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## Conference Call Transcript

**BXB.AX - Brambles Limited Annual General Meeting**

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Nov 10, 2011 / 03:00AM GMT, BXB.AX - Brambles Limited Annual General Meeting

## CORPORATE PARTICIPANTS

**Graham Kraehe***Brambles Limited - Chairman***Tom Gorman***Brambles Limited - CEO***Luke Mayhew***Brambles Limited - Chairman of the Remuneration Committee***Greg Hayes***Brambles Limited - CFO***Stephen Johns***Brambles Limited - Director***Tony Froggatt***Brambles Limited - Director*

## CONFERENCE CALL PARTICIPANTS

**Mary Curran***Australian Shareholder's Association***Jack Tilburn***Shareholder***Peter Graham***Shareholder***Yvonne Chang***Shareholder***Bruce McGilvray***Shareholder***Kevin Daly***Shareholder***Ron Davies***Shareholder*

## PRESENTATION

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**Graham Kraehe - Brambles Limited - Chairman**

Good afternoon ladies and gentlemen. My name's Graham Kraehe. It's my pleasure to be your chairman today. Also it's my pleasure to welcome you to this, the 2011 Brambles AGM, and to declare it open. There are copies of the annual review and notice of meeting on your seats and copies of the minutes of the last AGM were out in the registration area. So with your agreement, I propose to take the notice of meeting as read. Happy with that? Thank you.

I'd now like to introduce your directors and from my far left; Brian Schwartz, then Tony Froggatt, Greg Hayes, our chief financial officer, Tom Gorman, chief executive officer. From my far right Stephen Johns, chairman of the audit committee, Carolyn Kay, Luke Mayhew, chair of the remuneration committee; and on my immediate right when he comes back is Robert Gerard, the company secretary. Mark Dow from our external auditor is with us in the audience. Mark's right in front and he's available if any shareholders wish to ask him any questions.

We'll be holding a poll on all the resolutions before this meeting and I now open the poll. Any shareholders who leave early may place their completed voting cards in the ballot boxes which are by the exit doors. I'll explain the voting procedure when we reach the formal part of the meeting. After I've spoken I'll hand over to the CEO to provide a detailed update on trading and strategy. Luke Mayhew will then talk briefly about our remuneration strategy. I'll then respond to shareholder questions before we move to the formal items of the business.

As we stated in the annual report, our focus really is on three key areas. Firstly, delivering on our near-term objectives. Second, making continuing investments in our future. Thirdly, implementing our long-term strategic plan. I'm going to talk a bit more about each of these areas

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and say at a high level we're making very solid progress against all of them. So first, delivering on our near-term objectives and specifically financial performance for the year ended 30 June 2011. We were in line with expectations. We delivered increased sales revenue and profit, with a big contribution from the acquisition of IFCO Systems, but also from new business wins in the CHEP and the Recall businesses. Group sales revenue was up 13% to \$4.7 billion and that included a three month contribution from IFCO, which we acquired effective 31 March 2011.

Operating profit was up 12% to \$809 million. Underlying profit and that excludes the significant items which were associated with the acquisition and integration of IFCO, was up 17% to \$857 million. In constant currency terms after adjusting for the positive translation impact of the weak US dollar, underlying profit was up 12%. We paid a final dividend of AUD0.13, taking total dividends declared for the 2011 financial year to AUD0.26. That was up AUD0.01 or about 4% on the prior year. Our second area of focus is investing in our future. During that 2011 financial year, we invested in business development and innovation opportunities throughout the company. We made several acquisitions to complement our organic growth strategy.

Clearly the most significant of these acquisitions was IFCO which positions Brambles as the leading global provider of reusable crates for the fresh produce sector. Those crates are known as RPCs, returnable plastic crates. This complements our position as the global leader in pallet pooling. The growth prospects in RPCs are strong as retailers move to increase the efficiency and sustainability of their supply chains and essentially replace one-way cardboard with recyclable and returnable plastic. The third area of focus which is our long-term strategy, we also made considerable progress in 2011.

The board has been very actively involved in strategy development, which has been a key part of our agenda over the last year, and in April, following a detailed review, we formalized our strategic plan. The strategy's quite straightforward, to grow into more customer segments by diversifying our range of products and services and by expanding into emerging markets and those that are underpenetrated such as RPCs in the USA. The CEO, Tom Gorman, and his team are now focused on implementation and again we're making good progress. He'll talk in more detail about our momentum in a few minutes. In August, we concluded that we should focus exclusively on building our strength in pooling solutions, in which we have unparalleled global reach and expertise.

The compelling growth opportunities in the pooling business support a single focus for Brambles. So we've announced our intention to divest our information management business, Recall. It's important that I make it clear to you that Recall is a strong business; it's got a robust growth profile and that's consistently improved its returns over the past three years. But we believe the opportunities in pooling are more compelling and given our unique expertise, our financial strength and importantly the superior returns that are available in pooling.

So preparation for the sale of Recall is well-advanced. Indicative interest from both private equity and strategic buyers is high. And we intend to launch the formal sales process by the end of November, provided that international debt markets continue to be sufficiently stable to enable bidders to secure finance. Proceeds from the sale will provide us with significant financial flexibility. It will allow us to reduce our debt within our targeted limit of less than 1.7 times net debt to EBITDA and support the funding of growth in the pooling business. We'll direct any excess funds towards capital management initiatives. So to help explain our strategy in a little more detail, provide shareholders with additional information about our direction, we've developed a strategy scorecard and a dedicated online annual review and results center for the 2011 result. I know many of you have already looked at it. If you haven't, I encourage you to do so.

The materials we published this year included a key sustainability topic matrix to assist in reporting against our strategy for sustainability, and that's an area in which we continue to progress. During 2011 we reviewed our sustainability strategy, introducing a focus on the customer, alongside our pre-existing themes of people, environment and community. In safety, we remain absolutely committed to our goal of zero harm and we continue to roll out our three-year strategy for further improving overall safety performance. That safety performance exceeded our 15% improvement target during 2011.

I'll now talk about a few of the governance issues in a little more detail. As you know, the board continues to meet in key operating regions so directors can meet with staff and customers. During the 2011 year we met in Australia, in Europe, in US and in China. Talking about the board, in February 2011 John Mullen resigned after accepting an executive position at another company. I need to tell you we're currently very well-advanced with an international search for new non-executive directors and we expect to be able to make further announcement soon. These appointments really have the objective of enhancing the breadth of our supply chain and logistics expertise on the board, and also to improve board diversity. Tony Froggatt retires by rotation today and is standing by re-election. You'll be asked to vote on that a little later.

A key focus for the board has been talent development and we continue to monitor the approach to talent development and the management succession planning. I think it's very important that I'm able to report to you that the re-organization of our management structure which was announced in August, that in that a number of the next generation leaders who have been through our management development programs received greater responsibilities and promotions. Ladies and gentlemen, Brambles is today in a position of strength. We issued this morning a trading update for the first quarter of the 2012 financial year. We reiterated our profit guidance for the full year.



Our strategy of diversifying our product and service range, expanding to new and under-served geographies is allowing us to continue to deliver sales growth despite what are challenging economic conditions in many of the major countries in which we operate. Despite those continued subdued economic conditions, Brambles is on track to deliver underlying profit performance for the 2012 financial year within its guidance range, which was \$1.04 billion to \$1.1 billion. That's at 30 June 2007 exchange rates. Subject to unforeseen circumstances and of course ongoing global economic uncertainty.

I'd like to thank you and all of our shareholders for their ongoing support, as well as the 17,000-odd Brambles employees worldwide, Tom and his management team, and of course to my fellow directors. I'll now ask the CEO, Tom Gorman, to give you a more detailed update on our strategy, the implementation of the strategy and some of our operations. Thanks Tom.

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**Tom Gorman - Brambles Limited - CEO**

Well thank you very much Graham. Ladies and gentlemen, I'm very happy to be here once again to address you at this, which is my third AGM as CEO of Brambles. When I first addressed you in 2009, our focus was on dealing with issues that were holding us back, in particular quality and service challenges that we were facing in CHEP USA. We introduced the Better Everyday program, which is now more than halfway through its three-year implementation phase.

I'm very pleased to report to you that the Better Everyday initiative is in fact delivering for our customers and it is helping us win back business from our competitors. From this initial focus, we then moved to analyzing the global CHEP business, developing a strategy built on the understanding that we can deliver growth by leveraging our global pooling expertise. As I outlined to you at last year's AGM, fundamental to this strategy is diversification of our product and service range, as well as continued geographic expansion in new and emerging markets.

This strategic focus led us to acquire IFCO, the world's leading pooler of reusable crates to the fresh produce sector and also the largest operator of pallet management services in the United States. Integration of the business is progressing well and we have identified annualized synergies of \$40 million, which will be achievable in full by the end of the 2014 financial year. We recently delisted IFCO from the Frankfurt stock exchange and we presently own 99.6% of its shares. We expect to complete the mandatory buyout of the remaining minority shareholders by the end of this financial year.

Also, as you will be aware, we announced the decision to divest Recall in August of this year. This decision will allow us to focus fully on the growth opportunities that we have in pooling. We are now well into the execution phase of our strategy as a global pooling solutions company. Now, to support the delivery of our strategy, we announced at our full-year results in August that we would introduce a new management and reporting structure effective 1 October of this year. We are now reporting our results in line with our three product categories; pallets, RPCs and containers. This structure allows for greater focus and accountability in each of these three categories, which are all at different stages of their development.

In the pallets business, this also allows for the introduction of global leadership and disciplines for three core functional areas; logistics, operations and strategic marketing. We have already identified annual cost efficiencies of at least \$60 million within the global pallets business that we can realize by the end of the 2015 financial year. This saving is in addition to the \$40 million of synergies from the integration of IFCO. The transition to the new organization structure for our global pooling business is underway and work on delivering synergies is progressing according to our plans.

We are in an excellent position to implement our strategy because of our unique pooling expertise and the strength of our networks, the strength of our customer relationships and our strong financial position. Now, uncertain economic times call for responsible management. Responsibility means that we must continue to seek opportunities to make our operations leaner and more efficient. However, this does not mean that we sacrifice future development and profitable growth in the face of short-term pressures. As a company, we will remain committed to our growth strategy and we will continue to fund opportunities and initiatives that will make us a stronger company over the medium to long term. And we will do this at the same time as we drive efficiencies throughout the business. Let me now give you some examples of our strategic momentum, starting with our progress in diversifying our product and services range.

In our pallets business, we have transferred management of IFCO's pallet management services business which provides non-pooled pallet recycling and logistics services in the US. This business is now under the management of CHEP Americas. The IFCO pallet business allows us to offer our pallet customers in the US a more comprehensive service offering. At the same time, we continue to leverage the success of the Better Everyday program in the United States to partner more closely with our customers through a program that we call total account management. We are making similar progress in western Europe by expanding in countries in which we are under-penetrated. These are companies such as Germany, the Benelux region and Italy.

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Today we are benefiting from advocacy that we receive from key retailers such as Coop Italy. Across the CHEP pallets business in more developed countries, we continue to generate net new business wins by converting customers from non-pooled solutions despite the weak economic environments. For example, key wins or business expansion in western Europe thus far this financial year have included retailers Waitrose and the Home Retail Group in the UK, leading French dairy company Lactalis, leading skincare brand Nivia in Spain and Portugal and the Spanish Coca-Cola bottler Casbega. In RPCs, we have combined IFCO's and CHEP's operations worldwide under the leadership of IFCO's management team.

On an annualized basis, RPCs now represent 13% of our sales revenue compared with just 4% prior to the IFCO acquisition. We expect annual sales revenue growth in RPCs of at least 15% in each of the 2012 and 2013 financial years. Retailers in our core markets of North America and Europe continue to adopt RPC solutions, which deliver efficiency and sustainability advantage compared with one-way disposable packaging. Recent developments include major contract wins with SPAR in Austria and also in Canada, and in Canada leading grocery retailer which is Loblaw's. US retailer Safeway, which is rapidly converting many of its US stores to RPCs, is also rolling out our solution in Canada. Product innovation is another of our strengths in RPCs.

In addition to our standard crates for fresh fruits and vegetables, we have been rolling out specialized crates for berries, tomatoes, bananas and eggs. In the US, Kroger continues to implement many of these specialized solutions such as our berry crate. In the UK, Asda, a leading retailer which is owned by Wal-Mart, has started using our banana crate, as has Waitrose in the UK. We are also expanding geographically in RPCs. In central and eastern Europe we are expanding with retailers such as Carrefour, which is adopting our product for its operations in Turkey and Greece. In Latin America, key recent customer wins have been Cencosud in Argentina and Sonda in Brazil.

In addition to pallets and RPCs, the third main tranche of the expansion of our product and service offering is within containers. I talked at last year's AGM about our intention to expand our pooled container business to the automotive manufacturing supply chain in the United States. We have now established that business, winning contracts with customers including light industrial vehicle manufacturer Bobcat. In addition, we have begun early discussions with some of the major car brands about how we might serve them in the United States.

Our automotive container business in Asia also continues to grow strongly, and I am very pleased to announce that CHEP China has in recent weeks secured a contract to provide reusable automotive containers for the new production run of the new Mazda 3. This action further extends our relationship with Chang'an Ford Mazda's production facility at Nanjing, China. Meanwhile, our pre-existing automotive business in Europe and Australia delivered an improved result in the 2011 financial year. We also discussed at last year's AGM a small acquisition, Unitpool, which gave us an entry into the pooling of the containers that airlines use to carry cargo and baggage.

We have since acquired JMI Aerospace and Driessen Services, both of which maintain airline containers and other non-flight critical aviation equipment, as we put all of these business together to create a repair and service network. We are consolidating these operations with Unitpool under the CHEP Aerospace Solutions brand and we are optimistic about the opportunities for growth in this sector. This business is small today in the context of Brambles but it is growing strongly and the strength and experience of the Brambles group allows it to pursue new customers with confidence.

Elsewhere in the containers segment, we acquired CAPS, which is a US-based provider of containers that are used for the transport of bulk goods in the food, chemical and general manufacturing supply chains. This acquisition complements our intermediate bulk container businesses worldwide and provides a platform for growth in the North American markets.

CAPS is a fast-growing business, which has added key contracts with Unilever Food Solutions and Dr Pepper Snapple Group already thus far in the 2012 financial year. We expect sales revenue in the three growth focus areas for the containers business, which are again US automotive, bulk containers in the Americas and CHEP Aerospace - we expect revenue to double in each of the 2012 and 2013 financial years. As laid out in our strategy scorecard, the second key aspect of our growth is geographic expansion, geographic expansion in emerging markets such as Latin America, central and eastern Europe, the Middle East and Africa and of course emerging Asia.

This opportunity exists for all our products and services but there is particular opportunity for us to expand the CHEP pallet pooling service, creating a valuable option for customers that currently have only disposable one-way pallets available to them. We are experiencing double digit sales growth in these regions and we expect our aggregate annual sales revenue growth in pallets in the emerging markets to be at least 15% per annum in each of the next two financial years.

In these emerging markets, we are able to leverage our global relationships with major multi-national brands that help us establish a valuable footprint on the ground before we expand further into the local supply chain. This month, we announced our entry into seven new countries in central and eastern Europe. These include Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania and Serbia.

Supply-chain logistics infrastructure and practices are developing rapidly in these countries, which is leading to increased demand for CHEP to provide its pooled solution for pallets. We have also recently acquired Colgate-Palmolive as our latest major international customer in Turkey. Our momentum is equally strong in Latin America, where we added significant new contracts over the first three months of this financial year. These new contracts include major consumer goods brands such as PepsiCo in Brazil, La Costeña in Mexico, Unilever in Chile and Danone in Argentina.

Our product and geographic expansion initiatives share the characteristic of offering compelling opportunities for Brambles to leverage its intellectual property, brands and financial strength in sectors or regions that are today either under-served or not served at all by poolers. These initiatives complement the growth that we generate from adding new customers for our existing products, services and geographies. As with new customer segments, our principal source of sales growth comes from converting supply-chain participants that use disposable or one-way packaging solutions to our pooling model.

The ability to grow by converting unvented customers in this way is one of the strengths of the Brambles business at a time when the underlying economic growth that supports pricing or like-for-like volume increases is in fact somewhat subdued. We have announced organic growth capital investment of \$550 million aimed at expanding our RPCs and container businesses globally as well as our pallet businesses in emerging markets over the next two financial years, 2012 and 2013.

This is an addition to the normal capital expenditure to support growth from new business wins in our more developed businesses and in our day-to-day operations. Ladies and gentleman, there is no question that the growth opportunities in pooling justify a single business focus for Brambles. The proposed Recall divestment will support the growth initiatives I have discussed, all of which offer long-term return on capital investment commensurate with our developed markets pallets business of more than 20%. As the Chairman has already indicated, we intend to proceed with the sale process of Recall very soon. Regardless of the timing of the Recall sale, we will have sufficient committed funding sources to support the \$500 million of growth CapEx over the 2012 and 2013 financial years that I have just mentioned.

Before I close, let me quickly discuss the trading update we issued today, which showed that we are continuing to grow despite challenging economic conditions as a result of our ability to expand into under-served markets. In the first quarter of this financial year, our sales revenue was \$1.4 billion. This is an increase of 32%, or 27% at constant currency. The main drivers of our strong sales performance in the first quarter of this financial year were the contribution of the IFCO businesses acquired in March 2011, in addition to new business growth in emerging markets for the CHEP pallet businesses and expansion in the containers segment.

Excluding the contribution of acquisitions, sales revenue was up 9%, or up 4% at constant currency. The CHEP, IFCO and Recall operating brands continue to perform strongly, delivering increased sales revenue by adding new customers. Our strategy is underpinned by our ability to add new customers in new segments that are under-served by pooling solutions. We have enviable market positions and strong customer relationships. We have unrivalled intellectual property in pooling services and a robust financial profile with which to support our growth plans. Thank you very much for your time this afternoon. I will now hand back to the Chairman. Thank you.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you, Tom. The chairman of the remuneration committee is Luke Mayhew and I'm now going to ask him to speak to you about our remuneration policy and the key events for the remuneration committee during the past year. Thank you, Luke.

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**Luke Mayhew - Brambles Limited - Chairman of the Remuneration Committee**

Thank you Graham. Good afternoon ladies and gentlemen. Today what I want to do is I want to set out the objectives and structure of Brambles' remuneration policy, to summarize the outcomes and the decisions we made for 2011 and to talk through the changes we are seeking your approval for today. The objectives of the policy have remained unchanged. They've been unchanged for many years. The key is that the remuneration should attract and retain the right talent for the business, that how we remunerate should reinforce the business strategy and that we should pay for performance and results and the creation of shareholder value.

00 - not quite. So the first piece is fixed salary and benefits. That represents approximately a third of the potential remuneration a senior executive can achieve during the year. The second piece is what we call at-risk cash. Senior executives get annual bonuses, what we call short-term incentive schemes, and for achieving targets, 50% of what they get if they achieve targets is given in cash. That is the at-risk cash proportion.



The other 50% of that annual bonus is awarded in shares, which are deferred for three years. That's the next section round in the pie chart. They're currently deferred for three years. As you will be aware, we are seeking your approval to reduce that to a two-year deferral today. The final piece of the pie is the awarded performance shares, which is made every year. This is a substantial proportion of the potential remuneration. But the payout on that section is obviously conditional on meeting stretching targets over three years.

I think it's very important to recognize - and it's often, I think, misread - that clearly there's a significant potential in this long-term incentive scheme. But to put it into reality, this year of course is the first year in three that any shares under this scheme will have vested to senior executives. It's not the potential in the end that counts. It is of course what is paid out, and that depends on delivery of results. So overall, what were the outcomes for 2011? Well at one level, modest salary increases generally for the senior executives of the business.

I should see at this point in retrospect, I regret not spending a bit more time in the remuneration report explaining the implications to the figures of the significant change in currency and the strengthening of the Australian dollar, which has made some of the changes look substantially more than reality - they were for the individual concerned. So the salary increases have been modest in 2011. The short-term incentive, the annual bonus, reflected company performance.

Its payment was at about target level, resulting in January in the executives receiving between 50% to 70% of the maximum potential bonus they could have done. The long-term performance shares awarded three years ago - because those are the ones that obviously become relevant this year because there's three years performance before they can be judged. The long-term incentive shares awarded back in 2008 partially vested in 2011, 30% approximately. 29%, 30%. The bit vested was a total shareholder return element. The other element of performance requirement which his revenue growth, profitable revenue growth, did not vest. Last year I said that we would use 2011 to review the remuneration policy and structure and to see if it was still suitable for the business strategy and direction of Brambles.

Our conclusion was that it was absolutely still fit for purpose, but we did want to propose three changes. The first of those changes is to provide the board the discretion to claw back unvested share rewards from an individual in the event of serious misconduct which undermined the group's performance, its financial soundness or its reputation. Second point was to change the vesting period for the short-term incentive awards from three years to two. Two is the most common deferral period in Australia, and one of the challenges we have as a global business is to balance the various different practices around the world 'cause our workforce and our senior management team obviously are a global team.

We feel comfortable that the two years balances the somewhat longer vesting time you might find in Europe, with a much shorter vesting, if any vesting, you would find in the USA. The final piece was to bring the last element, if you like, of our good leaver provisions in line with market practice. The key here is to ensure that in all cases, share rewards cannot be accelerated when people leave the business. Finally, I'd just like a word about our employee share plan, MyShare. We're pleased with progress here but we need to push on. MyShare was offered to 11,000 employees in 25 countries last year and over 25% of those employees have elected to participate in it. That's a 13% improvement on the previous year. We would like to see more.

1 to 2:1 for the first AUD1000 worth of acquired shares. Could I just sort explain the circumstances. This would be a rare occasion, but one of those circumstances might be on the acquisition of a business joining the Brambles group, and the desire to accelerate and encourage that initial shareholding among new employees. Those are the main points I want to cover today. Thank you very much indeed. I'll hand back to the chairman.

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#### **Graham Kraehe - Brambles Limited - Chairman**

Thank you, Luke. Before moving to the formal part of the meeting, I now want to answer a few of the questions from shareholders. You'll recall we sent out a form to all shareholders with the annual review and notice of meeting and we invited questions. We undertook that we'd give answers to the more frequently asked questions as much as possible. I draw your attention to the fact that we're webcasting this meeting for the benefit of the shareholders who couldn't attend in person, and they will hear the answers. Our auditors have advised us that they've not received any questions relating to their audit report or the conduct of their audit. But a number of shareholders took advantage of the opportunity to ask general questions.

The most common topic shareholders asked related to aspects of Brambles' remuneration policy and the level of remuneration. I think Luke, as the chairman of the remuneration committee, has answered that and hopefully answered most of those questions. Secondly, we received a number of questions about the company's stance on matters of ethics. I can tell you, this is an area the board takes very seriously. We have a code of conduct which we adopted back in 2002. We review it regularly. The code of conduct provides the ethical and legal framework for all employees. It's got 11 policy areas, including things as corporate social responsibility, health and safety and risk management. Again, that code of conduct is available on our website.



During the 2011 year, we added a diversity policy which deals with diversity across a range of issues, including gender. Pursuant of that policy, the board adopted a measureable objective for women to represent 30% of directors and senior management by June 2015. Thirdly, we often receive questions from shareholders about environmental sustainability, including the sourcing of wood in the CHEP pallets business. I think it's very important for you to understand that CHEP has a very strict lumber sourcing policy that supports the replenishment of natural resources and has a target of achieving chain of custody certification for all timber it uses in pallets by 2015.

We do not source lumber from protected areas, from parks or any areas where harvesting operations do not complement responsible forestry management. You've heard from Tom Gorman about the sustainability credentials of our returnable plastic crate - that's the RPC - business. So that was the third question. We also got several questions about the potential impact of the carbon tax in Australia on the Brambles business and here, the answer is that we're a very low emitter. We're not anticipating any significant direct impact on our business from this tax.

## TRANSCRIPT

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### Editor

So they were the most frequently asked questions, but I'm now happy to take any questions from the floor. I remind you we've got the remuneration resolution a little later, so if you hold your questions about remuneration 'till then, but any other questions to the financial reports or general questions, I think here on the left - I'll just remind you that it's only shareholders or proxies or company representatives entitled to speak at the meeting. If you want to ask a question, please approach the microphone, show your pink voting card or your blue non-voting shareholder card, give your attendant your name.

If for some reason you're not able to get to a microphone, please raise your hand and the attendant will bring a microphone to you. As you would realize, we want to have the opportunity for all shareholders to have a chance to speak. So please, if you could have one question at a time, that would be appreciated. So we have now questions, and could you introduce the...

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### Unidentified Company Representative

Mr Chairman, I'd like to introduce Mary Curran.

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### Mary Curran - Australian Shareholder's Association

Mary Curran, representing the Australian Shareholders Association, covering approximately 2 million shares, and a private shareholder myself. The sale of Recall, despite being quoted by the chairman as a strong business, we are told by the chief executive that this sale is going to unlock value for shareholders. Total shareholder return for Brambles over the last five years has been a negative 10%, from a share price in June 2006 of AUD10.60 to AUD6.60 today. Hopefully this unlocking of value won't require a double dose of WD40. Succinctly put, how confident are you that Brambles will become a victor of change rather than a victim of change?

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### Graham Kraehe - Brambles Limited - Chairman

Thank you for the question, Mrs Curran, and it was good to have a chance to have a chat with you last week. I know you've had another chat with a couple of our people today. It's a good question, because it's interesting to look back over a couple of years about Recall and it's really about sale of Recall. It's quite interesting that over a period of several years, one of the most frequently asked questions I would get is why don't you sell the Recall business, and today when we're selling it we start to get a bit of challenge, well why are you selling Recall. But it's interesting to go -- and that's life, but it's interesting to go back to a couple of years ago and my answer always has been, that there would be two pre-requisites before we would sell the Recall business. One was that we needed to lift the performance pretty substantially, so that if we did sell it we would get value for shareholders, and the second pre-requisite was that we'd have something else constructive to do with the funds.

Now the good thing is that as we've generated and debated and agreed on a strategy, we are in a position where we've got a global, pooled solution strategy with Pallets, with RPCs and with Containers and we've got plenty of growth opportunities in those businesses with 20% type ROIs and that's a really great strategic direction for us to take. But equally important on the other side of the equation is that we have, over the last two to three years, progressively improved the performance of the Recall business, so today it is performing substantially better than it was



and it continues to perform well in this current year. There is a very significant amount of interest in the sale of Recall, so we're fairly confident that, provided we don't see any really significant deterioration in current financial conditions, that we will be able to get a very good price for Recall and in doing so we can use some of the funds to pay down debt.

We can use some of the funds to advance our pooled solution strategy and we can use some of the funds for capital management, which will be a positive for shareholders. So I think the timing is right, the Board is very clear that that's a strategy that makes a lot of sense and I just sort of guess I'd make the point that over the last year the Brambles share price has outperformed the ISX in what's been a pretty tough time by about 10%. So thank you for your question, I hope that answered it. Second question?

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**Unidentified Company Representative**

Mr Chairman I'd like to introduce Mr Jack Tilburn.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Tilburn, welcome.

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**Jack Tilburn - Shareholder**

Yes thank you Mr Kraehe, it's been two or three years since I've been able to come and be in front of you, but nevertheless the last time, you remember, was down at Circular Quay? No-one understood the remuneration report in that year, especially myself. Mr Kraehe, I know that you're on the Reserve Bank of Australia and I certainly hope that you won't be conducting yourself in the way of your other bloke on the Reserve Bank of Australia, a Mr Corbett I think his name is. He has been looking at Section 250S of the Corporations Act 2001 and Corbett believed that if you only could have two questions on the Statement of Accounts, or two questions on any resolution that's enough. Now I hope that you don't bring in chairmanship dictatorship, but I hope that you will give shareholder democracy an absolute 110% go, so that's a comment.

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**Graham Kraehe - Brambles Limited - Chairman**

Happy to hear your questions.

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**Jack Tilburn - Shareholder**

Yeah thank you very much, you remind me of Peter Smedley of Onesteel, when I was in Melbourne last year on my birthday on 15 November, a great grand 84, he said Mr Tilburn how -- it doesn't matter how many questions you've got Mr Tilburn, I'll answer them all, I had eight. You go down to bloody Fairfax and Corbett, your mate on the Reserve Bank says two only, well I told him what I thought of him, a great dictator.

Sir, let me get on to two questions which you can scribble down in your best way. I refer to the financial highlights on page three of the pocket sized Annual Review. I don't like pocket sized Annual Reviews, I always think they're Mickey Mouse additions, I wish you'd get the standard A4. Page three you write up, and I couldn't find it in the Annual Report, you write up about on page four you write up containers, I think it is. Then you write up, which is a bit difficult, would you elaborate on these things on page three then? Launch of automotive business in USA, what the hell that is? I said here are you connected to, or related to, Ford and General Motors? Number two you write up on page three, investment in intermediate bulk container business, now neither you nor Mr Gorman really got onto that.

Then the third point I think is acquisition of aviation container filling business, well I know no more about that than those six words I read out and I think that I'd ask you to --

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**Graham Kraehe - Brambles Limited - Chairman**

I'm happy to elaborate on that.

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**Jack Tilburn - Shareholder**

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-- to elaborate and I know that you'll give us many full answers, like you perhaps give at the RBA, I'd love to be there at a board meeting. Now can I give you my second question, before you finish --

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**Graham Kraehe - Brambles Limited - Chairman**

Let's answer that one and then we'll give you another one but --

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**Jack Tilburn - Shareholder**

Well if you can answer than in a meaningful way, I'll sit down and listen.

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**Graham Kraehe - Brambles Limited - Chairman**

Okay good on you, thank you. So the - and this really goes to the heart of what Tom Gorman was saying about our strategy, I'll invite him to amplify a bit if he feels there's any point that I don't make here. But essentially when we looked at saying in our strategy development what are we really good at, where do we have real competitive advantage, it's in managing pooled assets, Pallets being the main part of it. But we've -- in some parts of the world we've had RPCs, in other parts of the world, Australia, Europe and in Asia we've had automotive crates for the automotive business. So we've had this expertise in managing pooled assets and we've got some 300 or 400 locations around the world where we service, return, clean, repair and reissue these.

When we looked at our strategy we said well, just to take the first of these, automotive crates, we do it in Australia, we do it in Europe, we're doing it increasingly in China and parts of Asia, we don't do it in the US. Why don't we do it in the US? Clearly we've got expertise there and there's a big opportunity in the US automotive market so the comment - the first part of your question, entry into the US automotive market was really to say well let's do exactly the things we do in other parts of the world with automotive, and let's do that to give us a broader suite of products in the US.

The second part of your question, about intermediate bulk containers, and I can understand why that might be a - which are called IBCs, what these are are great big cubes I guess, metal type cubes, typically have a plastic or a rubber container inside them and they'll be used for transport of chemicals, food, oils and so on. Again, we have IBC business here in Australia, we have it in parts of Europe, we had a little bit in the US and so as we looked at the global strategy we said to ourselves well Pallets is pretty clear, RPCs is now pretty clear and we're going to organize that on a global basis under the IFCO management and this third category of containers would really have three or four parts to it. The first would be automotive, probably the biggest part of it, the second would be IBCs which are these intermediate bulk containers which are issued and reissued, cleaned and so on in the same way that RPCs are.

The third part of it, or one of the other parts, was aviation containers and if you sort of travel on airlines then you'll see the generally metal boxes that are put on to the planes with luggage in them, with catering in them and so on. Those are typically owned by the airlines; they are serviced and repaired and so on around the world. So what we've done is to say we can -- airlines don't particularly want to own those, we have expertise in managing them, issuing them, repairing them, cleaning them, so we've made a couple of small acquisitions and they're pretty small, mainly aimed at getting the capability to be able to repair those things in different parts of the world. We've bought a business that does that and we plan to grow that over time as part of this third leg, so I think if Pallet's one big leg, we know about Pallets, second is RPCs and the third is containers which have got several sub-sets, automotive is the biggest part of them. You have intermediate bulk containers and you have automotive. What have I missed out there Tom?

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**Tom Gorman - Brambles Limited - CEO**

I think you've done a brilliant job Chairman, look the only thing I would add Mr Tilburn is that we believe in all of these spaces we can get a return on capital in excess of 20%. So the issue of us focusing on where our strength is, is very important to our long term strategy. Like in any company, what we want to do is we want to do what we do best, continuing to fund what we do best and expand around the planet and that's our plan and I think the Chairman has described each of the categories extremely well.

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**Graham Kraehe - Brambles Limited - Chairman**



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He's very polite, isn't he? You've got another question, we'll see if somebody else has got one first though Mr Tilburn, is there another question? Yeah.

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**Unidentified Company Representative**

Mr Chairman I'd like to introduce Mr Peter Graham.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Graham, welcome.

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**Peter Graham - Shareholder**

Chairman it's delightful to be here. Chairman there are three issues, I listened to Mr Tilburn berate the Chairman of Fairfax this morning, I don't want to hear too much of that again today, this afternoon.

Can I ask you three things please in one hit? Firstly, would you go back kindly to explaining the change in the earnings per share, by reference to actual foreign exchange rates compared to presumed constant exchange rates? I think it's summarized on page four of the annual report if you've got your copy there? Unfortunately as a shareholder I wasn't sent one, notwithstanding my request that I invariably be sent one and I don't like that very much but that's beside the point.

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**Graham Kraehe - Brambles Limited - Chairman**

You might leave -- we'll get your details afterwards and make sure we pick that up.

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**Peter Graham - Shareholder**

I have sir, I have sir.

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**Graham Kraehe - Brambles Limited - Chairman**

Yeah, FX on --

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**Peter Graham - Shareholder**

Chairman on page four what you, I think, are saying in the last two lines is that in US dollar terms -- I presume the reference that constant FX is a dollar against US dollar, we're not concerned with Euros?

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**Graham Kraehe - Brambles Limited - Chairman**

Broadly, what I'm going to do, just give us the rest of your question and we'll try and pick it up together and answer the whole thing. If it's all around FX, happy to try and answer it in one hit for you--

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**Peter Graham - Shareholder**

Well what I understand you to be saying and I'm seeking an explanation, the bottom right hand corner of that page where you've got 0% twice, what you're saying is that in constant US dollars, or constant exchange rates, the profit hasn't gone up and the profit hasn't gone down? That's the same if it's expressed with a constant exchange rate for Australian dollars. The truth of the matter is, the way foreign exchange rates work, you're



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telling us that you've in fact gone up 3% measured in US dollars, but you've come down 9% measured in Australian dollars, is that what it's saying?

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**Graham Kraehe - Brambles Limited - Chairman**

I think that's broadly what it says, I'm going to ask Greg Hayes, the CFO, to pick it up in a minute, let me just give you an overview if I can. Brambles operates in 60 countries or thereabouts so we've got a huge number of currencies that we deal in, only 10% of our revenue and profit is in Australia, 90% of it is around the world. So we've had a lot of debate and I think it was five years or so we decided we'd standardize on US dollars, US being the sort of global currency and standardize on that for reporting. Until the last few years the exchange rates between Australian dollar and US dollar and various other currencies were relatively stable and you had small movements which would sort of change the measurement somewhat but not dramatically.

As we all know, the last couple of years we've seen dramatic swings in Australian dollars and US dollars and they distort things, so what we try and do and what in fact we do do, is we measure the businesses internally on constant currency so we know what's really happening in the business. So we say and we sort of budget what's the currency exchange rate in a particular country at June 30 and for the next 12 months, their main reporting in terms of our performance measurement is in that currency so we don't get exchange rate distorting positively or negatively what we're doing. So that's the first part of the equation, the second is that as we report to the market we try and give them the same perspective on what's happening in constant currency, so they can see that the business is really doing before we put in the factor of exchange rate.

Having said that of course we have to ultimately -- and it's important that we ultimately report in one currency, which in our case is the US dollar -- and so we put the US dollar reporting in there and we try and give people who want to reconcile them, and reconcile the movements, the ability to do so between those various elements. But in terms of your specifics I'd ask Greg, the CFO, if he'd just answer it specifically for you.

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**Greg Hayes - Brambles Limited - CFO**

Well I think Chairman you answered it very well, the constant currency reference there shows that there's zero growth and that's the point, the difference between the US cents and the Australian cents is as the Chairman said the currency impact.

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**Graham Kraehe - Brambles Limited - Chairman**

Okay and you've got a third bite to it have you, a third leg to it?

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**Peter Graham - Shareholder**

No two, number two out of three, would you kindly turn to page 78. Under sales revenue it's suggest that there was an increase in US dollars from \$4146 million, to \$4672 million, an increase of \$525 odd million. Operating expenses went up from, according to the same page, from \$3525 million to \$4004 million if I've got the decimal place right and that's an increase of something like \$479 million, so that on increased revenue on \$525 million, we made \$46 million. Being the difference between the increased revenue and the increased operating costs, is that a satisfactory rate of return?

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**Graham Kraehe - Brambles Limited - Chairman**

Can I again ask the CFO -- I haven't got it in front of me here Mr Graham, but just asking the -- the CEOs looking that up at the moment, how about you give us your third question and then we'll take somebody else.

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**Peter Graham - Shareholder**

Perhaps I can invite Mr Gorman to help me.

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**Graham Kraehe - Brambles Limited - Chairman**



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Well if you'd address the question to me I'll make sure you get an answer.

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**Peter Graham - Shareholder**

No, perhaps Mr Gorman's the right person to whom I should look for a response but I'll ask the question of you of course.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you.

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**Peter Graham - Shareholder**

Would you be kind enough to tell us who are our competitors in the different markets in which we operate and what are the points of differentiation between us and them? You talked about Pallets, you talked about I think you call it RPC and you talked about these things for moving motor vehicles.

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**Graham Kraehe - Brambles Limited - Chairman**

Yeah it's a good question so we'll give you the answer to that, Greg have you got the answer to the earlier question or do you want a bit more time? Okay let's do that.

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**Tom Gorman - Brambles Limited - CEO**

What I might do if acceptable to you Mr Graham, I'll respond to the competitor situation. We're in kind of a unique position in that we're the only real global pooling company in the world, so we are the largest pooler in all of the segments that we participate in and we have the significant competitive advantage that on a global basis there's nobody like us. But what that does deliver is it delivers local competitors in each of the geographies in which we compete and as it turns out, all of those competitors are significantly smaller than we are. Most of the competitors that we face are private equity owned, so we really are the only major public company that is in the pooling space. So I can take you on a journey around the globe if it's beneficial to you. So I'll start with North America, we have two primary competitors there, there's a company called IGPS which is in the pallet business, IGPS is private equity backed, they had been growing for a period of time and fortunately for us, and more importantly fortunately for all of you as shareholders, they are now shrinking. That's based on the fact that we have turned our business in the right direction in the United States, we're winning back customers that we lost to them a number of years ago and we're proving that we have a better solution in the long term.

We have a second competitor, again much smaller than we are in the US, a company called Pico and they also are private equity owned, but they're significantly smaller than we are. But they come to market with basically the same platform, which is a timber based pallet. If you move to the European geography, there are two major competitors again there both much smaller than we are, a French based competitor that goes by the name of LPR and they have just combined with another small player in the RPC space. But they again are privately held, actually they are owned by a cooperative of growers and then a second competitor is IPP Logipal which again is a very small competitor.

Most of our competitors on the European front they tend to focus on one country, as opposed to a broad geographic coverage, so we believe that one of our competitive advantages is in fact our ability to manage complex flows over larger distances. Here in Asia our primary competitor is a company called Loscam which is -- was until a number of months ago Australian based. That company has been acquired a number of months ago by a company within -- it's a Chinese company, part of the China merchants group and they are a competitor of ours here in Australia, they compete with us in South East Asia and they have a small footprint in China as well.

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**Graham Kraehe - Brambles Limited - Chairman**

Okay thank you, Greg you got an answer to the page 78 question?

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**Greg Hayes - Brambles Limited - CFO**



Sorry it's taken me so long, I'm trying to reconcile a few other pages so that I can give you some references that make some sense.

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**Graham Kraehe - Brambles Limited - Chairman**

What you might do Greg is give a broad answer and then, Mr Graham, if you've got a detail afterwards we'll put the two of you in touch and you can reconcile it in detail, thanks Greg.

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**Greg Hayes - Brambles Limited - CFO**

The first thing I would say it that a couple of the components of the growth, both in the revenue and the expense, relate to IFCO which wasn't -- which we've had three months of revenue this period and we had none in the prior corresponding period and also the same exchange rate factor.

So just to give you an example in the expenses category there's \$116 million worth of FX, foreign exchange, that's part of that growth, but if I take you to page five, quickly there you can see, I think, the impact that's really coming through. If I can take you down to the middle of that page you'll see the underlying profit numbers and you'll see that 2011 shows an underlying profit of \$857 million.

Next to that is \$733 million. That's the amount that we believe we've generated and that is excluding the significant items which are labeled at the bottom of that same page there. You will see there are two large items there in particular, \$19 million related acquisition costs for IFCO which we're required to expense. On page five under the reconciliation of underlying profit to operating profit. Then there are also integration costs for IFCO, that same business that we've bought, and Mr Gorman outlined that we expect to generate \$40 million worth of ongoing benefit from 2014 onwards from those integration efforts.

So really we see the return there at \$124 million, not the \$40 million that you were looking at there. I hope that answers your question.

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**Graham Kraehe - Brambles Limited - Chairman**

That's a pretty good answer. Thanks Greg. We've got a question over here at microphone two.

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**Unidentified Company Representative**

Mr Chair, I'd like to introduce Yvonne Chang.

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**Graham Kraehe - Brambles Limited - Chairman**

Mrs Chang, welcome.

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**Yvonne Chang - Shareholder**

Good afternoon Mr Chairman. Yes, I have two questions please. Number one, I look at - Brambles is geographically a very diverse company and we have acquisition of businesses now in aircraft - in containers and so on.

Well my question is how good are our customers paying our bills and how vigilant are we chasing up the payments from customers? The reason being I actually have good and bad experiences with some companies. One particular company was advocating the improving customer relationship and the customer services, and then later on, we found out, at the expense of extending their credit terms and that's to the detriment of the company. Another one - it's a good experience and they have been a steady-eddie and has been keeping up with customers payment and so far we have very good experience with them. So may I please get an answer?

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**Graham Kraehe - Brambles Limited - Chairman**



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Yes, certainly. You had a second question. I'm going to get - let me say that payment by customers is not a big concern for Brambles. But I'll get the CFOs just to give you a bit more flavor about that and give us your second question if you would?

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**Yvonne Chang - Shareholder**

Thank you. My second question is that I would appreciate if you could possibly do is to tell us what is the percentages in our various businesses in terms of the capital allocation, like say, pallet. What size is that business unit and RPCs and so on?

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**Graham Kraehe - Brambles Limited - Chairman**

Okay. We can do that as well. Let's take the second question first. Just at a very high level, if we assume we've got IFCO in there for a full year and its revenue and we've got the pallet business and then the others. Tom can give you those numbers pretty quickly and pallets are by far the biggest. IFCO and RPCs are the second and the mixture of containers are the smallest but we expect to grow them fairly quickly. But some numbers to that.

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**Tom Gorman - Brambles Limited - CEO**

So I'll answer that question and Greg will look at the other one as the chairman indicated on bad debts. Look, as we pointed out and as I mentioned in my comments RPCs now represent 13% of our total revenue and that is up from 4% on a pre IFCO acquisition basis. So where we used to be historically predominantly a pallet business, our whole strategy is around diversifying pooling across a number of platforms. So if you take - if you were to take Recall out of the equation and just look at the pooling business alone, I believe in total, RPCs goes to about 15% of our total pooling revenue and then about 72%, 73% on pallets. Then the remaining component of that is in other containers.

So we are shifting the mix from -- if you were to go back just two years ago, the vast majority of our business would be on a pallet platform.

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**Yvonne Chang - Shareholder**

Is it possible to express that in percentage in our annual review next time? Like the pieces' unit sizes?

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**Tom Gorman - Brambles Limited - CEO**

Well with our new reporting structure that information will be made available in that new reporting structure. So we are moving from a reporting structure where we just looked at all of the businesses combined and then reported them regionally. So what you'll actually see in the release is a new reporting structure by type of business and broken out by pallets, RPCs and containers. So that is being made available, yes.

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**Yvonne Chang - Shareholder**

Thank you.

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**Graham Kraehe - Brambles Limited - Chairman**

So to say Mrs Chang, if you think of it as those percentages that Tom Gorman said, we'll continue to grow our pallet business as we've indicated and as we're doing over the last couple of years. We'll grow the RPC business a lot more rapidly. Even in tough markets like the US we are looking for 15% growth for the next couple of years. The other business, automotives, containers and airlines, from pretty small starts, we think we can grow them quite rapidly over the next couple of years. So pallets will be the big business but the other two will get a -- proportionally become a bit bigger part of our business over the next two or three years.

Let's see if we can answer your debtors question.

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**Greg Hayes - Brambles Limited - CFO**



Sure. We have revenue that we just talked about a moment ago of \$4.6 billion for the year. Note 15 to our accounts show our trade debtor's position. You will see that our provision for doubtful debt is \$18 million. It began the year at \$9 million and it has been increased. Now it's to be expected because we have now introduced IFCO into our business and so there's some reflection of that. But the amount that was written off in the year was only \$3.7 million. So against that kind of revenue that's a very small percentage.

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**Graham Kraehe - Brambles Limited - Chairman**

What's that - about less than 0.1% isn't it? Yes. So it's not a huge - and if you bear in mind most of our customers are very big players. They're the Nestles and the Colgates and the Procter & Gambles. Big, big players. Big retailers. Woolworths and Coles and Wal-Mart. So that pretty solid customers generally speaking.

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**Yvonne Chang - Shareholder**

Yes, it's good to know. I'm worried about the global financial crisis that's looming, that our Greek friends and Italian friends are--

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**Graham Kraehe - Brambles Limited - Chairman**

Your absolutely right and that is why the provision has been increased and that's a bigger provision that there's been in the history. But it's not something that -- it's not one of the biggest items on our agenda but thanks for your question.

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**Yvonne Chang - Shareholder**

Thank you.

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**Graham Kraehe - Brambles Limited - Chairman**

Now, another question?

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**Unidentified Company Representative**

Mr Chairman, I'd like to reintroduce Jack Tilburn.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Tilburn, welcome back.

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**Jack Tilburn - Shareholder**

Thank you Mr Kraehe. You seem to be on my side for questions. Thank you very much sir. After these two, I've got another two to come. You can scribble this one down. It's a micro economic question and if it wasn't installed on page 42 with the remuneration report, I wouldn't have known about it. But the question is, you state on page 42, the company has operations in Zimbabwe. Well I'm going to add, why are you invested in this terrible and horrible corrupt and dictatorship country where human rights and democracy are abandoned? I can't understand that. You'd have many, many problems there. Not only account of the language perhaps but sovereign risk and workforce. I don't know how you are going to make money there?

Coupled with that, please, to get my questions out of the way, ladies and gentleman, there was one on Recall. Now I can recall that you had it on the slide and I can recall that I read it in the Annual Report which I can't find the page again. In August of this year the board decided to sell off the asset of Recall. I'd like to know, as a business man myself, a couple of question on that matter of selling off Recall? About what is the



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ballpark figure, unless you say, that's confidential Mr Tilburn. If you get \$400 million or \$600 million from it, will you be paying down the enormous interest bearing debts of \$3 billion? Thank you.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you. Let me quickly answer Zimbabwe. No one I'm sure in this room has any disagreement about the view of the leadership in Zimbabwe. What's important about Zimbabwe - we used to have quite a bit bigger business in Zimbabwe - we have a very big and very profitable CHEP business in South Africa. If you think about where all the flows of products from - that are sold in Zimbabwe come from, they come out of South Africa. So for us to be able to control and manage our pallet pool, it's very important that we have some operation in Zimbabwe so we are able to service South African customers who have operations in Zimbabwe and get our pallets back. So that's what we do. It's not a huge - it's a tiny, tiny business but we are in Zimbabwe.

The second part of your question about Recall - I think and we are in the moment about to - we think in the next three short by the end of November, push the button on the sale of Recall. What will it fetch? It will depend on the market conditions and if we can't get the right price, we wouldn't sell it. But the market is anticipating it will be \$2 billion plus or minus something, something of that order. What will we do with it? The first thing is we'll pay down the debt that we occurred on the IFCO acquisition and that's the first use of it. The second use of the funds will be to fund some of the growth in the pooling business and the third use of the funds will be to manage capital, buy back shares, share buy back, something that will be a positive for shareholders.

So until we actually sell it and we know what the proceeds are, the composition of those components can't be determined but we've been public that that's -- that we would process and that's what we would do with the funds. That's order of magnitude, the quantum that we'd expect.

Got another question at microphone one.

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**Unidentified Company Representative**

Yes, Mr Chairman. I'd like to introduce Bruce McGilvray.

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**Graham Kraehe - Brambles Limited - Chairman**

McGilvray, Mr McGilvray, welcome.

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**Bruce McGilvray - Shareholder**

Thank you Mr Kraehe. Just as a opening aside, a quite reasonable presentation at the beginning of what's going on but I found a lot of very large number like 15% growth rates and 20% growth rates and this and that and the other. I couldn't get my head working fast enough to work out whether that was 15% on \$1 or \$5 or it was going to - maybe all, the whole lot of it add up to \$300 million or something? There's a lack of perspective between all the good initiatives and what they might actually add to the picture and I just might ask that you consider that for the ignorant people in the audience?

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**Graham Kraehe - Brambles Limited - Chairman**

Let me just give you just a very high level attempt to sort of --

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**Bruce McGilvray - Shareholder**

That's not my question by the way.

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**Graham Kraehe - Brambles Limited - Chairman**



Oh, isn't it. Well let me do it for you quickly. So in the pallet business, in mature markets, economic growth, US, Spain, France, the UK, no growth in the market and we're inching out a couple of points, 2%, 3% growth on a pretty big base. On the other side of the pallet business in emerging markets, eastern Europe, Middle East, Latin America, we're getting quite strong growth but from a tiny base. You see the numbers in this report, that they average out somewhere between the two in the mid single digits number. The other part of the business, RPCs, is in a different space altogether and it's quite a big business. Despite the fact that it's quite a big business, even in market like the US, which are unvendored, we're expecting 15% growth there.

So you are right that the big growth components, or big growth elements are generally on smaller bases but that's not true of RPCs.

But let's give us a chance to ask to ask your question.

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**Bruce McGilvray - Shareholder**

Okay, well I've been waiting a while. I've almost got to the point that I can't recall the question. Then I got this dreadful feeling that Jack was going to ask it which was really worrying me. Recall - now during your presentation you must have said at least three or four times how well it's gone and how the reason for getting rid of it is nothing to do with its direction in terms of profitability or that sort of thing. But it was strategic and that sounds pretty good logic. I realize you are not prepared to actually express a view on what you want for it. That's okay - one, you don't know what you're going to get and two, you don't want to tell people.

But I'd really like to be able to maintain some continuity in this company in such a way that I thought that when you finally do sell it, that you ask your risk committee to consider the history of that business in the company from the time you got it through to the time you got rid of it and see if you can to our shareholders that you have produced more than 20% return on that business over the period that you've acquired it. In other words we don't want to hear it was great to get a couple of billion, we'd be really interested to know whether you actually achieved the 20% return over the time it was in the business.

Then I'd like - then I'd like to draw the attention of the board to considering how you use risk committee to work out all these little jobs and whether they really are going to return as 20%? How are you going to be able to report that the terrible problems that we face were a downturn in the core or a failure of these extra opportunities to actually meet the attractive sounding objectives that you are setting? Because I think the role of risk committees in companies is severely under expanded in terms of its contribution.

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**Graham Kraehe - Brambles Limited - Chairman**

There's one very important thing you said that needs to be corrected and it's quite a misapprehension so let's be pretty clear about it. Recall, for a number of years, was an underperforming business. In the last three years it has consistently improved its performance and we said that was one of the prerequisites. We wouldn't sell an underperforming business. It wouldn't get a very good price. We had to get it performing well. Today it is performing well and it's continuing to grow. What is very important though is that while we say we'll get 20% return on investment on pallets and RPCs and on containers, even the very good performing Recall business today doesn't get a return on investment. It's a long way below 20% so it's really performing very well but it's not a 20% return. That's part of the strategic rationale of saying we want to use our investment dollars wisely and where would you rather invest them? In a global business that's a world leader with 20% returns or in a business that's a nice business, doing well, but quite a bit lower returns. So that's pretty important to understand that.

In terms of your question about the risk committee, we spent a lot of time on risk over the last several years and we -- I think it would be fair to say a few years ago our risk processes were okay but not better than that. Today they are significantly better and Greg Hayes has driven a fair bit of that improvement. So that as we look at every project, every issue before the board, part of the requirement is we have a risk metrics, what are the risks associated with this and literally in our board meeting this morning, we were looking at a couple of things, and with it is, here are the risks. Here's how we'll mitigate the risks and we've had a real debate about the risk and how we'd manage the risk.

So I can tell you that risk and risk management is a very key part of the way we do business and the board is right on it. Tom, you might add to that.

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**Tom Gorman - Brambles Limited - CEO**

Mr McGilvray, if I might make one further comment. In the new structure and the new reporting that we've released today, I think you'll actually see more transparency because what you are now looking at is you are looking at each one of these core business units for us, whether it be pallets, RPCs and containers, will actually break out the performance of those three. I would also tell you that all three are at different stages of their development. The pallet business is a mature business that we have been in for a long time. We believe there is a lot of growth opportunity in there as we expand more geographically and with new customers. But some of the container businesses are still launching and they are emerging businesses. If you look at what we are doing in the aerospace business unit, that's a new business for us. We believe it has great upside. It will take some time to get those returns but you'll be able to track those now as we reported in that structure.

So I think as a shareholder you'll get more transparency of each of our business units.

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**Bruce McGilvray - Shareholder**

(Inaudible - microphone inaccessible)

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**Graham Kraehe - Brambles Limited - Chairman**

No, no, no. We won't - look I can tell you, Recall will not be sold and us telling you it's a disaster. If we can't get the return we want on Recall, we won't sell it. We don't have to sell it and we won't.

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**Bruce McGilvray - Shareholder**

Once you've sold it (Inaudible - microphone inaccessible) what it actually will achieve? (Inaudible - microphone inaccessible) but if you will actually tell us what it will achieve?

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**Graham Kraehe - Brambles Limited - Chairman**

If we agree it will be a good deal for shareholders. We had another question I think at microphone one?

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**Unidentified Company Representative**

Yes Mr Chairman. I would like to reintroduce Jack Tilburn.

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**Graham Kraehe - Brambles Limited - Chairman**

Okay, this is your last two questions. I think Mr Tilburn has said enough.

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**Jack Tilburn - Shareholder**

Yes, well I don't -- if I was chairman I would carry on with question because we own the company.

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**Graham Kraehe - Brambles Limited - Chairman**

Happy to have questions.

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**Jack Tilburn - Shareholder**

This is my 482nd AGM today so I think that would show hyper passionate declaration. I always look up what the orders are doing or not doing and I always look up what the interest bearing debt is doing or not doing. So I'll take on the auditors with you.



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On page 120 there are three items here Mr Kraehe please. Other services by PWC acquisition due diligence. Well I suppose two and two together come up with four or five and that was IFCO. It was \$1.4 million, nearly \$1.5 million in round figures. So you can tell us what PWC is putting their hand out for with acquisition due diligence, you might remember that sir.

The next item was audit and review of Brambles financial reports - a rather large large figure - nearly \$3 million; its \$2.8 million. Well I would have thought that Mr Hayes and his staff - I think Hayes is the Chief Financial Officer - could have been looking at those things, but maybe I'm not on the inside so I've got to ask the question - why does PWC do audit and review of Brambles financial reports to such an extensive investigation worth nearly \$3 million - well it's \$2.8 million?

And the third item, thank you Mr Kraehe - amounts received - quote amounts receive or due and receivable for non-PWC audit forms for audit \$1.29 million. Well of course if you add up that quickly that's nearly \$6 million extra. I would ask you tell us what's going on there by PWC and after 482 AGMs I'm never ever happy with auditors unless they go down and decrease their charges.

Now, if I may sir, to help the audience and my fellow shareholders owners - I was looking at page 131 where the summary of the operations of the Company is in finances and statistics on finances and I want to know why has the net debt escalated or jumped so alarmingly from \$1.7 billion to nearly \$3 billion. That's an increase of \$1.2 billion as you would know Mr Kraehe; it's a 71% increase which is quite enormous in public listed companies. So I would like you to clarify and enlarge on that. Thank you.

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**Graham Kraehe - Brambles Limited - Chairman**

Happy to do that. What I'm going to do in a minute is ask Stephen Johns, who is the Chair of the Audit Committee, to just tell you the process by which we evaluate audit fees and so on, because that's a very key role that the Audit Committee plays. I'll ask him in just a minute.

But in terms of your second question about the debt, yes the debt has increased significantly. Why has it increased significantly - because we paid for IFCO in cash, and that was - the IFCO acquisition was EUR1.3 billion or thereabouts, EUR1.3 billion - and that essentially is the reason - US sorry, US - that's the reason the debt's gone up and it's also the reason why the first use of a Recall sales proceed will be to pay down \$1 billion of debt or something like that. So this is a temporary peak in our planning. It's a temporary peak in debt and we will after - if we sell Recall, first use of the funds will be pay that debt back, back down and then the other uses of the funds I mentioned.

Your second question is a good one about audit fees and so on, and that's right at the heart of the governance of the organization and Stephen would you like to just talk about the process there please?

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**Stephen Johns - Brambles Limited - Director**

Yes certainly. Well thank you Chairman and Jack, that's a good question. It's a question that we always look at at the Audit Committee. The Audit Committee reviews the audit fees at the beginning of every year, the proposal for the fees and makes recommendations to the full Board.

I think if you go back a number of years you will find that the audit fees were much higher than they currently are and they were renegotiated down about two years ago and I think all shareholders would be pleased with that. But I think you also have to recognize - and shareholders generally would recognize that we're in 54 or 55 countries; we've got a very major operation; we have a very large turnover of sales turnover; and we have many pallets in the system and there are many audits - I think as shareholders and certainly as Board members we are looking for a very extensive and robust audit to take place that protects all of our interests.

I can assure you, having been on the Audit Committee now for about seven years that the audit firm of PWC does a great job on the Brambles audit. It's not an easy audit. It's a very complicated audit and when you look at the complexities of our business, we're not like a company that owns shopping centers or office buildings of factories or whatever else where you know where your assets are, we actually have 300 million odd pallets in systems around the world that we have to track and that we have to understand and we have to make decisions, have to perform judgments and the auditors have to audit that work that management do.

In terms of the non-audit fees for the - most of the work was done on the IFCO acquisition as you correctly pointed out and there is a very specific procedure in place where we have a charter of audit independence which sets out what the auditors can do and what they can't do. If there is some additional work to be done that they can't do of course we go to another firm. If there's work that they can do we assess whether they should do the work. We often get tenders or quotes from the other firms to see who is the cheapest, and if it is work that they can do it then comes



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to the Audit Committee - if it's above a certain level - for approval before the work is approved. If it's below a certain level, the CFO - Greg Hayes - approves it and then it comes to the Audit Committee for ratification.

But it's a very extensive process; one we look at very carefully, because audit independence it goes to the very core of the quality of the audit. PWC is very aware of that, as are we as Directors.

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**Graham Kraeche - Brambles Limited - Chairman**

Thanks Stephen, and there was a question of detail of the numbers, and Greg you might pick that up if you would.

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**Greg Hayes - Brambles Limited - CFO**

Just the last point - Price Waterhouse Coopers do our full audit, but the item that you were referring to, that \$1.294 million, which is the last number in the column there, was actually paid to Ernst and Young who completed the audit for IFCO. So for the first period that we owned IFCO we continued their existing auditor, supervised by Price Waterhouse. That was the most efficient and cost effective way for us to get that audit done. So that actually wasn't a fee paid to PriceWaterhouse. That was paid to Ernst and Young.

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**Graham Kraeche - Brambles Limited - Chairman**

Okay. Thank you Greg.

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**Unidentified Company Representative**

Mr Chairman, I would like to introduce Mr Kevin Daly.

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**Graham Kraeche - Brambles Limited - Chairman**

Mr Daly, welcome.

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**Kevin Daly - Shareholder**

Good afternoon Mr Chairman. I've got two questions about CHEP US. The first one refers to the competitive situation with IGPS. Mr Gorman mentioned that IGPS were shrinking and I wonder if that indicates whether you've finally seen off for good competition with the plastic pallet. That's the first question.

The second question refers to the performance of CHEP US. They managed to increase their revenue by 1% which I thought was pretty poor. I recognize that the US economy is very much in the doldrums, but there is one bright spot and that is retail sales. Retail sales have bounced back quite strongly from the global financial crisis and they're now above the level of sales pre-GFC, so I would have thought that on that basis CHEP US would have increased their revenue by more. Although of course I do recognize that retail sales contains quantities which aren't moved around the countryside by pallet - for example petrol, insurance policies and things like that are part of retail sales. But even so, retail sales bouncing back strongly would have indicated to me that CHEP US should have increased its revenue by more than a paltry 1%.

So just those two questions.

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**Graham Kraeche - Brambles Limited - Chairman**

Thank you. I'll get Mr Gorman to comment on that competitive position, but I think we ought to just say that there's nothing we see and I see in any of the businesses we're associated with that has strong retailer growth in the US, and certainly that's not the experience we have, but Tom why don't you pick up the US picture?



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**Tom Gorman - Brambles Limited - CEO**

Well Mr Daly thank you for your questions. I think just on IGPS first, I think as we have said all along, the IGPS business model was a model that has an asset that is roughly four times the initial cost of a wooden pallet that we use. So where we would pay \$20 to buy a pallet, a wooden pallet in the US, a plastic pallet is somewhere in the neighborhood of \$80.

We have argued all along that if you put that pallet into the same business model that we use successfully in the US, it's very hard to understand how an \$80 asset can generate a return when the model is structured for a positive return on a \$20 asset. IGPS had argued for some period of time that because they used RFID tracking and some other things that they wouldn't lose these pallets. They also argued that the pallets wouldn't be damaged and they also argued some other benefits that we have, since the beginning, said that we didn't believe those were true.

As it turns out, the market has proven us to be correct. They are losing the pallets. The pallets are being damaged and the initial acquisition cost is much higher.

So what we have seen over, particularly over the last six to nine months is, as the market has realized that and they have struggled, they have been able to satisfy their customers, so they're shorting them if you will in terms of pallet requirements, and that has opened up an opportunity for us to win back our customers. So we'll continue to stay focused on that.

We don't have an issue of plastic versus wood. In fact we have a large number of plastic pallets around the world, but they're all in business models that support either higher price or a different control structure so they're not being lost and damaged.

So that's what's happened to IGPS.

As it relates to performance of the US, I believe Mr Daly you've actually answered your own question. When you look at high line, high level responses of market performance, particularly out of the United States, the devil is really in the detail and you need to get into those numbers and see what's driving the supposed growth.

There are many sectors in which we don't participate. We are really focused on fast moving consumer goods in the United States and we only benefit when consumers buy more, so that means that volume has to go up. If you look at the fast moving consumer goods producers in the United States, some of them are showing growth, but they're showing growth that they're getting from new pricing and that doesn't benefit us because we only grow by volume, and as you pointed out there has been growth in automotive; there has been growth in other sectors - for example any sort of clothing products, that's not in our space; electronics is really not something that really moves a lot on our pallets in the US. So it really is getting into the detail of fast moving consumer goods, and we're seeing growth in our business in line with our customers' growth.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you Tom. There is another question at microphone two.

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**Unidentified Company Representative**

Mr Chairman I would like to introduce Mr Wooljing.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Wooljing.

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**Unidentified Audience Member**

Thank you Mr Chairman. Our IFCO purchase - can you give me some indication, are we using a fee for use or a periodic hire system there? If I can get an answer--

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**Graham Kraehe - Brambles Limited - Chairman**

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Where was that sorry?

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**Unidentified Audience Member**

A fee for use or a periodic hire system.

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**Graham Kraehe - Brambles Limited - Chairman**

Yes, in what market?

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**Unidentified Audience Member**

IFCO.

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**Graham Kraehe - Brambles Limited - Chairman**

Oh IFCO. Okay.

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**Unidentified Audience Member**

IFCO and the new RPC. After that I have a follow-up question. I need to know the answer.

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**Graham Kraehe - Brambles Limited - Chairman**

Okay, give it a go Tom.

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**Tom Gorman - Brambles Limited - CEO**

Yes, I mean it's very similar to how we ran the RPC business which is a fee for use business.

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**Unidentified Audience Member**

Okay, a fee for use - that then requires a recovery rate.

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**Tom Gorman - Brambles Limited - CEO**

That's correct.

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**Unidentified Audience Member**

How are our recovery rates going, because this was the major problem we had with pallets that blew us out in the USA before? Our recovery rates have to be in this case - the fee for service is not the key, the key in this area then becomes recovering the pallets to use them again and recovering the plastics to use again, so we don't have to put in more capital and more capital and more capital.

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**Tom Gorman - Brambles Limited - CEO**



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Well you've described the business brilliantly. IN fact there are three things that really drive our business. One is the velocity of the assets - so how many times the asset is used by customers during the year, and as it turns out RPCs cycle much more quickly, so the movement between the grower and the retailer comes back and forth much more quickly.

So what that means is that you charge less per trip but you get more trips so the revenue goes up, which is very good, and because it's much more of a closed loop system really between the grower and the retailer, the actual loss is lower than our experience on pallets.

Look we don't, it's not as if we didn't understand the RPC business. Remember 4% of our business was already in RPCs and when we took the decision to acquire IFCO because it accelerated our growth into a high growth vertical where we wanted to be, and also we believe they're extremely good running this business and we have found that to be absolutely correct.

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**Unidentified Audience Member**

Thank you very much.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you. If there are no more questions we will turn now to other items of business.

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**Unidentified Company Representative**

Mr Chairman I would like to introduce Mr Davies.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Davies welcome.

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**Ron Davies - Shareholder**

I'm a shareholder for - a long-term shareholder, and I normally invest in companies that give fully franked dividends and companies that increase their dividends each year. The dividend from Brambles in recent times hasn't been anything to shout about. It appears if you're involved with Brambles the only way to get an increase in income is to be on the Board.

Now can you tell me when the shareholders would be likely to get an increase, same increased percentage dividend as the Board members get, and when can we see us reverting to 100% fully franked shares, as you are expanding worldwide?

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**Graham Kraehe - Brambles Limited - Chairman**

Well thank you. The answer to the second half of the question is never, because you only pay franked dividends from tax paid in Australia, and as only 10% or thereabouts of our business is in Australia there's a limit to how much of our - there's a defined quantum of how much of our total tax paid is Australian tax and that's what we can pay franking from. So our current franking is 20%. It's not likely to grow dramatically greater than that given the mix of our business. That's the first point to say.

The second point is, in the last year we increased the dividend by about 4% and Directors fees increased by about 4% - so roughly the same.

Are there any other questions? If not, let's turn to other items of business and all items on the agenda will be posed as ordinary resolutions.

## TRANSCRIPT

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**Editor**

I will quickly explain the voting procedure.

If you're entitled to vote you will have been given a pink voting card and as stated in the Notice of Meeting and on the shareholder voting form, I will be casting any discretionary proxy votes that have been given to me in favor of each of the items of business, including the Remuneration Report. The voting position for each resolution will be shown on the screen and at the conclusion of the meeting please place your completed voting cards in one of the ballot boxes - and I notice a couple of people leaving early; please put your cards in the ballot boxes outside.

We will announce the poll results to the ASX later today and also post them on our website.

Michelle Cross of Link Marketing Services has been appointed Returning Officer, and Michelle is in the middle of the theatre here.

First item on the business is consider and receive the financial report, the Directors report, auditors report, for Brambles for the year ended 30 June 2011. I think we have had quite a few questions around the financial reports, but are there any other questions on this item?

If not, the next item of business asks shareholders to adopt the Remuneration Report for Brambles for the year ended 30 June 2011. That's contained in the Annual Report. You have heard from Luke Mayhew and me on the principle issues raised by shareholders on remuneration. Are there any other questions on the Remuneration Report?

## QUESTION AND ANSWER

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**Unidentified Company Representative**

Mr Chairman I would like to reintroduce Mary Curran.

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**Graham Kraehe - Brambles Limited - Chairman**

Ms Curran welcome back.

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**Mary Curran - Australian Shareholder's Association**

Thank you. Australian Shareholders Association is disappointed that given the recent review of the Remuneration Report that the long-term incentive hurdles remain at three years. We don't consider this long-term. Our policy is five years. ASA also feels that the 4% salary increase awarded to non-Executive Directors in view of the current economic climate and return to shareholders is unwarranted and inconsistent.

We also express concern about the realignment of joining executives pay which is out of kilter with incumbent executives. ASA will be directing all undirected proxies against this resolution. Thank you.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you for the comment and for the information of shareholders, we did discuss this with the ASA previously. We understand the issues that are raised. We have a strategy review on remuneration once a year. We always consider feedback, not just from the ASA, from shareholders in general and we will do that.

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**Unidentified Company Representative**

Mr Chairman - Mr Tilburn.



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**Graham Kraehe - Brambles Limited - Chairman**

Mr Tilburn welcome back.

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**Jack Tilburn - Shareholder**

Yes, always formally, thank you very much Chairman Kraehe. Fellow shareholders I have tried to examine their Remuneration Report on its several pages. As I always say at every AGM, it's always complex, it's always mathematical, it's always difficult and even though Mr Mayhew helped us out this morning, or earlier I should say, it's still the matter of three or four divisions for salaries remuneration. We have to look at the base salary, look at the short-term incentive plan, look at the long-term incentive plan, and sometimes something in between - such as options or performance shares.

Just a couple of points first. I am very pleased to see stated that the non-Executive Directors only really got a sort of a market increase of 4%. Well that's very good. There's only two or three that freeze or stop non-Executive remuneration going up, and I just forget one that has stopped it for two or three years, but good luck to them, and good luck to the shareholders in that company.

The thing that puzzles me with the other items of the Remuneration Report is picking up on page 48 and page 49 - I notice on page 49 that Mr Gorman has 955,000 interests in share rights and underneath that his second in command, Mr Hayes, has got 735,000 interests in share rights. Well I don't know how those numbers have accumulated for these two officers, executives, and I'd like you to explain that Mr Kraehe.

The other thing I notice, like those lies for portions, is on the earlier page - page 48 - where the key management personnel are listed - and I have made a note that there are for Mr Judd 120,000 interests he's got in share awards I believe Mr Mackie 156,000, Mr Pohler 251,00, Mr Potts 152,000, Mr Ritchie 135,00, Mr Shuba 134,000 Mr Smith 139,000 and Mr Westerbos 116,000. A quick addition comes to 1,203,000. Now you might say to us, Mr Kraehe that these are for merit for doing good service for advancing the company et cetera, et cetera. Well I won't go into all the criteria because I'm leaving it for you to do.

But I would bring your attention to my chestnut declaration which I've been giving to, this is number 7 AGM. A friend of mine in America, who is a PhD in Economics from Harvard, a Ms Diane Coyle wrote, on The Economics of Enough. I renamed it as an economist, The Economics of Corporate Greed. The whole merry-go-round - The whole merry-go-round of bonuses and performance related pay is a sham. In almost every occupation it is almost impossible to identify the contribution made by any individual to profits and performance. Complicated, modern organizations all depend on team work and collective contributions." Now I've never really understood, this is my 33rd year at the coalface of public companies, and I'm still in 33 of them. I've never understood why there's one man going up to the top of the pyramid and everyone else is falling down below. If you look at the base of a pyramid it's very big and that's where most employees are. I've never understood it but there are a few philosophical, hard questions for you, Mr Kraehe, on the Remuneration Report.

Yes I'll give it a tick, I'll give it a pass because I really feel that with the MyShare Plan, you are attempting to help a great bulk of the employees and it's the great bulk of employees that make this company tick over, apart from number one, Mr Tom Gorman.

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**Graham Kraehe - Brambles Limited - Chairman**

No, you are right, there are 17,000 employees and they are all invited progressively to participate in that plan. Our objective is to give, move very much higher than the 25% who currently participate. That's what one of the resolutions today is about. Do you want to just make a quick comment about those share rights, because that's absolutely related to the comments that Luke made about the risk, at risk and fixed remuneration earlier?

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**Luke Mayhew - Brambles Limited - Chairman of the Remuneration Committee**

Thank you for your comments, I mean I'm trying to make remuneration reports simple is an ambition of mine, I keep failing, I hope it gets simpler but I am conscious that it can never be as easy to follow as it would be ideally.

I would point to, on the point you make about share rights, these are largely driven by the long term incentive share schemes, which I said in my presentation. The quantum looks very high; of course the proof of it is in the degree to which they vest. And obviously to vest those shares the executives will have to produce outstanding performance for the business because we set stretching targets. As I said over the last three years this



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is the first year in which any of the long term incentive schemes have vested for three years and I think you should have some confidence that long term incentives aren't achieved easily.

I would make one point as an attempt to simplify, Mr Tilburn. We did introduce the table on 5.3 where what we tried to do was literally demonstrate how much pay or remuneration the executives received in the year. That's a combination of their fixed pay and what it actually vested that year. Because I think in some ways that will perhaps demonstrate better the quantum of executive pay. That is a new initiative, I hope it helps. I am not arguing your point whether it is too large, too small or whatever. But I think it gives more clarity as to the actual amount of money the senior executives have taken out in any one particular year.

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**Graham Kraehe - Brambles Limited - Chairman**

Thanks, Luke. Are there any other questions to the resolution on remuneration? If not, the resolution and the direct voting and proxy position are now on the screen. Please mark your voting card for Item 2. I remind you I will vote proxies granted to me in favor of this resolution. The next item of business is the re-election of Tony Froggatt as a Director and he's retiring by rotation. As a non-Executive Director he has been subject to the assessment process and his re-election is fully supported by his fellow Directors. For those who are interested in the governance and the way we operate that assessment process is set out in the Annual Report and the re-election of Tony Froggatt is Item 3 as set out in the Notice of Meeting. Tony, I'd now invite you if you would address the meeting please.

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**Tony Froggatt - Brambles Limited - Director**

Thank you, Chairman. Good afternoon ladies and gentlemen. I have been privileged to have represented you for the past five years on the Board of Brambles during which time the company has undergone a very positive transformation. Over recent years we have faced numerous challenges set against a backdrop of a global financial crisis, in which Brambles has had to change, adapt and take the hard decisions to enable us to emerge as a stronger company. Able to meet future challenges and to continue to grow value going forward for you the shareholder. I am proud to have been part of that journey and hope that my experience as the CEO of a UK FTSE 100 company along with my years both working internationally in an executive capacity and latterly as a non-executive on the boards of a number of Australian-based world class companies will qualify me to continue representing your interests on the Board of Brambles in the coming years. Thank you very much.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you, Tony. Are there any questions to this resolution? No questions. It's the resolution and the direct vote and the proxy position is now on the screen. Please mark your voting cards for Item 3.

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**Unidentified Shareholder**

(Inaudible - microphone inaccessible).

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**Graham Kraehe - Brambles Limited - Chairman**

Sure, well I'm looking up the back and saying can you please have the proxies stay on a bit longer. I can't see them, I've got that disadvantage. Happy, you can see them? Fine, so if you'd please mark your cards for resolution 3.

Resolutions 4 and 5 are to seek approval for amendments to the 2006 Performance Share Plan and to Brambles MyShare Plan which are detailed in the Notice of Meeting. Now Mr Mayhew described the proposed changes and the reasons why they are being made. We heard from Mrs Curran about the ASA's view on part of that change. I now put the resolution that the Brambles 2006 Performance Share Plan be amended in the manner set out in the explanatory notice of meeting and the issue of shares under the amended plan be approved for all purposes. Are there any questions? A question from Mrs Curran, I think?

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**Mary Curran - Australian Shareholder's Association**

Just a bit unclear there, are you actually addressing Items 4 and 5 at the same time?



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**Graham Kraehe - Brambles Limited - Chairman**

The resolution will be four and then five, two separate resolutions.

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**Mary Curran - Australian Shareholder's Association**

Okay, so five will come later?

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**Graham Kraehe - Brambles Limited - Chairman**

Five will come later, yes.

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**Mary Curran - Australian Shareholder's Association**

I'll sit down till that then.

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**Graham Kraehe - Brambles Limited - Chairman**

All right, then okay. So resolution 4, the direct vote and the proxy - so what I am doing is actually giving you an overview on what the two resolutions are about. It is a common theme, but two separate resolutions. So now we are into resolution 4, please mark your poll card for Item 4. Again I will vote proxies granted to me in favour of this resolution.

I now put the resolution that the MyShare Plan be amended in the manner set out in the explanatory notes accompanying the Notice of Meeting, the issue of shares under the amended plans be approved for all purposes. Are there questions? And the resolution and direct vote and proxy position is now on the screen and there is a question. This is resolution 5 a question to resolution 5.

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**Mary Curran - Australian Shareholder's Association**

It is not actually a question, it is a comment, but I am sure you will be glad if I make it?

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**Graham Kraehe - Brambles Limited - Chairman**

I will be delighted.

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**Mary Curran - Australian Shareholder's Association**

Well designed incentive schemes on a company's equity can be an effective way of motivating and retaining staff. The Australian Shareholders' Association encourages participation by company employees and we will be directing all undirected votes in favour of this motion. Thank you.

## PRESENTATION

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you appreciate that. Would you now please mark your poll card for Item 5 and again I will vote proxies granted to me in favour of this resolution. Resolution 6 and 7 are to obtain approval firstly for Tom Hayes, sorry for Tom Gorman. I am not implying anything in saying that. Firstly, for Tom Gorman, resolution 6 and then for Greg Hayes resolution 7 to participate in the amended performance share plan. I will now put



the resolution that Tom Gorman be permitted to participate in the plan for three years from the day of this meeting as set out on the screen behind me. Are there any questions? If not, the resolution and direct vote and proxy position is now on the screen, so if you would please mark your cards for Item 6 and again I will vote proxies granted to me in favor of this resolution.

I now put the resolution that Greg Hayes be permitted to participate in the scheme for three years as set out again on the notice behind me. Any questions to that? No, the resolution and the resolution and direct vote and proxy position is now on the screen, so if you would please mark your cards for Item 7. Once again I will vote proxies granted to me in favor of this resolution.

Turning now to resolutions 8 and 9 and they are to obtain approval for Tom Gorman and Greg Hayes to participate in Brambles amended MyShare Plan and this remember is the plan that applies to all employees in the organisation on an equal basis. I now put the resolution that Tom Gorman be permitted to participate in the plan in accordance with the motion behind me. Are there any questions to that?

No questions, oh yes, sorry there is a question or comment, Mr Tilburn again.

## QUESTION AND ANSWER

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### **Jack Tilburn - Shareholder**

Thank you, thank you, David. David is trying to help. Thank you, Mr Kraehe, Chairman of Brambles Limited. I think I made a note here on page 15 and it is for Items 8 and 9. I am always increasingly restive about these things and I'll be incisive and robust as I try to be. It says in about paragraph 2, if the company wishes to amend the MyShare Plan as described in Item 5, a fresh shareholder approval is being sought for the issue of shares to Tom Gorman and Greg Hayes under the amended MyShare Plan.

Well the good philosophical question would be why are these two items 8 and 9, motions 8 and 9 here? I don't think they ever deal with the question why must this issue of shares be done? Haven't they got enough already? Have they got too many already? What's the philosophy behind it? Are they being given additional shares because of additional merit work? Merit operations that they do as the Chief Executive and I believe the other man, Hayes is the Chief Financial Officer. Thank you.

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### **Graham Kraehe - Brambles Limited - Chairman**

Okay, thanks for the question. The logic about it is really to say that we have an approach where we want all employees to be able to participate in the scheme. Why do we need a resolution on it? Because the two gentlemen are executive directors they are invited to offer and subscribe money to acquire shares in the MyShare Plan the same as everybody else. There is no unique advantage to them in any way at all, but we portray it as it is for everybody and everyone has an opportunity to participate. But because we have changed a couple of elements of the scheme, we are coming back to the shareholders to refresh the approval for two executive directors to be able to participate in the scheme. You are absolutely right in the scheme of things it is very tiny, tiny beer.

Are there any other questions? If not the resolution and direct vote and proxy position is now on the screen, please mark your card for Item 8. Again I will vote proxies granted to me in favor of this resolution. I put the resolution that Greg Hayes be permitted to participate in the amended MyShare Plan for three years. Are there any - I think we have got slightly out of order here, are there any questions, this is now resolution 9.

## PRESENTATION

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### **Graham Kraehe - Brambles Limited - Chairman**

So if you are confused, so am I, it would appear. The resolution and direct vote and proxy position is for Item 9 is now on the screen, if you would mark your poll card for that. I intend to vote proxies in favor of this resolution.



Ladies and gentlemen, I think that concludes the business of the meeting. Thank you for your participation. Please do not forget to place your voting cards in the boxes outside behind the exits. The poll will remain open for about another 10 minutes, when it closes you will be notified on this screen behind me. Please join us outside for a cup of coffee and we would like to have a chat. Thank you.

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