

Galvin Engineering's **ESG COMMITMENT**

A 4th generation family business looking after
future generations.

STRATEGIC PLAN | 2021 - 2030

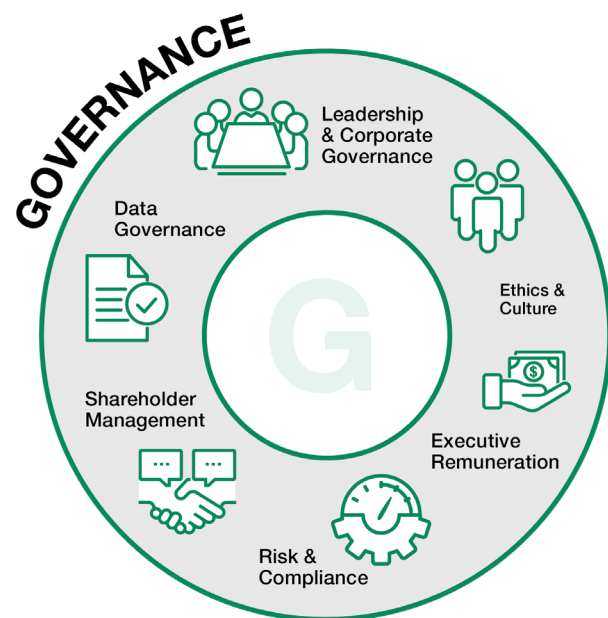
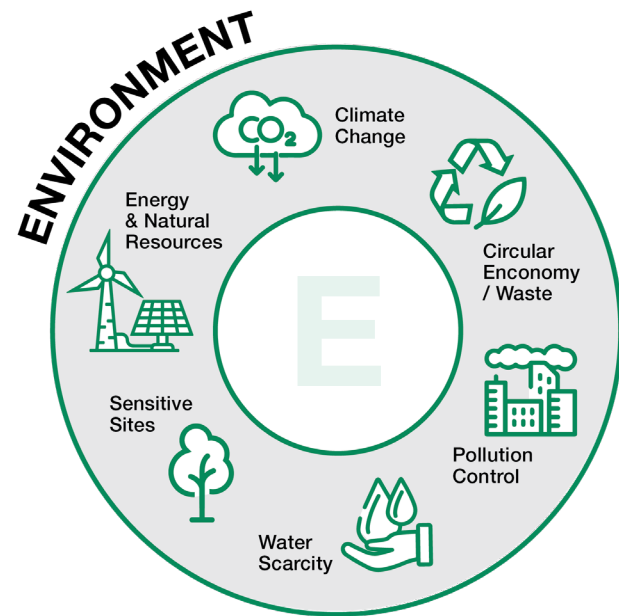
ANNUAL REPORT | 2021 - 2022

WATER SOLUTIONS FOR A HEALTHIER ENVIRONMENT

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What is ESG?

Evolving from Corporate Social Responsibility (CSR), Environmental, Social, and Governance (ESG) takes the CSR agenda one step further to integrate environmental and social responsibility into core corporate strategy along with a strong governance framework. It involves quantifiable targets and measurable impact assessments.

ESG is a framework that helps stakeholders understand how businesses manage risks and opportunities related to environment, social and governance criteria.

ESG covers a broad range of issues from carbon emissions and waste management to modern slavery and community engagement to corruption and executive remuneration.

Why is ESG Important?

An ESG strategy is considered something no business should be without if it wants to ensure it remains competitive in a local and global market.

Businesses of the future will be measured against key aspects of their people, environmental management and ethical governance practices.

Developing an ESG strategy shows our partners and customers that we are committed to representing our vision, values and the way we operate, creating a level of transparency and comparability.

48%

identify ESG opportunities for their business.

36%

of Australian companies had a net zero target in FY21.

70%

of Australian companies have a sustainability strategy.

9%

increase in companies getting ESG externally assured.

Our ESG Strategy

Our strategy, goals and metrics are ingrained in our purpose to create Water Solutions for a Healthier Environment, and have been developed aligning with emission scopes 1, 2 and 3 (as defined by the Greenhouse Gas [GHG] protocol) and the World Economic Forum’s framework as outlined in report “Toward Common Metrics and Consistent Reporting of Sustainable Value Creation”.

Categorised into the four pillars of Planet, People, Prosperity and Governance, many of the initiatives and projects have already been achieved or are underway. Thus, our core focus lies on improving data quality, access, collection and reporting.

While sustainability has always been in our DNA and we offer a wide range of environmentally responsible products that are designed to be healthier for users, save water and/or energy, and minimise carbon footprint, we are now formally embedding the environmental, social, and governance (“ESG”) aspects into our products, services, and regulations and put it at the core of our business models and decision-making processes.



***Definitions of Scope 1, 2 and 3 Emissions**

Scope 1 Emissions
Emissions from sources that an organisation owns or controls directly (e.g. burning fuel in vehicles).

Scope 2 Emissions
Emissions that a company causes indirectly when the energy it purchases and uses is produced (e.g. facilities use of electricity).

Scope 3 Emissions
Emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for, up and down its value chain (e.g. when we buy, use and dispose of products).



Our Planet Strategy

We understand that businesses depend on and impact the natural environment in many ways, ranging from operations and supply chains through to the use of products and services. That's why we have a commitment to environmental sustainability in everything we do.

- Phase 1
- Phase 2
- Phase 3



Pollution Prevention

GOAL: Reduce Pollution in Air, Water and Soil

Maintain certification to ISO 14001.

Use 100% recycled Climate Active Carbon Neutral accredited printer paper.

Use colour coded waste bins to reduce waste to landfill (including recycling of plastics) by 50% by 2030.



Resource Conservation

GOAL: Use Water, Energy and Raw Materials Efficiently and Ethically

Use 100% recycled, reusable or compostable packaging by 2025.

Increase recycling of raw material waste by 25% by 2025.

Reduce paper usage by 50% by 2030.

Reduce fresh water usage by 5% each year (2022-2025).

Promote specialised water solutions that reduce water usage.



Climate Change

GOAL: Achieve Net Zero (Carbon Footprint)

Implement purchasing policy to ensure the procurement of electrical items with min. 4 star ENERGY STAR®.

Track and report on reduction in GHGs (scope 1, 2 and 3).

Achieve 100% use of renewable energy (electricity) by 2025.

Implement a purchasing policy to promote electric vehicle uptake in the workforce.

Invest in solar powered energy to help increase Green usage by 40%.

Measure our Suppliers Scope 3 emissions and report annually by 2030.



Zero Discharge

GOAL: Eliminate Discharge to Waterways

Recycle industrial wastewater by treating reusable waste.

Reduce water usage needed during production by 25% by 2025.

Our People and Prosperity Strategy

We recognise that our people are crucial to the work we do at Galvin Engineering. This includes employees, customers, suppliers, distributors and partners. The growth, prosperity and well-being of our people is central to our success.

Phase 1
Phase 2
Phase 3



Health, Safety and Wellbeing

GOAL: Maintain a Safe and Healthy Workplace for All

Maintain LTIFR (Lost Time Injury Frequency Rate) below industry benchmark.

Maintain a health and wellbeing program.

Reduce absenteeism and unwanted turnover.

PHASE 1 & 3



Dignity and Equity

GOAL: Support Rights and Freedoms of all People

Maintain annual benchmarking to ensure competitive remuneration.

Maintain a focus on diversity, equity and inclusion in the workplace.

Enhance suite of GalvinClear® Lead Safe™ technology in the market.

Maintain zero incidents of child, forced or compulsory labour within our supply chain.

Maintain a suite of specialised products supporting high risk and high care environments.

Use best practices to support flexible working arrangements.

PHASE 2



Community Relations

GOAL: Invest in Community and Social Vitality

Maintain an annual investment in philanthropy and community.

Support employees to take paid leave to undertake volunteer work for charities or community groups and report on engagement.

PHASE 2



Skills for the Future

GOAL: Build Organisation Capability

Enhance leadership capabilities.

Maintain an annual investment for training and development.

Support cadetships, traineeships, apprentices and internships.

PHASE 2

Our Governance Strategy

Galvin Engineering is a family business with a Board of Advisors. Our Board of Advisors work closely with the Key Leadership Team to ensure good governance practices, ethical decision making and strategy alignment to our vision, purpose and values.

- Phase 1
- Phase 2
- Phase 3



Governing Purpose

GOAL: Build Stakeholder Engagement

Track net promoter score (NPS) to measure stakeholder understanding of our stated purpose.

PHASE 1



Board Composition

GOAL: Ensure Quality of Governing Body

Manage skills matrix and report against alignment of skills.

Consider diversity of composition of board members.

PHASE 3



Ethical Behaviour

GOAL: Prevent Unethical and Unlawful Decisions and Actions

Sustain ethical behaviour training for all BoA and KLT members in induction training.

Maintain quarterly incident reporting of ethical behaviour occurrences.

Report on uneithical and unlawful behaviour or organisational integrity and track actions taken.

PHASE 3



Risk and Opportunity Oversight

GOAL: Integrate Risk and Opportunities into Business Processes

Monitor principal company specific risks with triennial review of risk appetite.

Assess internal operational risks against strategic risk framework and report above the threshold risk appetite to the BoA.

Monitor cyber security risks and data privacy risks.

PHASE 3



How we are Tracking Against Strategic Goals



2021/22 Goal Tracking

Planet Strategy

Initiatives

GOAL: Reduce Pollution in Air, Water and Soil

1. Maintain certification to ISO 14001.
2. Use 100% recycled Climate Active Carbon Neutral accredited printer paper.
3. Use colour coded waste bins to reduce waste to landfill by 50% by 2030.

GOAL: Use Water, Energy and Raw Materials Efficiently and Ethically

1. Use 100% recycled, reusable or compostable packaging by 2025.
2. Increase recycling of raw material waste by 25% by 2025.
3. Reduce paper usage by 50% by 2030.
4. Promote specialised water solutions that reduce water usage.

GOAL: Achieve Net Zero (Carbon Footprint)

1. Implement purchasing policy to ensure the procurement of electrical items with min. 4 star ENERGY STAR®.
2. Track and report on reduction in GHGs (scope 1,2 and 3) by 2030.
3. Achieve 100% use of renewable energy by 2025.
4. Implement a purchasing policy to promote electric vehicle uptake in the workforce.
5. Invest in solar powered energy (increase our Green usage by 40%).
6. Measure suppliers GHG scope 3 emissions and report annually.

GOAL: Eliminate Discharge to Waterways

1. Recycle industrial wastewater by treating reusable waste.
2. Reduce water usage needed during production by 25% by 2025.

Status

Actions/Notes

Achieved

2022/2023 certificate available.

Achieved

In Progress

Tracking started. All sites separating recyclables from general waste.

In Progress

98% reusable, recyclable or compostable packaging.

In Progress

100% of metal/swarf recycled.

In Progress

Implementation digital transformation to reduce reliance of paper processes.

In Progress

83% of our WELs rated products are 4 star or above.

Achieved

In Progress

Data in quarterly reporting towards Net Zero.

In Progress

On track to achieve 60% by the end of reporting period.

Achieved

In Progress

Installation of solar panels in 2022 will contribute an additional 40% green energy.

In Progress

In Progress

2021/22 Goal Tracking

People and Prosperity Strategy

Initiatives

GOAL: Maintain a Safe and Healthy Workplace for All

1. Maintain LTIFR (Lost Time Injury Frequency Rate) below industry benchmark.
2. Maintain a health and wellbeing program.
3. Reduce absenteeism and unwanted turnover.

GOAL: Support Rights and Freedoms of all People

1. Maintain annual benchmarking to ensure competitive remuneration.
2. Maintain a focus on diversity, equity and inclusion in the workplace.
3. Enhance suite of GalvinClear® Lead Safe™ technology in the market.
4. Maintain zero incidents of child, forced or compulsory labour within our supply chain annually.
5. Maintain a suite of specialised products supporting high risk and high care environments.
6. Use best practices to support flexible working arrangements.

GOAL: Invest in Community and Social Vitality

1. Maintain an annual investment in philanthropy and community.
2. Support employees to take paid leave to undertake volunteer work for charities or community groups and report on engagement.

GOAL: Build Organisation Capability

1. Enhance leadership capabilities.
2. Maintain an annual investment for training and development.
3. Support cadetships, traineeships, apprentices and internships.

Status

Actions/Notes

Achieved 9% against 17% industry benchmark.

In Progress Focus on enhancing current program.

In Progress

Achieved Updated as at end of reporting period.

Achieved

Achieved First to the market with lead free products; 20% of drinking and handwashing products are lead free.

Achieved Zero incidents reported.

Achieved Over 700 products available.

Achieved

Achieved 2.5% of pre-tax profit invested in reporting period.

Achieved Included under Philanthropy and Community Policy.

Achieved Designed TAPS Leadership Program.

Achieved Invested \$103,000 in learning and development.

Achieved Employed/maintained 3 trainees/apprentices and 3 interns.

2021/22 Goal Tracking Governance Strategy



GOAL: Build Stakeholder Engagement

1. Track net promoter score (NPS) to measure stakeholder understanding of our stated purpose.



GOAL: Ensure Quality of Governing Body

1. Manage skills matrix and report against alignment of skills.
2. Consider diversity of composition of board members.



GOAL: Prevent Unethical and Unlawful Decisions and Actions

1. Sustain ethical behaviour training for all BoA and KLT members in induction training.
2. Maintain quarterly incident reporting of ethical behaviour occurrences.
3. Report on uneithical and unlawful behaviour or organisational integrity and track actions taken.



GOAL: Integrate Risk and Opportunities into Business Processes

1. Monitor principal company specific risks.
2. Assess internal operational risks against strategic risk framework and report above the threshold risk appetite to the BoA.
3. Monitor cyber security risks and data privacy risks.

Status	Actions/Notes
Achieved	Employee NPS at 40; Customer NPS in development.
Achieved	
Achieved	
Achieved	Training module included in induction program.
Achieved	Zero incidents reported.
Achieved	Zero incidents reported.
Achieved	100% of strategic risks mapped and mitigation plans in place.
Achieved	No risks above threshold during this period. Monitored geopolitical risks and impact on Galvin Global Operations.
Achieved	External risk audit to review controls planned for 2022/2023.

The Four Pillars

The World Economic Forum (WEF) organised the 17 Sustainable Development Goals (SDGs) from the United Nation's (UN) 2030 Agenda for Sustainable Development of Governance into four pillars: Planet, People, Prosperity and Principles of Governance. These four pillars (noted below) are the foundation of our ESG strategy at Galvin Engineering, ensuring we address all areas within the company.



Planet

An ambition to protect the planet from degradation through sustainable consumption and production, sustainably managing natural resources and taking urgent action on climate change, to support the needs of present and future generations.



People

An ambition to end poverty and hunger, in all forms, and dimensions, and to ensure that all human beings can fulfill their potential in dignity and equality and in a healthy environment.



Prosperity

An ambition to ensure that all humans being can enjoy prosperous and fulfilling lives and that economic social and technological progress occurs in harmony with nature.



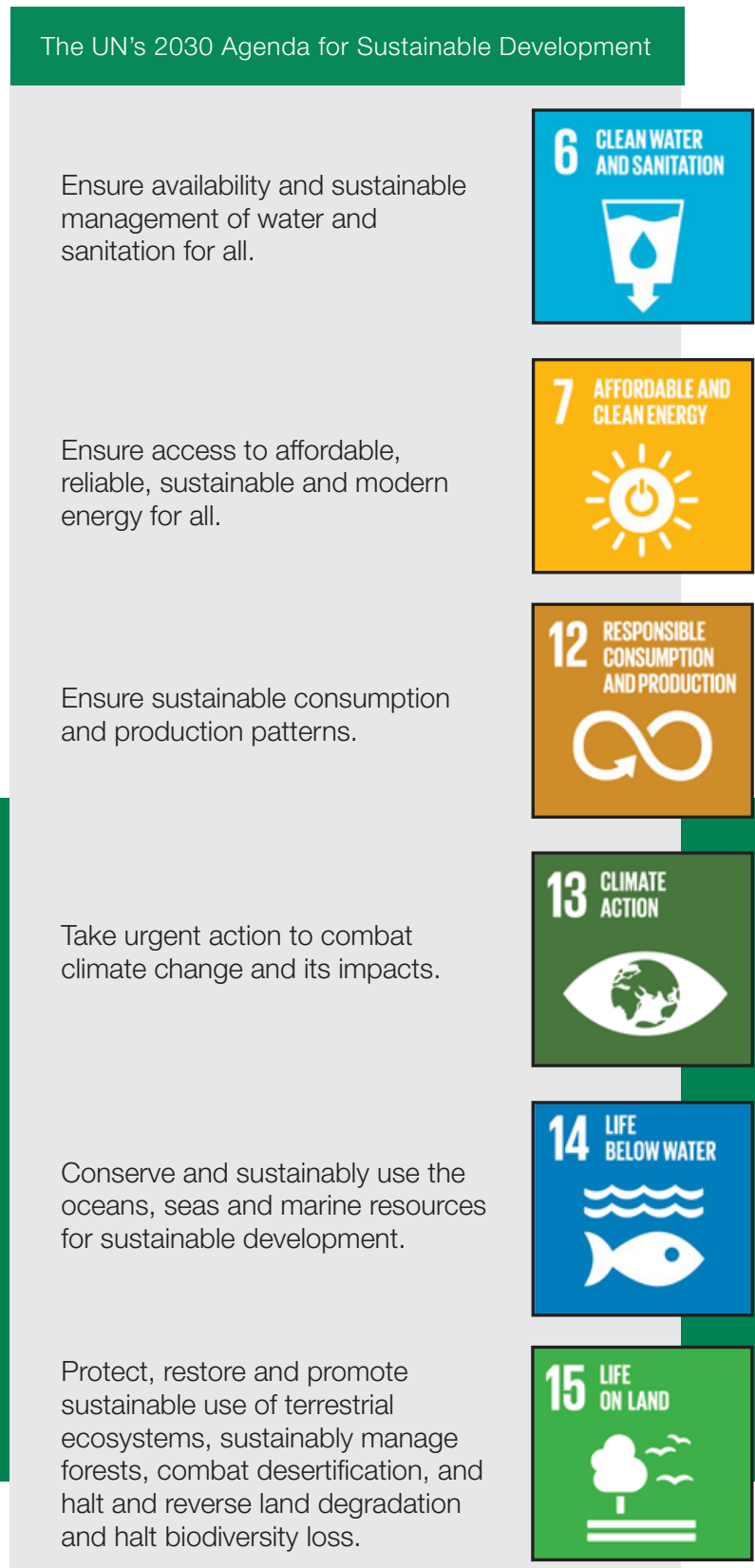
Governance

The definition of governance is evolving as organisations are increasingly expected to define and embed their purpose at the centre of their business. However, the principles of agent, accountability and stewardship continue to be vital for truly "good governance."

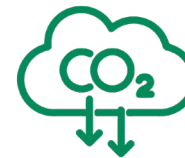


Understanding Planet

According to the World Economic Forum the following SDGs are particularly relevant to corporate environmental disclosures:



Core Metrics and Disclosures



Climate Change

Greenhouse gas (GHG) emissions

Report GHG Protocol Scope 1 and 2 emissions in tonnes of carbon dioxide equivalent (tCO₂e) and estimate and report upstream and downstream (GHG Protocol Scope 3) emissions where material.

TCFD-aligned reporting

TCFD-aligned reporting on governance and risk management for all. If climate change is material in short, medium or long term, disclose strategy and metrics/targets as well, including whether the company has committed to set a science-based target in line with net-zero by 2050.



Nature Loss

Land use and ecological sensitivity

Report for operations and estimate and report for full supply chain ('upstream') where material: overall area of land used or affected; annual change in an area of land used or affected; number of IUCN Red List species present in areas used or affected.



Fresh water

Fresh water consumption in water stressed areas

Report for operations and estimate and report for upstream and downstream where material: Mega litres of fresh water consumed (withdrawals minus discharges of equal quality) in water-stressed area.

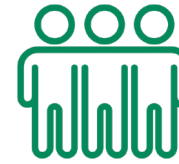
World Economic Forum. (2020). Toward Common Metrics and Consistent Reporting of Sustainable Value Creation

Understanding People

While achievements related to people are strongly linked to all the SDGs, the World Economic Forum indicates that their importance is specifically highlighted in these five goals:



Core Metrics and Disclosures



Dignity and Equality

Gender pay equality (%)

Ratio of the basic salary and remuneration of women to men for each employee category by significant locations of operation.

Diversity and inclusion (%)

Percentage of employees per employee category by; age group, gender and other indicators of diversity.

Wage level (%)

Annual benchmarking to ensure competitive remuneration across all categories of employees.

Risk of incidents of child and forced labour (#, %)

Number and percentage of operations and suppliers considered to have significant risk of:
a) incidents of child labour, and b) incidents of forced labour, by type of operation and supplier, in terms of countries or geographic areas with operations and suppliers considered at risk.



Health and Wellbeing

Health and safety (%)

1. The total recordable injury rate (TRIR) for specific categories of workers.
2. The absentee rate (AR) for specific categories of workers.



Skills for the Future

Training provided (#, \$)

1. Average hours of training per person that the organization's employees have undertaken during the reporting period by gender and employee category (total number of trainings provided to employees divided by the number of employees).
2. The average training and development expenditure per full time employee.
3. Investment in learning and development including leadership development.

World Economic Forum. (2020). Toward Common Metrics and Consistent Reporting of Sustainable Value Creation

Understanding Prosperity

The WEF relates the core features of prosperity to the following SDGs:



Core Metrics and Disclosures



Employment and Wealth Generation

Average wage

Average hourly wage by region of operation.

Significant indirect economic impacts

1. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts
2. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities (e.g. national and international standards, protocols, policy agendas).



Innovation of Better Products and Services

Vitality Index

Percentage of gross revenue from product lines added in last three (or five) years calculated as sales from products that have been launched in the past three (or five) years divided by total sales.

Net Promoter Score (NPS)

A measure of customer experience of the organization's brand, based on responses to a single question: How likely is it that you would recommend our company/product/service to a friend or colleague?

Social value generated (%)

Percentage of revenue from products and services designed to deliver specific social benefits or to address specific sustainability challenges.



Community and Social Vitality

Infrastructure investments and services supported

Qualitative disclosure in regard to the extent of development of significant infrastructure investments and services supported, current or expected impacts on communities and local economies, including positive and negative impacts where relevant, and whether these investments and services are commercial, in-kind or pro bono engagements.

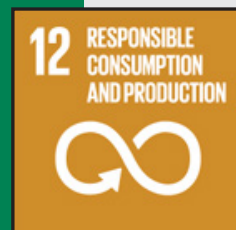
Total social investment (\$)

Total corporate contributions (\$) across seven categories of social investment.

World Economic Forum. (2020). *Toward Common Metrics and Consistent Reporting of Sustainable Value Creation*

Understanding Governance

While good governance is important for achieving all of the SDGs, it is highlighted in three specific SDGs as per the World Economic Forum:



Ensure sustainable consumption and production patterns.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.



Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

Core Metrics and Disclosures



Governing Purpose

Setting purpose

Whether the company has a stated purpose linked to societal benefit and their core business.



Quality of Governing Body

Board composition

Composition of the highest governance body and its committees by: executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; competencies relating to economic, environmental and social topics; and stakeholder representation.



Stakeholder Engagement

Impact of material issues on stakeholders

A list of the material topics identified in the process of defining report content and how they impact stakeholders.



Ethical Behaviour

Anti-corruption

1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region.
2. Total number and nature of incidents of corruption confirmed during the current year but related to previous years.
3. Total number and nature of incidents of corruption confirmed during the current year, related to this year.



Risk and Opportunity Oversight

Integrating risk and opportunity into business process

Company risk factor disclosures clearly identify the principal risks facing the company specifically (as opposed to generic sector risks), the Board appetite in respect of these risks, how these risks have moved over time and the response to those changes. These should include discussion of data security and other emerging principal risks and should disclose the number of data breaches in the reporting period.

We design, manufacture and supply safe, green and smart water solutions for high risk and high care environments.



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