

Brambles “win-win” contracts driving stronger performance.

Company/ASX Code	Brambles/BXB
AGM time and date	2.00 pm, Thursday, 12 October 2023
Location	The Pearl Ballroom, Crown Sydney, Level 5, 1 Barangaroo Avenue, Sydney
Registry	Boardroom
Type of meeting	Hybrid
Monitors	Michael Batchelor, John Price
Pre-AGM Meeting	Yes with Chair John Mullen, Chair Remuneration Committee Scott Perkins and Director Investor Relations Suk Hee Lee

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have shareholdings in this company.

1. Summary of Issues

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.

2. How we intend to vote

No.	Resolution description	Vote
2	Adoption of Remuneration Report	For
3	Election of Director - Ms Priya Rajagopalan	For
4	Re-Election of Director - Mr Ken McCall	For
5	Re-Election of Director - Mr John Mullen	For
6	Re-Election of Director - Dr Nora Scheinkestel	For
7	Participation of Executive Directors in the Performance Share Plan - Mr Graham Chipchase	For
8	Participation of Executive Directors in the Performance Share Plan - Ms Nessa O’Sullivan	For
9	Participation of Executive Director in the MyShare Plan - Ms Nessa O’Sullivan	For

3. Matters Considered

Accounts and reports

BXB reported a strong FY23 result. The company achieved a sales revenue growth of 14% and an underlying profit growth of 19%, largely driven by improved contract pricing. However, the company also faced some challenges, such as higher input costs, currency headwinds, and lower

volumes in some markets due to pallet availability constraints particularly in 1H23, softness in underlying demand and some destocking in 2H23. The company reported that inflation moderated in the second half with lumber price rises moderating. Overhead investments in growth initiatives increased US\$31.0m reflecting investments in digital transformation including initiatives to support asset productivity, and customer experience.

The company announced a dividend of 21.83 cents (A\$) per share franked at 35%.

The company has a strong sustainability focus through reusable and repairable pallets, its use of plantation timber and its operationalising of annual supplier certification (perhaps one of Brambles most vulnerable ESG points in its supply chain).

Brambles provided FY24 guidance at constant currency as follows:

- Revenue growth of between 6-8% with operating leverage;
- Underlying Profit growth of between 9-12%; and
- Free Cash Flow before dividends of between US\$450-US\$550m.

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (US\$m)	703.3	593.3	522.6	448	1467.7
UP(EBIT) (US\$m)	1067	930	874.6	799.4	803.7
Share price (A\$)	14.41	10.71	11.44	10.87	12.88
Dividend (A\$ cents ¹)	41	32.2	27.2	25.9	29
TSR (%) ²	38.4	-3.6	7.7	-13.5	48.3
EPS (US\$ cents) Basic ³	46.6	41.9	35.4	28.9	92.1
Underlying profits	50.7	41.9	37.6	32.8	31.9
CEO total remuneration, actual (US\$m)	5.5	5.484	5.4	2.67	2.58

Notes

1. From 1 July 2019 dividend policy changed to \$US and the figures shown are the \$A equivalent amount paid. The 2020 amount does not include a special dividend representing a return of capital.
2. Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.
3. 2023 "EPS Basic" excludes discontinued operations.
4. The currency conversion rate used by the company is \$A1=\$US0.6413

Remuneration Report

The three components Base Remuneration (Super, Car, Medical insurance, and some others), Short Term Incentives (STI) and Long-Term Incentives (LTI) are expressed in the framework table for the CEO in the appendix below. Brambles annual report outlines that Base remuneration has

been fixed for the next two years for the Executive Leadership Team (ELT). However, LTI has been increased by 25%. We regarded this move positively as it creates focus on medium term results for shareholders.

Brambles state that in the annual report that regular reviews of remuneration take place and the aim is that incentive plans “do not reward conduct that is contrary to the Brambles Code of Conduct, shared values, and risk appetite (non-financial risks.)

Brambles like many top 200 companies highlight the relatively low proportion of fixed to variable remuneration paid to the CEO, 35% in this case. However, for shareholders this promoting of low percentage base remuneration to total remuneration can be frustrating and somewhat misleading. This is because base remuneration continues to grow and total remuneration grows by expanding STI and LTI. The key issue relates to the targets set by the company and does STI and LTI align to the contribution by the ELT. If the ELT achieves all or most of their bonus due to modest company growth, is this serving the best interests of shareholder?

Be that as it may the Brambles Remuneration strategy which takes into consideration market variances in different geographies, appears well structured and in line with similar sized organisations. We noted that the award of LTI fully vested bonuses in 2023 resulted from achievements since 2020 measured against Total Shareholder Return (TSR), Sales revenue compound average growth rates (CAGR) and Return on Capital. What we would hope to see going forward is an increase in LTI as a percentage of Total Remuneration which would provide some comfort to shareholders that the ELT are fully results driven.

We note that ELT personal objectives for measurement represented only 30% of STI. At the pre-AGM meeting, we were assured that such personal incentives did exist not only the broader financial and non-financial objectives: Asset Efficiency, Safety, Customer Satisfaction, and Transformation objectives. We were advised that each executive has specific measurable objectives related to their own part of the business. We encourage greater disclosure of personal incentives measurement.

In the 2022 Monitor report reference was made to the way vesting of incentive shares takes place. For those interested in further details on remuneration please refer to the Brambles Annual Report which has an extensive section on remuneration with details of the approach taken by the Remuneration Committee.

Key board or senior management changes

Brambles CEO, Mr Graham Chipchase, and Ms Nessa O’Sullivan, Brambles Chief Financial Officer since 2016, informed the Board in February of her intention to step down as Chief Financial Officer and as a Director of Brambles. As announced on 30 August 2023, Nessa will retire as a Director at the conclusion of the 2023 AGM and Mr Joaquin Gil, currently Deputy CFO of Brambles, will succeed Nessa as Chief Financial Officer on 13 October 2023. She will cease employment with Brambles on 31 January 2024, to assist in the handover. Under Resolution 9, the Board is seeking Shareholder approval for her continued participation in the MyShare Plan, the Brambles employee share plan up to that date.

Brambles are seeking to elect Ms Priya Rajagopalan to the Board. She has been a member of the Board since November 2022, and being eligible, offers herself for election. ASA will ask that she presents her credentials for appointment at the AGM.

The Notice of Meeting presents Priya's biography. She is currently Chief Product Officer for FourKites, a leading logistics technology firm based in Chicago, USA, which provides real-time supply chain visibility solutions to its global customers. Priya was a founding product leader of FourKites and has led its product and sales growth strategies since 2016. She has over two decades of experience in product management, marketing and strategy, most recently in digital platforms for global supply chains.

The ASA considers that she has a strong CV covering digital supply chain management and experience in Brambles largest market, the Americas. We intend to vote for her election to the board.

4. Rationale for Voting Intentions

Resolution 2 Remuneration Report FOR

ASA considers the Brambles Remuneration strategy, which takes into consideration market variances in different geographies, appears well structured and in line with similar sized organisations.

Resolution 3 Election of Director FOR

The ASA considers that Ms Priya Rajagopalan has a strong CV covering digital supply chain management and experience in Brambles largest market, the Americas.

Resolution 4, 5 and 6 Re-Election of Directors FOR

Brambles appears to be a well governed company with the Board managing to keep itself across operations covering a large geographic footprint. ASA believes that there are particular risks in operating such a diverse business particularly in jurisdictions with different cultures, business practices and standards. In its meeting with the Chair, ASA was left with the impression that the Board is well aware of those risks and actively takes steps to familiarise the directors with its diverse operations and mitigate the inherent risks of this sort of global business.

Resolution 7 and 8 Participation of Executive Directors in the 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. ASA considers both Mr Graham Chipchase and Ms Nessa O'Sullivan have performed well and Ms O'Sullivan is a "good leaver."

Resolution 9 Participation of Executive Director in the MyShare Plan FOR

This Resolution is considered largely administrative with the sunset of the approval of the participation by Ms O'Sullivan in the MyShare Plan on 8 October 2023. ASX Listing Rule 10.14 requires shareholder approval of the issue of securities under an employee share scheme to a Director.

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Appendix 1

CEO Remuneration framework detail (Note currency GBP)

2023	Target \$	%	Max Potential \$	%
FR GBP (converted)	1,251,500	35%	1,251,500	24%
STI Cash	750,900	21%	1,126,350	22%
STI deferred equity	750,900	21%	1,126,350	22%
LTI	813,475	23%	1,626,950	32%
Total	3,566,775	100%	5,131,150	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.