

Company: Brambles Limited (BXX)

Title: Brambles 2022 AGM

Date: 18 October 2022

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Start of Transcript

John Mullen: Okay. I think it is the appointed hour so good afternoon ladies and gentlemen. My name is John, John Mullen. It's a great privilege of Chair of Brambles to welcome you to the 2022 AGM and declare the meeting open. There are copies of the notice of meeting and of the minutes of our last AGM in the registration area. And our Company Secretary has advised me that there is a quorum here for the meeting and I propose to take the notice of meeting as read. Thank you.

Let me start by introducing your Directors. I will then take you through the process for asking questions. After that, I'll present my address before handing over to our Chief Executive Officer, Graham Chipchase. When Graham in turn concludes his address, I will then take you through the voting procedures and answer questions from shareholders. Following which, I will then move to the formal part of the meeting.

So let me now introduce your Board. Joining me here today on my far left are Ken McCall, Nora Scheinkestel who is Chair of our audit and risk committee, George Zoghbi, our Chief Financial Officer Nessa O'Sullivan, and our Chief Executive Officer Graham Chipchase.

From my far right is Kendra Banks, Jim Miller, Elizabeth Fagan, Scott Perkins who is also Chair of our remuneration committee, and Robert Gerrard our Company Secretary. Also with us today, sitting in the front row are Debbie Smith and Eliza Penny from our external auditors PwC, PricewaterhouseCoopers.

Today's meeting is also being held virtually via the Lumi platform which allows shareholders and proxies to ask questions and submit votes on the items of business. There are three ways to ask a question today. If you're attending in person, you can ask a question from the floor. If you'd like to do that, at the relevant time, please approach the microphone, show your blue voting card or your pink non-voting shareholder card, and give the attendant your name.

When the attendant announces you to the meeting, you may then ask your question. If you're unable to get to a microphone, then please raise your hand and an attendant will bring a microphone to you. If you're attending online through the Lumi platform, you can also your question as a text. This function is available now and questions can be submitted at any time. To ask a question, select the messaging tab at the top of the screen.

This will open a new screen which contains an ask the question box. Type your question into that box and once you are finished typing, please hit the arrow symbol at the right of the screen to send. Although you may start submitting questions by text at any time from now on, I will not answer these questions until the relevant time in the meeting.

The Company's Secretary will read out questions verbatim on your behalf, although questions may be moderated and if we achieve multiple questions on the - if we receive multiple questions on the same topic, these will be amalgamated together.

We appreciate the time that it takes to type in questions. So if we move on in the agenda before you've submitted your question, we will answer it at the end of the meeting. Finally, you may also ask a question over the telephone and this will enable you to ask a live question orally.

If you have dialled into the meeting, you will have received instructions on how to listen to the meeting and ask a question. If you plan to ask a question by telephone, you'll still need to log on to the online platform if you wish to vote during the meeting.

Although you can submit your request to ask an audio question at any time from now on, I will wait again until the relevant time in the meeting before inviting you to ask that question. When you hear your name called out by the operator, you may then ask the question.

As I mentioned earlier, Debbie Smith from PwC is in attendance and available if any shareholder wishes to ask her any questions about the conduct of PwCs audit, their audit report, the Company's accounting policies, or the auditor's independence. And you can ask Debbie a question using the same functions as I just outlined.

We will be holding a poll on all the resolutions before this meeting. Any shareholders attending the meeting in person and who wish to leave early may place their completed voting cards in the ballot boxes by the exit doors. And I will explain the voting procedure when we reach the formal part of the meeting in due course. So I'll now open the polls.

Turning now to my address. Firstly, I'm absolutely delighted that we can have some of you attend this AGM in person, following last year's virtual event. The lifting of COVID-19 restrictions has enabled us to make this a hybrid meeting. And I'd like to start with our performance during the 2022 financial year.

Brambles' 12,000 employees delivered an impressive result in a highly challenging environment and I am very proud of their achievements. They overcame unpredictable demand, inflationary pressures, and shortages of key inputs including pallets, labour and transport to keep customers' goods moving through supply chains.

Despite all these challenges the business improved its operational and financial performance, made strong progress on both safety and sustainability, and continued to invest for the future. Our FY22 financial performance exceeded our guidance for the year with a better than expected fourth quarter performance.

The business delivered full year sales revenue growth of 9% and underlying profit growth of 10% on a constant currency basis. This performance was made possible by the ongoing improvements that we are making to our commercial terms and increased pricing to recover cost to serve increases.

We also benefitted from a range of investments made in recent years to increase the efficiency and capability of our global operations. The strength and resilience of our business continues to be underpinned by our unrivalled network advantage and circular share and reuse model. And it is from this position of strength that we are transforming our business and accelerating our decarbonisation agenda to pioneer regenerative supply chains.

Following a strategic review of shaping our future in FY21, we accelerated our multi-year transformation programme, which was designed to strengthen our competitive advantage and customer value proposition while creating sustainable value for shareholders and employees.

Specifically for shareholders, our transformation programme underpins our investor value proposition to deliver total annual value creation greater than 10% through a combination of EPS growth in the high single digits and dividend yield of between 2% to 3%.

The objective of our transformation is to deliver these returns while generating sustainable positive free cash flow and return on capital invested in the mid to high teens. The momentum across our transformation programme over the last 12 months has supported strong shareholder value creation in FY22 with EPS growth of 23% at constant currency, and an 11% increase in dividends per share, together with a strong return on capital invested of 17.7%.

However, the escalation in lumber and pallet price inflation combined with increased inventory holdings across customer and retailer supply chains did impacted our free cash flow after dividends performance which was an outflow of US\$219 million.

This outflow included approximately \$470 million of unit pallet price inflation and followed a strong positive free cash flow outcome in fiscal year '21. The need to improve the consistency of positive free cash flow generation is a key objective of our transformation programme.

Our teams across the globe have shown discipline in the allocation of capital and increased pricing both to recover the cost to serve and incentivise the efficient use of our assets across the supply chain. In addition to the continued focus on capital allocation and pricing discipline, the key opportunity for Brambles to improve free cash flow generation is to increase asset efficiency and reduce pallet losses.

To achieve this required step change in asset efficiency, we are investing in data and digital analytics capabilities to increase the visibility of our assets as they travel through the supply chain. And Graham will provide more details on these plans, as well as the other transformation investments that we are making, in his address in a minute.

As we progress with the transformation programme, we will remain disciplined with how capital is deployed. Our digital investments are heavily stage gated and depend on the successful outcome of the information gathered to date, as well as the trials to come in fiscal year '23.

We will only commit to the increased FY24 and FY25 digital investments where value creation is clear and the expected returns meet our strict capital allocation criteria. From my discussions with many of you since the last annual general meeting, I am pleased there has been stronger support for the direction of the Company, including this transformation programme.

And we are confident this is a direct result of the early benefits and value delivered from shaping our future, as well as the disciplined approach that we're taking to capital allocation which included our decision not to participate in the potential transition to plastic pallets in Costco's United States supply chain.

Overall, we are very pleased with the tangible progress made over the year in laying a strong foundation for our transformation and the momentum we are carrying into fiscal year '23. I would like to reconfirm the collective commitment from the Board, management and the wider Brambles organisation to seeing this transformation programme delivered in full.

Let me now turn to dividend and capital management. The Board declared total dividends for the fiscal year '22 of US\$0.2275 per share, with the Australian dollar equivalent being AUD\$0.3231 per share. This was an increase of 11% over the prior year in US dollar terms and 18% in Australian dollar terms.

The fiscal year '22 payout ratio of 53% is consistent with our dividend policy which targets a payout ratio of between 45% and 60% of underlying profit after finance costs and tax. The final dividend of US\$0.12 per share is partially franked at 35% and reflects an increase from 30% franking on the interim dividend.

In June 2022, Brambles completed the AUD\$2.8 billion capital management programme which was fully funded by the proceeds from the sale of the IFCO RPC business in 2019. The capital management programme included a AUD\$2.4 billion share buy-back programme and a \$0.4 billion pro rata return of cash, equivalent to AUD\$0.29 per share.

Following the completion of the share buy-back programme, we have reinstated Brambles' dividend reinvestment plan on a non-underwritten basis. Shares under the DRP will not attract a discount and the dilutive impact on earnings per share of the DRP will be neutralised.

I will now address executive remuneration. Our policy is to set remuneration levels which enable Brambles to attract, retain, and motivate high calibre executives and talent throughout the Company. Our objective is to align executive reward with the creation of sustainable shareholder value, and align executive behaviour with Brambles' strategic objectives, code of conduct, shared values, and risk appetite.

Our remuneration is divided into two components. The first component is fixed remuneration which is not directly linked to performance. The second component is at risk remuneration which is variable and is directly linked to Brambles' performance.

At risk remuneration, in turn, has two elements. The first is short term incentives, half of which are received in cash with the other half being received in deferred share awards, which vest two years from the date of grant. The second is long term incentive share rights, which vest three years from the date of grant.

Long term incentives are based purely on financial metrics, while 30% of the short term incentives are based on the delivery of personal objectives tailored to the individual executive. As a part of its assessment of the 2022 remuneration outcomes, the remuneration committee carried out an assessment of any behavioural events or incidents which occurred during the year which might warrant adjustments to all or part of an executive's incentive based remuneration.

I'm pleased to report that no such incidents or events were identified through that process. At last year's AGM, I announced that the Board would be considering whether any changes to the long term incentive plan were necessary to better align executive incentives with the objectives of the accelerated shaping our future programme.

The committee duly carried out its annual review during April 2022 and determined that no changes to the remuneration policy or current long term incentive structure were required in fiscal year '23. However, the component of the FY23 short term incentives comprising the cash flow from operations performance condition was increased in weight by five percentage points with a corresponding decrease in the Brambles underlying profit performance condition.

This is to recognise the increased focus of the business on improve cash flow. I believe that we have the right remuneration strategy in place, and that it fairly and responsibly rewards executives with regards to Brambles' performance and the creation of shareholder value. For those of you who would like more information on our remuneration strategy, further details can be found in the remuneration report on pages 52 to 72 of our FY22 annual report.

Now, the final topic I'll discuss is Board renewal. In line with our Board renewal plan, Tony Froggatt and Tahira Hassan retired at the conclusion of our 2021 AGM. In May 2022, Kendra Banks was appointed as a Non-Executive Director to fill one of the vacancies.

Kendra has extensive experience across the retail and technology sectors. With a focus on customer insights, commercial management and digital marketing which will enhance the Board's overall skills mix. Kendra has already made a very significant contribution to the Board and we are absolutely delighted to have her as a Director. Furthermore, we have almost completed the recruitment process for an additional North American based Non-Executive Director and expect to be able to make an appointment very shortly.

In closing, our achievements this year would not be possible without the dedication and tireless efforts of our people and their ability to manage supply chains through uncertain and challenging times. On behalf of the Board, I would like to thank the whole Brambles team for their hard work and dedication during the year. Of course, we also want to thank you, our shareholders, for your continued support. With that, let me now hand over to our Chief Executive Officer, Graham Chipchase.

Graham Chipchase: Thank you, John. Good afternoon, ladies and gentlemen. I want to start by echoing John's thanks to our people all around the world. Their hard work and dedication have allowed us to support our customers during extremely challenging times while delivering strong financial outcomes for shareholders and progressing with our ambitious shaping our future transformation agenda.

During the year, global supply chains experienced significant disruptions. The ongoing impact of the pandemic and increased geopolitical tensions resulted in unprecedented levels of uncertainty, shortages of critical raw materials and components, as well as extraordinary levels of inflation across our customers' supply chains and our own operations.

Global lumber markets were particularly challenging, with lumber scarcity and record levels of lumber inflation impacting the supply and price of new pallets. These factors contributed to industry wide pallet scarcity, further exacerbated by higher customer and retailer inventory holdings to de-risk their supply chains.

For Brambles, these supply chain dynamics resulted in lower pallet returns, extended cycle times, and higher losses. Faced with these challenges and to keep supply chains moving, we purchased an additional eight million pallets in FY22 to support our customers and accelerated asset efficiency initiatives to improve pallet availability across our network.

In the context of these challenging market conditions and the increasing macroeconomic uncertainty, I want to reiterate the defensive characteristics of Brambles which position us to deliver value through all stages of the economic cycle. So over 80% of our sales revenue is generated from the consumer staples sector, which underpins the resilience of our business during periods of economic downturn.

We also know that there are still significant addressable opportunities in major regions to sustain growth over the longer term. In addition, once pallet availability improves, we have a new business pipeline that we can pursue to support growth in the short term.

Our strong and conservative balance sheet continues to provide flexibility during these periods of high inflation and other market disruptions, to fund investments for the future and dividends, while maintaining headroom within our investment grade ratings.

While our business is strong and inherently resilient, the importance of our transformation programme has been reinforced by the current operating environment and the need to deliver increasing value to customers while reducing the environmental footprint of supply chains.

During this fiscal year, we've accelerated our shaping our future transformation programme to deliver long term value for all our stakeholders, including you, our shareholders. This programme is following a twin track approach to increase the performance and resilience of our current business, while investing to create the Brambles of the future, with both tracks further strengthening our sustainability credentials.

Over the last 12 months we have established the foundations for transformation with momentum building and early benefits delivered across all pillars of the programme. I will now take this opportunity to outline some of our key achievements in FY22 and focus areas for FY23, particularly in digital transformation.

To ensure the success of shaping our future, we strengthened project management and digital capabilities across the organisation. We have developed new ways of working and upgraded our technology foundations with the implementation of a best-in-class customer relationship system and other tools for our sales teams which, combined with our cloud migration, are delivering process efficiency and commercial benefits.

As John outlined, a key focus of the transformation is to improve free cash flow generation through asset efficiency. Despite significant market headwinds, we recovered and salvaged an additional four million pallets in FY22 through a range of asset collection and enhanced repair initiatives.

To increase the efficiency of our operations, we continued to invest in high return service centre automation programmes and other supply chain initiatives. From an automation perspective, we implemented seven integrated repair cells and piloted partially automated repair capabilities in small to medium size service centres.

Other supply chain initiatives improved pallet durability in key markets and reduced the number of pallets scrapped in the year. We continue to improve our customers' experience, from simplifying the on-boarding process and making self-service easier and quicker, to providing greater visibility of pallet deliveries.

We ran our proactive ordering pilot and have designed proof of concepts for new customer solutions, which leverage our unique visibility across the supply chain. Our digital transformation seeks to better leverage data and maximise the potential of digital assets to increase end to end supply chain visibility. Providing our teams with the tools to identify new sources of value for our customers and to make a step change in asset efficiency.

During the year we deployed over 250,000 smart pallets with autonomous tracking devices in over 20 countries which included our UK and Canada continuous diagnostics trials. Learnings from these trials and early insights into the potential value of our smart asset strategy have informed our priorities for FY23.

These include scaling continuous diagnostics in the US market and serialising the pallet pool in Chile. While we are excited about the potential of smart assets, the outcomes of these trials will inform our digital investment decisions in FY24 and beyond.

Details of our performance and activities in each pillar have been summarised in our shaping our future scorecard, which can be found on pages 12 and 13 of our 2022 annual report. As you will note, the majority of our transformation metrics are on track, with some of the FY25 targets already achieved during FY22. However, there are some metrics which are currently not tracking in line with our original plans, largely due to market headwinds. In response, we have recovery plans in place to support delivery of the outcomes.

Turning to sustainability, which is a key differentiator for Brambles, a source of value for all our stakeholders, and at the core of everything we do. Building on our market leading sustainability credentials, we have launched a customer focused sustainability campaign. Inviting our customers to step into the positive with Brambles.

The purpose is to share our sustainability experience and encourage a greater understanding of how regenerative strategies will lead to net positive outcomes for all stakeholders. During the year, we also announced our ambitious decarbonisation strategy, with a goal of achieving net-zero greenhouse gas emissions across our whole supply chain by 2040, which is 10 years ahead of the requirements of the Paris agreement.

While decarbonisation is only one element of our sustainability strategy, this commitment is an increasingly important point of focus and engagement for our customers, employees, and shareholders. In FY22, we made great progress against our FY25 sustainability targets. I am particularly proud of the improvement in our safety performance this year.

Brambles injury frequency rate decreased by 18% on the prior year and is tracking ahead of our FY25 target. In keeping with our long term vision of zero harm, we launched our safety first strategy during the year which provides a framework for continuous improvements in our safety performance.

In other areas of sustainability, we maintained 100% sourcing from certified sustainable timber. In the context of disrupted supply chains, this involved introducing sustainable practices in new geographies where certification was not

previously available, ensuring the adoption of higher standards to prevent deforestation, and controls to protect biodiversity.

Our FY25 commitment to enable the sustainable growth of two trees for every one that we use, further strengthens our sustainable timber credentials and supports our ambition to pioneer regenerative supply chains. Pleasingly, we were also recognised as a top employer in 21 countries and improved gender diversity in management positions. As of today, we remain on track to achieve our FY25 target to have at least 40% of management roles held by women.

Finally, we signed a new USD\$1.35 billion sustainability linked revolving credit facility in August 2022. The pricing of this facility is linked to sustainability targets, including decarbonisation, and highlights the increasing importance of sustainability in capital markets. Further details of our sustainability performance can be found in our 2022 sustainability review which was released in September this year.

Turning to our financial performance in FY22. We delivered strong full year revenue growth with underlying profit leverage which exceeded our FY22 guidance. On a constant currency basis, sales revenue growth was strong at 9%, driven by price realisation to recover significant increases in the cost to serve in all regions.

Underlying profit increased 10%, reflecting effective recovery of cost to serve increases through price realisation and surcharge income, supply chain efficiencies, and increased asset compensation. While our revenue and profit performance was strong, free cash flow after dividends was a net outflow of USD\$219 million.

The key driver of the outflow was the approximately USD\$470 million impact of lumber inflation on the price of pallets, which have a 10 year asset life and require cost recovery over multiple years. The cash flow performance was also impacted by additional pallet purchases to support longer cycle times at retailers and manufacturers.

Our return on capital invested of 17.7% was in line with the prior period, which is especially pleasing given the operating and inflationary headwinds the business is facing. The momentum generated in FY22 has continued into the first quarter of FY23.

Group sales revenue growth in the first three months of FY23 was 14% at constant currency with strong contributions from all regions. This performance reflects ongoing price realisation and commercial discipline as our businesses continue to face inflationary cost pressures and challenging operating conditions.

Our volume growth in the period remained subdued as ongoing elevated levels of inventory across global supply chains continued to impact cycle times and pallet return rates in all regions. We are yet to see signs of inventory destocking although we expect - we continue to expect manufacturers and retailers to reduce the level of inventory they hold in the second half of FY23.

While our outlook is to deliver sales revenue growth across the balance of the year, the growth rate in the second half of the year is likely to moderate given the strong pricing in the prior year comparative period and potential impacts of macroeconomic uncertainties in the balance of the year.

In this context, today we have reconfirmed our financial guidance for FY23. In constant currency terms, we expect full year sales revenue growth to be between 7% and 10% and weighted to pricing across all regions with volume growth likely to be constrained by pallet availability.

Underlying profit growth is expected to be between 8% and 11%, including margin improvements in the EMEA and Americas regions. Margins in the Asia Pacific region are expected to be lower than in FY22 as deferred pallet repairs are expected to unwind in the second half of the year.

Free cash flow after dividends is expected to be an improvement on FY22 but remain a net outflow. The improvement in cash flow generation is expected to be weighted to the second half of the year and supported by pricing, unwinding of inventory across supply chains, and some potential moderation in lumber costs.

In addition to an expected underlying improvement, free cash flow after dividends will also include proceeds of USD\$41.5 million from the repayment of the loan receivable from First Reserve received in August 2022. All of this is subject to there being no material change in underlying economic and operating conditions during the course of FY23, such as lumber and pallet pricing and normalisation of inventory levels.

We remain committed to progressively improve free cash flow generation over the medium term as the asset efficiency and pricing benefits enabled by our digital transformation investments are realised. Finally, dividends are expected to be in line with our policy to pay out between 45% and 60% of underlying profit after finance costs and tax, in US dollar terms.

In summary, we are proud of our many operational and financial achievements during the year, in challenging market conditions. As a business, we delivered on our purpose of connecting people with life's essentials every day. We are committed to investing in the future and reinventing global supply chains to benefit our people, our customers, and you, our shareholders. Thank you. I will now hand back over to John.

John Mullen: Great. Thanks very much, Graham. I'll now take you through how to vote. If you're attending in person and are entitled to vote, you will have been given a blue voting card. You can vote on each resolution by placing a cross in the for, against, or abstain boxes for the resolution.

For those joining us virtually via the Lumi platform, if you're eligible to vote at this meeting, a voting tab will shortly appear at the top of your screen. Selecting this icon will bring up a list of the resolutions and present to you with voting options.

To vote, simply select your voting direction from the options displayed on your screen. Your selection will change colour and a confirmation message will appear. To change your vote, simply select another option. And if you wish to cancel your vote, please select cancel. And there is no need to select a submit or send button. Your vote is automatically counted.

Voting can be performed at any time during the meeting until I close the poll. You also have the ability to change your vote up until the time I declare voting closed. Ladies and gentlemen, before moving to the formal part of the meeting, I will now answer any initial questions from shareholders. I'll start by responding to the questions raised by the shareholders prior to the meeting. This year, we've received four questions.

The first question is on the Board's action to ameliorate the climate change impact on the Company. In response to this, I'm pleased to say that in June 2022, Brambles announced a target of net zero emissions by 2040, bringing our deadline forward by 10 years as Graham explained earlier. Accelerating our mission to build a regenerative supply chain.

The second question relates to the escalating cost of timber, disposal of pallets, and if the Company has considered alternative materials to improve durability. It's evident that elevated lumber pricing across different regions did materially impact our business and increased our per unit pallet cost by approximately 40% in FY22.

However, we are also confident that due to our global scale, sophisticated procurement strategy, and supply chain investments that we've been making, we're able to generate efficiencies in the sourcing of pallets while still maintaining 100% sustainably sourced lumber.

The increase in cost to serve, which includes lumber inflation, is also being recouped through price realisation across all regions. Then in terms of durability and consideration of alternative materials for pallets which was also a question raised by another shareholder, this is an area that we continue to look at closely.

We have an innovation team dedicated to researching and testing alternative pallet materials for the future, as well as improving current lumber and plastic pallet designs. Ultimately, we're materials agnostic, although currently, lumber is a material of choice in the majority of circumstances from durability, repair, cost, quality, and sustainability perspective when acquiring pallets in bulk.

The last question relates to pallet repair costs. While we don't specifically break down repair costs for pallets, we do disclose our net plant costs which encompass the labour, lumber, rent, and other costs associated with operating our extensive service network.

In terms of the total cost of new pallets for FY22, the total investment in pooling equipment was USD\$1.7 billion. Of this, USD\$1.4 billion was considered replacement CapEx which includes equipment purchases resulting from asset losses, and asset scraps in the period.

I will now answer any further questions from shareholders and I remind you that only shareholders or their proxies or company representatives that are attending here in person are entitled to speak at this meeting. If you are attending the meeting in person and would like to ask a question, I remind you that you should approach the microphone, show your blue voting card or pink non-voting shareholder card, and give the attendant your name. If you're unable to get to a microphone then please raise your hand and an attendant will bring a microphone to you.

To maximise the opportunity for all shareholders, I request that you ask only one question at a time. For those attending the meeting virtually via the Lumi platform, I remind you that you can ask a question by text by clicking on the messaging tab, typing your question in the ask a question box, and then clicking the arrow symbol to send.

If you're attending by telephone, when you hear your name called out by the operator, you may ask your question. I will answer questions in the following order. First, from those attending the meeting in person. Second, those asking questions via the telephone. And last, those questions submitted via the Lumi platform.

So with that, are there any general questions from the floor? I think there's - yes, over there.

Roger Ashley: (Shareholder) Roger Ashley, representing the Australian Shareholder Association. That represents 815,000 votes. What I've got to say is more of a comment than a question actually. And I must congratulate the Company on its impressive results given difficult operating conditions which you've alluded to in your presentations.

Your plans for a low emissions future also to be commended. The ASA will be voting in favour of all resolutions with the possible exception of the re-election of Kendra Banks and George El-Zoghbi. We would like to hear them address their ability their ability to perform the role as a director while holding down senior fulltime executive roles at another company. Thank you.

John Mullen: Thank you, Roger, and we appreciate the ASAs support. So you will indeed hear from both of those directors in a minute but just before we do, I'd just like to say that I actually think that having a serving executive on our Board is immensely valuable.

As we get older, we get out of touch quite quickly. And I know that from personal experience. And having people who are still in the firing line everyday dealing with the world's problems is hugely valuable. I did that when I was a chief executive. I was on a board and I found that I was able to give and receive a lot of value from that.

In fact, you will know well with your background, in the United States, it's almost the other way. People prefer to have a majority of serving executives on their board. We don't here in Australia but I am firmly of the view that it's a very positive trend and we will be continuing it in Brambles. Thank you.

I can't see any other questions in the room. Do we have any questions on the telephone? We don't?

Operator: There are currently no questions from the phone line.

John Mullen: Thank you. Robert, do we have questions online?

Robert Gerrard: Yes. Yes, Chairman, we do. So our first question is from shareholder Stephen Mayne. I'll read this out. Well done for holding a hybrid AGM. But when shareholders are registering to participate online, it was annoying to have to use the separately communicated voter access code rather than the HIN or SRN numbers which the vast majority of companies use and it's much easier for retail shareholders to locate.

Can your AGM technology provider, Lumi, clarify if they are able to use SRN or HIN numbers to log on? And if so, will the Board commit to using this formula next year? It would also be useful if Lumi could provide a dropdown box to identify the items of business the question relates to, which is what Link Market Services pioneered two years ago and Computershare introduced last year. Would you like me to answer that?

John Mullen: I know the answers to all of that. Stephen, nice to hear from you. Look, I think leave that with us and we will address all of those individual concerns and suggestions and come back to you. And if we're going to make any changes, we'll do it for next year.

Are there any further questions online?

Robert Gerrard: Yes, there's a question from Ms [Kerri Smith], shareholder. Is there any scope within Brambles' operations in the future to expand into forest regeneration to provide renewable timber resources?

John Mullen: Well, I think we can say we're already doing that. We firstly source, as Graham said earlier, 100% of our timber from sustainable sources and we have, for some time, have replaced every tree cut down with a new tree and we're working towards a target in 2025 of actually for every tree that's cut down - sustainable tree that's cut down to make pallets, we will plant two trees. Therefore we're not just being neutral but actually being contributory to the environment.

Robert Gerrard: A similar question from shareholder Stephen Mayne. How much timber are we sourcing from old growth forests in Victoria and across Australia? What is the history in terms of our mix of older growth plantation and recycled timber? Which countries are currently the largest source of our timber, excluding recycling? And finally, are we copping much heat from climate environment activists in terms of our timber sourcing? How do we engage with them?

John Mullen: Thanks, Stephen, again. So I can't off the top of my head tell you the mix of old growth and recycled. But I can tell you that all of the lumber sourced in Australia again is from 100% certifiable forests. VicForests is accredited to a full certifiable standard and we buy a lot from them.

We also buy overseas. I think historically, Graham, we haven't had to in Australia until the current lumber crisis and now we've got an active program of sourcing lumber from all over the world as we do elsewhere in the network as well. And lastly, the last point of your question, are we copping heat from climate environmental activists? No more than many companies. In fact, you know, I think we have such a good track record that we can hold our heads up as being one of the most sustainable companies on the planet.

We've won countless awards. I think we listed them in the annual report. The different awards and accreditations from the Dow Jones Sustainability Index to a whole lot of others this year. So I think we can legitimately claim to be in the very top performers globally in terms of sustainability. So I would hope that activists would support that rather than be critical.

Robert Gerrard: Chairman, there's another question from Stephen Mayne. Senior sources I've spoken to within the FMCG industry in Australia still feel that there are pallet shortages and peak selling periods. Are you doing absolutely everything possible to increase the flow of pallets to your Australian partners? Particularly given that you are a global company but headquartered in Australia.

Given this Australian heritage, do you prioritise pallet allocations to your home market or are we just another mid-sized opportunity in a global market?

John Mullen: Well, you're certainly right that there's a shortage of pallets in Australia but there's actually a shortage of pallets worldwide and that comes to the main impact from COVID which caused a number of different impacts. Firstly being that both manufacturers and retailers have been holding far higher levels of stock than they did prior to the pandemic in order not to be caught short. And that level of stock has tied up millions and millions of additional pallets.

Then on top of that, there have been lumber sourcing challenges associated with COVID where both the supply and also the sawmills' operations were severely curtailed during the pandemic, resulting again, a low supply of labour. The net result of all of that is that lumber prices have been high and the availability of pallets is very low.

In Australia and elsewhere, we are buying all the pallets that we possibly can. We have more pallets in the system today in Australia than we have in the Company's history. So it's not a question of us not wishing to buy pallets to meet customer demand, it's simply a function of not being able to buy any more than we have done.

However, as I think Graham mentioned in his speech, we expect that a degree of destocking will occur as manufacturers and retailers wind down their extra stock holdings. And coupled with the additional pallet buying that we're undertaking at the moment, we believe that the situation will improve in the future.

Robert Gerrard: A further question from Kerri [Lyn-Smith]. It's not really a question, it's actually a comment. I would like to congratulate Brambles on increasing gender equity within management and for achieving very positive results throughout the pandemic.

John Mullen: Yes, thank you. That's something that both management and at the Board level, take very seriously. I think you can see we've got a good representation here at the Board as well and we will continue to pursue that objective.

Robert Gerrard: Then a question from Stephen Mayne. Well done for disclosing the full proxy votes with the formal addresses lodged with the ASX before the AGM started and well done for receiving more than 95% support on all resolutions. What is the history in terms of your proxy disclosure timing?

John Mullen: I don't know.

Robert Gerrard: I think the answer to that is we have always...

John Mullen: Always?

Robert Gerrard: ...disclosed our proxies before with the AGM speeches. At least since I've been Company Secretary...

[Over speaking]

John Mullen: Thanks for the question. Certainly since I've been here we have and apparently always.

Robert Gerrard: No further questions.

John Mullen: No further questions? Okay. Thank you very much, shareholders. We will now turn to the items of business. Items 2 to 9 on the agenda will be proposed as ordinary resolutions and item 10, which is to approve amendments to Brambles constitution, will be proposed as a special resolution.

As stated in the notice of meeting, I will be casting any discretionary proxy votes that have been given to me in favour of each of the items of business. The proxy and direct vote position for each resolution will be shown on the screen. I remind you again that if you are attending here today, cast your vote by marking your blue voting card. And for those attending the meeting virtually via the Lumi platform, click on the voting tab at the top of your screen and simply select one of the options. There is no need to hit submit or enter as the vote is automatically recorded.

We will announce the poll results to the ASX later today and also post them on our website. Steve Hodkin of BoardRoom has been appointed Returning Officer. So the first item of business is to consider and receive the financial report, director's report, and auditor's report for Bramble, from the Group, for the year ended 30 June 2022.

There is no vote on this item but if you have any questions on this item, if you have not already done so, please submit your questions now. Are there any questions for item 1 from the floor? I think I can take that as a no. So do we have any questions on the telephone? We have no questions on the telephone. And Robert, any online?

Operator: There are currently no questions from the phone line.

John Mullen: Sorry. Thank you.

Robert Gerrard: Yes, we have one question online which just popped up the second I said there were no further questions. So from Steve Main. Surely plastic pallets with chips that allow tracking is an obvious disruption opportunity in our markets. Why does the CEO believe this has never happened and how high is this on our risk register? Shouldn't we get back into the space despite the high oil price?

John Mullen: Well, I'm sure Stephen that - thank you again for the question. I'm sure you're aware, there was extensive coverage of our evaluation and decision whether to participate in the Costco plastic pallet proposal in the United States. So we do have plastic pallets in our system now. I think we're actually the world's biggest supplier of plastic pallets already.

So it purely comes down to a question of economics. We can build plastic pallets to suit any market providing customers are obviously willing to pay for them and enable us to deliver a return. The challenge with the plastic pallets for Costco in the US was simply that both the manufacturers and ultimate retailer were not able or prepared to pay the level of increase that we required in price in order to get a return.

Plastic, in order of magnitude, is two to three times more expensive than wood. You can buy a cheap plastic pallet in China or something but it will not meet fire retardant rules, tensile rules and regulations et cetera. Once you build all of those in, which Brambles did and built a very effective plastic pallet I believe which everybody liked, but the cost was multiple times more of wood which the market was not willing to accept.

I hope that answers the question.

Robert Gerrard: No further questions.

John Mullen: Very good, thank you. Item 2 asks shareholders to adopt the remuneration report for Brambles and the Group for the year ended 30 June 2022. If you are online and have any questions on this item, please submit your questions now if you have not already done so.

I outlined Brambles' remuneration policy and the structure of the executive remuneration during my address to the meeting. But are there any questions for item 2 from the floor? I think I can take that as a no as well. Do we have any questions on the telephone?

Operator: There are currently no questions from the phone line.

John Mullen: Thank you and Robert?

Robert Gerrard: No questions online.

John Mullen: No questions online. Great. The resolution and the direct vote and proxy position are now on the screen. So please now cast your vote for item 2. Item 3 asks that Miss Kendra Banks be elected to the Board of Brambles. If you are online and have any questions on this item, please submit your questions now if you've not already done so.

Kendra's biographical details are set out in both the notice of meeting and the annual report. Kendra has been subject to an assessment process by the Board and her election is unanimously supported by her fellow directors. I would now like to invite Kendra to speak briefly on her election.

Kendra Banks: Thank you, John, and good afternoon ladies and gentlemen. I'm very pleased to be with you today and to be standing for election to your Board. During my career, I've worked in the USA, UK, and of course, here in Australia.

I've gained global experience in the retail and technology sectors with a focus on customer insight, commercial management, and digital marketing. When I was asked whether I would be interested in joining the Brambles' Board, I was particularly excited about the digital and customer experience transformation plans. I feel that the experience I have in these areas, particularly in the FMCG sector, would allow me to not only add value but also expand the diversity of thinking on these issues within the Board.

I'm currently working at SEEK Limited where I have been since 2015 in my role as Managing Director, Australia and New Zealand and before that, I was Marketing Director and Chief Commercial Officer. Prior to SEEK, I spent 11 years working in the retail sector at both Coles, here in Australia, where I was General Manager of Coles Brand and Customer Insight, and at Tesco in the UK where my roles included Marketing Director for Tesco.com and Pricing and Promotions Director. I started my career with McKinsey.

I haven't been on the Board long but I believe there are great opportunities which lie ahead for Brambles. If elected, I look forward to using my skills, experience, and insights to assist in realising those opportunities. Thank you.

John Mullen: Thank you very much, Kendra. Are there any questions for item 3 from the floor? I don't think there are, Robert. No. Do we have any questions on the telephone?

Operator: There are currently no questions from the phone line.

John Mullen: Thank you, and Robert, any online?

Robert Gerrard: One question online from Stephen Mayne which is as follows. Kendra works fulltime out of the SEEK headquarters in Melbourne yet Brambles is based in Sydney. How have the logistics worked during her first six months on the Board in terms of actually attending physical meetings? Is she tending to Zoom or fly in? Also, how much time in days does she estimate that she has devoted to the Brambles task so far? Is it at least 20 days given the need to deep dive and get up to speed?

John Mullen: So firstly, we've been through COVID of course which has disrupted the plans for board meetings for everybody around the world. We had mixtures of hybrid and physical meetings. But Stephen, I can say that Kendra is an exemplary Director. She's attended every meeting that we have had whether virtual or online and she is completely capable of managing her time commitment to Brambles or she wouldn't have accepted the role of the Board.

We discussed that in the beginning and she was very clear that she understood the requirements and she has delivered in full so we're extremely happy.

Robert Gerrard: No other questions.

John Mullen: No more? Okay, the resolution and direct vote and proxy position are now on the screen. Please now cast your vote for item 3. Good. Item 4 asks that Mr George El-Zoghbi be re-elected to the Board of Brambles. If you are online and have any questions on this item, please submit your questions now if you have not already done so.

George's biographical details are set out in both the notice of meeting and the annual report. George has also been subject to an assessment process by the Board and his re-election is unanimously supported by his fellow directors. I now invite George to speak briefly on his re-election.

George El-Zoghbi: Thank you, John, and good afternoon everyone. I'm delighted and honoured today to stand for re-election as a Director of Brambles. Besides Brambles, I am currently the Chief Executive of the Arnott's Group based here in Sydney. Arnott's is an Australian based company operating in Asia Pacific across a number of categories including biscuits, meals, beverages, cereal, and healthy snacks.

I also serve on the board of Altimetrik, a data analytics and digital transformation company based in the United States. Previously, I served on the board of the Kraft Heinz Company, a global food and beverages company listed on NASDAQ and based in the United States. Prior to that, I was the Chief Operating Officer of the Kraft Group based in the United States.

In my earlier years, I was the Managing Director of the Kraft Foods Company based in Melbourne, Australia, responsible for the ANZ region. I also worked for Fonterra, the global cooperative company in global positions, as well as General Manager of their largest consumer business here in Australia.

If re-elected I look forward to continuing to put my experience, which is based on global markets, including Asia Pacific, Australia, New Zealand, the United States, in areas like general management, strategy, operations, sales, and marketing to further the interest of shareholders of Brambles. Thank you very much.

John Mullen: Thank you, George. Are there any questions for item 4 from the floor please? I think that's a no. Do we have any questions on the telephone please?

Operator: There are currently no questions from the phone line.

John Mullen: Thank you and Robert, online?

Robert Gerrard: I have one question from Stephen Mayne. How much does Arnott's spend each year on Brambles' pallets and why isn't this disclosed?

John Mullen: I think that Arnott's doesn't use Brambles' pallets actually. However, we get Tim Tams at the Board meeting.

[Laughter]

Robert Gerrard: No more questions.

John Mullen: No more questions? Okay, the resolution and direct vote and proxy position are now on the screen. Please now cast your vote for item 4. Item 5 asks that Mr Jim Miller be re-elected to the Board of Brambles. If you are online and have any questions on this item, please submit your questions now if you've not already done so.

Jim's biographical details are set out in both the notice of meeting and the annual report. Jim too has been subject to an assessment process by the Board and his re-election is unanimously supported by his fellow directors. I now invite Jim to speak briefly on his re-election.

Jim Miller: Thank you, John, and good afternoon everyone. I am delighted and honoured to be standing here today for re-election to the Board of Directors at Brambles. In addition to Brambles, I serve on the Board of Directors of The RealReal, a US based e-commerce company. In June of this year, I left my position as the Chief Technology Officer of Wayfair Incorporated, a US based e-commerce company where I served in that role for three years.

Prior to that - taking on that role, I was on the Board of Directors of Wayfair for approximately three years. Additionally, I serve as an advisor to a number of private equity firms and venture capital firms primarily based in the US. I also advise a number of non-profits, universities, technology companies, and senior executives.

I was the Chief Executive Officer at a technology start up, AREVO Incorporated. Previously I ran the worldwide operations of Google where I had responsibility for procuring, building, deploying, and operating the Google cloud and complete infrastructure.

I was the Managing Director of Google Energy LLC and I had responsibility for sustainability and corporate and social responsibility for Alphabet, Google's parent company, in addition to other responsibilities. Additionally, I hold executive positions as Cisco, Amazon.com, Intel, and the IBM Corporation in operation, supply chain, and general management.

If re-elected, I look forward to putting my global experience gained in Asia Pacific, Europe, and North America markets in the area of general management, strategy, supply chain, management and operations, information technology, digital transformation, and analytics.

John Mullen: Thank you, Jim. Are there any questions for item 5 from the floor? I don't think so. Do we have any questions on the telephone please?

Operator: There are currently no questions from the phone line.

John Mullen: And Robert, over to you.

Robert Gerrard: One question from Stephen Mayne. In 2019, Treasury Wine Estates voluntarily moved to annual elections for directors in line with best practice that occurs in both the US and the UK. Dual listed companies like News Corp and Rio Tinto all do this due to the laws in the USA and the UK and BHP has pledged to continue doing it even after its UK DLC ended last year.

Can the Chair and Jim comment on whether our Company will follow this TWE lead and move to annual elections of directors at the 2023 AGM?

John Mullen: Thank you, Stephen, again for the question. Look, it's something that we have considered. As you will know, it's not actually very common in Australia at all. TWE is one of the very few companies that do do it. However, we know that in the UK and elsewhere that it's an increasingly prevalent trend. So it's something that we are considering and we'll make a decision in due course whether or not we will adopt that. As of now, we don't think it's appropriate but we're keeping an open mind and reviewing the situation going forward.

Robert Gerrard: No other questions.

John Mullen: Great. Thank you. The resolution and direct vote and proxy position are now on the screen. Please now cast your vote for item 5. Item 6 asks that the Brambles Limited performance share plan - the performance share plan we'll call it - and the issues of shares under the performance share plan be approved for all purposes, including for the purpose of Australian Securities Exchange listing rule 7.2, exception 13.

This is a resolution that we put to shareholders every three years. It was previously approved by shareholders at the 2019 AGM. And the reasons why this resolution is being proposed are set out in detail in the notice of meeting. If you are online and have any questions on this item, please submit your questions now if you have not already done so. Are there any questions for item 6 from the floor? I think not. Do we have any questions on the telephone?

Operator: There are currently no questions from the phone line.

John Mullen: And Robert, online?

Robert Gerrard: No online questions.

John Mullen: Great. The resolution and direct vote and proxy position are now on the screen so please now cast your vote for item 6. Item 7 asks shareholders to approve the participation by Mr Graham Chipchase and the Brambles Limited performance share plan until the 2023 annual general meeting in the manner set out in the explanatory notes accompanying this notice of meeting be approved - sorry, be approved for all purposes, including for the purpose of the Australian Securities Exchange listing rule 10.14.

If you are online and have any questions on this item, please submit your questions now if you have not already done so. Listing rule 10.14 requires shareholder approval for the issue of securities to a director under an employee incentive scheme.

The Brambles performance share plan is such an employee incentive scheme. The notice of meeting sets out the details of how the performance share plan works and the way in which the number of both and short and long term incentive awards to be granted to Mr Chipchase are calculated.

Are there any questions for item 7 from the floor? I think not. Operator, do we have any questions on the telephone?

Operator: There are currently no questions from the phone line.

John Mullen: Robert?

Robert Gerrard: No online questions.

John Mullen: Great. Thank you. Again, the resolution and direct vote and proxy position are now on the screen. Please now cast your vote for item 7. Item 8 asks shareholders to approve the participation by Miss Ness O'Sullivan and the Brambles Limited performance share plan until the 2023 annual general meeting in the manner set out in the explanatory notes accompanying this notice of meeting also be approved for all purposes, including for the purpose of the Australian Securities Exchange listing rule 10.14.

If you are online and have any questions on this item, please submit your questions now if you have not already done so. Again, the reasons for this resolution are the same as that for the previous resolution relating to Mr Chipchase. Are there any questions for item 8 from the floor? Again, I think not. Operator, any questions on the telephone?

Operator: There are currently no questions from the phone line.

John Mullen: Robert, are there any questions online?

Robert Gerrard: No questions online.

John Mullen: Thank you. The resolution and direct vote and proxy position for this notion are now on the screen. So please now cast your vote for item 6. Item 9 asks - did I say six?

Robert Gerrard: Yes.

John Mullen: Sorry. Eight.

Robert Gerrard: Long day.

John Mullen: Long day. Looking forward to that Tim Tam. Item 9 asks shareholders to approve the participation by Mr Graham Chipchase in the Brambles Limited my share plan until 18 October 2025 in the manner set out in the explanatory notes accompanying this meeting. Also be approved for all purposes including for the purpose of Australian Securities Exchange listing rule 10.14. If you are online and have any questions on this item, please submit your questions now if you've not already done so.

Further details on this resolution are also set out in the explanatory notes in the notice of meeting. Are there any questions for item 9 from the floor? I think not. Operator, do we have any questions on the telephone?

Operator: There are currently no questions from the phone line.

John Mullen: Thank you and Robert, any questions online?

Robert Gerrard: No questions online.

John Mullen: Wonderful. The resolution and direct vote and proxy position for this item are now on the screen. So please now cast your vote for item 9. Almost there. Item 10 is a special resolution. It asks that in accordance with section 136 (2) of the *Corporations Act*, the amendments to the Company's constitution, as described in the explanatory notes accompanying this notice of meeting be approved with effect from the close of the meeting.

If you are online and have any questions on this item, please submit your questions now if you have not already done so. Are there any questions for item 10 from the floor? No, I think not. Operator, any questions on the telephone?

Operator: There are currently no questions from the phone line.

John Mullen: Thank you, and Robert, online?

Robert Gerrard: One question from Stephen Mayne. I'm not sure it's a constitution question but that's how it's been labelled. When disclosing the outcome of voting on all resolutions today, could you please advise the ASX how many shareholders voted for and against each item, similar to what happens with a scheme of arrangement? This will provide a better gauge of retail shareholder sentiment on all resolutions and was a disclosure initiative adopted by the likes of Metcash, Altium and Dexus after their 2021 AGMs.

John Mullen: Yes, thank you, Stephen. I know that's a question that you've raised in a number of fora. Look, we've considered it. It's not common, other than in a scheme meeting, as you rightly called out. So we will continue to look at it. At the moment, we're comfortable just with the disclosure that we provide. But we will look at it again for next year.

Robert Gerrard: No other questions.

John Mullen: No other questions? Thank you very much. So the resolution and direct vote and proxy position for this item are now on the screen. Please now cast your vote for item 10. Very good. One last chance then. Are there any further questions from the floor? No? Do we have any questions on the telephone, operator?

Operator: There are currently no questions from the phone line.

John Mullen: And Robert, online.

Robert Gerrard: One final comment and question from Stephen Mayne. Well done on running a good AGM, Mr Chairman. The Board looks and sounds nicely diverse and competent and with more than 95% in favour of all resolutions, the shareholders are clearly happy. Thanks also for the hybrid AGM and the 2pm start was also good as there were eight different AGMs this morning but none after lunch. Also, is the Chairman planning to run for election again when his current term expires?

John Mullen: Well, thanks very much, Stephen. It's nice to get those comments and always enjoy our engagements with different hats on. Thank you for the level of interest that you show in the details of the companies that you're following. And as to the question of my re-election, well, it's going to depend on all my colleagues here. If I do a good enough job, I hope so. If I do a bad job, then they'll probably tell me no. So that will be the judge.

Ladies and gentlemen, that concludes our discussion on the items of business. I now declare the AGM closed. Thank you so much for your attendance today. I will shortly close the online voting system. Please ensure that you've cast your vote on all resolutions and I'll now pause to allow you time to finalise those votes. Just give it a minute or two.

Robert Gerrard: Chair, there's one further comment that was below the line from Stephen Mayne. Will the Chair commit to publishing a full transcript of today's AGM debate along with an archive of the webcast? The answer to that is we do that every year.

John Mullen: Yes, we do that every year, Stephen. So no problem. Just give it another 30 seconds or so. Great. I think we can now safely say voting is closed. We will announce the results of the poll to the ASX later this evening. Thank you all very much for joining our AGM today, whether online or here in person. Good morning.

End of Transcript