group, comprised of health, safety and wellbeing leaders from within our businesses delivered the following since January:

SUSTAINABILITY REVIEW CONTINUED

- Communication campaigns on health and hygiene matters related to the Australian Bushfires and then latterly COVID-19;
- Tailored plans to ensure the needs of our people were met in returning to our workplaces; and
- A comprehensive mental health and wellbeing program to support our people in adapting to the impacts of COVID-19
- Businesses are encouraged to introduce proactive programmes focussed on engaging the complete workforce. These have seen the adoption of exercise programmes, smoking cessation and focus on healthy eating.
- Focussing beyond the core elements of a health and safety management system to ensure that wider wellbeing, including mental health, is included as a key area of focus.
- Offering an employee assistance programme, provided on a confidential basis by an independent third party. Employees are encouraged to make use of this assistance whether the matter is work-related or personal.
- Engaging an external provider (for example, Beyond Blue) in sessions designed to increase awareness and understanding amongst employees in the areas of anxiety, depression and mental health, training in Mental Health First Aid, the benefits of a mentally healthy workplace and the external resources available.
- Training was undertaken throughout the year on the Incident Cause Analysis Method (ICAM) and on safety auditing.

How we performed

GRI Indicator 403-9	FY20		FY19	
	Number	Rate/1,000,000 hours worked	Number	Rate/1,000,000 hours worked
For Employees				
Fatalities as a result of work-related injury	0	0	0	0
High consequence work-related injuries (excluding fatalities) – in this category we include Lost Time Injuries (LTIs)	4	2.7	5	3.4
Recordable work-related injuries – in this category we include LTIs (from above) plus Medically Treated Injuries	10	6.8	9	6.0
Main types of work-related injuries	Manual handling, slips, trips and falls		Manual handling, slips, trips and falls	
Number of hours worked	1,464,942		1,489,008	
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
High consequence work-related injuries (excluding fatalities)	0	0	0	0
Recordable work-related injuries	0	0	0	0
Main types of work-related injuries	N/A		N/A	
Number of hours worked	41,189		50,893	
Work-related Hazards				
FY20				
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 which respond to identified high-risk workplace hazards in areas including: • Forklift operations • Driving • Materials falling from heights • Individuals falling from heights • Electrical safety • Manual Handling		

Celebrating our achievements

Later this year GUD will be holding its 5th annual Safety and Innovation Excellence Awards. The number and quality of the nominations for these awards continues to grow. The awards are an opportunity to recognise and celebrate individuals and teams from across the businesses who have demonstrated key attributes in safety leadership.

Product Safety and Quality

Designing and manufacturing safe, reliable products that meet customers' needs is a key priority for all GUD businesses. All our products are developed and tested against stringent quality control and assurance processes. Because of the diversity of our products, product safety and quality processes are managed locally by each business unit, which is expected to comply with applicable ISO standards.

GUD's Quality and Supplier Council was established by Management to consider best practices and bring thought leadership to the Group in all aspects of product safety and quality, ethical sourcing,

supplier governance, supplier risk management and sustainability. Cross-business improvement initiatives are identified to enhance the organisation system, supply chain processes, suppliers' capabilities and the knowledge of Council members in these aspects.

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. The table below shows GUD's product recall track record compared to industry benchmarks as reported by the ACCC.

	2016	2017	2018	2019
Industry sectors recalls*	201	187	217	260
GUD businesses	1	1	0	1
GUD % of total	0.5%	0.5%	0.0%	0.4%

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

Case study



UNPARALLELED QUALITY CONTROL AND TESTING AT DBA

Stopping is the most critical function of a car. Poor brake performance or product failure can have grave consequences. And so, ensuring products meet the highest quality standards is of paramount importance.

Variations in brake disc rotor thickness can compromise product performance. Disc Thickness Variation (DTV) can cause torque variation which may present itself as pulsation of the brake pedal at low-brake efforts, vibration through the floor of the vehicle, or steering wheel oscillation. The problem is magnified as the rotor gets hotter—e.g., when carrying greater loads or after travelling downhill with the brakes on. Over time, this can result in poor brake performance, triggering safety concerns. However, disc thickness variation is generally not visible to the human eye.

To test rotor thickness with certainty, the team at Disc Brakes Australia (DBA) have taken delivery and installed a new Disc Thickness Variation (DTV) test facility. As the only test facility of its kind currently available anywhere in Australia and New Zealand, DBA can ensure its Australian designed and manufactured products meet the highest quality standards. In fact, all DBA products are subject to routine quality control and testing using the latest and most advanced equipment. The leaders in automotive braking solutions are proud to be at the forefront of providing quality products that are second to none.

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.

Innovation

GUD is committed to innovation. Our award-winning innovation program delivers a relentless focus on the customer. We tap into the creativity of our people to deliver better customer experiences. From the smallest tweak to an existing process to brand new business units that disrupt markets, innovation is instrumental in future-proofing our businesses.

Each business has its own innovation and product development framework, one that is tailored to its specific needs. Several group-wide initiatives tie these individual programs together under a collective banner dedicated to collaboration and shared learning. For example, teams of cross-functional innovation specialists, known as Innovation Champions internally, have all been trained in the same customer-focussed methodologies such as design thinking and lean start-up. The Innovation Community of Practice ties Innovation Champions from across all businesses together. It promotes collaboration and sharing of new and emerging insights. Equally, at the leadership level, GUD's Innovation Council offers a forum for our senior team to drive innovation strategy and culture.

We have partnerships with external parties including academic institutions, industry bodies, innovation labs, start-ups and specialist agencies. This includes: Planet Innovation, Myriota, Automotive Innovation Centre, UNSW Sydney, Movus, University of Auckland

and Callaghan Innovation. In FY20, four of GUD's automotive businesses were successful in their applications for the Australian Innovation Lab Access Grants scheme.

- Brown and Watson International secured grant funding for the design and development of innovative trailer safety solutions.
- Ryco Filters secured grant funding for the design and development of a wireless module that can transmit information from sensors connected to various filters to a smartphone.
- IM Group secured grant funding for the research and development of refurbished hybrid-electric vehicle battery technology.
- Disc Brakes Australia secured grant funding for the development of a new range of rotors specifically designed to improve the overall life and performance of brake disc rotors by substantially improving cooling performance and outgassing.

Four of GUD's automotive businesses were successful in their Automotive Innovation Lab Access Grant applications, jointly securing more than \$500k in funding and accelerating their R&D efforts.

Case study



CIRCULAR ECONOMY FOR RETIRED HEV BATTERY PACKS

Since 1984, Injectronics has been providing supply solutions for electronic and mechatronic components to the automotive aftermarket and original equipment manufacturers. Today, the brand enjoys a market leadership position in this market and much like those early days in 1984, the Company is looking towards the future for growth. With continued focus on R&D and innovation, the team at Injectronics are turning to the next generation of vehicles: hybrid electric vehicles.

As HEVs become more commonplace, so too does the need for HEV-specific aftermarket products and services. Notably, HEV battery packs deteriorate over time, resulting in longer charge times, lower mileage and a generally lower performance profile. HEV owners have limited choice when it comes to replacing or repairing a retired battery pack. Generical mechanics typically lack HEV-specific knowledge and local specialist EV repairers cannot access a reputable aftermarket alternative to the original equipment (OE) replacement product. OE products are typically higher-priced, such that it no longer warrants the investment in an ageing vehicle. As a result, there is no viable, scalable HEV battery refurbishment and resource recovery program in Australia.

Injectronics wants to leverage its existing expertise in automotive component remanufacture and repair, distribution and service to provide a quality aftermarket alternative for HEV owners. With federal grant funding support under the Automotive Innovation Access Lab Grants scheme, the Company will research and develop testing and balancing equipment to create a circular economy for retired HEV battery packs.

SUSTAINABILITY REVIEW CONTINUED

We recognise and celebrate innovation. Innovation is key to our annual Safety and Innovation Excellence Awards. Business units nominate candidates at the individual, team and business level who have exemplified innovation throughout the year. Winners are announced at the Awards night. In addition to formal recognition, winners are awarded prize money to dedicate to furthering their innovation skills or dedicate to innovation projects of their choice.



INNOVATION AWARD NOMINATION

Smart Power Management for RVs

Projecta is a leader in automotive power management solutions. When the team at Projecta learned that manufacturers of recreational vehicles (RVs) and caravans were asking for an all-in-one solution for all their power needs, the team rose to the challenge.

Recognising the inefficiencies and complexities that new technologies have brought to the electrical wiring stage of a caravan build, Projecta partnered with supplier TBB to develop Intelli-RV – a range of “plug and play” power management systems. The partners vastly simplified wiring for builders, cutting labour time by half. They also reduced electrical footprint by unifying wiring to a safe and reliable access point, thus further reducing build cost so the savings may be passed onto the end user.

What's more, Intelli-RV provides consumers with an advanced means of monitoring and controlling the electrical circuits and appliances throughout their caravan or RV at the touch of a button, or via their smart phone. The compact and universal install nature of an Intelli-RV system allows users with even basic electrical knowledge to retrofit these products to their own caravan or RV, enjoying the benefits of monitoring and controlling their electricals with functionality previously seen only in proprietary factory systems featured in premium models.

Projecta won the Most Innovative New Aftermarket Product award at the prestigious Australian Auto Aftermarket Awards in 2019.

Equality and Non-Discrimination

We promote equal opportunity and strive to provide an equitable, inclusive and diverse work environment. In line with our Code of Conduct, this includes providing employees with a workplace free from any kind of discrimination, harassment or intimidation.

We commit to promoting fair and equal treatment in employment that does not discriminate 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.

We are proud to disclose that 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.

Human Capital and Labour Management

Our highly engaged employees enable us to deliver positive outcomes to our stakeholders. GUD's core values are the principles which the company and individuals live by and which guide our decisions.

Our Values

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.

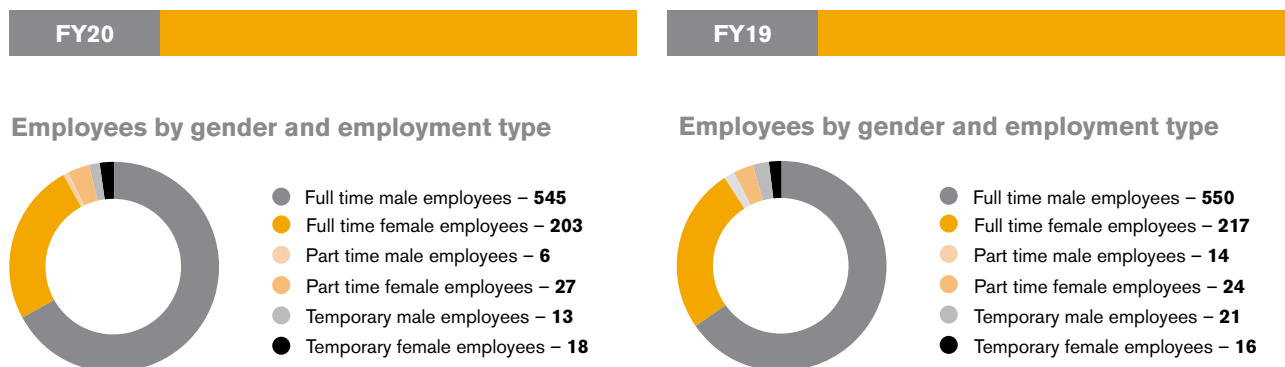
Teamwork

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

Our focus over many years has been to ensure that our culture fosters a high-performing and engaged workforce within each of our businesses. Increasingly we are taking strides to bring together all employees to cross-pollinate ideas and share learnings. This helps bring a focus to teamwork when developing new products and bringing them to existing and new channels.

Our workforce is made up of a range of full time, part time and temporary employees.

GRI Indicator 102-8



GRI Indicator 401-1

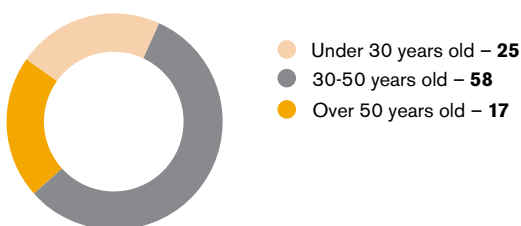
Employee new starters by gender



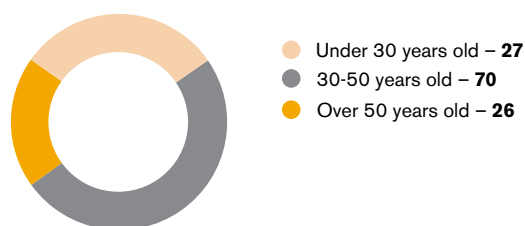
Employee new starters by gender



Employee new starters by age group



Employee new starters by age group



Employee new starters by region



Employee new starters by region



SUSTAINABILITY REVIEW CONTINUED

Diversity is seen as a key driver of innovation and company performance. The Board is active in setting and guiding the culture of GUD and brings focus to inclusion in doing so. This year saw the Board's commitment in this regard evidenced through the recruitment of a second female Director.

This year we developed a diversity and inclusion strategy covering the period 2019 to 2022. The strategy was shared with employees through a diversity and inclusion statement signed in December by all business leaders. Our work aims to strengthen the open culture of each business by ensuring inclusiveness and the contribution of all employees by leveraging differences that exist. Importantly our work focusses on supporting our people to balance their work and caring responsibilities. As an enabler to this we implemented a flexible work policy in December 2019.

Training and development are critical elements of our workforce planning. We support development by training our employees within the workplace as well as supporting them to undertake further education. Courses delivered this year have included topics such as safety, first aid, forklift, fire extinguisher, mobile equipment, contractor management, evacuation, manual handling and mental health. Over the past year, we continued to deliver our high-performance systems education. A cohort of 16 employees from our businesses successfully completed the High-Performance Masterclass program.

This year saw us launch our inaugural Leadership Development Program (LDP). Running over two years, the program contains twelve modules delivered by expert faculty members covering areas of personal and professional development. In addition, open access self-directed learning has been made available to all employees over the past year.

Case study



NARVA GARAGE SPARKS DIY LEARNING DURING LOCKDOWN

The team at Narva is passionate about delivering the world's highest-quality vehicle lighting products that meet and exceed customer expectations.

This goes deeper than investing in research and development and providing outstanding customer service; it also involves educating the customer about auto-electronics safety and best-practice. When Australia and New Zealand went into lockdown, the team launched an online video learning series entitled 'NARVA Garage' to do just that.

The straight-to-the-point, short videos are hosted on Narva's website, Facebook page and YouTube channel. They are aimed at providing quick and informative answers to some of the common auto-electrical questions that the tech support team at Narva encounter from customers, as well as safe and best-practice DIY advice. The series has made customers feel more confident about working with auto-electrical products, whether it is the lux and lumens of an LED lightbar, the role relays play in a vehicle starting system, or safe and simple soldering.

Since launch, the series has been hosted by workshop owner-mechanic and 4WD specialist Adam Adler, who won the 'Face of Narva' competition and with it the opportunity to host Narva Garage. With viewership growing rapidly plus a rapidly expanding list of topics to cover, Adam needed some help and was soon joined by co-presenter and competition runner-up Ross Watson, who himself has turned spanners at Nissan and Subaru and brings a wealth of industry expertise to the series.

We strive to provide our employees with market-competitive pay rates. Annual salary reviews are conducted and multi-tiered annual bonuses (where targets are met) are paid across the workforce. This year a comprehensive review was undertaken to ensure that, where applicable, the provisions of relevant Modern Awards are at least met through the annual salary paid. There are five collective agreements in place across the Group. Effective relationships exist between employees, unions and the organisation; and all agreements due for renewal are in the process of being renegotiated, with the following agreements being in place:

- Davey Water Products Enterprise Agreement dated 2017 (Production Agreement) – under negotiation
- Davey Water Products Warehouse Enterprise Bargaining Agreement dated 2017 – under negotiation
- Ryco Filters Australia Enterprise Bargaining Agreement 2018 – expires 31 March 2021
- AA Gaskets Enterprise Bargaining Agreement 2018 – under negotiation

We conduct an annual employee engagement survey. Six of the seventeen areas measured showed further increase against 2019 results and, whilst in some areas we retreated from a previous high, overall, the employee engagement score improved from 75% to 77%, placing the organisation in the global 75th percentile. Safety is rated very highly by employees with the score rating above the global 75th percentile, for the fourth consecutive year.

The recruitment of a Chief People Officer in May 2019 led greater emphasis on talent development and to realising the full potential of the human capital of GUD. Looking forward, we will focus on the continued rollout of the following programmes over the upcoming year:

- Talent and succession plans for critical roles and key talent
- Learning and development plans to strengthen the effectiveness of leadership and leadership teams across the businesses

In December 2019, we adopted a Speak Up Policy in pursuit of an open culture to enable employees and other stakeholders to raise concerns about conduct on any level.



COMMUNITY SUPPORT

This year has seen Australians battling through the harshest bushfire and drought conditions our country has ever seen. Davey Water Products has worked together with our dealer network to provide support to impacted communities and businesses.

Through February to May 2020, 18 businesses or individual recipients were helped with the donation of a total of nearly \$100,000 (RRP) worth of Davey product, helping to provide clean water solutions and pumping options.

One such example, working in collaboration with PK Equipment in Sale, is the support provided to the Jago Family – the owners of Western Kangaroo Island Caravan Park. Kangaroo Island suffered some of the worst damage in the 2019 bushfires. Davey were able to help by donating shallow well pumps to the caravan park. The pumps are used to pump water to the office, the house, and the two camp kitchens that were destroyed in the fire. They will also move water from the dam to the holding tanks that service the caravan park.

Sustainable Procurement

GUD is committed to sourcing products in a responsible manner and to supporting our suppliers improve their social and environmental practices. GUD's businesses source products and services from a range of locations. Whilst approximately 40% of our products are supplied locally in Australia, we source from many other locations including Europe, New Zealand, Taiwan and China. Sourcing products from these regions creates shared economic benefits as well as allowing our businesses to provide affordable products to consumers.

Last year we launched our Ethical Sourcing Policy and Ethical Sourcing Code. The policy articulates the minimum standards suppliers should adhere to when conducting business with GUD to ensure that products and services are sourced in a responsible and consistent manner. Our aspiration is to share our knowledge and business practices with our suppliers in an endeavour to improve the lives of workers within our supplier base as well as quality of the product. The Ethical Sourcing Code covers guidance and minimum expectations with respect to slavery practices, labour standards, health and safety, discrimination, the environment and business ethics and is available on the GUD website.

This year, we received responses from many of our priority tier-one suppliers to assess their level of alignment with the minimum standards within the Ethical Sourcing Code. We also extended the scope of our coverage beyond our initial priority suppliers, where priority was determined by geography, industry or materiality, to include less material suppliers. For suppliers that may not meet our requirements, we intend to investigate the key gaps and more importantly, work with them to improve their practices.

The suppliers who have conducted their operations in accordance with the Code are categorised as 'gold' suppliers in our system and when making procurement decisions they are automatically identified as preferred suppliers.

With the introduction of Modern Slavery legislation in late 2018, GUD took steps to integrate its initiatives on Ethical Sourcing into its programme for preparing our first Modern Slavery Statement, to be published in November 2020.

Water Management

We understand the challenge of water scarcity in the Australian context and through our Davey Water Products business have the capability to impact this in a positive way. To inform our product development process, we commissioned research to understand consumer attitudes toward water management and how these fit with their lives of consumers. Stemming from this, 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 and to protect water supply through detecting leaks.

We have several water management solutions in our range and are continuously investing in new opportunities that seek to meet the challenges faced by our customers.

Case study



WATER MANAGEMENT RESEARCH FOR DROUGHT PROOFING

Davey Water Products has been manufacturing products that help protect and enhance lives for 85 years. So, when a research farm was looking for a system that allows scientists to test water management practices for drought proofing, the team rose to the challenge.

The research farm had an ageing water infrastructure that was neither reliable, nor flexible enough to meet the growing and varying demands of the researchers. Davey delivered a sophisticated system for transferring water between dams and tanks, and even mix water, around the site to where stock is kept. A series of solar-powered bore pumps and vertical multi-stage pumps is tied together with a communication system that allows scientists to monitor and control water management remotely.

Today, the farm has a water management system that is largely future-proof, very flexible and expandable. It allows scientists to study the impact of water quality on stock watering and feed quality for drought-proofing purposes. Water management information and practices are passed on to farmers so they may take the opportunity to preserve the water resource on their farm sustainably. This is just one example of how Davey leverages its expertise to improve water management practices throughout Australia and the world.

Case study



WATER TREATMENT IN HOSPITALS

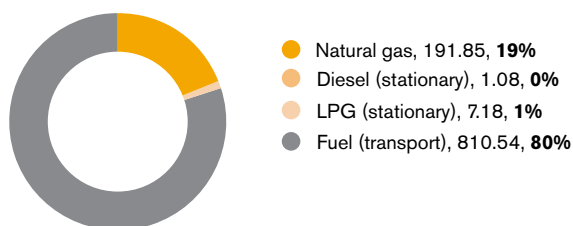
Acqua by Davey is Davey Water Products' specialised water treatment solutions business. Their team of expert water treatment engineers develops systems to monitor and manage water quality in a range of industries. Increasingly, Acqua by Davey is partnering with hospitals and day surgeries in Australia and New Zealand to improve their water management practices.

One example is how Acqua by Davey helps Central Sterile Services Departments (CSSDs) become compliant with impending water standards. A hospital's CSSD is responsible for cleaning, disinfecting and sterilising reusable medical equipment. The water used in this process must meet strict quality guidelines and standards, not in the least to safeguard patient safety. As the medical sector readies itself to meet impending regulations, many hospitals find that existing suppliers lack the water treatment expertise required to deliver a solution that meets their unique needs, and a one-size-fits-all solution simply does not exist.

Acqua by Davey delivers engineered solutions to produce water quality that is compliant to the industry standard and fit seamlessly into a CSSD's operating rhythm and unique layout. Using high-quality water helps reduce corrosion, scale build-up, and visible staining of instruments. This extends the useful life of these instruments by reducing the risk of micro-organism growth. IN FY20, Acqua by Davey commissioned water treatment solutions for eight hospitals.

Energy Usage

At the instigation of the Board, this year we sought assurance on the level of energy usage and greenhouse gas emissions across the businesses. A study was undertaken and the Board received a report confirming that based on the data analysed for FY19, GUD did not meet the reporting thresholds defined in the National Greenhouse and Energy Reporting Regulations at either a facility or corporate group level.



Scope 1 emissions, often referred to as 'direct emissions', are emissions released to the atmosphere as a direct result of an activity, or series of activities, at a facility level. For GUD, scope 1 emissions were estimated to be slightly in excess of 1 ktCO₂e. Fuel for transport purposes comprised the major component at 80%.

Scope 2 emissions, often referred to as 'indirect emissions', are emissions released to the atmosphere from the indirect consumption of an energy commodity. For GUD, scope 2 emissions were estimated to be slightly in excess of 3 ktCO₂e. These emissions originate from the aggregated electricity usage at each of the GUD sites.

The aggregated GUD's scope 1 and scope 2 emissions were analysed against the reporting thresholds defined in the NGER Regulations 2008. GUD is generating approximately 4.1 (scope 1 and scope 2) ktCO₂e, well below the present reporting thresholds at a facility level (25 ktCO₂e) or at a corporate group level (50 ktCO₂e).

In the absence of a significant acquisition or a reduction in the reporting thresholds, GUD does not envisage it will need to report under the NGER Regulations.

Whilst this demonstrates that GUD is not a significant contributor to emissions, the Board nevertheless is cognisant of the need to reduce emissions across the whole of industry and so continue with the monitoring of the GUD emissions and encourage strategies within the businesses to reduce emissions in a sustainable way.

Addressing Climate Change

The GUD Board determined last year to develop a strategy integrating climate change considerations into its overall strategic planning. Once approved, this will formalise the broad acknowledgment, held over the last three to five years, of the fact of climate change and implications for the GUD businesses.

Some two years ago the Board, under questioning from investors and analysts alike, determined to maintain its investment and reinvest in the water business rather than divest and become a single-focus automotive aftermarket company. Behind this decision lay two factors: first, a realisation that there was significant value upside in the water business and that a strategy needed to be found to unlock that value for GUD shareholders; and, second, a conscious acknowledgement that water was (is) an increasingly scarce commodity although under-valued and that the water business represented an opportunity for GUD to participate in that market. Investment over the last two years has generated sizeable opportunities for the water business as have been described in the Operating and Financial Review.

Whilst the Board develops its strategic policy around climate change, the potential for the water business gives the Board a strong business on which to build one aspect of that strategy.

The Board has been well cognisant of the de-carbonisation of many aspects of industry and with the introduction of electric vehicles in the automotive industry in particular. GUD is well placed to take advantage of these changes and extract value from the decline in new internal combustion engine vehicle sales over the coming decades by providing replacement or wear parts to an ageing car parc of vehicles equipped with internal combustion engines. Further, the Board has followed a strategic path for five years now of seeking to diversify GUD's automotive businesses away from, and dilute the impact of, exposure to the internal combustion engine. The acquisitions of Brown and Watson International and Innovative Mechatronics Group are both in the automotive replacement or aftermarket industry, but with lesser or minimal exposure to the internal combustion engine.

Exposure to the internal combustion engine is but one factor the Board considers when presented with an acquisition opportunity. That does not mean the Board will not consider acquisitions of businesses wholly or largely exposed to the internal combustion engine, particularly if there is an attractive rate of return to be earned from what is regarded as a sunset industry or business.

The Board recognises these beginnings of a strategy to address the impact of climate change on the future existence of GUD and now recognises it must begin to articulate a comprehensive strategy for the benefit of all stakeholders in the Company, in particular its long-term employees and shareholders.

Impact of COVID-19 on GUD's Material Sustainability Topics

As with all businesses, the impact of COVID-19 has necessitated significant attention since early 2020. Very early on we established a framework of People Health, Operational Health and Financial Health to guide our focussed efforts around COVID-19. Two response groups encompassing all businesses were established – an executive leadership team and a planning and action team. These teams supported our regular updates to the Board of Directors and ensured regular communication of material information and, importantly, determined the key actions to be undertaken in a coordinated and cohesive way.

Our COVID-19 response has been undertaken in a way that balances the needs of key stakeholders and with actions to ensure the safety and wellbeing of our people. Key actions taken under our People Health, Operational Health, Financial Health framework includes the following:

People Health

- Distribution of regular safety guidance bulletins on preventative measures and health and wellbeing information
- Increasing office and facility cleaning
- Early on establishing a transparent and mutually agreed approach around continuity of work so that our people had certainty of how they would be supported by our businesses
- Regularly communicating with our people using a variety of mediums
- Making additional sick leave available to staff during COVID-19 period including carers leave
- Provision of a comprehensive guide to travel and meeting protocols and employee support mechanisms in place
- Enablement of flexible working arrangements where required along with support to ensure effective remote working
- Implementing revised work processes and arrangements to ensure increased social distancing for warehouse and sales staff

Operational Health

- Increasing our regular supplier communications and engagement
- Activation of dual sourcing where necessary
- Working closely with freight forwarders
- Increasing regular customer communication and engagement and closely and actively managing customer needs
- Fast tracking the deployment of technology to support a remote workforce where needed
- Implementing business continuity measures such that we could leverage common technology platforms to limit impact to our customers in the event of a workforce disruption due to illness

Financial Health

- Proactive Q&A dialogue with equity analyst and institutional investors
- Conducting debt financier briefings
- Undertaking financial modelling of potential impacts on demand, EBIT and cash flow
- Consideration of impact on debt levels, borrowing capacity and debt covenants and acquisition funding capacity

Case study



MENTAL HEALTH AND WELLBEING AT RYCO FILTERS

As the COVID-19 pandemic hit, the health and safety leaders of GUD's businesses joined forces to develop mental health and well-being programmes to support their teams.

At Ryco Filters, all senior managers were assigned virtual teams of employees who did not include any of their direct reports. During weekly check-ins these teams talk about wellbeing and discuss any concerns with the mental health first aider or an appropriate senior manager. This has proven to be a positive initiative for both the leaders and their teams in getting to know each other better as well as not feeling isolated during unchartered times.

In addition, the Ryco Community Team was created, where all employees can engage in conversation and share experiences with each other, both work and social. The Community started a Friday Clean-up routine to ensure work-at-homers followed a cleaning regime established at head office. Virtually together as a team, everyone worked to music to create a clean, safe workplace for the next week.

Finally, the team at Ryco created a care package that was sent out to all staff in Australia and New Zealand. With a personalised note from Management, the package contained a limited-edition mouse pad with an inspirational safety message, pens, drink coasters and other 'feel good' components. The feedback on what seems a simple gesture, in addition to staff support available through GUD Holdings, was very well received by the team. It was important to show continuing efforts to maintain the Ryco Community. Not surprisingly, employee engagement levels at Ryco, and other GUD businesses for that matter, rank in the top quartile globally.

BOARD OF DIRECTORS



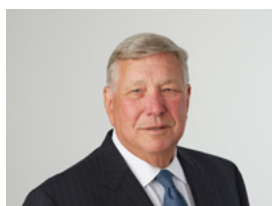
G A Billings*

BCom FCA MAICD

Appointed Non-Executive Director on 20 December 2011, and Chair of the Audit Committee, Deputy Chairman appointed 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 Azure 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, and a Non-Executive Director of DomaCom Limited (appointed 23 February 2015) where he is Chair of the Audit Committee.



D D Robinson*

BSc MSc

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

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

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



A L Templeman-Jones*

BCom MRM EMBA
CA FAICD

Appointed Non-Executive Director on 1 August 2015, and Chair of the Risk and Compliance Committee

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

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



J A Douglas*

BSc LLB(Hons) LLM
MBA GAICD

Appointed Non-Executive Director on 1 March 2020.

Ms Douglas is currently a Non-Executive Director of Hansen Technologies Limited (appointed 15 February 2017), a Non-Executive Director of Opticomm Limited (appointed 21 August 2017) where she is Chair of the Remuneration Committee 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 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.



G Whickman

B Bus MAICD

Appointed Managing Director and Chief Executive Officer on 1 October 2018.

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.



M G Smith*

Dip. Business (Marketing)
FAMI CPM FIML FAICD

Appointed Non-Executive Director on 26 May 2009, and Chairman on 15 November 2017, retired 4 September 2020

Until recently, Mr Smith was a Non-Executive Director and Chairman of Australian Pharmaceuticals Industries Limited (retired 4 September 2020). He is a former Non-Executive Director and Chairman of Patties Foods Limited (retired September 2017), a former Non-Executive Director of Toll Holdings Limited (retired May 2015), and a former Non-Executive Director and Chairman of Food Holdings Limited (retired August 2011).

Mr Smith was Managing Director of Cadbury Schweppes Australia and New Zealand (2003 to 2007) and a member of the Asia Pacific Regional Board. Over a 16-year career with the Cadbury Schweppes Group, he held senior management positions in Australia, the UK and North America. Prior to joining Cadbury Schweppes, Mr Smith's career included senior management roles with Unilever and Uncle Toby's.

* All Non-Executive Directors are independent.

Chief Financial Officer



M A Fraser

B Bus EMBA GAICD FCA

Mr Fraser's early career was with Coopers & Lybrand in Australia, followed by over 25 years in senior finance and operational roles in Asia and Europe with McIntosh Hamson Hoare Govett, Jardine Matheson Ltd and the Schindler Group. In addition to the Board members, Mr Fraser is classified a Key Management Personnel.

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 34 years.

EXECUTIVES



Corporate Executive

Bart Moonen

Chief Innovation Officer



Corporate Executive

Barbara Harrison

Chief People Officer



Corporate Executive

Bob Pattison

General Manager
Automotive Acquisition & Strategy



Davey Water Products

David Worley

Chief Executive Officer



**Brown and Watson
International**

George Davies

Chief Executive Officer



Wesfil

Terry Cooper

Managing Director



RYCO Filters

Stuart Chandler

Executive General Manager



**Innovative Mechatronics
Group**

Gino Ricciuti

Executive General Manager



Disc Brakes Australia

Gideon Segal

Executive General Manager



AA Gaskets

Carl Wels

General Manager



Griffiths Equipment

Peter Griffiths

General Manager

FINANCIAL SUMMARY AND RATIOS

Financial Summary and Ratios		FY 16	FY 17	FY 18	FY 19	FY 20
Sales and Profitability¹						
Sales Revenue	\$m	595.5	396.7	396.7	434.1	438.0
Underlying EBIT	\$m	78.6	83.6	83.5	88.9	80.7
Underlying NPAT	\$m	44.4	51.9	88.9	60.9	48.2
Acquisition, Integration, Restructuring and Impairment Costs	\$m	(87.3)	(0.3)	(6.6)	(1.9)	(6.5)
Net Profit Before Tax ²	\$m	(23.3)	72.7	70.2	80.2	63.6
Net Profit After Tax	\$m	(40.9)	51.5	50.5	59.6	43.7
Reported NPAT	\$m	(43.0)	(7.3)	101.8	59.6	43.7
Cash Flow						
Cash Flow from Operating Activities	\$m	70.2	45.4	59.4	44.5	65.5
Financial Position						
Current Assets	\$m	343.4	202.6	243.7	250.9	260.4
Current Liabilities	\$m	168.7	100.9	86.5	86.2	96.9
Net Debt	\$m	167.8	160.8	92.5	132.7	142.2
Net Tangible Assets	\$m	44.8	(36.6)	30.5	(8.3)	(8.8)
Total Equity	\$m	274.6	200.9	265.3	278.6	274.8
Per Share Performance						
Underlying Basic Earnings Per Share ¹	cps	52.0	60.5	64.1	70.4	55.6
Basic Earnings Per Share ¹	cps	(48.0)	60.1	58.6	68.9	50.4
Interim and Final Dividend	cps	43	46	52	56	37
Special Dividends	cps					
Total Dividend Per Share	cps	43	46	52	56	37
% Franked		100%	100%	100%	100%	100%
Payout Ratio		83%	76%	81%	80%	67%
Total Shareholder Return ³		8%	46%	13%	-26%	19%
Share Statistics (at 30 June each year)						
Total Shares on Issue	m	85.3	86.2	86.1	86.5	86.7
Closing Share Price	\$	9.11	12.91	14.16	10.01	11.51
Market Capitalisation	\$m	777.3	1,112.7	1,219.2	865.7	997.7
Key Ratios						
Underlying EBIT/Sales ¹		13.2%	19.6%	21.0%	20.5%	18.4%
Return on Capital Employed ^{1,4}		10.0%	14.3%	15.4%	14.8%	11.6%
Return on Equity ¹		16.2%	25.8%	20.8%	21.8%	17.5%
Return on Assets ¹		7.2%	11.3%	11.0%	12.2%	8.7%
Net Debt/Total Capital		37.9%	44.5%	25.9%	32.3%	34.1%
Net Debt/Market Capitalisation		21.6%	14.5%	7.6%	15%	14.2%
Working Capital/Sales ^{1,5}		22.7%	27%	40%	38%	37%
Capital Expenditure/Depreciation and Amortisation ^{1,6}		90.9%	58%	97%	191%	42%
Interest Cover – Times		6.1	8.4	11.5	12.8	11.8

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

2. Before share of equity accounted investees and non-controlling 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.

CORPORATE DIRECTORY

Directors

Graeme A Billings, Deputy Chairman
Graeme Whickman, CEO/Managing Director

Anne L Templeman-Jones
David D Robinson
Jennifer A Douglas

Chief Financial Officer

Martin A Fraser

Company Secretary

Malcolm G Tyler

GUD Holdings Limited

29 Taras Avenue
Altona North Vic 3025 Australia
Telephone: +61 3 9243 3311
Facsimile: +61 3 9243 3300
Email: gudhold@gud.com.au
www.gud.com.au

Auditors

KPMG
Chartered Accountants

Share Register

Computershare Investor Services Pty Limited
Enquiries Within Australia:
1300 850 505
Enquiries Outside Australia:
+61 3 9415 4000
Investor Enquiries facsimile number:
+61 3 9473 2500
Yarra Falls, 452 Johnston Street
Abbotsford Vic 3067 Australia
Postal Address: GPO Box 2975
Melbourne Vic 3001 Australia
Website: www.investorcentre.com
www.investorcentre.com/contact

AA Gaskets Pty Ltd

Carl Wels, General Manager
Unit 4, 1730 Sydney Road
Campbellfield Vic 3061 Australia
Telephone: +61 3 9355 4400
Facsimile: +61 3 9359 1124
Email: sales@aagaskets.com.au
www.aagaskets.com.au

NZ Gaskets Limited (NZ)

25 Patiki Road
Avondale, Auckland New Zealand
Telephone: +64 9 829 0047
Facsimile: +64 9 828 5212
Email: sales@nzgaskets.co.nz
www.nzgaskets.co.nz

Brown & Watson International Pty Ltd

George Davies, Chief Executive Officer
1500 Ferntree Gully Road
Knoxfield Vic 3180 Australia
Telephone: +61 3 9730 6000
Facsimile: +61 3 9730 6050
Email: browat@brownwatson.com.au
www.brownwatson.com.au

Disc Brakes Australia Pty Ltd

Gideon Segal, Executive General Manager
Unit 33 Slough Business Park
2 Slough Avenue
Silverwater NSW 2128 Australia
Telephone: +61 2 9748 0211
Facsimile: +61 2 9706 7160
Email: orders@dba.com.au
www.dba.com.au

Griffiths Equipment Limited (NZ)

Peter Griffiths, General Manager
19 Bell Avenue
Mount Wellington, Auckland New Zealand
Telephone: +64 9 525 4575
Facsimile: +64 9 579 1192
Email: sales@griffithsequipment.co.nz
www.griffithsequipment.co.nz

Innovative Mechatronics Group Pty Ltd

Gino Ricciuti, Executive General Manager
8-9 Becon Court
Hallam Vic 3803 Australia
Telephone: +61 3 8792 6999
Facsimile: +61 3 8795 7205
Email: sales@im-group.com.au
www.im-group.com.au

RYCO Group Pty Limited

Stuart Chandler, Executive General Manager
29 Taras Avenue
Altona North Vic 3025 Australia
Telephone: +61 3 9243 3333
Facsimile: +61 3 9243 3366
Email: ryco-service@gud.com.au
www.rycofilters.com.au

RYCO Filters (NZ)

19 Bell Avenue
Mount Wellington, Auckland New Zealand
Toll Free: 0800 838 222 (NZ only)
Facsimile: +64 9 828 2244
Email: sales-NZ@rycofilters.com
www.ryco.co.nz

Wesfil Australia Pty Ltd

Terry Cooper, Managing Director
1/16 Ada Avenue
Brookvale NSW 2100 Australia
Telephone: +61 2 9939 2544
Facsimile: +61 2 9938 6547
Email: sales@wesfil.com.au
www.wesfil.com.au

Davey Water Products Pty Ltd

David Worley, Chief Executive Officer
6 Lakeview Drive
Scoresby Vic 3179 Australia
Telephone: +61 3 9730 9222
Facsimile: +61 3 9753 4100
Email: daveyadm@davey.com.au
www.davey.com.au

Davey Water Products (NZ)

Kristian Tkatchenko, General Manager
7 Rockridge Avenue
Penrose, Auckland New Zealand
Telephone: +64 9 570 9135
Facsimile: +64 9 527 7654
Email: sales@daveynz.co.nz
www.daveynz.co.nz

Financial calendar 2020/21

2020

August

Payment of final dividend – 28 August

September

Annual Report and Notice of AGM
dispatched to shareholders –
mid September

October

Annual General Meeting – 27 October

2021

February

Announcement of results for the six months
ending 31 December 2020
Announcement of dividend

February/March

Record date for interim dividend
Payment of interim dividend

June

End of Company's 2020/21 financial year

August

Preliminary announcement of results
for 2020/21 financial year

Timing of events can be subject to change

