Event Transcript

Company: Brambles Limited
Title: Brambles 2019 Annual General Meeting
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Start of Transcript

Stephen Johns: Well, it's two o' clock. We might get underway, thank you. So, good afternoon, ladies and gentlemen. My name is Stephen Johns, your Chairman. It's my pleasure to welcome you today, and to declare the 2019 Brambles AGM open. There are copies of the notice of meeting and of the minutes of our last AGM in the registration area. With your agreement, I propose to take the notice of meeting as read. Thank you.

I would now like to introduce your Directors and senior executives. On my far left is Elizabeth Fagan, George El-Zoghbi, Brian Long, the Chairman of our Audit Committee, our Chief Financial Officer Nessa O'Sullivan, and our Chief Executive Officer, Graham Chipchase. From my far right is Jim Miller, Scott Perkins, Tahira Hassan, David Gosnell, Tony Froggatt, the Chairman of our Remuneration Committee, and Robert Gerrard, our Company Secretary. David is retiring at the conclusion of today's meeting after serving for more than 10 years on the Board. I'll make comments on David's retirement in my formal address, but I'll note now that David has made a significant contribution to the Board during his period of office, and we will miss him.

Jim was appointed during the year and stands for election today. George and Tony stand for re-election, each of whom have the unanimous support of their fellow Directors. Long sitting with us in the front with us here, Sue Horlin and Eliza Penny from our external auditors PwC. Welcome.

We will be holding a poll on all the resolutions before this meeting, and I will now open the poll. Any shareholders leaving early may place their completed voting cards in the ballot boxes by the exit doors. I will explain the voting procedure when we reach the formal part of the meeting. I will shortly deliver my Chairman's address. After I've spoken, I'll hand over to Graham Chipchase to deliver his CEO address, and the Tony Froggatt will then review our remuneration policy. After Tony's report, I'll respond to the most frequently asked questions from shareholders which we received before today's meeting. I will then take any questions from the floor before we move on to the formal items of business.

We're webcasting this meeting for the benefit of shareholders who could not attend in person, and we'll publish the webcast on our website.

Now, turning to my address. Brambles, as you know, is the global leader in platform pooling solutions, serving customers in approximately 60 countries with around 330 million pallets, crates, and containers, and supported by a network of over 750 service centres. In FY19 we achieved strong revenue growth and an increase in earnings despite cost inflation in our global businesses and some broader cost challenges during the year.

In constant currency terms, our sales revenue was US$4.6 billion, up 7% on the previous year, and underlying profit increased 2% to US$803.7 million. The Board declared total dividends for the year of AUD0.29 per share, in line with FY18. The interim dividend was 65% franked, and the final dividend, which will be paid today, is 30% franked.

In May this year, following a comprehensive strategic review and the successful sale process, we completed the sale of our IFCO RPC business to Triton and a subsidiary of the Abu Dhabi Investment Authority for US$2.5 billion. With the sale complete Brambles is now one streamlined business, with a real opportunity to leverage industry leadership, to become more responsive to customers' needs and global supply chain challenges. It is within this context that the Board and management team are taking active steps to reshape Brambles for success into the 2020s and beyond. We are focused on becoming more customer-centric and deploying new physical and digital technologies to transform our service offerings and how we operate.

We intend to return US$1.95 billion of the sale proceeds to you, our shareholders, through two mechanisms. The first is an on-market share buyback for up to US$1.65 billion, which actually commenced on 4 June 2019. We expect to implement this in an orderly fashion through to FY21. The second is a pro rata cash return of AUD0.29 per share, equivalent to approximately US$300 million. The cash return is in addition to your normal dividend and has two components - a capital return of AUD0.12 per share, which is subject to shareholders' approval at today's AGM, and a special dividend of AUD0.17 per share which will be paid to shareholders on 22 October 2019. The remaining proceeds will be utilised to reduce debt to maintain our strong balance sheet and investment-grade credit rating.

The Board has also undertaken a review of our dividend policy and capital structure. We have decided to move to a payout-based dividend policy commencing with the 2020 interim dividend. This policy will target a payout ratio of 45% to 60% of underlying profit after finance costs and tax, subject to the company's cash requirements, and will be declared in US currency and converted and paid in Australian currency. The Board believes this dividend policy, while potentially creating increased volatility in Australian dollar terms, is appropriate to support future growth opportunities, align shareholder payments with movement in our earnings which are reported in US dollars, and maintain Brambles' strong investment-grade credit profile.

I will now turn to Board composition and renewal. In light of my intention to step down as Chairman at the end of my current term, a sub-committee of the Board chaired by Tony Froggatt was formed to conduct the succession process for the Board. This process remains on track to appoint a successor in advance of my retirement in 2020. As part of the ongoing Board renewal process, changes to the composition of the Board during FY19 saw the retirement of Carolyn Kay at the conclusion of the 2018 AGM, and the appointment of Jim Miller as a non-executive Director in March 2019.

With a career spanning senior executive roles at companies such as Amazon, Google, IBM, and Cisco, Jim has extensive experience and detailed knowledge of digital technology and data analytics, and the values these can add to a supply chain. Jim stands for election at today's AGM. Additionally, one of our long standing non-executive Directors, David Gosnell, has decided not to stand for re-election, and will retire at today's AGM. On behalf of the Board, I would like to welcome Jim, and thank both David and Carolyn for their valuable contributions.

Tony Froggatt here on my right, who has been on the Board for 13 years, has agree to stand for re-election at today's AGM to facilitate a smooth transition for the new Chair, and provide continuity and stability for the Board. If re-elected, Tony has indicated that he will retire within his three-year term. Non-executive Director George El-Zoghbi, on my left here, who joined the Board in 2016 also stands for re-election at today's AGM.

We as a Board were conscious that replacing Carolyn Kay with Jim Miller meant that the female representation on our Board reduced from four members to three, representing 27%. While our aim is always to recruit the best candidate, we are also mindful of the importance of gender diversity and achieving our 30% target representation at Board level. This will be an important factor in our future recruitment process as we seek replacements for David Gosnell and Tony Froggatt.

To conclude, I would like to thank our management team and all our employees for their efforts and ongoing commitment during the year, and you our shareholders for your attendance at this year's AGM, and for your ongoing support for Brambles.

I will now hand over to our CEO, Graham Chipchase. Thank you very much.

Graham Chipchase: Thank you, Stephen. Good afternoon, ladies and gentlemen. At Brambles, our purpose is to connect people to life's essentials every day. Through our share and reuse model, we move more goods to more people in more places than any other organisation, and that's something we're very proud of as it allows us to make a real contribution to shaping a smarter, more sustainable future.

In keeping with this theme, in fiscal '19 we launched Zero Waste World, a new working collaboration for leading companies committed to creating smarter and more sustainable supply chains. With our network capabilities and the power of our logistics platform, we are working with our customers to find new ways to address three critical industry challenges - eliminating waste, eradicating empty transport miles, and cutting out inefficiency in the supply chain. Sharing these global challenges, we have a unique opportunity to accelerate simple and sustainable solutions.

Similarly, we have worked on the fundamentals of our business to make sure they remain robust and sustainable. We continue to explore new ways to deliver higher levels of efficiency in our service centre network and continue our path towards a digital supply chain to deliver benefits to customers and Brambles. We continue to invest in first and last mile solutions, particularly in Europe, and accelerated our efforts in material science and innovation platforms. We successfully rolled out best-in-class automation and procurement initiatives in the US and facilitated best-practice and expertise sharing across the Group. We are passionate about bringing more value to our customers and delivering innovative service offerings that meet more of their supply chain needs and transforming the customer experience of doing business with Brambles.

Before addressing our results for fiscal '19, and the first quarter trading update for fiscal '20, I'd like to take a moment to outline the operating conditions we faced during fiscal '19 and the first three months of fiscal '20. The operating environment in fiscal '19 was characterised by macroeconomic uncertainty and continuing inflationary pressures. Ongoing uncertainty surrounding Brexit and how it would be implemented impacted inventory levels across the retail supply chain in the UK. We also experienced slower organic growth, particularly within western Europe and in the automotive industry.

In the United States and Europe, input cost inflation remains high by historical standards, although the rate of transport and lumber inflation started to moderate during the year. Competition in all markets was strong but rational, while our customer base continued to adapt to changes in the retail landscape, including omnichannel proliferation, the ongoing growth of e-commerce, and increasing automation in the supply chain.

Now, looking at our financial performance. In fiscal '19, we delivered constant currency sales revenue growth of 7%, reflecting ongoing customer conversions in all markets and increased price realisation in response to the high inflation environment. Underlying profit growth of 2% was modest, as ongoing cost pressures in CHEP Americas were only partly offset by price and supply chain initiatives in the region. We continued to make good progress with our US margin improvement initiative and other initiatives in the Americas region, and are confident that these actions will deliver over the medium term.

Turning to our trading update for the first quarter of the 2020 financial year, we delivered constant currency sales revenue growth of 5%, primarily driven by strong net new business growth and improved price realisation across the Group. This is in line with our expectation for sales revenue growth in fiscal '20 to be at the lower end of our mid-single-digit objective on a constant currency basis.

As mentioned earlier, we are experiencing moderating input cost inflation and other cost pressures in our major markets and are seeing a broader slowdown in global underlying economies. Given the macroeconomic environment, underlying profit in fiscal '20 is expected to be in line with, or slightly above, sales revenue growth on a constant currency basis, including the impact of the new leasing standard AASB16. Our global automation and procurement programmes remain on track and are expected to deliver margin benefits from financial year 2020. We remain confident that the heightened focus on asset control and efficiency across the Group will deliver cash flow benefits over the medium term and deliver superior shareholder returns over the longer term.

Moving on our investor value proposition, many of you will be familiar with our Virtuous Circle value proposition. We're able to achieve superior operational efficiencies thanks to our network advantage of scale, density, and unrivalled expertise. These operational efficiencies generate cash flow, which we either reinvest in the business to fund growth, innovation, and the development of our people, or we return to you, our shareholders. Our aim is to deliver sustainable growth and returns well in excess of the cost of capital. This includes delivering through the cycle sales revenue growth in the mid-single digits, underlying profit growth in excess of sales revenue growth, strong return on capital invested, and free cash flow sufficient to fully fund capital expenditure and dividends.

Turning to sustainability. Sustainability is integral to what we do and the value we offer supply chains around the world. Our circular business model defines not just how we do things, but who we are. It also provides our customers with proven circular foundations as they adapt to changing consumer expectations around the provision of more sustainable products that reduce both their cost and environmental footprint. During the year, we continued to make good progress towards our 2020 sustainability goals, and once again have delivered year-on-year improvement in sustainable lumber procurement, and the adoption of more renewable energy takes us closer to our 2020 carbon emissions goals.

I am pleased to announce that in fiscal '19, we committed to responding to the recommendations of the Taskforce on Climate-Related Financial Disclosure. In doing so, we seek to enable our shareholders to have a clear understanding of how Brambles will manage the financial risks and opportunities of climate change and provide confidence that as a business we will continue to prosper over the long term. We are very proud to be globally recognised as a leader in third-party environmental, social and governance programmes. This recognition includes being a leader in the top 1% of companies analysed for sustainable analytics, and the second most sustainable international company in the world, by *Barron's*, a leading US financial magazine.

In addition, we've reduced by 18% our carbon emissions per pallet since 2015, and in the last year we have stopped 1.4 million tonnes of physical waste from going to landfill.

Turning to safety, our people are our greatest asset, and their safety is our more important responsibility, so it's with very great sadness that I advise you of a fatality at our Bellpuig facility in Spain in July 2019. This loss has impacted us greatly, and we are doing everything we can to avoid a terrible accident like this happening in the future. A thorough investigation was undertaken, and key learnings have been communicated throughout the Group. Brambles is committed to zero harm, for our people and those we work with, for our customers and the communities we serve, and for the environment on which we all depend.

During the year, we launched the next phase of our zero-harm strategy, Safety Differently. This initiative seeks to address the residual risk present in our operations.

In conclusion, Brambles is a resilient and inherently sustainable business. With our circular business model, superior network advantage, and industry expertise, we are in a strong position to continue to create long-term value and sustainable shareholder returns. I am proud to lead Brambles' high-performance team, as it is their vision, expertise, and commitment that makes Brambles the global leader it is today.

Thank you, I'll now hand back to Stephen.

Stephen Johns: Thank you, Graham. I'll now hand over to Tony Froggatt, Chairman of our Remuneration Committee, to discuss our remuneration policy in some more detail. Thanks, Tony.

Unidentified Participant: [Inaudible question - microphone inaccessible].

Stephen Johns: Questions are coming soon, after remuneration report.

Unidentified Participant: [Inaudible question - microphone inaccessible].

Stephen Johns: Yes, on everything. Yeah.

Unidentified Participant: Thank you.

Tony Froggatt: Good afternoon, ladies and gentlemen. Today, I'll cover four topics - how Brambles' executive remuneration is structured, the outcomes for fiscal '19 including share vesting, the proposed changes to the remuneration structure we are putting to shareholders during this meeting, and lastly, I will provide an update on our employee share plan, MyShare.

Before outlining the executive remuneration structure, I believe it's important to reiterate the key objectives of our executive remuneration policy. These are to attract and retain the right talent, to reinforce business strategy, and to pay out for performance and results and the creation of shareholder value. In keeping with these objectives, the Chairman and I met with proxy advisors and investors recently to seek feedback on Brambles' remuneration policy and the proposed changes to that policy, which I'll be outlining shortly. The feedback we received was that all of our current policy was appropriate and aligned to our business strategy, and that the proposed changes were consistent with those objectives.

Turning to how executive pay at Brambles is structured. There are two categories of remuneration, fixed and at-risk. As you can see, more than 75% of executive remuneration is at risk, meaning it's only delivered if stretch targets are achieved. The pie chart shows how remuneration would break down in a year where maximum targets were met. Fixed salary and benefits represent 24% of potential remuneration, whilst at-risk short-term incentives, or STIs, which are determined by a combination of financial results and the achievement of personal objectives, represent 44% of potential remuneration. Half of the at-risk STI is given in cash, while the other half converts to shares which are deferred for two years.

At-risk long-term incentives, or LTIs, represent 32% of potential remuneration, and comprise an award of performance shares with payout conditional on meeting stretch results over three years. As you can see from the slide, a large proportion of remuneration is at-risk.

So, I'll now run you through the remuneration outcomes for fiscal '19. In 2019, executive Directors received an average base salary increase of 2.5%, with our company-wide average for employees being 3%. Short-term incentives for the senior executives reflected the performance of the company and applicable business units and ranged between 32% and 66% of the maximum achievable. Neither the sale revenue, ROCE matrix, or the TSR components of the long-term incentives awarded in 2016 vested, as the conditions to which they were subject were not achieved.

Looking forward, the Board has set stretch targets for the 2020 STI, and the fiscal year '20 to '22 LTI sales revenue to ROCI targets, which is set out in the remuneration report. These have been set to challenge executives while ensuring that the targets do not in any way compromise investment in the future of the business. For the third year in a row there was no increase in the Chairman's or non-executive Directors' fees. There was, however, an increase in the fee supplement payable to members of the Audit and Remuneration Committees. These fees, which have not changed since they were first introduced in 2013, were increased to AUD25,000 per annum from 1 July 2019 to align with the market, and do not apply to the Chairman.

Each year, the Remuneration Committee carries out a review of Brambles' remuneration policy and structure to determine whether they continue to align with the company's strategic and business objectives, and the creation of shareholder value. As a result of this year's review, two changes to the remuneration structure are being proposed. It should be noted that while these changes do not strictly need shareholder approval, your Board felt that in the interests of transparency it is appropriate that shareholders are able to voice their opinion. These will be put to shareholders during item 6 of the notice later in the meeting.

As I mentioned earlier, the Chairman and I discussed these changes when we met with investors and proxy advisors recently, and they were supportive of them. The first change applies to the long-term share awards. We are proposing to implement a one-year holding lock on any vested LTI awards. These awards will continue to be subject to the performance conditions over a three-year performance period, which I outlined earlier in my address. If LTI share awards vest, they will become available for executives to exercise and receive dividends. However, executives will not be able to sell the underlying shares until one year after vesting, other than to pay any tax which is levied due to LTI share awards vesting or being exercised. The practical effect of the introduction of the one-year holding lock is that executives will not receive the full benefit of their LTI share awards for a period of up to four years, which brings the LTI plan in line with general practices in the UK and some major Australian companies.

The second change relates to short-term incentive share awards. As I mentioned previously, half of an executive's short-term incentives are received by way of deferred STI share awards. These awards vest two years from the date of grant. One of the effects of receiving deferred awards is that executives do not receive dividends during the two-year deferral period even though they have in effect earned those shares. We are proposing to provide at the end of the two-year vesting period the equivalent value of the dividends which would have accrued during that period on the underlying shares subject, of course, to the awards vesting. Further details of these changes are in section 2.2 of the remuneration report, and in the explanatory notes of the notice of meeting.

Turning now to our employee share plan, MyShare. MyShare is a global employee share purchase programme which encourages employees to purchase shares in their own company. Under the plan, employees are able to make a maximum annual post-tax contribution of AUD5,000, which will be increased to AUD6,000 from fiscal '20, to purchase Brambles shares. If these acquired shares are held by the employee for two years, they are matched one-to-one by Brambles. Through MyShare, our employees now own 3.9 million Brambles shares.

So, in conclusion, Brambles' remuneration strategy continues to support the business strategy, and is designed to reward executives for the creation of shareholder value. The changes we are proposing at this meeting support that strategy. Thank you, and I'll now hand back to Stephen.

Stephen Johns: Well, thank you Tony for a very comprehensive report. Ladies and gentlemen, before moving to the formal part of the meeting I will now answer questions from shareholders. First, I would like to respond to the main topics in the questions raised by shareholders using the form provided with the notice of meeting.

I'll get to the actual questions very shortly, Mr Barker.

We received a number of questions on our remuneration policy and remuneration outcomes. I believe Tony has addressed the issues raised by those questions during his report. We also received a number of questions on our financial performance, which Graham and I addressed in our speeches. We received a question about Board gender diversity, which I also covered during my address. Finally, we received a question about our carbon emissions and our sustainability goals, which Graham addressed in his speech. Further details of our sustainability goals, which include goals for both carbon emissions and acquiring energy from renewable sources, and our performance against those goals, is available on our website and in our 2019 sustainability review, copies of which are available in the foyer.

As I mentioned earlier, Sue Horlin and Eliza Penny sitting here in the front row from our external auditors, PwC, are in the audience and are available if any shareholder wishes to ask them any questions about the conduct of PwC's audit, their audit report, the company's accounting policies, or the auditors' independence.

Ladies and gentlemen, I'll shortly take questions from the floor, but I'll remind you that only shareholders, or their proxies, or company representatives are entitled to speak at the meeting. If you'd like to ask a question, please approach the microphone, show your pink voting card or blue non-voting shareholder card, and give the attendant your name. If you are unable to get to a microphone please raise your hand, and an attendant will bring a microphone to you. To maximise the opportunity for all shareholders, I do request that you ask only one question at a time.

Questions from the floor.

Unidentified Company Representative: Mr Chairman, I introduce to you Mr Peter Barker, proxy holder for the Australian Shareholders Association.

Stephen Johns: Welcome, Mr Barker.

Peter Barker: (Australian Shareholders Association, Shareholder) Thank you for the opportunity to speak, Mr Chairman. Not only am I here representing the Australian Shareholders, which represents retail investors. I'm also here holding a small shareholding in Brambles in my own name. When I'm speaking today it will be on behalf of the ASA, except when I clearly state that it is my personal...

Stephen Johns: Thank you.

Peter Barker: (Australian Shareholders Association, Shareholder) Okay. In your introductory talk, you mentioned - and again, just briefly ago, talked about the need in the Board for gender diversity. I think that that should be a case of general diversity across all aspects, gender being an important one, but all skills. We need to have a lot of skills in the Board. I think the Board is in such a situation now, and I understand that there's changes to be made which will make it even more diverse by perhaps reducing the amount of financial experience on the Board for more technical, and that is indeed happening with the appointment of Mr Jim Miller.

The other aspect is - if you give me a moment, Mr Chairman, to talk about the buyback of shares. I know from meetings of the ASA there's a lot of retail investors who don't quite understand the impact on shareholders of reduction in shares. Because those shares are bought back by the company, and in effect written off the books, that means there are less shares, which means each individual share which is currently being held by a shareholder is worth that much more, both in terms of the percentage of profits that those shares will attract, and also the value of assets in the company.

The other matter is the dividend policy. I understand the reasons for the policy being such that you'll tie those more to a percentage of the profits rather than a fixed amount. I see that as a very eminent policy, and that it's something that might, though, for some retail investors who rely very heavily on the income, mean that they're going to have flexible incomes. So, there is a downside to it.

One final thing, Mr Chairman. I'd like to commend the Board on its capital management in terms of the proceeds from IFCO, of applying them in a way which is a sensible way. It would be so easy, as many other companies have done, to embark on grandiose acquisitions which have turned out in a lot of cases to have burned a lot of shareholder equity. So, again, I commend you and your fellow Board members for the approach that you've taken.

Stephen Johns: Well, Mr Barker, thank you very much. You raised a number of very good points, mainly observations actually rather than questions, but I'd certainly like to respond to them in order that you raised them. Not necessarily in order of importance, but certainly in the way that you've raised them.

I agree with you 100% about diversity on the Board. Gender diversity, female representation, is only one aspect. I think we have achieved that diversity over a period of time in an extremely well thought out way. We're an international company, as I said before, and as I think shareholders know. We're in 60 countries around the world, basically all the continents, and I think we need to reflect that on our Board.

Our two major markets are North America - from a profit point of view are North America and Europe, which is continental Europe and the UK, and we have two Directors, including David Gosnell who, as you know, is retiring, but we're going to have two representatives from the United Kingdom. We have three representatives from North America. We have four non-executive Directors from Australia, and of course our two executive Directors, Graham and Nessa, reside in the UK.

So, from a geographic diversity point of view, I think we're very well represented. From the diversity in terms of skillsets on the Board, I think we're also well represented. I noted your comment about finance guys. I'm a finance guy, so not, I think, a good idea to have less finance people generally, but I think it is actually - on our Board, we used to have, when Carolyn Kay was here, four finance people on the Board. We now have three, and I think that's a good balance, given the needs of the audit committee and financial matters which the Board considers on a regular basis. But we have tremendous expertise in relation to the businesses that we serve, our customers in the FMCG business, retail business and the like, and you've no doubt read the bios of our various Directors. So, I think we have excellent diversity in terms of the skillsets on the Board.

Gender diversity, I'm very much in favour of that. It's only one of the aspects, but it is very important to us. So, we now have three female Directors out of 11. If you do the maths, it's 27%. I tend to round things up and say it's 30%, where our objective was. When Carolyn was on the Board, we had 40%. We now have two positions that we will be recruiting for over the next year, and whilst we will always seek, as we did in the case of Jim Miller, to get the absolute best candidate that we can, certainly the opportunities for increased gender participation on the Board are there for us to undertake and to achieve.

Going back to 40% is [unclear] goal either. I think the best candidates, but if we can find more excellent female Directors and we go beyond the 40% number, I personally would be delighted, and I'm sure the rest of the Board would be as well. So, I think I agree with you, and I also think that we're in a very good place.

You described the share buyback and the way shareholders benefit from it very well. I don't think there's anything I can really add to that. Thank you for that.

The dividend policy is something that we've been considering for a long time, because we do understand that retail shareholders in particular are looking for a fairly - well, no surprises. They like not to have surprises, to have continuity in income stream. We have had in the past years a policy whereby we either maintained the divided level or increased it depending on the financial performance of the Group and the financial requirements of the Group. But the difficulty is, and the point I think we all have to realise, is that we as shareholders here today are not investing in a just purely Australian company.

We do have the CEO of our Australia and Asia Pacific business here, and it is a very important business for us. It is the springboard for Brambles becoming what it is today, but it represents about 7% or 8% of our revenue, and about the same of our profit. The majority of our profits come from other currencies, particularly US dollar, euro, and sterling, and the US is our major market in profit terms. US is our major currency. US is what we actually report in. Everything that Graham and I talked about today was US dollars, US$1.65 billion, $300 million, et cetera. So, we are looking at a US dollar company. I think this is a benefit, not a negative, for shareholders to appreciate that we have diversity not just on the Board, but we have diversity in the currencies and the geographies in which we operate.

So, it just is a logical thing over time, and I can't tell you whether it's going to be good or bad in Australian dollar terms. But if we continue to perform satisfactorily, and we report in US dollars, our dividends, therefore, with any profit growth should be growing in US dollars.

Capital management, acquisitions, yes, I think that Graham just made a point that the company made before, that we're intending to achieve sufficient cash flow out of our business to cover CapEx which funds future growth, as well as to cover our dividends. I've made the point once or twice in my address that we have a very good investment-grade credit rating. We are seeking to maintain that profile, and we are very disciplined in the allocation of capital. We want to be as disciplined as we can be. I think that's a major plus. So, the proceeds which we receive from the IFCO sale are, if you like, surplus to our operating requirements and should be used appropriately for the benefit of shareholders.

So, that has been properly articulated, and you in fact repeated that, and I appreciate the fact that you did.

So, thank you for your observations. I'm sure you'll have some questions when we get around to remuneration, but I do appreciate. Thank you.

Are there any other questions of a general nature? When we get to the actual items of business, you'll be able to ask questions on those specific items.

Unidentified Company Representative: Mr Chairman, I present to you Mr [Edward Warden], shareholder.

Unidentified Participant: (Shareholder) Thank you, Mr Chairman. I was listening and I heard a mention of Brexit. I hear that's a bloody mess, and I hear what's going on between China and the USA, and that's a bloody mess. Can perhaps you and Mr Chipchase give us some sort of indication of what's going on from a Brambles point of view, so we keep it to Brambles, and what we're doing to try and overcome any problems that we see might arise from both of those incidences? Thank you very much, and I'll come back for another question later.

Stephen Johns: Thank you. I won't add to your political view of where Brexit and the China-US trade talks are going, and Graham did mention Brexit in his CEO address. We as a Board have been very interested and concerned about where Brexit is going as it affects us as a company. Clearly, we have a major operation, as I said, in Europe and the UK, and it's very hard to anticipate exactly what the financial consequences will be until we know what the results of a deal or no deal may be.

However, and Graham may wish to comment, I invite him to comment on that, that our management team have been making progress on plan Bs and plan Cs as to what we're going to do. We have committed to various capital expenditures in order to put ourselves in a position which would - and I won't bore you with some of the details of how it might affect the supply chain activities, but it will affect those, and we're taking precautionary steps in order to cope with that. If there is a deal, some of those steps may prove to be unnecessary. But nevertheless, they are very important. Graham, would you like to add a bit more detail to that?

Graham Chipchase: Yeah, a couple of things, I guess. Number one, when we look at Brexit, it's important to recognise that only 10% of the flows in Europe are going from the UK to the rest of Europe, so it's an irritation getting a lot of airtime as you know, but in terms of the overall European issue it's not a big issue. What we've done so far, number one, is talk to a lot of our customers, because clearly they're facing the same sort of issues, and from a practical term we've had to put some more capital expenditure into the business because what's happening is that each time a deadline comes up, which is becoming increasingly regular as you know, then people are stocking up because people are afraid of shortages of products. So, we have to put more capital in to support the inventory build, but then of course it unwinds, so it's a temporary thing.

The more permanent thing we've had to think ahead on is, for some reason, when the UK comes out of the EU, the bugs we have in the UK all of a sudden become very, very bad, as opposed to being okay when we're in the EU. So, a pallet that goes from the UK into Europe has to be heat treated when we're out of the EU, whereas when we stayed in the EU it didn't matter. So, what we had to do is invest - it's under $10 million of capital just to have heat treatment in some of our UK plants. So, that's something we thought ahead on, and have started effecting.

The bigger issues which we can't really predict are what's going to happen around tariffs, and longer-term I think we can manage all of those. So, for example, if a lot of our pallets were coming into the UK today from outside, in terms of being manufactured and purchased from outside the UK, and they had tariffs put on them, if that became uneconomic, we would have to develop timber sources in the UK and make the pallets in the UK. So, it's manageable, but it's not something we think we have to do just yet.

The broader impacts could be, a no deal Brexit could affect the GDP in the UK which, again, could affect our business. Now, this is a similar point to the China-US trade war potential. So, if that were to happen, I think some good points, some bad points for Brambles. We don't ship on our pallets much product going between continents. So, to the extent that the US wants to have a fight with China so much, just purely in terms of cross-continental trade. However, something like that, and something like Brexit, could affect the GDPs and the economic growth in all those countries. So, Australia would clearly be affected if the Chinese economy was affected. So, that obviously could affect our business.

The good news, though, for Brambles is, if you think about what goes on our pallets, it tends to be food, drink, and consumables. So, by and large people will eat and drink in good times and bad. They may trade up or down in terms of brands, but they'll still be eating and drinking. Therefore, the volume on our pallets tends to be - it goes down a bit, but it doesn't go down as much as if we were shipping lots of luxury goods on the pallets. So, we are protected a little bit from global downturns. So, that's our view. Clearly, if I knew what the result of Brexit would be, I would be not here. I would be in some casino in Las Vegas making a lot more money. Impossible to tell, but we've planned, I think, as best we can.

Stephen Johns: Thank you, Graham. There's a question here. Thank you.

Unidentified Company Representative: Mr Chairman, I introduce to you [Yvonne Chan], shareholder.

Stephen Johns: Welcome.

Unidentified Participant: (Shareholder) Thank you. Good afternoon, Mr Chairman.

Stephen Johns: Good afternoon.

Unidentified Participant: (Shareholder) And good afternoon, Board. I have one and a half questions, if I may, please.

Stephen Johns: One and a half questions?

Unidentified Participant: (Shareholder) Yes.

Stephen Johns: Okay. Could you start with the half first, and then go...

Unidentified Participant: (Shareholder) Yes, I would. When you mentioned the investment grade, well, I don't know what that is. Is that the BBB?

Stephen Johns: We're BBB+.

Unidentified Participant: (Shareholder) Ah, okay. Thank you. Now, my next question is, I've been a shareholder for quite a few years, and when Brambles had more than - well, started off from the CHEP pallets and then diversified to other businesses, and now back to CHEP. I liked - yes, it's a good idea that we stick to our knittings. Next thing is, I wonder, when we streamline the business like so, do we also streamline the Board? Do we need a Board of this size? That's my question.

Stephen Johns: Thank you very much. Just going back in the history a little bit, Brambles, well before my time - well before the time of most people here - was a conglomerate with many businesses, and CHEP was one of them. CHEP was bought in the - Brambles goes back to 1875, but anyhow, that's not relevant today. But in the 1950s, the company bought the business from the Commonwealth Government. The CHEP stands for the Commonwealth Handling Equipment Pool, and the Commonwealth Government privatised it and sold it to us. It was one of many businesses in the company, and it was by no means the major business.

But over the years, when Brambles has developed CHEP into what it is today, and taken it internationally into the northern hemisphere and so on, it has become the dominant business over time, and indeed when I joined the Board we still had Cleanaway, and we had Recall, and we had Brambles Industrial Services, all of which were sold, and most of the proceeds went back to shareholders back in 2005 and '06, or '07.

So, IFCO was bought some six or seven years ago, and was an important part of the business. But it was only about 15% of our revenue. That's relevant and that's material, but CHEP is 85%. So, let me say that in streamlining the business, focusing on the advantages of being able to really concentrate on what is important, CHEP has higher margins that IFCO, CHEP has a higher return on capital than IFCO, CHEP probably in the long term has better growth potential and better growth opportunities, even though, I have to say - and that's why we got a good price for IFCO - it in its own right may be inferior to CHEP, but certainly is a very viable and attractive business, and that's why we got a good price for it.

But we are administering as a Board, and Graham and his team, Nessa and the executive team, are administering a very big business in over 60 countries. I think we have about 14,000 employees. We have all these 750 service centres around the world. So, it's a major business, and I think that the Board is an appropriate size for doing that. As I said before to Mr Barker's observation, that we have diversity in geographic sense as well. We want to have representatives who live and breathe and work in the northern hemisphere, in Europe, in the US, Canada, and so on.

So, I think the Board composition is fine, I think the skillsets we have in are fine, and I think the size is pretty good as well.

Unidentified Participant: (Shareholder) Thank you.

Stephen Johns: Are there any other questions? Yes? Thank you.

Unidentified Company Representative: Mr Chairman, I introduce to you Mr [Eric Chan], shareholder.

Stephen Johns: Mr Chan, welcome.

Unidentified Participant: (Shareholder) Hello. Good afternoon. May I ask, since you raise the history of Brambles, and I am one of the long-term shareholders, and I remember Brambles had a [unclear] UK.

Stephen Johns: Yes.

Unidentified Participant: (Shareholder) That was a disaster time, when they lost millions and millions of pallets. Are you aware of that?

Stephen Johns: I certainly am. Fortunately, I wasn't on the Board when those pallets were lost, but yes. I think the history...

Unidentified Participant: [Inaudible question - microphone inaccessible].

Stephen Johns: I'm sorry?

Unidentified Participant: Did you find them?

Stephen Johns: We need to find them.

Unidentified Participant: (Shareholder) That's true. Did you manage to find them, was one question?

Stephen Johns: That's your question?

Unidentified Participant: (Shareholder) No, I will still follow-up, but a good question raised. Did you manage to find them?

Stephen Johns: Well, let me address the question properly. We have a business which is the share and re-use model. Our pallets go out into the economies in the jurisdictions where we're operating, and we do have very active programmes to get our pallets bac. There are a whole range of activities in which we do that. We certainly do lose pallets in the ordinary course of business. In some jurisdictions, like in Australia, we get 100% compensations for people if they lose their pallets. In some of the other markets we get partial compensations, and where we don't get partial compensations obviously, therefore, we have a loss in our profit and loss account.

We make a provision every year, it's called IPEP, which is a provision for equipment, which is pallets and other containers, which we feel may not be recovered over time. So, it's reflected in our profit results. We need to have appropriate pricing mechanism and incentives for our customers to return the pallets to us, or to tell us where we can go and collect them. This is a very active programme, quite a complex programme. It's different in all the different markets as to how we go about collecting our pallets.

Unidentified Participant: (Shareholder) That comes to a point where a few years ago there was a company that the CHEP pallet was in this other company, and they claimed that the pallet is theirs. I think it's something like finder's keeper's, or something like that. They keep the pallet, and it was a huge number of pallets ended up with them and there was a court case. I didn't follow the details. How is it? Also, by the way, can you just outline what's the acceptable number of pallets that are lost today compared to those years gone by which is obviously not acceptable.

Stephen Johns: Firstly, it's important that wherever we operate, we determine that we - or, make sure that we determine that we have appropriate title and ownership of our pallets, and there are often, I think it's fair to say, litigation which people undertake in order to try and do exactly what you say, finder's keeper's, and then want us to pay them in order to get our pallets back. But in all the major markets we're in, we have established the ownership credentials that we have.

Overall, I can assure you and other shareholders here that the ownership issue is not a major problem, but it is something we're well aware of, continue to remain vigilant and look after our interests, and certainly, when we go into a new market, into a new country, we take important measures and steps to assert our right of ownership. So, that is important.

But I think the other issue is that in many markets, for example the US, there are people who go around called recyclers, who go and find out pallets and return them to us for a fee. There's often an argument about what that fee should be, but nevertheless, that's something which we've dealt with and managed for a long, long period of time.

Unidentified Participant: (Shareholder) Can you tell us what is the number of pallets that are lost today?

Stephen Johns: What - Graham? About - Graham says 9%. I was going to say 8%. About 9% of the pallets are lost today, and half of those, by and large, we get compensations for, and the other half we have to provide for out of our profits.

Unidentified Participant: (Shareholder) So, you consider that is an acceptable figure?

Stephen Johns: As a which figure?

Unidentified Participant: (Shareholder) Acceptable?

Stephen Johns: An acceptable figure? We'd always like it to be less, and we take a lot of actions in order to reduce it, but that's the cost of doing business.

Unidentified Participant: (Shareholder) Okay, thanks.

Stephen Johns: Thank you. Are there any other questions from the floor at this time?

Unidentified Company Representative: Mr Chairman, a further question from Mr Peter Barker, shareholder and proxy holder.

Stephen Johns: Right. Thanks, Mr Barker.

Peter Barker: (Australian Shareholders Association, Shareholder) Can I briefly refer to the class action against Brambles?

Stephen Johns: Yes.

Peter Barker: (Australian Shareholders Association, Shareholder) We've spoken about this previously, but could you tell us, apart from the court-ordered combination of the two separate suits into one, has there been any further developments and has - I know from our previous discussions that you said that Brambles was very confident in the result of that being favourable to Brambles, but in the event that it was not favourable, has there been provision made for that?

Stephen Johns: Mr Barker, thank you. There's nothing further I can report at this stage. As far as litigation goes, I think it's fair to say we're in the discovery phase, or towards the end of the discovery phase, and we have an insurance policy. The insurers have acknowledged the appropriateness of it for this matter, so there's really nothing more I can say at this stage. I think there's another question over here.

Unidentified Company Representative: Mr Chairman, a further question from Mr Edward Warden.

Stephen Johns: We'll get to number two over here in a second.

Unidentified Participant: (Shareholder) Oh, sorry.

Stephen Johns: No.

Unidentified Participant: (Shareholder) Mr Chairman, I was around in those days and I used to work for one of your competitors, and basically, one of Nessa's predecessors informed me that in Australia we have a hire system, and overseas it's a pay a service fee and it's our responsibility to collect the pallet. That was a big problem where we had a chairman, a predecessor chairman to yourself, who didn't quite understand all those things. So, I'll leave that at that point. If somebody wants to ask me more questions, I actually worked against you and in most of the areas, actually. In the Cleanaway area, not so much in the Recall, and in the pallets, but we weren't that big in those areas.

Anyway, my area of questioning generally is safety, and I note that we've got a new measure for safety this year, but our safety record has actually failed to some degree. We've gone backwards. We've gone from 5 to 5.9, and I take the point that we are measuring somewhat differently, but what went wrong? We have a death, and I hope that in our - you might ask Mr Froggatt, in terms of our remunerations, I know that safety is very much a thing, one of the personal targets of people. I hope that we have, and Mr Froggatt might want to answer this through you, Mr Chairman, have our employees who were responsible for these failures been, for want of a better word, penalised in terms of their short-term and long-term incentives being cut back? Thank you, Mr Chairman.

Stephen Johns: Well, thank you. I just want to reiterate, and I'm sure I'll get Graham to say some more on this subject, because safety is extremely important to us. We were devastated by the fatality. It's a shocking event. We're doing a lot in Spain to support the family. That's ongoing, and of course there is our own investigation, also a police investigation, underway at this stage.

But safety is extremely important. The BIFR, which is a Bramble injury frequency rate which we use, which includes near misses as well as injuries, is important. It's already at a low level, and the bar is very high, if you like, to achieve that. But I don't think we're ever satisfied that we have - what we've actually said, what will satisfy us, is zero. That is the objective. We will never get to zero harm. But that is the aspiration, and that is the intention. It is exceptionally important for us.

So, before I ask Graham just to do that, and I'll answer for Mr Froggatt on that, is that for the executives, the safety metric is in the short-term plan, STI plan, incentive plan, and even though it happened after the financial year, it happened July, the senior executives and the executives involved were penalised, including Graham Chipchase himself. So, [unclear]. But Graham, would you like to make some more comments on safety more generally?

Graham Chipchase: Yeah. So, if you look at the frequency rate, it has come down a lot over the last few years, and I think there was an element of us thinking we were good, but I don't think we can say that. Clearly, we can't, because of what happened in July. I think for me, coming from a different industry before here, the big step - because I think we've done a lot in terms of giving people protective clothing and guarding some of the equipment - but it's now about changing behaviours.

So, again, you obviously know a lot about safety in terms of the Dow and DuPont type of process to improve behaviour so that people are not just thinking about safety when they come and start operating a machine. They are thinking about safety when they get out of bed in the morning, when they start doing things at home, when they get into their car, when they come to work, and they're not just thinking about safety as it affects them as individuals. They're thinking about safety as it affects the people around them, both at home and at work. We've got to change that culture to get a step change in performance.

That is where we've now launched the Safety Differently programme. I think it's going to take quite a lot to make that really part of the culture of the company. It takes a while, but I think what has happened in the last few months has, I think, given everybody a wake-up call, because that plant in Spain had an excellent safety record. In fact, the employee who unfortunately was killed was interviewed five or six years ago saying what a great, safe plant it was, and we showed that to the rest of the company and that is a real punch in the gut. I think it's brought it home to people that however safe you think you are, there is still a lot of risk out there, and we've got to try and not just stop accidents. You've got to prevent the risk happening in the first place, and that's what we're trying to work on.

Stephen Johns: Graham, thank you for that. Microphone two.

Unidentified Company Representative: Mr Chairman, I have [Robert Avill], a retail shareholder.

Stephen Johns: Welcome.

Unidentified Participant: (Shareholder) Thank you very much, Mr Chairman, for a very interesting and informative meeting. I have one observation and a question. I think having the meeting at two o' clock in the afternoon is a great idea. It gives, perhaps, people from outside Sydney a chance to get up here. I came from Canberra on the train today. I shall go back to Canberra on the train today, and I have enjoyed every minute of being in Sydney and having this meeting at 2:00PM.

I'm a long-term shareholder in Brambles. It's the first time I've been able to come up to Sydney and come to a meeting like this. Two o' clock in the afternoon is a very good time. Many companies have their meetings at 10 o' clock. People like us can't be here unless we take a six o' clock plane from Canberra.

My question is, we've heard a lot about the pallet industry today. Do you have any competitors? If you do, how do you rate against them, and what percentage are you in terms of the pallet industry? Are you 50%, 60%, 20%? Could you tell us something about your competitors, please?

Stephen Johns: Thank you. First of all, thank you for your observation and welcome. We are delighted that you could make it here this afternoon. Yes, of course we have competitors. We have to have competitors, otherwise we're a monopoly, otherwise we wouldn't be held to account, otherwise we wouldn't be as good as we are today. I think our competitors are all good. None of them, in almost every market we're in, none of them are anywhere near as big as us nor as well represented. Don't have the network advantage that we have.

Graham, if you heard or remember parts of Graham's speech, he talked about the fact that our competitors have been good, by they've also been rational. That is something which makes it, I think, better for all the user of our supply chains, that there are rational competitors around.

In Australia, I think with Phillip Austin here who runs our Australian business, I think we're at probably 80% of the market. Close to 80% of the market. So, that's pretty big. We have one major competitor here called Loscam. I don't know, is that Loscam who you worked for? So, Loscam have been our competitors under different ownership guises for forever, as far as I can remember.

In the US, we have a number of competitors. None are as big as us, and none of them have the same network advantage and spread of service centres around the country. The biggest of our competitors, PECO, is a well-run company, been there for years. Now it has got - in the last three or four years, it's under different ownership who are very effective, and actually have quite deep pockets and have got a strong balance sheet, and they are a formidable competitor, but we are by far the biggest operator there.

Probably only - and in Europe, we have a number of competitors, but we are the biggest. I'm not sure, UK, what part of the market do we have, Graham?

Unidentified Company Representative: About 75.

Stephen Johns: About 70% of the UK market, so that gives you a flavour for our very large position in all of these markets, which is actually fascinating for me, and hopefully for our shareholders generally, that an Australian company going international and then becoming truly global is by far the major player in almost every market that we operate in. So, that's really quite an achievement for a company like us coming out of Australia.

I think the only area where we are not the major player is in south-east Asia and in Asia more generally. We've been in China now for 12, 14 years, and Loscam is there, which is now owned, under this ownership, owned by one of the state-owned enterprises there, but neither of us are very big there because the market really hasn't taken off for sophisticated supply chain activities such as ours which require pallets and the services which we provide to the supply chain. But we are in some of the south-east Asian countries where we are not the biggest player, but that's a relatively small market.

Are there any other questions before I can move on? Thank you very much, and I appreciate the questions, the interest, both questions and observations.

We'll now turn to the items of business. Before doing that, I'll just go through the voting. All voting items on the agenda will be proposed as ordinary resolutions, and I'll now explain the voting procedure. If you're entitled to vote, you'll have been given a pink voting card. At stages in the meeting and on the shareholder voting form I will be casting any discretionary proxy votes that I have been given in favour of each of the items of business. The proxy and direct vote decision for each resolution will be shown on the screen. At the conclusion of the meeting, please place your completed voting cards in one of the ballot boxes that are located back there by the exit doors.

We'll announce the poll results at the ASX later today, and also post them on our website. Stacey Spence of BoardRoom has been appointed returning officer.

So now, the first item of business is to consider as received the financial report, Directors' report, and auditors' report for Brambles and the Group for the year ended 30 June 2019. Are there any questions on this item? If not, I'll move to item two.

Item two asks shareholders to adopt the remuneration report for Brambles for the year ended 30 June 2019, which is contained in the annual report. You've heard from Tony Froggatt on our remuneration policy, and this included the principal issues raised by shareholders on this topic in advance of the AGM. Are there any other questions on the remuneration report?

Unidentified Company Representative: Mr Chairman, question from Peter Barker. Thank you.

Stephen Johns: Welcome back, Mr Barker.

Peter Barker: (Australian Shareholders Association, Shareholder) Yes, Mr Chairman. The Australian Shareholders will be voting any open proxies against this resolution on three aspects. First of all, in relation to the length of time taken before shares vest, our policy is that there be a minimum of four years for long-term incentives, that thee years and lower is seen too short of time to compare the performance of the company over that time, and also to encourage short-term vision and achievement of results in the short term rather than looking at the longer term. That's one thing.

The fact that the short-term and long-term incentives are held for a further 12 months, the benefit still flows through to the recipient, whether it be by dividends paid at the time or deferred. Nevertheless, it flows through. The only risk is the share performance in that time.

The second point is in relation to the CEO, who it is explained in the annual report holds a directorship in another company, an English company, and in fact is a member of the Audit Committee. Our view is that...

Stephen Johns: No, he's actually Chair of the Remuneration Committee.

Peter Barker: (Australian Shareholders Association, Shareholder) Sorry, yes, remuneration committee. Thank you for that, I had got that wrong, obviously. Our view is that the role of the CEO is a full-time one, that his attention, or her attention, should be fully 100% focused on the performance of the company which they're in charge of, and that any external significant activity such as a director, and in fact a chairman of a sub-committee, is taking away from the ability to perform as CEO.

Okay. That's that point. The other one was that the incentives, at least the part based on total shareholder return, is a measure against the comparator group, both within the ASX and also a world index. To start receiving short-term incentives, the performance has to be stuff that it would only be equal to what the median level is. In other words, if half of the companies receive - if Brambles does better than half the companies, then short-term incentives are being awarded from that point, up to a maximum of 75%. It could be a case that the total shareholder return is negative, and there will still be sort-term incentives awarded. So, those are the three points.

Stephen Johns: Well, thank you Mr Barker. I appreciate the comments, and I will put - and they are not a surprise, because they're consistent with the ASA over a number of years, and we're well aware of them. First of all, before answering specifically, we think that our remuneration structure, and Tony might want to embellish my answer here and add to it, we believe our remuneration structure is fit for purpose. Actually, more than that. It's industry-leading, really, in Australia. We've taken a whole lot of, over the years, initiatives to make sure that the remuneration policy serves the purpose of shareholders, as well as being fair to our executives.

We undertake a major review annually of the structures of our remuneration. We do this with our external consultant, and if we believed we're out of line with general industry practice here, we would change. Indeed, the two changes which we'll be voting on later in this meeting came out of our annual review this year. They weren't actually things which we thought - or, which we were told by our investors were essential, but we felt that they were initiatives that would further enhance the structure of our remuneration and make it absolute best practice.

So, with the first point, that's long-term incentives, where the ASA position is for four years of vesting, and ours is for three years, we've now added a year as a holding period but not as a vesting period, which I know you appreciate, and you made that point. More than 80% of the companies in Australia use a three-year - or, follow a three-year vesting period, so we're not out of line with general market practice here. We think it's appropriate.

When we do our long-term strategic planning, we look into the future beyond three years, but the actual financial projections that we make, which we think are relevant at a Board level and relevant at a management level, three years, a one-year budget plus two years of financial projections beyond that. We think that's the right period of time, and we continue to consider that's the right period of time.

So, I respect the ASA's position. As I said before, you've been very consistent in that regard, and we've been consistent saying that we just unfortunately have to agree to disagree on that point.

As regards Graham's involvement at AstraZeneca, some things which people think are a negative, others think are an advantage. We think, and I personally think, it's a great advantage having Graham being the senior independent director, as well as the Chair of the Rem committee in AstraZeneca. It's a major global company domiciled in the UK, and the insights which he gets from this public company, and from seeing what goes on there, are very important.

I think it's relevant to make a more general observation that when you have a senior manager, a CEO, a general manager of a business unit, even with a very large P&L, a large profit and loss, it's a very different situation than actually running a public company. Public company's the next stage up, and if we can actually have our senior executive with that exposure, and just to be clear, Graham was a director of AstraZeneca before he joined us, and we had a clear understanding that we would like him to continue, and he wanted to continue at AstraZeneca, subject to it not impacting on his ability to perform effectively as a CEO of Brambles.

So, that continues to be the case, but it is a major advantage for us that he has the exposure of another public company and can bring that wisdom and that experience to the management of Brambles as a public company as distinct from operating the individual business units of the company.

So, I understand the position. There are some people who say no, it can only be 100% in the company that you're employed by, but I think, and I would say this respectfully to the ASA, to have a broader vision as to what it is to manage a global company in 60 countries with 14,000 people, and going beyond that in being able to deal with investors, deal with authorities, deal with all the different stakeholders, and have the corporate wisdom to be able to run a public company which, I think I believe personally, and my fellow Director believe, Graham is - we get the benefit of Graham's exposure to AstraZeneca.

As regards, I think, the final point of total shareholder return, the TSR, as you correctly point out it's 50% of the LTIs. 25% is the local comparator group, and the other 25% is the international group. There is always some debate about whether it should be relative TSR or absolute TSR, and the absolute TSR, I think, is where you're heading, that if it's a bad year and it's negative then why would executives get any benefits out of that? But - Graham?

Graham Chipchase: Oh no, I don't want to…

Stephen Johns: So, I just want to make the point that it is a matter for discussion. Some people believe relative is the appropriate one, which we do. Other people such as the ASA believe that absolute.

Tony Froggatt: Could I just add something, sorry? Thank you for your comments. As always, we listen very intently to the ASA. I must say I was personally disappointed with your view on the three-year plus the holding lock, because we had you in mind particularly in terms of your concerns. As Stephen rightly pointed out, the majority of ASX100 companies still work on a three-year programme, and we mustn't forget that the three-year is a rolling situation. It's not something that is static, so you're constantly looking at three-year terms that go along.

It's always very difficult to look beyond three years in terms of where we're going in terms of responsibility and accountability, but we put in the holding lock based on what we saw in the UK, and starting to come in here, because one of the ASA's concerns - which we understand - was that they wanted to see - my understanding was, you wanted to see management having skin in the game as much as investors, and we understand that, and that's why we put it in.

So, I think it's important to note that whilst the performance period is the three years, we have that as a holding lock in order, as much as anything else, to make sure that management do ride with the way the share price is going, but also there is a claw-back potential.

So, I think, to me it answered all your questions, so I was a little bemused, I have to say, when I heard that you were opposed to it. I hope that going forward next year you might have a different view on that.

I think the other point I wanted to make also, just to add to what Stephen said on TSR, which is what you were talking about, the relative shareholder return, I think it's worth noting that that has - you were, I think, talking about short-term incentives, and although short-term incentives move towards helping with shareholder return, TSR is a three-year - this is the long term. So, it might be a little bit confusing there, but certainly, you know, it has nothing really specifically to do with the short-term incentive. It is a long-term incentive programme. I hope that helps.

Stephen Johns: Thank you, Tony.

Peter Barker: (Australian Shareholders Association, Shareholder) Mr Chairman, I don't want to debate the matter now. It's not the appropriate forum, but if you'd just let me make one comment in response to the 80% figure, I believe you said that Australian companies use for...

Tony Froggatt: [Unclear].

Peter Barker: (Australian Shareholders Association, Shareholder) ...using three years, that is a falling number. That it was much higher than that, and that I believe it's partly due to the ASA, its efforts, and also, I believe, the recognition of those other companies that four years is a more appropriate period.

Stephen Johns: Thank you. Thanks, Mr Barker. Are there any other questions on the remuneration report? No? Thank you. The resolution and the direct vote and proxy position are now on the screen. I would ask you to please now mark your voting card for item two.

Have you had enough time to vote? Thank you.

Item three is the election of Jim Miller as a Director. Jim was appointed as a Director on 15 March 2019, and as this is the first shareholders' meeting since his appointment, he now stands for election. Jim's biographical details are set out in both the notice of meeting and the annual report, and his election is unanimously supported by his fellow Directors. I would now invite Jim to speak briefly on his election. Thanks, Jim.

Jim Miller: Thank you Stephen, and good afternoon everyone. I am delighted and honoured to stand to the election as a Director of Brambles. In addition to Brambles, I am on the board of directors of Wayfair, a US-based e-commerce company, where I am also serving as the interim chief technology officer. Additionally, I serve on the board of directors of The RealReal, a US-based e-commerce company, and serve on the board of directors of two private equity-owned companies, ITRenew and Bloom Global.

Additionally, I am a member of the MIT Corporation, the board of trustees of the Massachusetts Institute of Technology. I also advise a number of non-profits, universities, technology companies, and senior executives.

I was the chief technology officer at a technology start-up called AREVO Incorporated. Previously, I ran the world-wide operations for Google, where I had responsibility for procuring, building, deploying, and operating Google's world-wide cloud and technology infrastructure. Additionally, I was the managing director of Google Energy LLC, and had responsibility for sustainability and corporate social responsibility at Google in addition to a number of other responsibilities.

Additionally, I held executive roles at Cisco, Amazon.com, Intel, and International Business Machines in operations, supply chain, and general management.

If elected, I look forward to putting my global experience gained in the Asia-Pacific, Europe, and the United States market in the areas of general management, strategy, supply chain management and operations, information technology, digital transformation, and analytics.

Stephen Johns: Jim, thanks very much. Are there any questions? Mr Barker?

Peter Barker: (Australian Shareholders Association, Shareholder) Not so much a question, Mr Chairman, but just a brief comment that as I alluded to earlier in this meeting, that the skills that Mr Miller brings to the Board are those technical skills and experience, we welcome him on the Board and think it will improve and strengthen the Board's capabilities.

Stephen Johns: Thank you very much indeed. I think there's another question here at number one.

Unidentified Company Representative: Mr Chairman, Mr Edward Algin.

Unidentified Participant: Thank you, Mr Chairman. I note Mr Miller has very clearly admitted that he's working full-time as an information officer on a firm he is now a director of. Can you explain how you are getting around that problem? Because I note in the notes it says it's only going to be temporary, and it might be three or four months. But I don't want somebody full-time somewhere else if he's going to be my part-time Directors. Can you explain how you're overcoming that issue?

I actually think Mr Miller's CV is very good, and he's exactly the sort of person I think we want. But I have a bit of a problem in understanding how we get around that situation.

Stephen Johns: The answer will be very brief. First of all, his CV is phenomenal for a company like us, and we're very, very privileged and pleased to be able to have him. He was a non-executive director of Wayfair, and it is a very temporary position of a few months, and we don't overcome anything because it's a temporary position of a few months. It's actually a compliment to him that a very successful online company turned to him to try and - not to try, but to fill a casual vacancy.

Are there any other questions? If not, I'll revert to the voting part of this resolution. The direct vote and proxy position are now on the screen. Please now mark your voting card for item three.

Thank you very much. I think we can probably move on now. Item four is the re-election of George El-Zoghbi. He's on my left here, his re-election as a Director. His biographical details are set out in both the notice of meeting and the annual report. George has been subject to an assessment process by the Board, and his re-election is unanimously supported by his fellow Directors. I will now invite George to speak briefly on his re-election.

George El-Zoghbi: Thank you Stephen, and good afternoon everyone. I am delighted and honoured today to stand for re-election as a Director of Brambles. Besides Brambles, I serve on the board of the Kraft-Heinz Company. It is a global food and beverages organisation based in Chicago and listed on NASDAQ in New York. I also serve within the company as an advisor to the CEO and the board.

I serve also on the advisory board of Altimetric. It is a data analytics and digital transformation organisation based also in the United States, where I am located.

Prior to Kraft-Heinz, I was the chief operating officer of the Kraft Foods Group, based in the United States. I also worked for the company in Australia and New Zealand, where I was the managing director of Kraft Foods before moving to the United States. Also in Australia and New Zealand I worked with the Fonterra Group in global and general management capacity of the Australian retail business.

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

Stephen Johns: George, thank you very much. Are there any questions? Mr Barker?

Peter Barker: (Australian Shareholders Association, Shareholder) Again, a short comment to indicate our support for Mr Zoghbi's re-election, that yes, he obviously has the experience and skills involved with the consumer area, one of the significant parts of Brambles' business, and so we think he brings considerable value to the Board.

Stephen Johns: Thank you very much. Are there any other observations or questions? Okay. If not, the resolution and the direct vote and proxy position are now on the screen. I would ask you now to mark your voting card for item number four.

Right. Now, moving to item five. Item five of business is the re-election of Tony Froggatt as a Director. His biographical details are set out in both the notice of meeting and the annual report. Tony has been the subject of an assessment process by the Board, and his re-election is also unanimously supported by his fellow Directors. I will now invite Tony to speak briefly on his election, or re-election.

Tony Froggatt: Thank you, Stephen, and good afternoon again, ladies and gentlemen. I am privileged to have been a member of the Board over a number of years, and over that time I have experienced the challenges and the successes of being part of a truly impressive organisation. I believe that my background and experience in working for leading-edge global businesses, culminating as CEO of a multinational FTSE100 company, has enabled me to make some small contribution to Brambles over the years of my involvement.

I take real pleasure and enjoyment in working on the Board of a company that is a global leader in its field, as well as being inherently Australian in its heritage. Working with a Board of this calibre, with its multiplicity of skills, is a continual inspiration, and if I am fortunate enough to be re-elected to the Board, I will do all I can to work hard on your behalf and provide all assistance to the new Chair before I depart the Board during the current term. Thanks very much.

Stephen Johns: Tony, thank you very, very much. Are there any questions or observations? Mr Barker?

Peter Barker: (Australian Shareholders Association, Shareholder) Yes, briefly again. Yes, we support the re-election of Mr Froggatt, again for the skills, the corporate knowledge in particular that you referred to in positioning a new Chairman in the Board. However, our consideration is that a Director who has served four terms, or the equivalent of 12 years on a board, is no longer independent. They are too closely aligned to the operations of the company. So, yes, we will support Mr Froggatt's re-election as a Director, but as a dependent, or non-independent Director.

Stephen Johns: Right. Well, first of all, thank you for the observation about Mr Froggatt's capabilities, which I fully endorse. Very pleased that you're supporting his re-election. Let me just say that I don't know anybody who is more independent than Tony. You can have a formula, you can go off 10 years, 20 years, 15 years, or whatever, but Tony is independent in character, independent in mind. We as a Board, anybody - me included, actually - who have been on the Board for more than 10 years, there is a process that the Board goes through to confirm, and re-confirm, and re-affirm that Director's independence, and we did that with Tony, and that was a proper review and examination.

I'll just make the other point that during Tony's time on the Board, there have been a number of CEOs and CFOs, and the current executive team under Graham is very, very different than the one that was under Tom Gorman previously, very different to the previous - almost completely different. So, to have a formulaic position without looking at the reality of it, the individual, and the fact that it's impossible for Tony to be too close to management because the management that he deals with is completely different to what it was maybe four to five years ago.

But I understand that a number of institutions, including the ASA, take a position on independence, but I also appreciate the fact that you manage to go beyond just that mathematical calculation and see the benefits and the quality of somebody like Tony Froggatt for Brambles' Board. So, I appreciate that, but thank you.

Are there any other questions or observations? Yes, Ms Chen. You might need to get the microphone a little lower.

Unidentified Participant: (Shareholder) Can we practise? Ah, yes, my question is not related, not so much on Mr Froggatt's re-election, and my question is, is it possible to actually - when showing the results, show the percentages along with the numerals?

Stephen Johns: Yes, I agree with you. I agree with you 100%.

Unidentified Participant: (Shareholder) At this technology age...

Stephen Johns: I'm looking to the right here, because I think we talked about that last year. So, I apologise for that.

Unidentified Participant: (Shareholder) Thank you.

Stephen Johns: Thank you. Any other questions or observations? Thank you for those which we did get. So, I'll move on. So, the resolution and the direct vote, without the percentages, and the proxy position are now on the screen. Please do vote now on item number five and mark your voting card accordingly.

Okay. Thank you. Item six seeks approval for amendments to the Brambles Ltd performance share plan as detailed in the notice of meeting, and the issue of shares under that plan for all purposes, including for the purpose of Australian Securities Exchange ASX listing rule 7.2, exception 9.

Tony Froggatt described the proposed changes and the reasons why they are being made, and so that information is also in the notice of meeting. Is there a question? Are there any questions on this matter? Mr Barker. Welcome back.

Peter Barker: (Australian Shareholders Association, Shareholder) Yes, Mr Chairman. I did indicate I would be speaking briefly - well, not so briefly on some questions, but briefly on every question...

Stephen Johns: Yeah.

Peter Barker: (Australian Shareholders Association, Shareholder) ...other than the ones I speak longer on. Anyhow. While the ASA is against the remuneration plan as set out, we do acknowledge the fact that the movement to the holding period of 12 months is a movement in the right direction, and consequently support the proposal.

Stephen Johns: Thank you very much. I do appreciate that, thank you. Any other questions? If not, I'll move on. The resolution and direct vote and proxy position are now on the screen on this one. Please now mark your poll card for item number six.

Item number seven, if I can move to that. This asks shareholders to approve the participation of Graham Chipchase until next year, until the 2020 AGM, his participation in the performance share plan, if approval of the amendments to the performance share plan under resolution is not obtained. As we've just got it, though, I think we can say that his participation in the amended performance share plan has just been approved under resolution six. For the purposes of ASX listing rule 10.14. Are there any questions? Yes, Mr Barker.

Peter Barker: (Australian Shareholders Association, Shareholder) Again, Mr Chairman, briefly - and my comments will also apply to the next agenda item, so can you take those as being read against that one?

Stephen Johns: Yes, certainly.

Peter Barker: (Australian Shareholders Association, Shareholder) That because we are opposed to the remuneration plan, that we are also opposed to the issue of shares under that plan.

Stephen Johns: Thank you. Well, not exactly thank you, but I acknowledge your position. Are there any other questions or observations? If not, I'll move on and go to the resolution, and the direct vote and proxy position which are now shown on the screen. Please now mark your voting card for item seven.

Item eight asks shareholders to approve the same thing for Nessa O'Sullivan, so I won't go through all the words, but it's her participation in the performance share plan as has just been amended and approved under item number six. Are there any questions or observations on that matter, on this resolution? I acknowledge, Mr Barker, that your comments from before also apply to Nessa O'Sullivan. Are there any other observations or questions?

If not, I'll move on. The resolution, the direct vote and proxy position are now on the screen, and I'll ask you to mark your voting card for item number eight.

Right, thank you. Item nine asks shareholders to approve the participation by Graham Chipchase until 10 October 2022 in the Brambles Ltd MyShare plan for the purposes of ASX listing rule 10.14. Are there any questions? Mr Barker.

Peter Barker: (Australian Shareholders Association, Shareholder) Briefly, Mr Chairman. There was some debate in my organisation about this, that this was a relatively minor thing in relation to the overall package, so why should the CEO be includes in this? On the other hand, the argument that did prevail was, why not? So, yes, we support this.

Stephen Johns: Thank you very much. Thank you. Any other questions? Observations? If not, thank you. The resolution and the direct vote and proxy position are now on the screen, and I would ask you to mark your voting card for item number nine.

Item 10, if I can move onto that - are we ready? Thank you. Item 10 of business asks shareholders to approve Brambles reducing its share capital by a total of approximately US$120 million by way of an equal capital reduction to be effected by the company paying to shareholders AUD0.12 per ordinary share held as at the record date of Tuesday 15 October 2019. When we announced the sale of our IFCO RPC business, we said we would return approximately $300 million of the proceeds of that sale to shareholders by way of a cash return. That cash return has two components - a AUD0.17 per share special dividend, which does not require shareholder approval, and a AUD0.12 capital return, the subject of this resolution, which does require shareholders' approval.

The special dividend will be paid on 22 October, and if approved the capital return will also be paid to shareholders on that date. Further details of the capital reduction are outlined in the explanatory notes to this resolution in the notice of meeting. Are there any questions on this matter? Mr Barker.

Peter Barker: (Australian Shareholders Association, Shareholder) Again, briefly, Mr Chairman. I've already spoken expressing our support for the capital management by the Board, and this is part of it. My comments now will apply to the next item as well, that because we support the return of capital in this way, that we support this proposal and the next.

Stephen Johns: Thank you very much indeed, much appreciated. Are there any other questions from the floor, or observations? Thank you. The resolution and the direct vote and proxy position are now on the screen. I would ask you to mark your voting card for item 10.

Thank you. I think we can probably move on now. Thank you. Item 11 asks shareholders to authorise and approve the on-market buyback of up to 240 million shares in the company in a 12-month period following the approval of this resolution. When we announced the sale of our IFCO RPC business, we also said that we would return to shareholders approximately US$1.65 billion of the proceeds of that sale by way of an on-market buyback of shares.

Brambles has been conducting an on-market buyback programme since 4 June 2019, 4 June this year, under the provisions of the *Corporations Act* which permit a company to buyback up to 10% of the lowest-issued share capital during the previous 12 months. This resolution seeks shareholder approval to extend the on-market buyback to up to 15% of Brambles' issued share capital. To date, we have bought back 29.5 million shares for a total consideration of US$239 million. If shareholders approve this resolution, Brambles will be authorised to undertake further on-market buybacks of up to 240 million shares, approximately 15% of our issued share capital, for the 12 months to 10 October 2020.

Further details on this resolution are set out in the explanatory notes in the notice of meeting. Are there any questions? I note, Mr Barker, that you already addressed this issue, but thank you. Are there any other questions or observations? If not, I'll move on, thank you.

The resolution and the direct vote and proxy position are now on the screen, and I would ask you to mark your voting card for item 11.

Right, thanks. That's the - thank you very much, that's the end of the resolutions, but do remember to place your voting cards in the boxes beside the exits. The poll will remain open for another 10 minutes, and when the poll closes you will be notified on the screen behind me. As I said before, we will announce the results of the poll to the ASX later today.

Ladies and gentlemen, thank you for your attendance today. I remind you that copies of the sustainability review are available in the foyer, and I would really recommend that you have a good read of that. We're very proud of it, and I would invite you to join us outside for tea and coffee. Thank you very much, ladies and gentlemen.

End of Transcript