

## Voting Intentions – GUD Holdings 2021 AGM

ASX Code	GUD
Meeting Time/Date	9.30 am, Friday 29 October 2021
Type of Meeting	Hybrid and Virtual through <a href="https://web.lumiagm.com/397063115">https://web.lumiagm.com/397063115</a>
Monitor	Paul Fanning assisted by John Whittington
Pre AGM Meeting?	Yes, with Chair Graeme Billings, Chair of Remuneration People and Culture Committee David Robinson and Company Secretary Malcolm Tyler on Wednesday, 13 October

### Proposed Voting Summary

2.1	Election of Ms Carole Campbell as a Director	For
2.2	Election of Professor John Pollaers as a Director	For
3.1	Re-election of Mr David Robinson as a Director	For
4	Adoption of Remuneration Report	For
5	Approval of LTI grant to Managing Director Mr Graeme Whickman	For
6	Financial Assistance – Banking facilities and Australian Clutch Services acquisition	For

### Key Financials

	2021	2020	2019	2018	2017
Statutory NPAT (\$m)	61.0	43.7	59.6	101.8	(7.3)
Underlying NPAT (\$m)	64.0	48.2	60.9	88.9	51.9
Statutory EPS (cents)	67.0	50.4	68.9	58.6	60.1
Dividend per Share (cents)	57.0	37.0	56.0	52.0	46.0
Share Price at End of FY (\$)	11.99	11.51	10.01	14.16	12.91
Statutory CEO Remuneration (\$)	1.80	1.21	1.11*	1.97	1.74
Total Shareholder Return (%)	9	19	(26)	13	46

\* This represents the combined pay of the previous CEO who received \$0.299m statutory remuneration for the period 1 July 2018 to 30 September 2018 and the new CEO who received \$0.810m for the period 1 October 2018 to 30 June 2019.

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

### Summary of Historical ASA Issues with the Company

We have viewed the remuneration report as line-ball for the past few years and over this time we have encouraged the company to make a number of changes to the remuneration structure and

disclosure. We have supported the remuneration report vote in 2018 and 2020 when improvements were made and against in 2015, 2016, 2017 and 2019 when there was little change.

### Review of Board on Governance, Transparency, Fairness to Retail Shareholders

#### Positives:

- The Board has an independent Non-Executive Chair and majority of independent directors.
- The Board has at least 30% female and at least 30% male directors with diversity of geography, age, and ethnic background.
- The company comprehensively discloses ESG issues or risks in Annual Report facing the business and the processes to manage them.

#### Areas for Improvement:

- During the year the company conducted a capital raising consisting of a placement and share Purchase Plan (SPP) for the purchase of ACAD from the AMA Group. The ASAs view on raising capital is to use pro-rata renounceable entitlement offers to treat all shareholders equally.
- Directors and other KMP are not obligated to invest at least one year's worth of base cash fees into company shares, within 3 to 5 years.
- The company does not disclose a meaningful skills matrix of the non-executive director board members which can be easily accessible by shareholders.

#### Summary:

The company have gone to considerable effort to produce a more readable and digestible Annual Review with short and succinct reports from the Chairman and Managing Director, summary of operations in the automotive and water businesses. We also get an understandable operating and financial review. Second to none, the company takes ESG issues seriously with an extensive sustainability review. All these sections also appear in the annual report, along with detailed director's report and remuneration report. We commend the company on overall level of disclosure.

#### Items for Voting

Item 2.1	Election of Ms Carole Campbell as a Director
ASA Vote	For

Ms Campbell, an accountant who has worked at KPMG, Macquarie, Westpac, and Seven West Media was appointed to the board on 16 March 2021, Member of the Remuneration, People and Culture Committee, Nominations Committee and Risk and Compliance Committee.

Ms Campbell is a non-executive director of three listed companies (GUD, Humm Group, and Southern Cross Media Group and is Deputy Chair of one unlisted entity (Australian Film, Television and Radio School). We do not consider this workload excessive.

We believe that Ms Campbell is well qualified to contribute to the board, is independent and will bring desired diversity to the Board. On that basis we support her election.

Item 2.2	Election of Professor John Pollaers as a Director
ASA Vote	For

Professor Pollaers has over thirty years' experience in the fast-moving consumer goods sector (FMCG) and healthcare sectors, as well as considerable manufacturing experience. He also has experience on government advisory committees, in the education sector and not-for-profits. He was appointed to the Board on 23 June.

Professor Pollaers was CEO of Pacific Brands from 2012 until 2014. Before that he was CEO of Fosters prior to its sale to SAB Miller. His executive career commenced with Diageo where he spent almost 20 years, rising to the role of President Asia-Pacific.

He is currently Chancellor of Swinburne University of Technology, Chairman and Founder of Leef Independent Living Solutions Pty Ltd and recently appointed as Independent Chair of the Australian Financial Complaints Authority.

We believe that Professor Pollaers has a wealth of experience to contribute to the Board, is independent and his workload is not excessive. We will be happy to support his election.

Item 3.1	Re-election of Mr David Robinson as a Director
ASA Vote	For

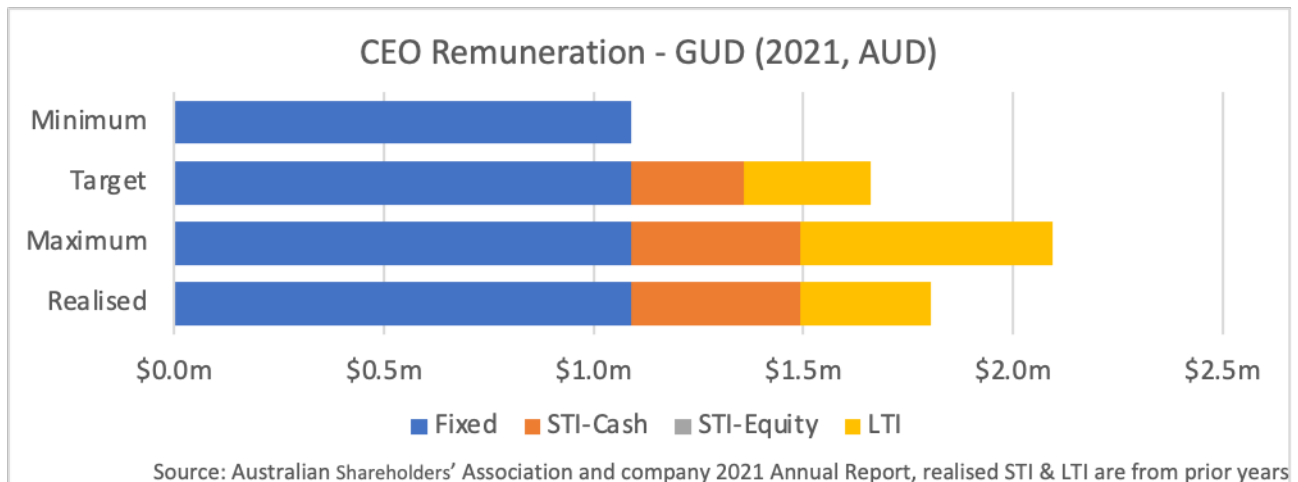
Appointed Non-Executive Director on 20 December 2011, and Chair of the Remuneration Committee, member of the Audit Committee, Nominations Committee and Risk and Compliance Committee. Mr Robinson spent the past 22 years, prior to joining the Board, with global automotive parts, general industrial and 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.

We note that Mr. Robinson has been on the Board since 2011, that is almost 10 years and with his re-election his tenure would extend to 13 years which is at the limit of being an independent director, according to ASA voting guidelines.

We recognise the skills and talent that Mr Robinson has brought to the company. To avoid causing any noticeable disruption to the current Board structure, the ASA proposes supporting Mr Robinson's re-election

Item 4	Adoption of Remuneration Report
ASA Vote	For



Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

### Positives

- Majority of STIs are based on quantifiable and disclosed performance metrics and, where non-financial hurdles are used, no STIs to be paid unless a financial gateway is met.
- We are pleased that the Board will implement enhancements to the STI plan in FY22 and beyond where awards will be delivered in deferred equity with an additional one year holding lock before vesting.
- No retesting of performance hurdles is allowed.
- LTI hurdles are based on at least two hurdles, one of which is TSR, with no payment if absolute TSR is negative.
- No LTI awards based on comparator groups vest unless performance is >50th percentile.
- Share rights for the Non-Equity Executive Equity Plan and Executive (Salary Sacrifice) Share Plan are satisfied by equity purchased on-market.
- Hurdles are based on earnings which are on a statutory earnings basis.
- No retention payment on any awards is subject only to continuing service.
- No termination payments exceed 12 months fixed pay.
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

### Areas for Improvement

- CEO's STI and LTI target and maximum opportunities of each component requires a calculation to derive the dollar values, which are of most interest to retail shareholders. The ASA recommends the inclusion of a CEO and CFO remuneration chart or chart that displays minimum, target, maximum and actual \$ amounts.
- Disclosure of KMP performance hurdles and the weightings applied for each could be better explained, including providing the cash value added (CVA) target figures from the previous year for STI calculations. We understand that the CVA target for each business unit and the Group is established during the budget process, prior to the start of new financial year.
- For LTI calculation purposes, the comparator group used is from the Standard and Poors' ASX Small Ordinaries Index. We believe that the Index is too broad and counts in too many niche companies. We propose a narrower ASX index such as consumer discretionary or industrials could be a better comparator group for GUD.

- LTI performance share rights grants are satisfied by the issuing of new equity not the ASAs preferred on-market equity purchases.
- LTI performance is measured over a three-year period, not the minimum of four as preferred by ASA.

### Conclusion on Remuneration

The remuneration structure has many features which ASA supports. Even though the LTI performance is measured over only three years, and it is difficult to calculate maximum STI and LTI opportunities, coupled with no clear statement of the measures used to determine STI, we are satisfied that the 100 % deferred equity and one year holding lock improvements in determining STI to be implemented in FY22 are a significant step forward. On that basis the ASA proposes to vote undirected proxies in support of the remuneration report.

Item 5	Approval of LTI grant to Managing Director Mr Graeme Whickman
ASA Vote	For

Please refer to our overall assessment of the remuneration scheme above under item 4.

While we have some reservations about the LTI grant, the maximum quantum of performance shares is not excessive and is based on face value of shares. We will be supporting this resolution.

Item 6	Financial Assistance – Banking facilities and Australian Clutch Services acquisition
ASA Vote	For

The company has purchased the entire share capital of Australian Clutch Services Pty Ltd during the year. On completion of the acquisition, the company became the listed Australian holding company of the target and its subsidiaries.

This resolution is to approve the funding arrangements consisting of banking facilities and financial assistance, including guarantees and any other support required. This type of resolution is usual in the circumstances of acquiring companies. The ASA supports the resolution.

### Monitor Shareholding

*The individual involved in the preparation of this voting intention report has a shareholding in this company.*

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