

“Shaping Our Future” is taking a distinct shape

Company/ASX Code	Brambles/BXB
AGM time and date	2.00 pm AEDT Thursday, 24 October 2024
Location	Doltone House Hyde Park, 3/181 Elizabeth Street, Sydney NSW 2000
Registry	Boardroom
Type of meeting	Hybrid. Electronic voting at www.votingonline.com.au/bxbagm2024
Monitor	Roger Ashley assisted by Thivyan Aravin
Pre-AGM Meeting	Yes with Chair John Mullen, Chair Remuneration Committee Scott Perkins and Director Investor Relations Suk Hee Lee

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2	Adoption of remuneration report	For
3	Re-election of Director: Ms. Elizabeth Fagan	For
4	Amendments to and issue of shares under the Brambles Limited Performance Share Plan	For
5	Participation of Executive Director in the Performance Share Plan or the Amended Performance Share Plan	For
6	Issue of Shares under the Brambles Limited My Share Plan	For

2. Summary of Issues and Voting Intentions for AGM

- ASA has a history of voting against the remuneration report. Last year the following was noted: “We will be voting in favour of the remuneration report, however for the future, we look for greater weighting to the long-term awards, and greater disclosure of personal incentives measurement associated with the short-term incentives.” Given that the concerns expressed in the last two Voting Intentions remain extant, our decision to vote for the remuneration report is borderline.
- On a positive note, the current management of the company appears proactive and innovative and is to be commended for its actions to promote sustainability in its operations. The “Shaping Our Future” strategy seems successful and augurs well for the future.

3. Matters Considered

Accounts and reports

A stellar year with the Covid era headwinds effectively behind it as evidenced by a reduction in pallet hoarding and a successful ongoing “Shaping Our Future” program delivering digitally enhanced productivity gains. The company appears to have a competitive advantage through continuing to implement digital tracking of pallets allowing timely data on the progress of shipments and reducing pallet losses. The improved operational environment resulted in a 7% increase in sales revenue, a 17% increase in underlying profit and a 20% return on capital invested.

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (US\$m)	779.9	713.2	593.3	522.6	448.0
UP (EBIT) (US\$m)	1262.2	1067.0	930.0	874.6	799.4
Share price (A\$)	14.53	14.41	10.71	11.44	10.87
Dividend (A\$ cents ¹)	52.0	39.5	32.2	27.2	25.9
TSR (%) ²	4.4	38.2	(3.6)	7.7	(13.5)
EPS (US\$ cents)					
Basic	56.1	47.3	41.9	35.4	28.9
Underlying profits ³	56.1	51.4	41.9	37.6	32.8
CEO total remuneration, actual (US\$m) ³	5.86	4.68	5.17	5.40	2.67

Notes

1. From 1 July 2019 dividend policy changed to \$US and the figures shown are the \$A equivalent amount paid sourced from Brambles’ website. The 2020 amount does not include a special dividend representing a return of capital.
2. TSR calculated using difference in opening and closing share price and \$A dividend declared for the year.
3. Excludes discontinued operations.

Key events

On 21 August 2024 the company announced a share buy-back of up to 1,392,669,735 fully paid ordinary shares on market with a proposed end date of 30 June 2025.

Key board or senior management changes

On 30 September 2024 Brambles announced that Helen Lane, currently Brambles’ Chief Digital Officer, had been appointed CEO of CHEP Europe, effective 11 November 2024. Helen will be succeeded by Louise Herring, currently a partner at McKinsey in London, who will join Brambles as Chief Digital and Strategy Officer and become a member of Brambles’ Executive Leadership Team on 11 November 2024. In her time at McKinsey, Louise was an adviser to Brambles between 2021 and 2023.

Sustainability/ESG

Brambles' sustainability measures include the achievement of carbon neutral scope 1 & 2 emissions by 2025 and realistic plans in place to reduce total net emissions to net zero by 2040. Timber for pallets is sustainably sourced.

Time magazine ranked Brambles #4 in its World's Most Sustainable Companies list in 2024.

ASA focus issues (not discussed above or under remuneration report or re-election of directors)

Building better oversight – directors and boards

- As is not uncommon, the director's Skills Matrix does not identify the skills of individual directors. Each director should bring a particular skillset to a board, but boards should also have more than one director with direct relevant industry experience. The board skills matrix can help the board and shareholders identify any gaps in its collective skills, as well as enhancing shareholder confidence in determining how to vote on director election and re-election.
- The Chairman, John Mullen is the chairman of three companies (Brambles, Qantas and Treasury Wine Estates) and a non-executive director of Brookfield Infrastructure Partners. In responding to a question pointing out that this workload is not supported by ASA guidelines he indicated that he felt he was comfortable with his current workload.

4. Rationale for Voting Intentions

Resolution 2 Adoption of remuneration report (for)

While fixed remuneration does not seem unreasonable by comparison with companies with a similar market capitalisation, we do have issues with the quantum of short term incentives (STI) compared to fixed remuneration and potential long term incentives (LTI). The LTI includes a Relative Total Shareholder Return hurdle with 50% vesting at the 50th percentile rising to 100% at the 75th percentile. We have long maintained that long term incentive (LTI) awards based on a relative TSR hurdle should not commence unless performance is above the 50th percentile of the peer group over a minimum 4-year period. Our preferred position is 30% vesting at the 51st percentile, rising with a sliding scale of 2% vesting for each additional percentile such that only CEOs whose companies exceed the 85th percentile will receive 100% of the potential award.

We are also concerned at the apparent latitude that the Board has in adjusting both STI and LTI incentive criteria and the lack of quantification of the components of the STI.

The company is seeking shareholder approval to lift the maximum value of the aggregate share awards (STI and LTI) in a financial year from 250% of base salary to 350%. It should be noted, however, that this latter amount is not significantly more than maximum opportunity shown in Appendix 1. The reason given for this increase is that with extensive US operations the incentive scheme must take into account the US remuneration environment.

Details of the remuneration scheme are shown in Appendix 1.

Resolution 3 Re-election of Director: Ms. Elizabeth Fagan (for)

Ms. Fagan was appointed to the board in 2018. She is currently Chairman of D2N2 Local Enterprise Partnership. She has had extensive experience both operationally and at board level with Boots in the United Kingdom.

Resolution 4 Amendments to and issue of shares under the Brambles Limited Performance Share Plan (for)

This resolution essentially seeks shareholder approval to lift the maximum value of the aggregate share awards (STI and LTI) in a financial year from 250% of base salary to 350%.

Resolution 5 Participation of Executive Director in the Performance Share Plan or the Amended Performance Share Plan (for)

ASX listing rule 10.14 requires shareholder approval for the acquisition of securities under an employee incentive scheme by a Director. The rationale for the vote on this item is driven by the composition of the remuneration report. The CEO will participate in either the Performance Share Plan or the Amended Performance Share Plan depending on the outcome of the vote on Resolution 4.

Resolution 6 Issue of Shares under the Brambles Limited My Share Plan (for)

The employee share plan encourages share ownership by employees whereby the company matches purchases of shares on a one-for-one basis up to \$6,000 per annum. Approval to issue these shares is sought so as not to constrain the company from issuing shares for other reasons under ASX listing rule 7.1.

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Appendix 1

Remuneration framework detail

CEO Remuneration Structure

	Target \$USm	% of Total	Max. Opportunity \$USm	% of Total
Fixed Remuneration ²	1.514	34%	1.514	23%
STI - Cash	0.908	20%	1.363	21%
STI - Equity	0.908	20%	1.363	21%
LTI	1.173	26%	2.347	35%
Total	4.503	100.0%	6.587	100%

NOTE:

1. The table above is based on the actual remuneration structure in place in the year ended 30 June 2024.
2. The CEO's base salary was GBP 1.251m as at 30 June 2024 converted at GBP1=\$US1.211

The following summarises the remuneration incentive awards with the numbers in brackets relating to pages in the full year accounts.

□ STI:

- 50% payable in cash; 50% in equity 2 years after vesting (56).
- 40% underlying profit; 30% cash flow from operations; 30% personal objectives (60)
Components of corporate objectives shown but not quantified on p60. Non-financial awards at Board's discretion (57)
- Target award 120% of base salary; maximum award 180% of base salary: half in cash, half equity (60).
- Equity award calculated using face value as approved by ASA (73)
- Corporate objectives based on a "threshold" that is deemed to be an improvement over prior year results (57). Performance can be at "threshold", "target" and "maximum" (58) and are described but not quantified on pp58 or 60.
- Personal objectives unquantified (57,60)

□ LTI:

- 25% RTSR vs. "constituents" of ASX100 index: 25% RTSR against "constituents" of 50 MSCI; 50% vs. Sales revenue CAGR/ROCI matrix (56)
- 3 year term with further 1 year holding lock (56)
- Equity award calculated using face value as approved by ASA (73)
- RTSR vesting: 50% at 50th percentile rising to 100% at 75th percentile (58)

- Sales revenue CAGR/ROCI matrix set annually (58). ROCI is defined as Underlying Profit divided by Average Capital Invested. The matrix numbers for the next year's LTI award extends from 5-9% Sales revenue CAGR and a ROIC from 20% to 23% (65). The matrix is subject to adjustment for acquisitions, divestments. Impairments and significant items (65)
- Target award 77.5% of base salary; maximum award 155% of base salary (60).