



GUD Holdings Limited

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9 March 2021

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

Dear Sir/Madam

RE: Modern Slavery Statement

Please find enclosed a copy of GUD Holdings Limited's Modern Slavery Statement which was recently published on the Australian Border Force's Register.

Please contact me if you have any queries.

Approved for release by the Company Secretary.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Malcolm G Tyler'.

Malcolm G Tyler
Company Secretary

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Enc



Partnering with our Suppliers on Ethical Sourcing

GUD's supplier engagement aspires to achieve lasting and sustainable global changes to working conditions

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This Modern Slavery Statement is published in accordance with Australian *Modern Slavery Act* 2018 (Cth) for GUD Holdings Limited (ACN 004 400 891) ('GUD') headquartered in Melbourne, Australia. It covers the financial year 1 July 2019 to 30 June 2020 and is a joint statement applying to all wholly owned GUD subsidiary companies listed in the 2020 Annual Report.

PARTNERING WITH OUR SUPPLIERS ON ETHICAL SOURCING - INTRODUCTION

GUD's supplier engagement is designed to achieve lasting and sustainable global changes to working conditions.

GUD has responded to the challenge of identifying and addressing global modern slavery hidden in supply chains by:

- Developing a deep understanding of any modern slavery risk in its supply chains
- Creating unique resources to evaluate, remediate, monitor and manage modern slavery risks
- Requiring an absolute and binding commitment by its suppliers to base-line standards which directly address modern slavery practices
- Encouraging suppliers to even higher standards of labour, safety and environmental conditions and business ethical standards
- Encouraging greater transparency and accountability from its suppliers through direct engagement

GUD's expectations of its suppliers are non-negotiable. However, GUD believes that success is not a 'tick the box' exercise or achieved by pushing slavery practices underground. GUD is committed to working with its suppliers to raise awareness and support sustainable change.

ABOUT GUD

GUD has been listed on the Australian Securities Exchange for over 50 years. As at 30 June 2020, GUD comprised of a number of dynamic product companies which employ over 800 people and produce a range of automotive aftermarket parts and water management products. GUD's 2019/2020 financial year annual revenue exceeded \$400 million. Through these businesses, GUD is the owner of one of the Asia-Pacific region's premier brand portfolios.

As a publicly listed company, GUD understands that the high expectations of its shareholders extend beyond the profitability of its companies. GUD requires exemplary corporate and social responsibility and accountability of its companies. To effectively address modern slavery risks, GUD also requires its suppliers to meet certain standards of conduct.



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GUD'S SUPPLIERS

GUD's success has been built on strong product design and development, and its companies' skills in offshore sourcing and supply chain management. Fundamental to the efficient and effective delivery of quality products is the long term relationships which GUD companies have developed with their suppliers.

Partnering closely with suppliers on product quality and innovation is a characteristic of GUD companies. As an example, for the last two decades, Disc Brakes Australia has worked very closely with its key supplier of disc brake rotors, sending engineering staff to China and receiving Chinese employees in Australia multiple times to transfer knowledge to the supplier teams on quality control, foundry and manufacturing processes.

GUD companies build and maintain these supplier relationships through regular visits to supplier premises and face to face meetings (when international travel restrictions allow). GUD companies invest significant funds in maintaining this direct supplier engagement.

GUD actively encourages its companies to support its suppliers – for example by implementing safety initiatives in their supply chain.

These strong supplier relationships mean that GUD companies are well placed to influence and support suppliers to identify and address modern slavery risks and create real improvements in working conditions.



SUPPLY CHAIN RISK

Although local manufacturing and assembling capability is currently retained at Davey, Brown & Watson and AA Gaskets in Australia, GUD companies source the majority of their product from pre-qualified, reliable offshore suppliers.

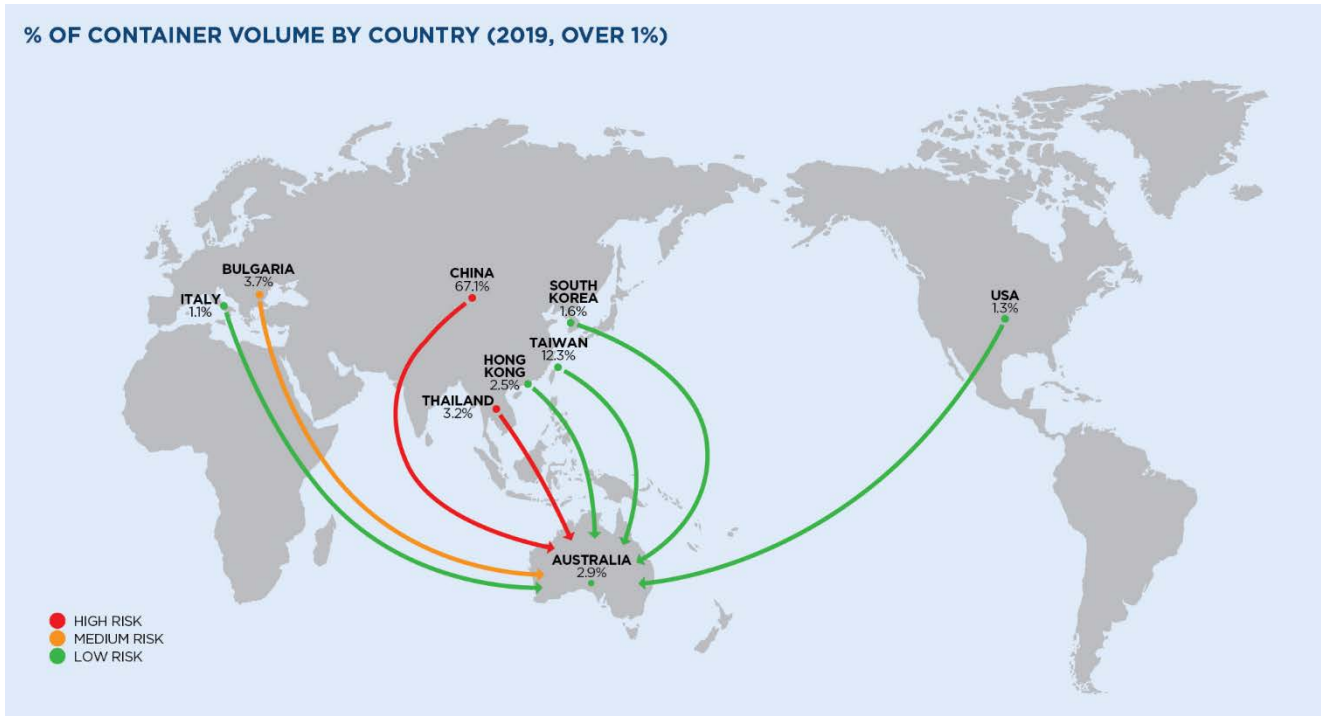
GUD companies have a collective annual purchasing spend of just under \$200 million for goods, production materials and services and currently maintain supplier relationships with over 650 product suppliers worldwide. The sheer volume and geographical diversity of suppliers across the Group carries with it a risk that violations of human rights in the various supply chains may occur.

To evaluate supply chain risk, GUD developed a unique weighted index tool. Reflecting that modern slavery is a complex and multi-faceted issue this tool determines supplier country risk based on rankings from:

- **the Global Slavery Index** – ranking countries by the number of people in modern slavery, developed by the Walk Free Foundation
- **Freedom House Score** – ranking countries according to the civil liberties and political rights of its nationals
- **The TVPRA List** – identifying products most at risk of being produced by child labour and forced labour created by the US Bureau of International Labor Affairs

Each GUD company maps its first tier suppliers against this index into High, Medium and Low risk categories; and prioritises ethical sourcing compliance efforts with suppliers in high and medium risk countries.

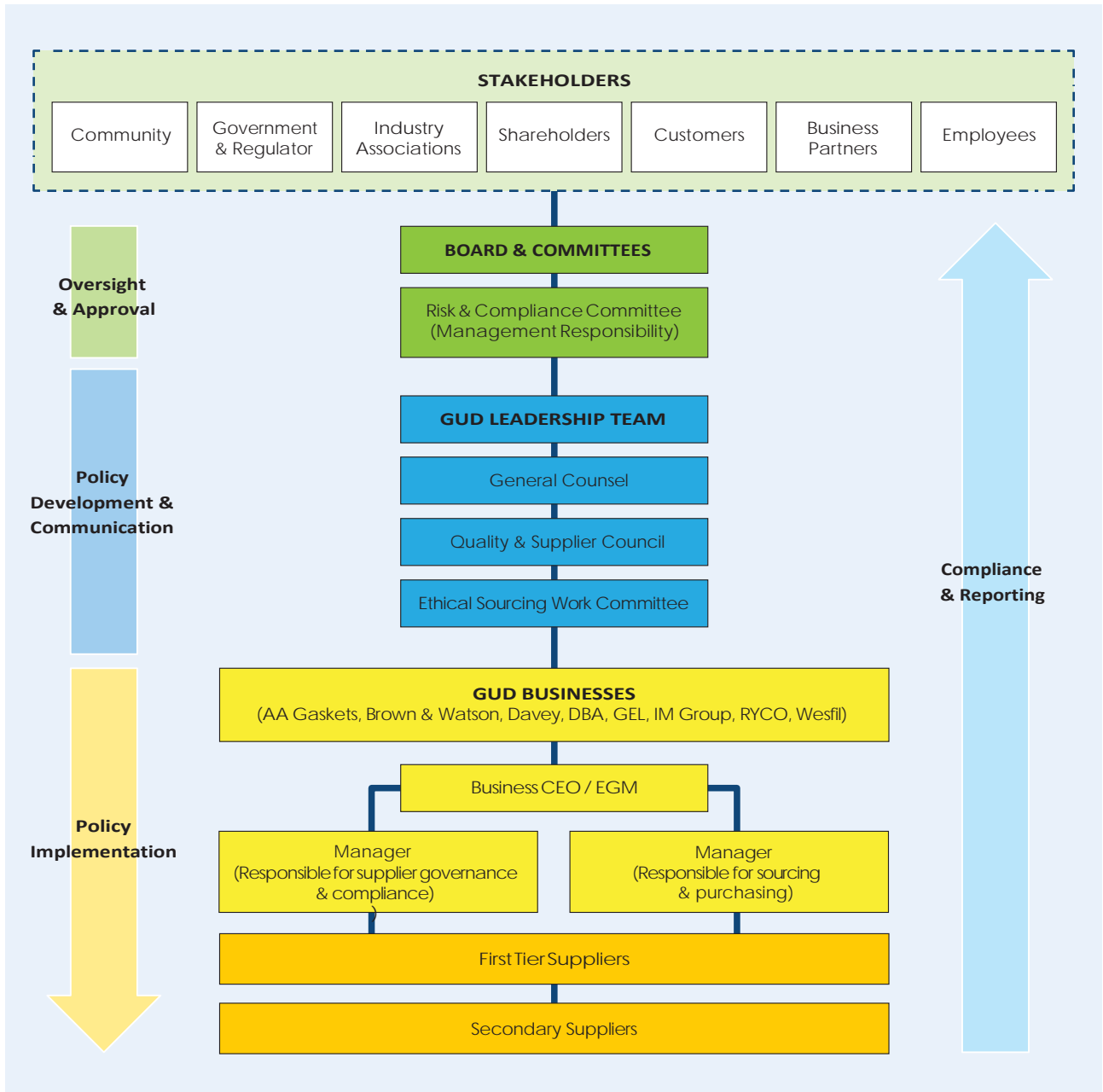
Detailed risk assessments across the group using other Impact and Control factors result in each GUD company creating their own roadmap for direct engagement with each and every supplier.



GOVERNANCE

The risk of modern slavery in GUD companies and its supply chain is assessed within GUD’s corporate risk management framework. GUD convened a specialist team for this task – the Ethical Sourcing Working Committee – to work with GUD’s Quality & Supplier Council (which represents all GUD companies). The Board’s Risk & Compliance Committee is responsible for providing oversight on behalf of the Board.

GOVERNANCE STRUCTURE



JOINT APPROACH

Although GUD companies are under common ownership, they are separate businesses. While some natural synergies exist across the automotive aftermarket companies, their operations are fundamentally distinct - including their sourcing and supply chain management.

In each GUD company dedicated staff manage procurement and maintain supplier relationships. Some GUD companies source product from a small number of suppliers while others deal with hundreds. To meet the challenges that this complex structure entails, and facilitate a uniform approach to and preparation of a joint Modern Slavery Statement, the Ethical Sourcing Working Committee created uniform standards and compliance protocols across the GUD businesses.

This resulted in:

- a group Ethical Sourcing Policy and Ethical Sourcing Code
- a common Guide to Implementation and joint goals for progress
- education, training and guidance to key personnel across the group on GUD's common approach to identify risk and address modern slavery issues
- uniform due diligence, implementation and assurance protocol and resources – including audit questionnaires, supplier assurance declarations, implementation letters to suppliers and compliance clauses for supply agreements
- regular group reporting in progress as to supplier compliance with the Ethical Sourcing Code

By the end of the 2019/2020 financial year all GUD companies had achieved significant progress towards the common goal of securing baseline Code compliance with high volume suppliers from high risk countries.

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

POLICY FRAMEWORK

GUD's Code of Conduct provides a clear set of values which include respecting every employee's dignity, rights, freedoms and individual needs and providing a working environment that is safe, challenging and rewarding. Through GUD's Diversity and Inclusion Statement all GUD companies have made a commitment not to tolerate unlawful discrimination, harassment, workplace bullying or victimisation in the workplace.

However, GUD recognises that sustaining high standards of ethical conduct and integrity in its own corporate culture is only part of the solution. The greatest potential major human rights risks facing GUD companies is the existence of modern slavery in its supply chains.

The foundation of GUD's approach to manage these risks is GUD's Ethical Sourcing Policy which includes an Ethical Sourcing Code, the latter available on the GUD website at www.gud.com.au. This Code is built on a framework of internationally accepted UN and ILO principles designed to protect the inherent dignity and equal rights of all persons and aim to abolish human rights abuse in the workplace.

GUD's Ethical Sourcing Policy requires a commitment to the Ethical Sourcing Code and transparency and governance in its own operations and in its supply chain.

Associated GUD policies include:

- Code of Conduct
- Diversity Policy
- Diversity and Inclusion Statement
- Flexible Work Policy
- Equal Employment Opportunities Policy
- Health and Safety Policy
- Workplace Anti- discrimination, harassment and bullying
- Anti-Bribery & Corruption Policy
- Privacy Policy

Going beyond Modern Slavery

*"Addressing modern slavery is our baseline, however
we expect more from our suppliers"*

Graeme Whickman

GUD ETHICAL SOURCING CODE

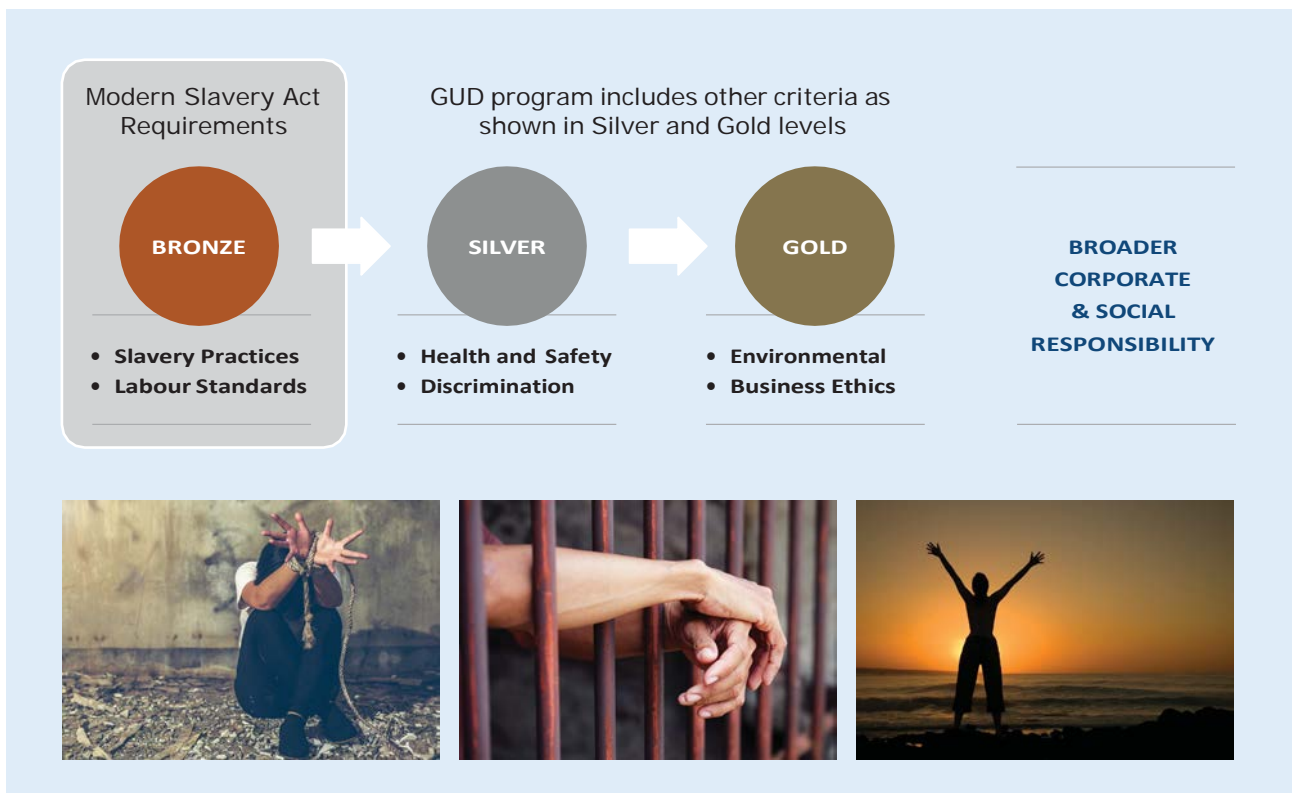
GUD's Ethical Sourcing Code goes to the core of addressing and eradicating modern slavery practices by requiring compliance with a minimum 'Bronze' standard.

Building on this foundation, GUD's Ethical Sourcing Code layers additional expectations of broader corporate and social responsibility:

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

Consistent with the modern slavery legislation requirements, the 'Bronze' standards prohibit use of involuntary labour or exercise of any 'ownership' type powers over workers; and requires compliance with local laws or collective bargaining agreements regulating wages and other working conditions. This includes: debt bondage, child labour, indentured labour, human trafficking, the use of force, coercion, fraud or abuse of power to recruit or retain labour and a requirement that workers must be free to leave their employment at their own discretion.

The structured Code allows incremental progress of suppliers to achieving Gold standard. This gradual implementation approach is designed to secure honest feedback from suppliers, develop awareness and support long-term sustainable change.



GUD's Code is published on its website at: <https://www.gud.com.au/corporate-governance>

COMPLIANCE

Compliance with the Ethical Sourcing Code to the highest standards is required of all GUD companies, and achieving 'Gold' is the ultimate expectation of GUD's suppliers.

Every GUD company is required to annually audit its own operations and confirm their compliance with the Gold best practice standards. This was undertaken and confirmed in the reporting period.

For new suppliers, compliance with the Ethical Sourcing Code is built into procurement processes including initial supplier due diligence.



However, the greatest challenge lies with ensuring there is a clear understanding of, and compliance with, the Ethical Sourcing Code in the existing supply chain. For existing suppliers, GUD's strategic approach has been to conduct a staged roll-out of the Code - involving direct supplier engagement and due diligence, and the provision of assurances to confirm supplier commitment to the Code.

GUD's Implementation Guidelines ensures a co-ordinated approach to Ethical Sourcing Code implementation with suppliers and includes:

- risk assessment to be undertaken across each GUD company's supply base to prioritise engagement with the highest risk suppliers (reflecting both country of supply and volume of spend)
- guidelines and time-frames to ensure consistency of approach to supplier due diligence and remediation across the GUD companies
- reporting requirements to track supplier compliance and ensure that GUD meets its obligations under the Modern Slavery legislation

Commitment to the Ethical Sourcing Code is achieved through the supplier:

- completing a detailed self-audit questionnaire based on the Code and/or providing certified third party assessments or audit reports
- signing a binding declaration of commitment to the Code
- agreeing to undertake remedial actions required to address identified risks and reach compliance of all Code standards
- agreeing to keep transparent records and providing supporting documentation
- accepting further due diligence measures, including their co-operation in the conduct of independent audits

The supplier is contractually bound to these measures, which are in addition to requiring contractual assurance as to Code compliance in supply agreements.

While the task may appear daunting, an understanding of their suppliers' operations has been an important part of ensuring quality standards for many GUD companies. For example, GUD companies' onsite safety walks of supplier premises are not limited to the factory floor, and include monitoring working hours and on site living conditions.

From this foundation, communicating GUD's expectations about workers' welfare becomes an extension of these discussions; and site visits become opportunities to educate and train suppliers about the Code.



Direct supplier engagement

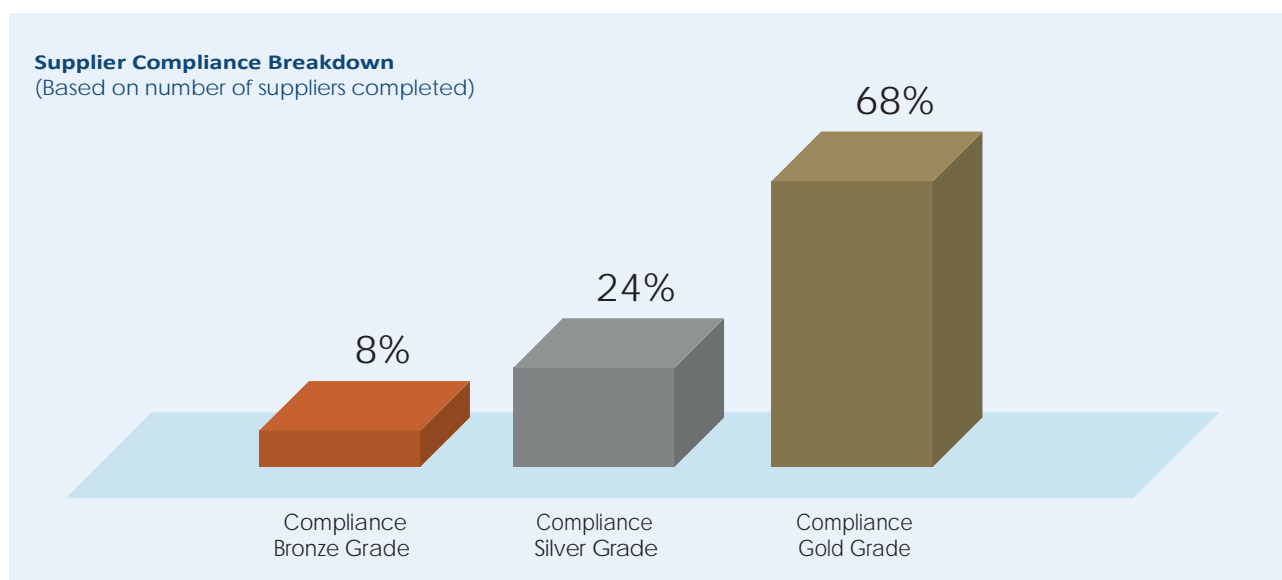


DUE DILIGENCE & REMEDIATION

Following these protocols, by the close of the 2019/2020 financial year, all GUD companies had completed human rights risk assessments of, and communicated the Code to, all their first tier product suppliers.

Overall, GUD companies secured binding Code commitments and self-audit compliance assurances from suppliers representing an average of over 80% of their annual purchase spend in high risk countries. In addition, good progress was made with securing Code compliance with suppliers in medium and low risk countries. GUD companies with a smaller supply base achieved compliance assurances from close to 100% of their product suppliers.

The Code's baseline standards to address modern slavery practices requires compliance with 'Bronze' level. However, GUD motivates suppliers to go above and beyond. Most of GUD suppliers already engaged in Code compliance protocols have surpassed the 'Bronze' baseline standards with over 60% of these already at Gold.



GUD companies develop action plans working directly with suppliers to address modern slavery risks identified from their self-audit. These changes are designed to create real improvements in working conditions.

It's too early to say how effective GUD's actions are in terms of achieving lasting change, and meaningful data may not emerge for another few years. However, GUD's approach to effecting change is a long term one. The UN Guiding Principles on Human Rights encourage businesses to uncover human rights impacts and act on their findings – not by automatically terminating any offenders – but by seeking to mitigate and prevent any adverse human rights impacts through remediation.

Its internal audit and remediation approach allows GUD personnel to gain deeper insights into supplier risks, continuity in overview and the opportunity to integrate the management of such issues into the business.

However, GUD companies will not use suppliers who do not engage or commit to Code compliance, or suppliers which consistently fail to undertake agreed corrective actions to address modern slavery issues. Throughout this process, GUD companies have terminated supply agreements with a small number of such suppliers.

GUD has formulated specific goals for supplier compliance for the 2020/2021 financial year for each GUD company, representing 70% to 85% of their total annual purchase spend in high, medium and low risk countries (dependent on overall supplier numbers).

This includes general targets for Code implementation and assurance by June 2021 of:

- all new product suppliers
- all remaining high risk country suppliers and significant progression through medium and low risk country suppliers
- 50% of facility service suppliers for GUD companies

In this period GUD also has targets for:

- prioritisation of suppliers for independent auditing of Code compliance
- the creation of a panel of independent auditors

Achievement of such goals, especially those dependent on visits to supplier premises, may be impacted depending on the status of restrictions caused by the Covid-19 pandemic.

'Knowledge sharing with our manufacturing partners is essential not just for product quality control but for safety leadership'

GUD believes that businesses have an obligation to prevent or mitigate human rights impacts linked to its operations, wherever they arise in the world, and even if it has not directly contributed to those impacts.

Ryco has for many years actively shared its safety leadership ethos with its suppliers in South East Asia. From creating bi-lingual Safety Checklists to guide site meetings, to prompting the introduction of safety and hazard notices and first aid kits into supplier factories, Ryco has leveraged its commercial influence and supplier relationships to improve their standards for worker welfare in these regions.



To keep safety front of mind, Ryco distributes hundreds of Ryco kangaroo safety key chains which are very popular with workers from the shop floor level up.



CHALLENGES, RISKS & RESPONSES

With any exercise of this size, there are challenges – both in securing the required commitments from suppliers and in revealing and addressing modern slavery risks.

A challenge common to GUD companies was resistance from some large suppliers (with their own ethical standards policies and protocols) which did not wish to additionally commit to GUD's Code compliance requirements. Acknowledging this as a genuine issue, GUD developed a protocol for suppliers to provide 'equivalent code' declarations with supporting documentation – such as independent certification to recognised standards.

By initially focussing on Code implementation with its first tier suppliers, GUD acknowledges that modern slavery risks may remain undetected further down the supply chain. Mapping of second tier suppliers will be undertaken as a secondary step. In the interim, GUD's direct engagement with first tier suppliers does raise awareness of risks and expectations with suppliers it has the most ability to influence - and helps to cascade their due diligence down the supply chain.

Transparency into common modern slavery risks experienced in its supply base creates opportunities for GUD companies to develop initiatives to help suppliers develop awareness and capability to manage these.



GUD identified early into our implementation process that some of the ethical sourcing expectations were being 'lost in translation' so Chinese language audit check-lists were developed.

However, the solutions are not always simple. For example, excessive over-time above local regulation is not acceptable, however suppliers report that their workers volunteer for the additional over-time in order to increase their wages. So, while GUD can influence the supplier to correct this practice, it is clearly linked to the larger issue of low minimum wages in developing countries.

GUD companies acknowledge that they can influence supplier conduct through responsible business conduct. In this regard, short lead times, last minute changes to orders and price pressure are practices that may result in increased over-time demands or diminished wages of workers. To minimise this GUD companies seek to be responsible partners of its suppliers, seeking to provide reliable ordering forecasts with adequate lead times. However, this is a complex issue which will take a combination of efforts to address.

Nevertheless, in the last year GUD has seen some satisfying progress with improvements to workers' conditions in its supply chain. Quick wins have arisen where health and safety issues identified through audit are remedied – such as inadequate first aid supplies being supplemented, chemical handling protocols developed and OH&S training being made available to key staff.

However other human rights may be less apparent or deliberately concealed. The travel limitations and restrictions associated with Covid- 19 in 2020 have significantly impacted on GUD's ability to conduct site visits which provide it (or third party auditors) with greater opportunities to identify such practices.

MONITORING

GUD is realistic about the potential for suppliers to fall short of agreed standards, or misrepresent their level of compliance, and so is committed to ongoing monitoring of Code compliance, including through:

- business site visits and other face to face direct supplier engagement
- obtaining evidence of certification against equivalent industry and international standards
- referencing third party audit assessments
- use of independent auditors for in depth inspections and audits of suppliers against the Code

It is through a combination of such measures that GUD seeks to achieve risk managed and impartial monitoring of continued commitment to the Code, especially after the Covid-19 international travel restraints have been lifted.

SPEAK UP

GUD and its subsidiaries are committed to conducting business honestly and in accordance with its values and standards of expected behaviour. GUD has a whistleblower policy, Speak Up <https://www.whistleblowingservice.com.au/gud-holdings/> and has established an external whistleblower facility, which includes 24/7 online reporting 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 TO 2020/2021

Policy Review:

- GUD's Ethical Sourcing Policy and Code will be reviewed to ensure it remains in line with best practice

Due Diligence:

- Continue to progress direct implementation of the Code to all suppliers, including those located in medium and low risk countries
- Local focus on service providers to Australian and New Zealand GUD companies, including cleaners and IT service providers

Training:

- Deliver modern slavery training to GUD company procurement/supply management personnel to increase capability to:
 - increase awareness of modern slavery issues
 - develop remediation action plans with suppliers
 - identify indications of human rights violations on site visits

Assurance:

- Collate a list of relevant international certification systems and standards against the GUD Code to aid 'equivalence' assessment of suppliers with current certifications
- Evaluate qualified external auditors to create a panel for independent due diligence
- Explore alternative assurance methods given Covid-19 travel restrictions

Further Implementation:

- Apply the GUD ethical sourcing standards to newly acquired businesses

NEW INITIATIVE

Australian Online Modern Slavery Platform

GUD is partnering with a reputable supplier of risk management platforms to create a customised Modern Slavery compliance program to:

- facilitate on-line completion by suppliers of the audit questionnaire
- identify and evaluate specific modern slavery risks
- develop remediation plans with suppliers
- track supplier compliance with the Code and remediation actions
- become a repository for compliance and certification documentation

This platform will introduce greater co-ordination and transparency as to the status of Code compliance with suppliers and implementation activities across the GUD companies. It will also allow GUD to quickly identify common modern slavery issues, initiate targeted remediation and assess the effectiveness of its actions.

This valuable tool will also allow GUD companies to more closely engage, educate and support suppliers in their efforts to improve working conditions and implement lasting change.

Also aligned with this project is one of the world's leading audit and professional services firms. GUD is excited to have this unique opportunity in the development of a customised platform for compliance the Australian modern slavery legislation.

Approved and signed on behalf of the Board of GUD Holdings Limited



Graeme Billings
Chairman

27 January 2021