



Brambles Limited (BXB) 2019 AGM Voting Intentions

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| Company/ASX Code | Brambles/BXB |
| AGM date | 2pm Thursday 10 October 2019 |
| Time and location | Ballroom 1 The Westin Hotel Sydney 1 Martin Place Sydney |
| Registry | Link Market Services |
| Webcast | Yes |
| Poll or show of hands | Poll on all items |
| Monitor | Peter Barker assisted by Julieanne Mills |
| Pre AGM Meeting? | Yes with Chair Stephen Johns and Robert Gerard, Company Secretary |

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| Item 1 | Consideration of accounts and reports |
| ASA Vote | No vote required |

Summary of ASA Position

Brambles is now a “streamlined” business after 5 years of divestments. The sale of IFCO in May 2019 completes this program. (Note that the impact of the various divestments makes it difficult to make a year-on-year (YoY) comparison of the financial figures.)

Brambles realised US\$2.5 bn from the sale of IFCO (a global supplier of reusable plastic packaging) which Brambles had acquired in 2010. The Board has decided returning \$US1.95 bn to shareholders through an on-market share buyback amounting to \$US1.65 bn (commencing in June 2019) and the remainder by way of a cash return to shareholders of \$A0.29 per share. The remainder of the sale proceeds was used to pay down debt.

Underlying Profit is down 3% YoY at approximately US\$804m. Net debt at US\$98m has been reduced considerably from US\$2.3 bn the previous year (mainly due to the proceeds of the IFCO sale).

The operating environment in FY19 saw inflationary pressures and macroeconomic uncertainty around: trade, Brexit, the changes in retail and e-commerce, the rising costs of timber and transport and a reduction in automotive growth. There is some emerging market growth but overall growth remains subdued at 4-6%.

The CEO Mr Chipchase continues to have a non-executive director (NED) role with AstraZeneca, a biopharmaceutical company based in Britain. He is also Chair of the remuneration committee of that company. The practice of a CEO holding directorships outside their broader company organisation is not favoured by the ASA. We raised this again this year when we met with the Chair who defended the situation saying it provided experience and a broader outlook.

A fatality at a Brambles plant in Spain in July 2019 saw a 10% reduction in the awarding of Short Term Incentives (STI) for the CEO in 2019.

Dividends in 2019 were constant at A\$0.29. Commencing FY2020 BXB will introduce changes to its dividend policy to target a payout ratio 45-60% of Underlying Profit (after finance costs and taxation) with the dividend declared in US currency and paid in AU cents. The Board recognises that this will lead to increased volatility in dividends provided to Australian shareholders. This will also affect volatility of Total Shareholder Return (TSR).

A class action lawsuit is currently underway against Brambles following performance down grade announcements. The court has ruled that two separate actions on the same matter be combined. The company is confident that it can successfully defend the action.

Summary

| (As at FYE) | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------|---------|---------|---------|---------|
| NPAT (US\$m) | 508 | 986 | 771 | 915 | 942 |
| UPAT (US\$m) | 804 | 826 | 958 | 995 | 987 |
| Share price (A\$) | 12.88 | 8.88 | 9.91 | 12.39 | 10.5 |
| Dividend (A\$ cents/% franking) | 29c/47.5% | 29c/30% | 29c/30% | 29c/25% | 28c/30% |
| TSR (%) | 48 | (5.8) | (22) | 20 | 18.4 |
| EPS (A\$ cents) | 47.3 | 55.6 | 50.0 | 53.3 | 51.9 |
| CEO total remuneration, actual (US\$m) | 2.57 | 2.5 | 1.1 | 6.1 | 6.1 |

For 2019, the CEO's total actual remuneration was **42 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics and using \$US/\$A exchange rate of 0.7 average for FY19).

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| Item 2 | To Adopt the Remuneration Report for Brambles and the Group for year end 30 June 2019 |
| ASA Vote | Against |

Summary of ASA Position

ASA has history of voting against the remuneration report for various reasons. In 2017 there was a protest vote which resulted in a near strike of 23.3% against. Last year, changes introduced resulted in a very strong vote to accept the remuneration report. Further changes have been introduced this year.

The 2019 Annual Report shows the remuneration mix for the leading executives. The CEO and CFO receive short term incentives (STI) of up to 183% of base salary and long term incentives (LTI) of up to 130% of base salary. Other executives have different mixes, reflecting position and locality (to conform to host country regulations).

The following table summarises the CEO remuneration based on 100% of incentives being applied.

Remuneration Framework for CEO

| | Max. Opportunity \$m | % of Total | % of Fixed Rem |
|-----------------------------|----------------------|------------|----------------|
| Fixed Remuneration (USD) | 1.75 | 24% | 100% |
| STI – cash (USD) | 1.58 | 22% | 91.7% |
| STI - deferred equity (USD) | 1.58 | 22% | 91.7% |
| LTI – equity (USD) | 2.28 | 32% | 133.3% |
| Total (USD) | 7.18 | 100% | 417% |
| Total (A\$ @ US\$ 0.7) | 10.26 | | |

The facts and figures mentioned above are derived from the remuneration report published in the 2019 Annual Report. There appears to be no target level for total remuneration. These facts and figures have not been confirmed with Brambles Limited at the time of publishing.

The STI is split 50/50 between stock and cash with the vesting of the shares deferred 12 months with the stated objective of aligning executive interests with those of shareholders for 2 years beyond when the award was granted. STI is awarded based on Underlying Profit (50%), cash flow (30%) and personal objectives (20%) (safety, customer satisfaction, employee engagement and business strategy/growth).

The LTI continues to be based on a 3 year performance period, not meeting ASA guidelines of a minimum of 4 years. However, for LTI awards will now have a one year holding lock. LTI is awarded 50/50 on relative TSR and on a mix of sales revenue CGAR (compound annual growth rate) and ROIC (return on capital invested). The TSR component is measured against both the ASX100 and MSCI World Industrials. Half of the TSR component will vest if the BXB TSR is equal to the median ranked company, and 100% will vest for the achieving the 75 percentile (pro-rata in between). The growth component is determined by a performance matrix shown in the 2019 Annual Report. To achieve 100% requires ROIC of at least 19.5% and Sales Revenue CAGR of 4%, or ROIC at least 18% and Sales Growth of 6%

TSR LTI awards are considered to be too high and to vest too quickly, i.e. 50% vesting if the TSR equals the median ranked ASX/MSCI 100 and 100% by 25% over-performance. Additionally, should absolute TSR be negative, LTIs are still payable if performance hurdle is met. The company, like many, believes in aligning with comparator groups as it states TSR can be totally market driven.

On top of generous Fixed Remuneration, the potential magnitude of the variable pays (ie STI and LTI) appears excessive. The maximum opportunity for the CEO is 310% of fixed remuneration, (180% STI at max including cash plus shares plus up to 130% LTI in shares). The CEO remuneration is calculated and paid in sterling, whilst Brambles functional currency is US\$ hence the annual report is reported in US\$. For the purpose of Australian shareholders comparing the company’s remuneration with the other ASX listed companies, the CEO’s FY19 payment was equivalent to A\$3.68 m

There is no increase in base fees for NEDs proposed for 2020. However, a review has led to an increase in the annual supplemental fee for members of the Audit and Remuneration committee from A\$10,000 to A\$25,000. The remuneration report of 20 pages has extensive disclosures but complexity of the different incentive plans makes it difficult for a retail shareholder to understand. However, Brambles is a global company and its remuneration report, like its business is complex and reflects requirements of Corporations Law and AASB standards.

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| Item 3 | Election of Mr James Richard Miller |
| ASA Vote | For |

Mr Miller was invited to join the Board in March 2019 because of his extensive experience in digital technology applied to supply-chains. He has had senior executive roles with Google, Amazon and Cisco. He is currently in the role of interim Chief Technology Officer of an American company, pending the appointment of a permanent executive. He is a resident of the USA, giving him closer view of technology developments.

The ASA considers he brings to Brambles specific technology skills and connections in the supply and positioning of assets. The ASA supports his election as an Independent NEDs.

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| Item 4 | Re-Election of Mr George El-Zoghbi |
| ASA Vote | For |

Mr El-Zoghbi joined the Brambles Board in January 2016. He is a resident of the USA where he is currently a Director and advisor to of Kraft Heinz and advisor to Altimetrika, a US digital and IT solutions company. He is seen as having extensive experience in supply chain and international packaged goods, the latter being a major requirement of BXB's customers.

The ASA supports his re-election as an Independent NED because he brings relevant experience and skills to the Board.

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| Item 5 | Re-Election of Mr Anthony Grant Froggatt |
| ASA Vote | For |

Mr Froggatt has been a Director since June 2006. He was employed in sales, marketing and general management roles with major consumer companies and has been a Director of other consumer orientated companies. He is seen as having skills and experience beneficial to the Board. He is currently the Chair of Brambles Remuneration Committee.

The ASA does not consider him independent as he has served for 13 years. He has indicated that if elected to a further term of 3 years, he intends to retire during this period. With the Board Chair retiring during the next 12 months, we understand that his continuation on the Board will facilitate this transition.

The ASA is inclined to support his Board re-election, given that the majority of the Directors are considered independent and for the transitioning of the Chair role. At the AGM, we will be asking the Chair for the Board to consider appointing a new remuneration chair.

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| Item 6 | Amendments to the Brambles Limited Performance Share Plan |
| ASA Vote | For |

Summary of ASA Position

Amendments to the current performance share plan include: a one year holding lock on LTI awards and payment of dividends on STI awards which have vested but which are subject to the Holding Lock. Dividends may be in either cash or shares. The Holding Lock of twelve months does lead to increased alignment with shareholder interests but does not increase the vesting period beyond 3 years as sought by ASA. ASA objection to the 3 year vesting period is reflected in the Against position for the remuneration report. It does not appear unreasonable to grant dividends to shares which have vested but are held locked. Overall ASA supports this proposal.

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| Item 7 | Participation of Executive Director Mr Graham Chipchase in the performance Share Plan or Amended Performance Share Plan |
| ASA Vote | Against |

Summary of ASA Position

This is to permit Brambles issuing Performance shares in FY20 under the existing plan, or the amended plan if shareholders accept the previous item (Item 6). As per commentary above we believe the plan is overly generous and do not support it.

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| Item 8 | Participation of CFO Ms Nessa O'Sullivan in the performance Share Plan |
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| | or Amended Performance Share Plan |
| ASA Vote | Against |

Summary of ASA Position

This is to permit Brambles issuing Performance shares in FY20 under the existing plan, or the amended plan if shareholders accept the previous item (Item 6). As per commentary above we believe the plan is overly generous and do not support it

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| Item 9 | Participation of Mr Graham Chipchase in the MyShare Plan |
| ASA Vote | For |

Summary of ASA Position

Brambles has an employee share plan, MyShare, to encourage share ownership by employees. After a 2 year qualifying period, employees may buy BXB shares in value to up to A\$6,000 each year and BXB will match the purchase on a one-for one basis. This proposal is to enable the CEO to participate in the share plan.

As all other executives are currently entitled to participate in the share plan, there is no valid reason to make an exception and exclude the CEO. Accordingly, the ASA supports the proposal.

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| Item 10 | Capital Return |
| ASA Vote | For |

Summary of ASA Position

The Board is proposing to return capital to shareholders and is seeking shareholder approval for this. If accepted, of the US\$2.5 bn from the IFCO sale proceeds, US\$300 m would be distributed to shareholders in the form of AU 12 cents per share capital return and AU 17 cents per share special dividend, a total distribution of AU 29 cents per share. Based on projections, the Board considers the company does not have need for the extra capital resulting from the IFCO sale earlier this year. If approved, payment to shareholders would be on 22 October 2019.

The ASA supports this proposal. Brambles is to be commended for deciding to return capital to shareholders where there is no beneficial use for surplus funds.

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| Item 11 | Extension of On Market Buyback from 10%-15% |
| ASA Vote | For |

Summary of ASA Position

Another use of the IFCO sale proceedings decided by the Board, was to conduct an on-market buy-back of Brambles shares up to the value of US\$1.65 bn or 10% of outstanding shares. This buy back commenced in June 2019 and is continuing. The Board is now seeking shareholder approval, as required by the Corporations Act, to increase the buy-back to up to 15%

For reasons cited above under Item 10, the ASA supports this proposal.

The individuals (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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