

# **GUD MODERN SLAVERY STATEMENT 2021**



**GUD HOLDINGS LIMITED**

# GUD LEVERAGES ITS COMMERCIAL INFLUENCE WITH SUPPLIERS AROUND THE WORLD TO EMPHASISE THE IMPORTANCE OF UNIVERSAL HUMAN RIGHTS.

## WE BELIEVE THAT BY MAKING ETHICAL SOURCING AND MODERN SLAVERY ISSUES PART OF THE DISCUSSION WE CAN IMPROVE GLOBAL WORKING CONDITIONS.

This Modern Slavery Statement is published in compliance with *Australian Modern Slavery Act 2018 (Cth)* for GUD Holdings Limited ('GUD') headquartered in Melbourne, Australia. It covers the financial year 1 July 2020 to 30 June 2021 and is a joint statement applying to all wholly owned GUD subsidiary companies listed in the 2020/21 Annual Report conducting business in Australia as listed on page 31.

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## INTRODUCTION

# MESSAGE FROM OUR MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

We are proud to present this Modern Slavery Statement which captures the activities of GUD and its wholly owned subsidiaries in the financial year ended 30 June 2021 (FY 21).

The effectiveness of GUD's Ethical Sourcing Program is built on the strength of its commercial relationships and partnership with suppliers from all around the world.

Modern slavery is a universal human rights issue. While the reach of one country's law may be limited by its national borders, commercial relationships transcend geographical boundaries.

GUD's tiered Ethical Sourcing Code starts with the foundation of requiring compliance with ethical labour practices which protect the essential freedoms of workers as required by the Modern Slavery Act 2018 (Cth). To this baseline, GUD introduces additional standards which range from the protection of health and safety and non-discriminatory practices through to meeting environmental and sustainability standards. GUD leverages its commercial influence with suppliers to require commitment to the Code, wherever they are located.

By engaging with suppliers - through deep due diligence, awareness raising, education and change practices - GUD businesses seek to eradicate modern slavery practices, rather than immediately severing ties with non-compliant suppliers and potentially pushing the problem underground.

That way GUD seeks to create sustainable and lasting change which makes a real difference to the conditions of workers in our global supply chains.

As GUD continues to add to its dynamic portfolio of businesses, and new businesses are brought within our Ethical Sourcing Program (including our recently created Friction and 4WD Units), we extend GUD's reach and transformative influence into our partners' supply chains.

GUD will continue to develop and deepen its Ethical Sourcing Program in FY22, as we manage the challenges of Covid-19 travel restraints by introducing a new IT platform to support management of the program and independent auditing to promote greater transparency and accountability of our suppliers.



### **Graeme Wickman**

Chief Executive Officer and Managing Director

## INTRODUCTION

# EXECUTIVE SUMMARY

**From the commencement of GUD's Ethical Sourcing Program in 2018, GUD has taken a head-on approach to tackling the challenges of identifying and addressing modern slavery risks in its supply chains. Applying innovation and creativity to the task, GUD's approach is to encourage accountability through direct and targeted engagement with our suppliers.**

GUD created a uniquely tiered Ethical Sourcing Code split into Bronze, Silver and Gold tiers reflecting that not all ethical standards are the same. The prohibition of 'modern slavery' practices are addressed at the Bronze entry level and assume prime importance. Bronze tier standards ensure workers' freedoms and humane treatment as legislated by the *Modern Slavery Act 2018* (Cth) and also includes labour standards for appropriate pay, benefits and leave entitlements for workers.

From this foundation, GUD's Ethical Sourcing Code layers other important standards. Silver tier compliance is awarded to suppliers which achieve health, safety and non-discrimination standards. Gold tier involves compliance with specific environmental, sustainability and business ethics standards.

The task of securing confirmation of Code compliance within GUD's suppliers is addressed through individually targeted efforts. All suppliers are required, as a minimum, to meet the Bronze tier standards and commit to and working through to Gold.

Code compliance is confirmed by completion of an in depth Self-Assessment Questionnaire which calculates the level of Code compliance and identifies areas for action and improvement. Formal declarations contractually bind each supplier to maintain compliance with the Code, including the need to repeat the Self-Assessment Questionnaire bi-annually.

As well as introducing these measures with all new suppliers, GUD's businesses have been engaged in a graduated roll-out of the Code within their supply chain over the last two years.

Progress objectives for Code implementation with GUD's tier 1 suppliers<sup>1</sup> are set each year to ensure continual progress towards 100% compliance. Targets are linked to both a percentage of annual spend and country risk indicated by supplier location. The risk of modern slavery practices by country is determined using a weighted index developed by GUD's Ethical Sourcing Working Group, using range of reference data from specialist sources.

In this reporting period, GUD businesses met or exceeded their FY21 targets. Collectively, 98% of suppliers in high risk countries<sup>2</sup> and 90% of suppliers in medium risk countries were engaged in the Ethical Sourcing Program - with the majority of these suppliers achieving Gold tier compliance.

GUD's Ethical Sourcing Program is continually being enhanced with the development of resources and tested protocols around supplier engagement, together with ongoing education and training. The strength of the Program was confirmed in early 2021 when it was successfully integrated into GUD's new businesses in just under 3 months.

Using engagement, education and influence with its supply chain GUD businesses have influenced a general lifting of ethical sourcing standards and continue to create significant change in supplier practices.

Into FY22, GUD will be transitioning individual supplier engagement and management of the Ethical Sourcing Program to a common IT platform and supplementing self-reported assessments with selected independent audits. It is expected that Code compliance with all tier 1 product and component suppliers in high and medium risk countries will be achieved, and significant inroads made to rolling out the Code with suppliers in low risk countries. Other focus areas for FY22 will include in the Program service providers in high risk industries (such as cleaners and freight providers).

The ongoing impact of Covid-19 presents challenges and heightens the need to focus on risks. Throughout the reporting period and going forward GUD will utilise collaboration opportunities within our industry to deepen our insights as to where to identify modern slavery risks and ways to manage or remediate such risks.

1. A tier 1 supplier is a supplier of products or components directly engaged by a GUD business. Commencing FY23 GUD expects to progress Code implementation with tier 2 suppliers.  
2. Refer to GUD's Risk Matrix – Assessment of Country Risk on page 19.

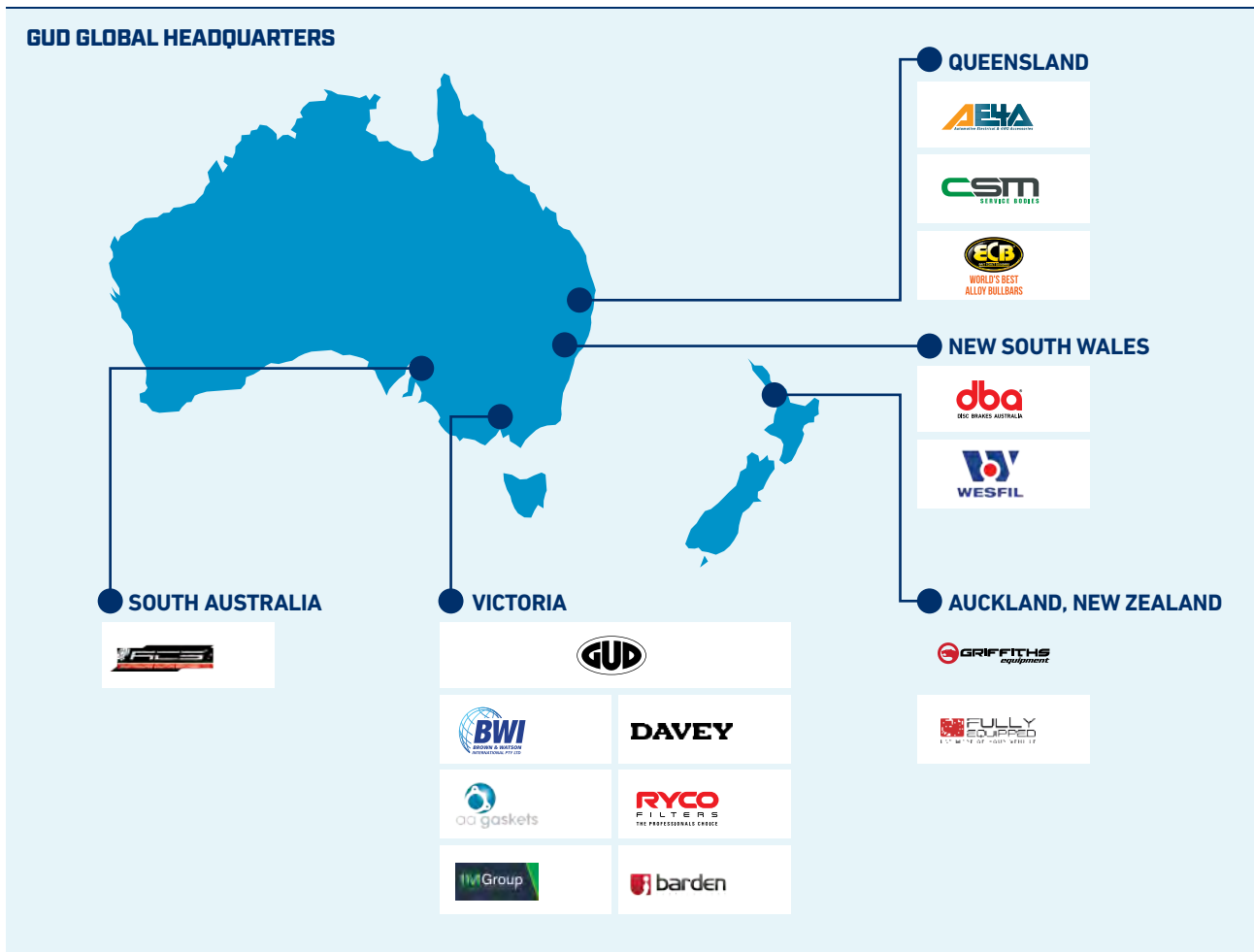
GUD

# ABOUT GUD GROUP



GUD Holdings Limited ('GUD') is an Australian company which has been listed on the Australian Stock Exchange for over 50 years.

GUD owns a portfolio of consumer and industrial product companies which are based in Australia and New Zealand<sup>3</sup> principally operating in the automotive aftermarket and water products industries.



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

**14**

businesses

**200+**

brands

**1,100+**

personnel

**25,000+**

products

**A\$550M+**

revenue

## GUD BUSINESSES & EXPORT MARKETS

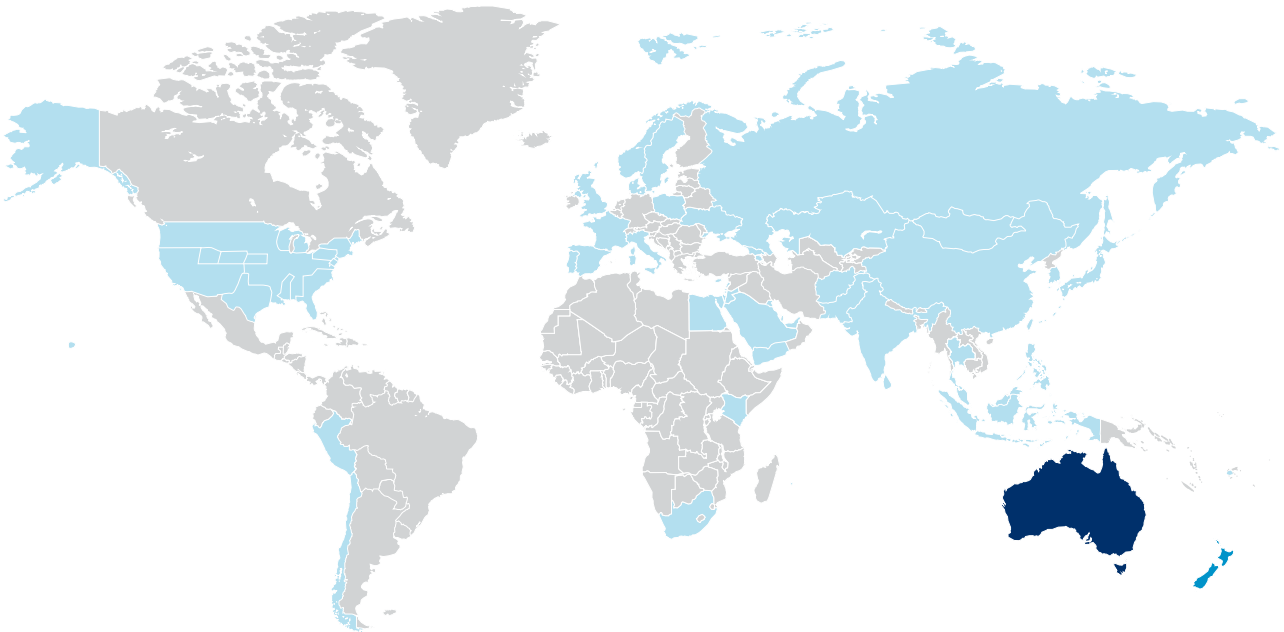
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GUD's origins lie in the automotive aftermarket. GUD's wholly owned subsidiaries ('GUD businesses') predominantly provide automotive aftermarket products and solutions. While the principal geographic markets of the GUD automotive businesses are Australia and New Zealand, GUD products are sold worldwide to over 45 countries.

The GUD portfolio also includes Davey Water Products which is a leading provider of water management products, including the Acqua by Davey water management solutions. Davey Water Products sells to an international market and operates out of Australia in New Zealand, France and Spain.

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### GUD GLOBAL SALES



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GUD businesses operate manufacturing operations in Australia and also rely on an extensive network of overseas suppliers for products and components. Across the GUD group, there is a depth of skill in product design and development, offshore sourcing and supply chain management.



GUD

# GUD PRODUCTS

**GUD's businesses are significant players in the Australian automotive aftermarket industry, holding market leading positions through its impressive stable of brands – including Ryco, Wesfil, Narva, Projecta, DBA, AA Gaskets, ACS, Injectronics, Goss, Permaseal, ECB, Fully Equipped, CSM, Barden, Uneek 4x4 and AE4A.**

**Automotive parts and accessories supplied by GUD businesses include**

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

**Davey Water Products supplies:**

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



GUD

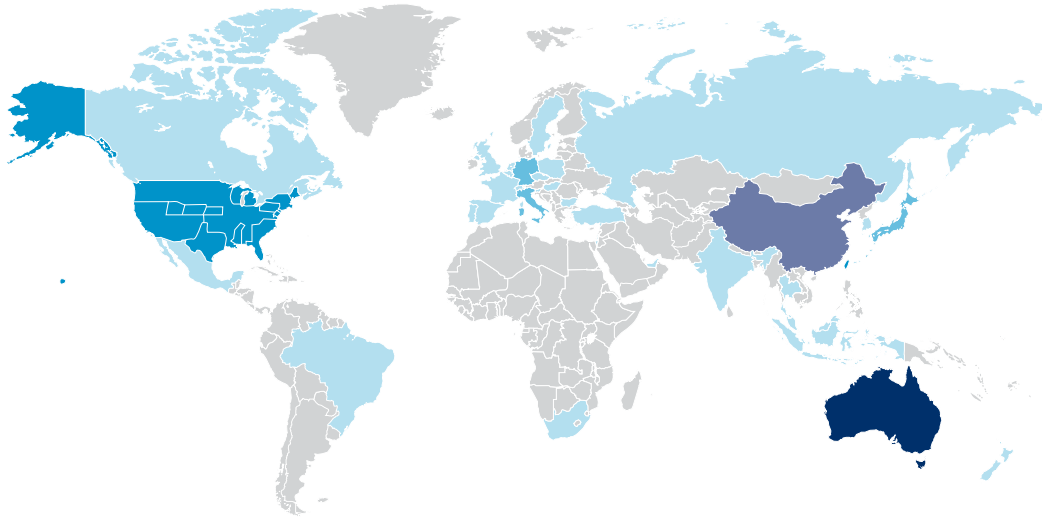
# OUR SUPPLIERS



GUD businesses procure thousands of finished products and component parts across these product categories. This involves engaging with a diverse range of suppliers – such as suppliers of complex mechatronics engine management products - to those who produce raw materials such as fibreglass and alloy and steel plate metal.

**GUD's foreign suppliers are predominantly located in Asia but are spread across the world in 36 countries.**

## GUD SUPPLIERS BY NUMBER



## GUD SUPPLIERS BY SPEND





**2,019**  
suppliers

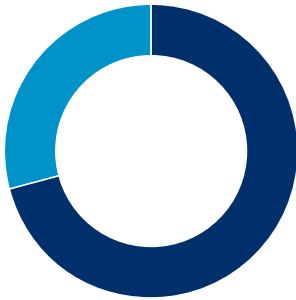
**1,435**  
Australia and New  
Zealand based suppliers

**584**  
internationally  
based suppliers

**2,947**  
TEU<sup>4</sup> container  
shipments annually

### GUD SUPPLIER LOCATION

(Australia/New Zealand vs Rest of the world)



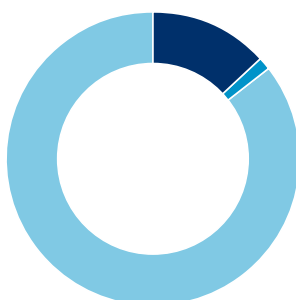
● Australia & New Zealand 71%  
● Rest of the world 29%

Across the group a large number of GUD product and component suppliers are based in Australia and New Zealand. 71% of GUD's suppliers are located in Australia and New Zealand contributing to 27% of total spend in the reporting period.

**While the majority of GUD suppliers are located in countries associated with a low risk of modern slavery – such as Australia, Germany, the USA, New Zealand, Japan, and Taiwan – spend with suppliers across all GUD businesses is evenly split across low and high risk countries.**

### SUPPLIER COUNTRY RISK BY NUMBER

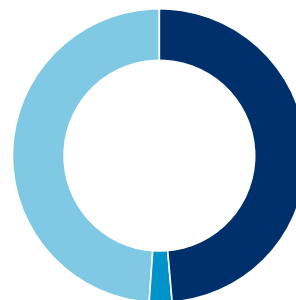
(By number of suppliers)



● High 13.2%  
● Medium 1.4%  
● Low 85.4%

### SUPPLIER COUNTRY RISK BY SPEND

(By GUD spend)



● High 48.8%  
● Medium 2.5%  
● Low 48.7%

GUD spend with suppliers in countries associated with a high risk of modern slavery – such as China, Thailand, Singapore and Malaysia – is with a relatively small number of suppliers. Less than 14% of GUD suppliers are located in high risk countries. Engaging such suppliers in GUD's Ethical Sourcing Program has been the primary focus across all GUD businesses and this has been largely achieved in the reporting period with 98% supplier engagement in high risk countries (and 90% of suppliers in medium risk countries).

Procurement is separately managed within each GUD business. However, all managers involved in procurement and supply are members of the GUD Quality & Supplier Council, which meets quarterly, and are actively involved in the Ethical Sourcing Program.

4. TEU refers to twenty-foot equivalent units.

GUD

# GUD INNOVATION



**GUD is committed to innovation. In the reporting period, Ryco Filters and Brown & Watson International both ranked among the top ten most innovative consumer goods and manufacturing companies in Australia and New Zealand.<sup>4</sup>**

Alongside encouraging sustainability across the areas of social, environmental and governance, innovation is viewed as instrumental to future-proofing GUD businesses.

The way innovation comes to life differs in each of the GUD businesses, but they all share the following characteristics.

First, innovation is in service of business strategy which includes looking for innovative ways to move the dial on material sustainability topics. This focus on sustainability aligns with the Gold tier standards in GUD's Ethical Sourcing Code.

Second, GUD businesses have integrated best-practice innovation processes and management frameworks into the

fabric of their way of working. This is similarly true for GUD's Ethical Sourcing Program, which has already broken new ground in the approach to country risk ratings and development of Code equivalence assurance options.

And finally, the businesses adopt an ecosystem mindset, which sees them actively seek out product development and design collaborations with suppliers, universities and industry partners.

Consistent with this ethos, the development and content of GUD's Ethical Sourcing Program is not a 'tick the box' exercise but has been the result of thinking creatively around what we are doing.



<sup>4</sup>. 2021 Financial Review BOSS Most Innovative Companies List - Manufacturing & Consumer Goods.

ETHICAL SOURCING PROGRAM

# ETHICAL SOURCING GOVERNANCE

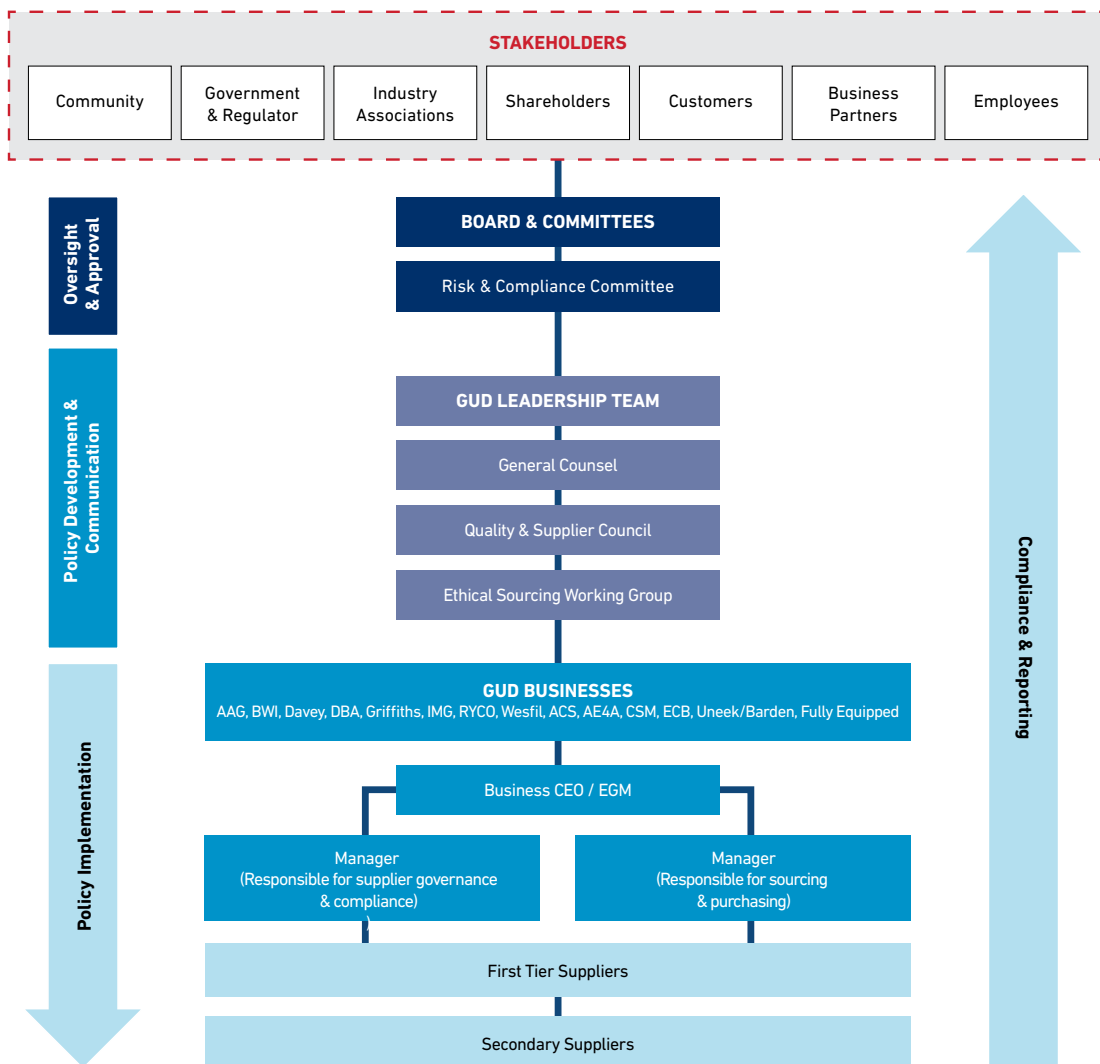


GUD has a layered governance structure that ensures there is oversight of the identification and management of any modern slavery risks across each of the operations of the GUD businesses and their supply chains.

In 2018 GUD convened a specialist team – the Ethical Sourcing Working Group – to develop GUD’s Ethical Sourcing Program. The Ethical Sourcing Working Group comprises experienced procurement managers from the GUD businesses, GUD’s General Counsel and a specialist legal adviser on ethical sourcing.

The Group works with GUD’s Quality & Supplier Council to ensure consistent implementation of the Ethical Sourcing Code and to encourage all GUD businesses to meet the goals for supplier engagement and compliance set across the GUD group. The GUD Quality & Supplier Council is made up of procurement personnel and supplier managers from every GUD business and reports to the General Counsel.

The Board’s Risk & Compliance Committee is kept informed of the development and progress of the Ethical Sourcing Program by GUD’s General Counsel, and it is responsible for providing oversight on behalf of the Board.



# ETHICAL SOURCING PROGRAM

**GUD's Ethical Sourcing Program applies across all GUD businesses. First developed in 2018, the Program is being continuously refined and is built on a framework of the following policies and procedures:**

- **Ethical Sourcing Code** establishes the standards that suppliers are required to comply with in relation to labour, human rights, health, safety, environment, social governance and business ethics. It specifically prohibits modern slavery practices (as defined in the Modern Slavery Act 2018 (Cth)) and enshrines internationally recognised human rights values such as those described in the United Nations Guiding Principles on Business and Human Rights.
- **Ethical Sourcing Policy** sets out GUD's expectations as to application of the Ethical Sourcing Code to all GUD businesses and throughout the operations of their supply chain.
- **Implementation Guidelines** provides internal guidance for GUD businesses on how to implement the Ethical Sourcing Code. The Guidelines creates common standards to manage supplier engagement and undertake assurance activities and confirms the internal progress reporting required to ensure that all GUD businesses progress the implementation of the Code uniformly and consistently throughout their supply chain.
- **Ethical Sourcing Progress Report** which is required to be completed annually by the GUD businesses to track and measure progress of Code implementation within their supply chains, identification of modern slavery risks and supplier remedial measures undertaken across the group. This is analysed by the Ethical Sourcing Working Group and aggregated results are reflected in the Modern Slavery Statement.
- **Ethical Sourcing Self-Assessment Questionnaire** which is available in English and Mandarin and is required to be completed to determine and test supplier compliance with the Code. The questionnaire automatically determines supplier compliance at Bronze, Silver or Gold level and highlights any remedial actions to address any areas of non-compliance.
- **Declaration of Compliance** which is incorporated into the Self-Assessment Questionnaire and is a contractually binding assurance of compliance with the Ethical Sourcing Code, co-operation and access for audit and agreement to undertake any remedial actions required towards achieving Gold standard compliance.
- template **Ethical Sourcing compliance clauses** for supply agreements

These key documents, are regularly reviewed and updated by the GUD Ethical Sourcing Working Group. In the reporting period this included:

- **Ethical Sourcing Self-Assessment Questionnaire** – a version appropriate for use with service providers was developed
- **Ethical Sourcing Progress Report** – revised to refine progress reporting requirements
- **Declaration of Compliance with GUD Equivalent Code of Conduct** – refined for use to secure assurance in circumstances where a supplier already aligns to an equivalent ethical sourcing code of conduct.

Additional resources continue to be developed to address commonly experienced compliance challenges as reported by the GUD businesses.



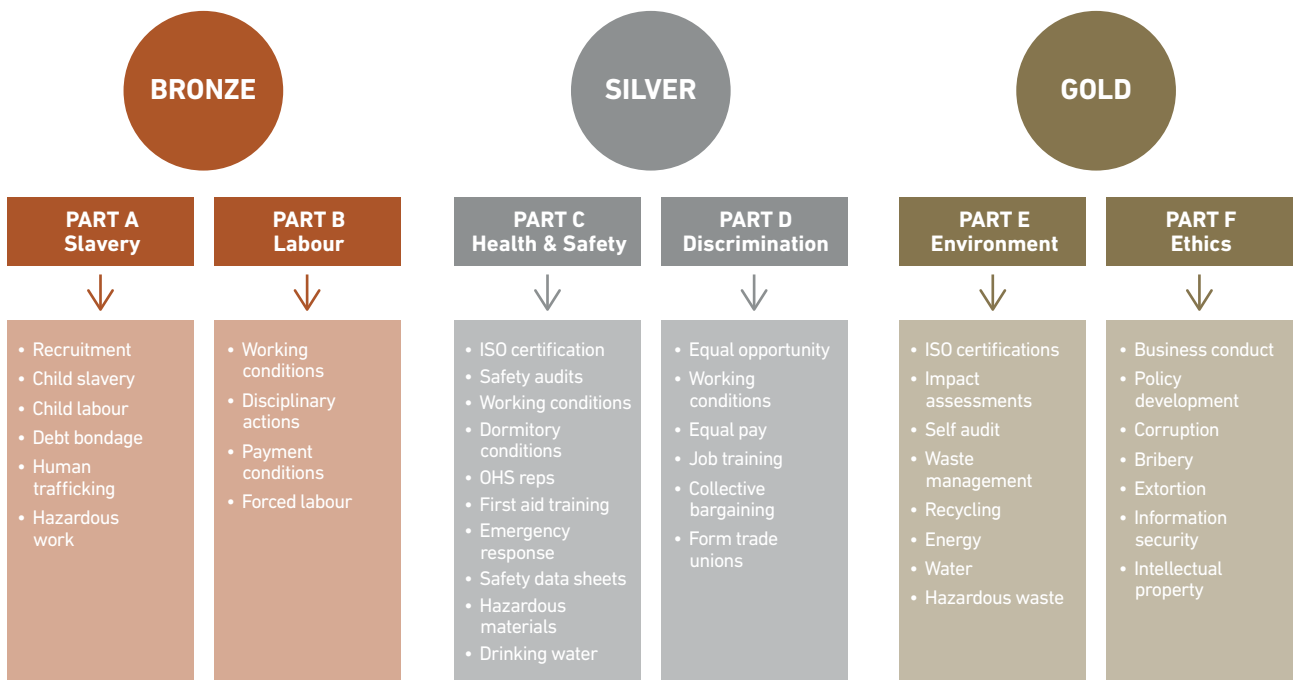
# GUD ETHICAL SOURCING CODE

**GUD’s tiered Ethical Sourcing Code (with Bronze, Silver and Gold compliance standards) is built on the premise that lasting and sustainable change is more likely to be achieved by setting achievable goals, encouraging frank and open exchanges with suppliers about compliance challenges, and rewarding supplier commitment.**

The Code sets out three distinct standards of graded compliance:

- a. **Bronze:** to improve labour standards to combat modern slavery practices and improve labour standards and working conditions (reflecting the *Modern Slavery Act 2018* (Cth) requirements)
- b. **Silver:** to raise health and safety standards and to protect workers from discrimination
- c. **Gold:** to promote compliance with environmental standards and ethical business practices

## THREE STANDARDS OF COMPLIANCE



Suppliers are required to confirm in a binding declaration of assurance that they comply with the Code or are willing to work towards all Code standards.

The structured Code anticipates that, for some suppliers, their progress to achieving Gold standard may be incremental. By including the human rights issues legislated by the *Modern Slavery Act 2019* (Cth) in the Bronze tier, GUD ensures that these are covered at the entry level. Compliance beyond the Bronze tier exceeds the legislated standards, but reflects GUD’s own expectations of appropriate ethical conduct.

From supplier due diligence, through to the implementation and assurance protocols – including audit questionnaires, supplier assurance declarations, and contractual assurances – GUD requires transparency and accountability from its suppliers as to their compliance with the Code standards.

This gradual implementation approach is designed to secure honest feedback from suppliers, develop awareness and support long-term sustainable change.



ETHICAL SOURCING PROGRAM

# BEYOND COMPLIANCE

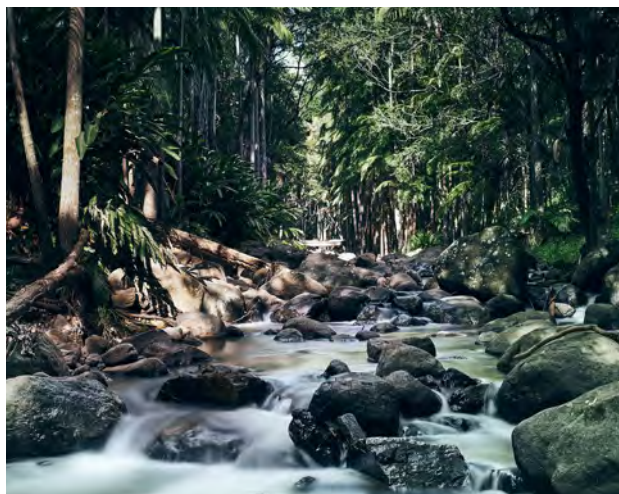
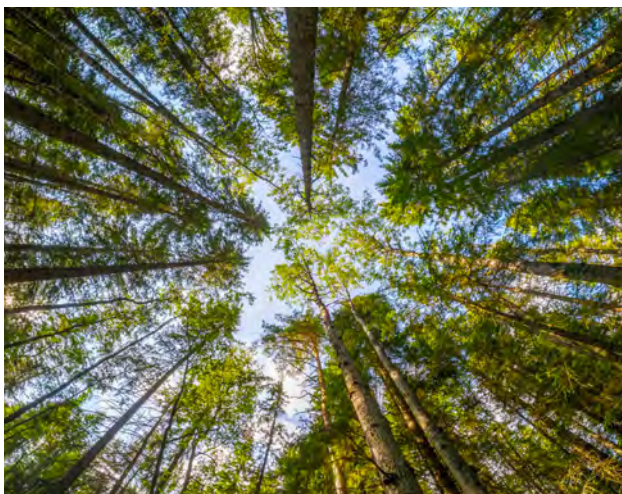


**GUD's Code Gold standard reflects a focus on supplier environmental impact**

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

GUD's Ethical Sourcing Program reflects a commitment to sustainable procurement across a broad range of areas.

In addition to prohibiting human rights abuses and respecting workers' welfare, the Code addresses sustainable procurement by imposing standards for supplier operations associated with safety, environmental sustainability and business ethical standards.





# SUPPLY CHAIN IMPLEMENTATION OF ETHICAL SOURCING CODE

**Prior to the Ethical Sourcing Program, many GUD businesses had developed meaningful supplier relationships and had established processes to engage with suppliers on quality standards, collaboration on product development and health and safety compliance issues.**

These systems have been leveraged to provide GUD businesses with a platform for direct supplier engagement on modern slavery compliance.

This starts with communicating expectations through sharing the GUD Ethical Sourcing Code with suppliers and setting time-framed goals for specific tasks.

## Due Diligence & Remediation

This includes a supplier undertaking:

- the completion of GUD's Self-Assessment Questionnaire (which determines supplier compliance at Bronze, Silver or Gold level); and
- the provision of a signed declaration of compliance and assured co-operation with further audit activities

GUD's Self-Assessment Questionnaire (SAQ) is a comprehensive and interactive document which tests Code compliance with a series of questions which explore the policies and practices of the supplier operations. The SAQ has been translated to Mandarin to ensure that questions are understood and accurately answered by Chinese suppliers.

Once completed, the SAQ automatically determines the level of supplier compliance as Bronze, Silver or Gold and identifies areas of non-compliance for action. The SAQ is completed prior to engagement of new suppliers and bi-annually with existing suppliers.

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

Once a supplier provides the assurance documentation, it may be appropriate to agree on further actions with the supplier to address any non-compliance issues identified in the audit.

In this regard, evaluation of the Self-Assessment Questionnaires may prompt GUD businesses to:

- identify required corrective actions with suppliers, including identification of international benchmarking standards
- review supplier suggestions and propose clear, measurable and time-framed corrective action items
- encourage and monitor suppliers to achieving full Code compliance

In this regard, GUD businesses will critically evaluate supplier practices related to worker welfare and prioritise action items relating to any identified or potential modern slavery practices.

Achieving these changes relies on effective supplier engagement and creates opportunities to further deepen supplier relationships. In the event that a supplier refuses to complete the SAQ, or to progress identified corrective actions to achieve full Code compliance, a plan will be made to transition away from the supplier. Fortunately, an overwhelmingly majority of suppliers have responded positively. Only a few suppliers have been terminated for failing to meet the Code standards, after substantial encouragement and dialogue.

## Bringing the new GUD Businesses up to speed

In the reporting period, GUD strategically expanded the scope of its automotive aftermarket business through the acquisition of:

- Australian Clutch Services
- A business unit of 4WD automotive components and accessories business including:
  - ECB
  - AE4A
  - Uneek/Barden
  - Fully Equipped
  - CSM Service Bodies

Since early 2021, GUD has applied significant resources to bringing the newly acquired GUD businesses into the Ethical Sourcing Program. Procurement and supplier managers have been directly supported by mentors from the Ethical Sourcing Working Group who have guided their adoption and roll out of the Code to their supply chains.

The new GUD businesses each commenced their initiation into the Ethical Sourcing Program by conducting a self-assessment against the Ethical Sourcing Code. All direct suppliers (tier 1) of products and components were then mapped and assessed as part of preliminary risk assessment. Suppliers across all country risk categories were prioritised for engagement and Code implementation was initiated by each of these businesses within the reporting period.

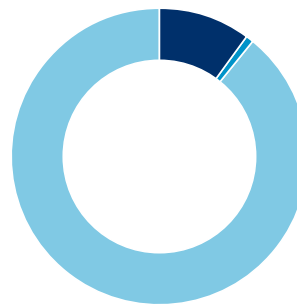
Common to the supply chain of the new GUD businesses is the home grown nature of their products and services - custom designed for tough Australian conditions and using predominantly locally sourced materials and suppliers.

Australia has a very low prevalence of modern slavery and a strong regulatory environment. This provides some assurance that there is minimal risk in the supply chains associated with the new businesses causing, contributing or being directly linked to instances of modern slavery. This is supplemented by the insights as to the Australian supplier operations which the new GUD business have acquired from the long standing nature of their supplier relationships, many of which are closely located to the GUD businesses.

**The new GUD businesses are now well progressed in a targeted and directed roll-out and implementation of the Code and are expected to align with the KPIs of the other GUD businesses.**

## NEW BUSINESS SUPPLIER RISK PROFILE

(By number of suppliers)



High	10%
Medium	1%
Low	89%

## NEW BUSINESS RISK PROFILE

(Total spend by country)



High	34%
Medium	5%
Low	61%

# CONSULTATION PROCESS



**GUD's Ethical Sourcing Program sets common standards and protocols to guide all GUD businesses in the management of modern slavery risks in their own operations and supply chains.**

During the reporting period this statement covers, every company owned or controlled by GUD was actively engaged in the Ethical Sourcing Program and was regularly consulted as to progress.

To facilitate this, the GUD Ethical Sourcing Working Group met regularly with the Quality & Supplier Council and procurement personnel and supply managers in each GUD business to:

- provide education, training and guidance on the details of the Modern Slavery Act 2018 (Cth), the reporting requirements and GUD's approach to addressing modern slavery issues in its supply chains
- assist in mapping their supply chains and undertaking supplier risk assessment to prioritise direct supplier engagement
- explain appropriate due diligence, implementation and assurance steps and share material – including audit questionnaires, supplier assurance declarations, implementation letters and draft compliance clauses - and guide the GUD businesses as to their use
- help develop remedial action plans with suppliers to address any identified modern slavery issues
- determine key performance indicators to monitor the effectiveness of these actions consistently across the GUD group

To ensure that this Modern Slavery Statement accurately reflects all GUD businesses, joint goals for the implementation of the GUD Ethical Sourcing Code in GUD supply chains were developed and the Ethical Sourcing Working Group worked with every GUD business to help them achieve these goals.

Prior to the preparation of this Statement, all GUD businesses are required to provide detailed reports to GUD's General Counsel on the relevant reporting criteria mandated by the *Modern Slavery Act 2018 (Cth)* including:

- actions taken to address modern slavery in their supply chains, and specifically their progress with supplier implementation of the GUD Ethical Sourcing Code
- details of any modern slavery risks identified in their own operations or their supply chains arising from the due diligence activities
- controls to assess and address these risks, including due diligence undertaken and the rate of completion of Self-Assessment Questionnaires by suppliers and their grade of Code compliance (as Bronze, Silver or Gold)
- remediation actions identified and undertaken to address modern slavery issues in their supply chain and the effectiveness of their actions

In this way, all such matters are identified, assessed and addressed in the Modern Slavery Statement as they relate to companies owned or controlled by GUD.



## MODERN SLAVERY RISKS

## SUPPLY CHAIN RISK



NEW VEHICLE WARRANTIES PROTE

**The starting point of the GUD Ethical Sourcing Program is to undertake supply chain risk assessment.**

It takes time and resources to engage directly with each supplier to implement GUD's Ethical Sourcing Code - including to evaluate supplier questionnaires, evaluate grade compliance and identify and agree on any required remedial actions.

It is essential to have a methodology to quantify modern slavery risk so GUD businesses can identify where to prioritise efforts. This involves mapping their supply chain by the:

- geographical location of the supplier
- proportion of annual spend with supplier
- length of engagement with GUD

GUD's risk assessment tools also factors in other issues for impact evaluation such as:

- the criticality of the goods sourced
- whether they are branded
- whether the goods are substitutable

Control evaluation factors are also recorded against each supplier including:

- length of supplier relationship
- frequency of site visits
- significance of GUD as a customer to the supplier
- currency of contractual arrangements

This risk matrix allows each GUD business to critically evaluate where – in its supply chain – it is most susceptible to the risk of modern slavery practices. Control evaluation factors assess GUD's leverage, and likelihood of influencing supplier behaviour, as well as documenting where there are opportunities for corroborating supplier feedback.

GUD prioritises engagement with suppliers located in countries which are at a higher risk of having modern slavery practices. Currently this has seen a prioritisation of suppliers in Asia, and especially China. However, GUD's portfolio is dynamic, with a supply chain reaching across the world. Accordingly, GUD has developed unique resources to evaluate, remediate, monitor and manage modern slavery risks across a broad range of countries.



# GUD'S RISK MATRIX – ASSESSMENT OF COUNTRY RISK

**GUD's risk management framework grades countries into bands of High, Medium and Low risk countries. GUD's risk management tools uniquely utilise a range of international resources - including the Global Slavery Index, the Freedom House Score and the Trafficking in Persons reports such as the TVPRA List - to evaluate the risk of modern slavery by country on a scale of 1 to 10.**

Resource	Ranking	Source Material & Methodology	Responsible
<b>Global Slavery Index</b>	Ranks countries on risk of modern slavery from 1-167 grading from: highest (1) to lowest (167) risk	Estimates the <i>number of people in modern slavery</i> using probabilistic surveys across countries on reported cases; data from assisted victims of trafficking in IOM* databases; estimates from ILO^ on state-imposed forced labour	Walk Free Initiative by the Minderoo Foundation (assoc. with Fortescue Metals Group)
<b>Freedom House Score</b>	Ranks countries as: <ul style="list-style-type: none"> <li>• Free</li> <li>• Partly Free</li> <li>• Not Free</li> </ul>	<i>Measures individual's access to political rights and civil liberties</i> using on the ground research, NGO reports, academic data, news articles & professional contacts	Freedom House (US organisation established in 1941)
<b>TVPRA List Trafficking in Persons reports</b>	TVPRA List identifies specific goods likely to be produced in countries from forced or child labour	Goods ILAB# has reason to believe are produced using forced or child labour is compiled using data from NGOs, US embassies, surveys from ILO site visits, international governments, academic data, published reports	US Bureau of International Labor Affairs, regulating the <i>Trafficking Victims Protections Reauthorization Act</i>
<b>GUD Modern Slavery Risk Rating</b>	Ranks countries at High, Medium and Low risk of modern slavery prevalence using a numeric score out of 10	Points allocated referencing the ranking of country by: <ul style="list-style-type: none"> <li>• Ranking on Global Slavery Index</li> <li>• Freedom House Score</li> <li>• If goods from country identified in TVPRA List</li> </ul> Total points out of 10 (highest score is highest risk)	GUD Ethical Sourcing Working Group

\* International Organization for Migration

^ International Labour Organisation

# Bureau of International Labor Affairs

Using multiple resources means there is greater objectivity in the tiering, as the gradings are not limited to the self-reporting of abuses in these countries through survey responses. Instead, the mix of methodologies and diverse data-sets, means the risk grade also reflects on the ground reports, the availability of essential civil liberties and includes a weighting associated with goods typically produced as a result of forced or child labour.

# MODERN SLAVERY RISKS

**No instances of modern slavery were identified from the Self-Assessment Questionnaires completed by suppliers in the reporting period, however the following areas for improvement were identified:**

- formalising and communicating to workers employment policies
- keeping proper documentation associated with employment terms and wages
- record keeping associated with disciplinary actions

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Health and safety related improvements arising from the completion of SAQs included:

- documenting work health & safety checklists
- training and increased numbers of first aid attendants on site
- increasing the number of first aid kits on site

The most common barriers to suppliers achieving Silver or Gold level Code compliance were related to:

- some countries not sanctioning trade unions
- improvements in environmental risk management and certification

## Industry Specific Risks: Electronics & Shipping

A significant proportion of GUD business procurement requirements are associated with electronic devices - such as DAVEY water pumps, NARVA automotive lights and IM Group's mechatronics products. This also includes the computers and mobile phones which are now essential to all businesses.

The electronics industry is recognised globally as a high risk industry – with China and Malaysia included in the TVPRA List as being countries which use forced or child labour to produce electronic goods. When manufacturing occurs in countries with minimal regulation, or remote locations where workers may be isolated and without ready access to grievance mechanisms, the risks of modern slavery increases.

**GUD's risk assessment methodology reflects this through requiring additional weighting (+ 2 points) to be given to countries included in the TVPRA List.**

International shipping industry practices are, by their nature, difficult to regulate. Their operations are conducted in moving vessels which are not able to be readily accessed making oversight of their practices challenging. Given these freight providers operate across jurisdictions, workers are not physically able to leave their work place for long periods which means that access to impartial grievance procedures may be limited.

In the reporting period, multiple lockdowns due to the Covid-19 pandemic have meant that ships are often rejected at port, and workers unable to leave their ship. This has the likely result of exacerbating poor working and living conditions for workers essentially trapped on board for extended periods.

**GUD's Ethical Sourcing Program initiated the direct engagement of freight providers in FY21 and this will continue into FY22.**

## Industry Collaboration

GUD acknowledges that there is merit in engaging with other businesses, including industry organisations, to explore identifying and managing modern slavery issues at an industry level. In the reporting period, members of GUD's Ethical Sourcing Working Committee have participated in special sessions on modern slavery convened by the Australian Automotive Aftermarket Association. Such collaboration may start with information sharing about how to address modern slavery issues and how businesses respond to the modern slavery legislation and lead to collective industry wide initiatives.

IMPACT

# EFFECTIVENESS OF ACTIONS



## GUD recognises the importance of evaluating the effectiveness of its Ethical Sourcing Program, and specifically any responses or actions that its Ethical Sourcing Program prompts in participants in its supply chain to combat modern slavery.

One way GUD does this is through setting common progress objectives across the group businesses which measure the extent to which the Code has been implemented through their supply chains. This is measured by key performance indicators (KPIs) linked to roll out to:

- suppliers located in high and medium risk countries; and
- suppliers representing a percentage of annual spend by business

Additionally, GUD requires its businesses to monitor the extent of compliance by reporting on the progress of their suppliers through Bronze, Silver and Gold levels of the Code.

We report below under Monitoring Progress as to how the businesses are progressing against these objectives.

However, an interesting outcome of the Ethical Sourcing Program is that overall reliance on suppliers in high risk countries in the reporting period has reduced from FY20 to FY21 – meaning that the GUD portfolio risk of the incidence of modern slavery issues has been similarly reduced.

In addition to measuring effectiveness using these KPIs, each GUD business engages directly with its suppliers to identify any non-compliance issues or risks of same, and to monitor restorative or pre-emptive actions. These issues are reported to GUD’s Ethical Sourcing Working Group.

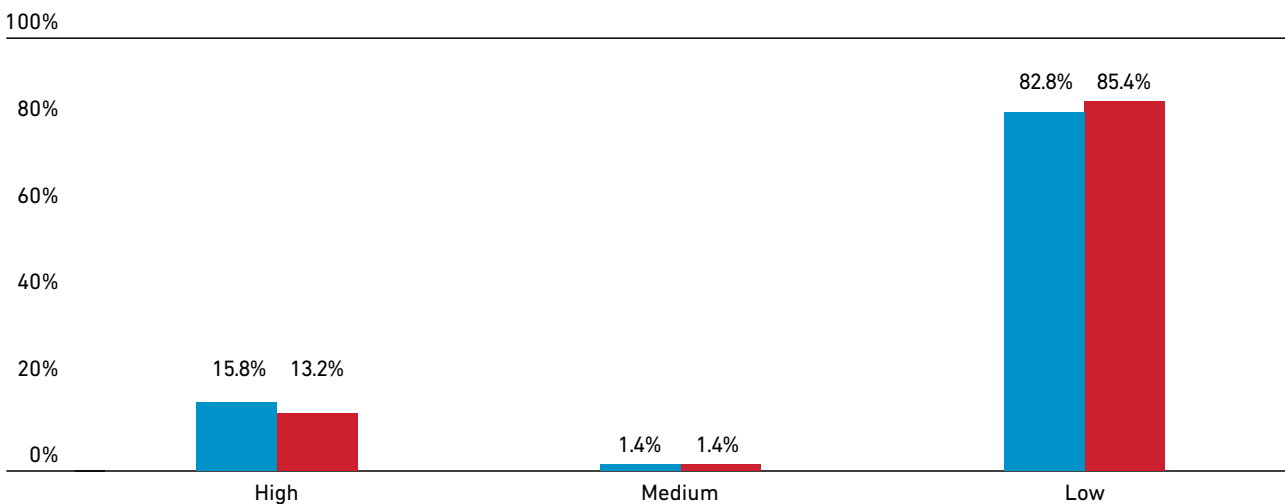
Accordingly, GUD can monitor, individually by supplier, improvements which are designed to reduce, and mitigate the risk of, modern slavery issues.

As a result of the Ethical Sourcing Program, GUD businesses also include individual supplier compliance on ethical sourcing in their supplier rating and supplier performance reviews.

### SUPPLIER RISK BY COUNTRY

(FY20 & FY21)

FY20 FY21







Workplace improvements identified and funded by GUD companies

Other ways in which GUD businesses have reported on positive outcomes and the effectiveness of the Ethical Sourcing Program include:

- Improved supplier awareness and commitment to human rights and modern slavery issues following supplier development initiatives and education
- Improvement in health and safety as well as environmental practices, with some suppliers now pursuing certifications such as BSCI or SMETA
- Expansion of the scope of engagement of a full time contractor in China whose auditing activities on quality and supplier management now include ethical sourcing audits
- Engaging suppliers whose treatment of workers make them employers of choice in their respective market
- Engaging suppliers who are regarded as preferred suppliers by highly reputable global customers as a result of undergoing extensive third party ethical sourcing audits
- Conflict minerals assessment being performed for various customers
- Recreational facilities and outdoor BBQ area being introduced by suppliers to improve staff well-being
- Work health and safety initiatives being introduced including first aid kits, tool box meetings, stretching and emergency evacuation drills
- Covid-19 protocols being introduced to safeguard both employees and on-site contractors health and safety

## BROWN & WATSON INTERNATIONAL PTY LTD

In implementing the Ethical Sourcing Program, Brown & Watson International Pty Ltd closely supported one of its suppliers of lighting products in China achieve significant operational and facility improvement. Driven by feedback from the comprehensive GUD Self-Assessment Questionnaire and a customer audit, sweeping changes were made at the supplier in the reporting period.

This included:

- Introduction of new flame proof cabinets for the safe storage of chemicals
- Comprehensive changes to the emergency evacuation program across the operational facility, such as:
  - Adding powered exit signs across all doors
  - Adding handrails to stairs
  - Replacement of fire extinguishers and supplying cabinets for storage
  - Updating the alarm system
  - Introducing safety signage, maps and evacuation instructions
- Health and safety improvements for operator safety including providing:
  - Vacuum extraction
  - Face masks for soldering stations
  - Ear plugs for welding operations



Brown & Watson International Pty Ltd financially supported the supplier in making some of these changes, such as structural changes to facilities to ensure that all doorways opened outwards, or were replaced with curtains, to avoid doors opening into walkways.





IMPACT

# MONITORING PROGRESS

**GUD's Ethical Sourcing program is now well established, and GUD businesses have maintained good progress in implementing the Code through their supply chains, focussing on high and medium risk country suppliers. All GUD businesses are provided with clear key performance indicators as to the percentage of supplier engagement required in the reporting period, and all are required to regularly report on meeting these KPIs.**

In the reporting period, GUD businesses recorded significant progress against their FY21 completion targets. These targets were based on a mixture of:

- suppliers responsible for their top % of annual spend being either:
  - top 70% for GUD businesses with more than 50 suppliers; or
  - top 85% for GUD businesses with less than 50 suppliers; and
- supplier location, with goals to achieve targets of:
  - 100% of suppliers in high risk countries; and
  - 80% of suppliers in medium risk countries.

As shown in the graph below the GUD businesses either closely achieved or exceeded these targets.

Pleasingly, the newly acquired GUD businesses exceeded their preliminary targets and are close to aligning with the GUD group targets. In the short period in which the new GUD businesses have been initiated into the GUD Ethical Sourcing Program they have engaged 75% of their high risk suppliers, and around 50% of these suppliers are already at Gold standard.

The Ethical Sourcing Program has been designed so GUD businesses collectively progress towards goals of 100% Code compliance by all directly engaged (tier 1) suppliers. In FY21, GUD more than doubled the number of directly engaged suppliers (tier 1) of product and components included in the Ethical Sourcing Program.

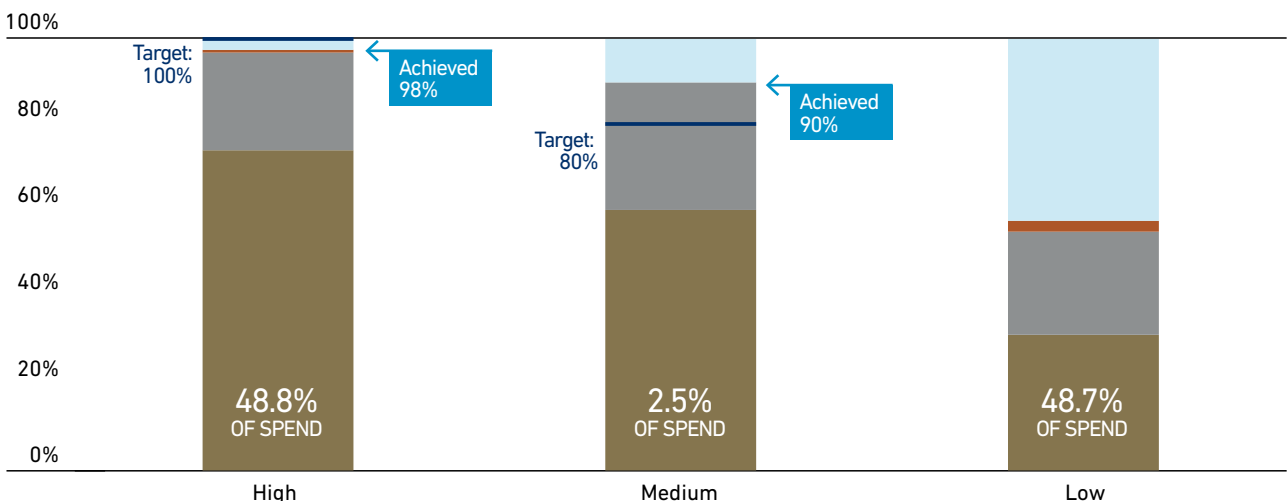
In the reporting period, work was also initiated on bringing service providers into the Ethical Sourcing Program by having the GUD businesses map their service provider supply chains and identify common service providers for group-wide assurance which was undertaken by the Ethical Sourcing Working Group.


GUD remains focussed on addressing risks of modern slavery within its tier 1 product suppliers, component suppliers and service providers. As these goals of the Ethical Sourcing Program are achieved, we will extend Code assurance obligations on our tier 1 suppliers to their raw material (or tier 2) providers.

## COMPLETION OF FY21 TARGETS

(Total spend by country)

Assessments: ■ Gold ■ Silver ■ Bronze ■ Unassessed





IMPACT

# TRAINING

## Essential to GUD's commitment to addressing modern slavery is acknowledging that our employees are key to identifying and addressing risks of modern slavery.

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Essential to GUD's commitment to addressing modern slavery is acknowledging that our employees are key to identifying and addressing risks of modern slavery.

In the reporting period, delivery of modern slavery training to GUD company personnel was undertaken to increase awareness of modern slavery issues and for the GUD businesses to understand at the highest levels their reporting obligations.

To accommodate Covid-19 restrictions this training was conveyed by interactive electronic presentations, with testing at a 90% pass rate on completion. This training was successfully undertaken by over 165 GUD directors, staff and contractors – including all CEOs, Executive General Managers and first level

down management including finance, procurement, product development, quality, facilities, Work, Health & Safety and Human Resources.

In addition to receiving this training, all procurement and supply management personnel were also provided with training delivered via the Quality & Supplier Council to assist with their identification of potential modern slavery risks, how to progress implementation of the Ethical Sourcing Code and respond to supplier queries.

The 'buddies' allocated to the new GUD businesses also provided one on one mentorship to bring their procurement and supply managers within the Ethical Sourcing Program.



IMPACT

# COVID-19 IMPACT

Covid-19 has had an unprecedented impact on businesses, industries and people. GUD businesses have been supported to manage this impact with all its stakeholders - including its suppliers – with resilience and compassion.

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**“Managing Covid-19 challenges required flexibility, resilience and commitment.**

**We doubled down on our mantra to be a good partner to our suppliers.”**

Graeme Whickman  
**Chief Executive Officer and Managing Director**

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GUD’s Covid-19 response plan creates a framework for responsible and deliberate action to directly manage pandemic and lock-down related issues, which may require tactical and nimble responses.

For example, using air freight as a solution to managing the logistics chain to maintain a constant supply of our goods - despite challenges to the timely supply of goods associated with delays from multiple international lock-downs. In this way, the impact on supplier operations - and the heightened risk of suppliers over-working staff to meet orders - was minimised.

The Covid-19 travel restraints in 2020 and 2021 have temporarily restricted our businesses’ ability to engage in person with suppliers. As a consequence, operational and quality supply issues are now dealt with by regular phone and video conferencing and using third party auditors.

Further, the Ethical Sourcing Working Group has fast-tracked its development of the ethical sourcing independent audit program for increased transparency as to monitoring of modern slavery issues.





LOOKING FORWARD

# CHALLENGES

**Some larger suppliers still resist completing self-audits against GUD's Ethical Sourcing standards - instead directing us to their own ethical sourcing policies and standards. This is more common amongst Australian suppliers and is understandable, given the proliferation of ethical sourcing assurance requests over the last few years.**

To manage this increasingly common issue, GUD's Ethical Sourcing Working Group collated a list of relevant international certification systems and standards against the GUD Code to aid 'equivalence' assessment of suppliers. This has meant that suppliers can be graded as compliant via current certifications to equivalent ethical sourcing standards or by providing a copy of their own Ethical Sourcing Code and a declaration of assurance to the equivalent code.

There is a lack of visibility into the operations of our suppliers' suppliers – also known as tier 2 suppliers. One of the drawbacks of having a robust Ethical Sourcing Program involving direct engagement and assurance from each supplier is the time investment required to do this. While GUD's Ethical Sourcing Program is progressing well through its tier 1 suppliers, we are cognisant that due diligence further into the supply chain to investigate Code compliance with tier 2 suppliers will be required. This has always been included in our future planning as a secondary level of the Ethical Sourcing Program.

Having engaged directly with its tier 1 suppliers on modern slavery issues for several years - with a robust program which involves self-audit questionnaires, signed declarations and contractual clauses of compliance - GUD has developed very effective insights to supply chains operations. However, we are also conscious that such measures may result in under reporting and creates a risk of modern slavery cases going undetected. This will be addressed by the introduction in FY 22 of the independent audit program.





LOOKING FORWARD

# SPEAK UP

**GUD's whistleblower policy, Speak Up, applies to all GUD subsidiary companies.**

**GUD has established an external whistleblower facility, which includes 24/7 online reporting (<https://www.whistleblowingservice.com.au/gud-holdings/>) and telephone reporting during business hours in order to:**

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

LOOKING FORWARD

# 2022 ETHICAL SOURCING PROGRAM OBJECTIVES

## Commencement of Independent Audit Program

To layer our Ethical Sourcing Program with greater transparency and accountability GUD has developed an independent audit program to be implemented from next financial year.

The audit program involves using a combination of external independent auditors, and personnel from GUD businesses trained to conduct ethical sourcing audits. This reflects GUD's belief that management of modern slavery risk must be owned and managed by the business and cannot be entirely outsourced to third parties.

Audits will be in person and factory and dormitory based, and comprehensively evaluate compliance across the Bronze, Silver and Gold standards. The Ethical Sourcing Working Group will work with each GUD businesses to set objectives for audit and assist them with prioritising suppliers for audit.

## New Technology Platform

To alleviate the administrative burden on the GUD businesses, and to assist with the consistent implementation of the Ethical Sourcing Program across the group, GUD has been investigating the use of technology and IT platforms specifically designed for ethical sourcing compliance.

Commencing in FY22 all GUD businesses will utilise a platform to simplify compliance tracking, record supplier progress through the Code tiers, identify remediation actions, monitor risks and reporting, and increase transparency as to supplier certification. The platform includes a direct portal for supplier engagement and third party records, such as independent audit reports.

## Progressive Code Implementation and Due Diligence

All GUD businesses will continue to progress implementation of the Code to:

- all product and component suppliers, shifting their efforts from high risk suppliers to any remaining suppliers located in medium and low risk countries; and
- all service providers, including site specific service providers to the Australian and New Zealand GUD businesses

## Align new GUD businesses with group compliance targets for Code implementation

Building on the impressive progress of the new GUD businesses in adopting the Ethical Sourcing Program, they will be encouraged to align with the group KPIs.

## Rewarding Ethical Sourcing compliance

In FY22 GUD will introduce a range of non-financial metrics reflecting social, governance and environmental issues as a condition to entitlement to executive performance rewards. This includes benchmark targets to be achieved in relation to the progress of each GUD business in achieving supplier compliance with the Ethical Sourcing Code.

## Implement Ethical Sourcing Program with 2022 business acquisitions

In FY22 GUD will make significant acquisitions to its portfolio of businesses and will initiate these businesses into GUD's Ethical Sourcing Program.

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This Modern Slavery Statement has been approved by the Board of G.U.D. Holdings Limited on 16 December 2021.



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

# ANNEXURE 1

## MODERN SLAVERY ACT 2018 (CTH)

### MANDATORY CRITERIA CHECK-LIST

#### Principal Governing Body Approval

This modern slavery statement was approved by the *principal governing body* of as defined by the *Modern Slavery Act 2018 (Cth)*<sup>5</sup> ("the Act") on 16 December 2021.

#### Signature of Responsible Member

This modern slavery statement is signed by a *responsible member* of as defined by the Act.<sup>6</sup>

#### Mandatory criteria

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

Mandatory criteria	Page number/s
a) Identify the reporting entity.	5
b) Describe the reporting entity's structure, operations and supply chains.	6–10
c) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	18–20
d) Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes.	11–15 28–29
e) Describe how the reporting entity assesses the effectiveness of these actions.	21–24, 27
f) Describe the process of consultation on the development of the statement with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity covered by the statement).	16–17
g) Any other information that the reporting entity, or the entity giving the statement, considers relevant.*	25–26

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

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

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



# ANNEXURE 2

## GUD SUBSIDIARY COMPANIES COVERED BY THE MODERN SLAVERY STATEMENT

Company	Country of incorporation
<b>Parent entity</b>	
G.U.D. Holdings Limited	Australia
<b>Subsidiaries</b>	
AA Gaskets Pty Ltd	Australia
ACAD Limited	Australia
AECAA Pty Ltd	Australia
Australian Clutch Services Pty Ltd	Australia
Brown & Watson International Pty Ltd	Australia
Davey Water Products Pty Ltd	Australia
Disc Brakes Australia Pty Ltd	Australia
E C B Pty Ltd	Australia
Innovative Mechatronics Group Pty Ltd	Australia
Ryco Group Pty Ltd	Australia
Service Body Manufacturing Australia Pty Ltd	Australia
Uneek 4x4 Australia Pty Ltd	Australia
Wesfil Australia Pty Ltd	Australia
ACS NZ Pty Ltd	New Zealand
Fully Equipped Group Limited (formerly Fully Equipped Holdings Limited)	New Zealand
Fully Equipped Limited	New Zealand
Fully Equipped (Wellington) Limited	New Zealand
Fully Equipped Auckland Limited	New Zealand
Griffiths Equipment Limited	New Zealand
GUD NZ Holdings Limited	New Zealand
NZ Gaskets Limited	New Zealand

