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## Conference Call Transcript

BXB.AX - Brambles Limited Annual General Meeting and Webcast

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## CORPORATE PARTICIPANTS

**Graham Kraehe**

*Brambles Limited - Chairman*

**Tom Gorman**

*Brambles Limited - Chief Executive Officer*

**Luke Mayhew**

*Brambles Limited - Chairman, Remuneration Committee*

## CONFERENCE CALL PARTICIPANTS

**May Ling McGlynn**

*Shareholder*

**Mr Waldron**

*Shareholder*

**Noel Levy**

*Shareholder*

**Iona McKenzie**

*Shareholder*

**Yvonne Chan**

*Shareholder*

## PRESENTATION

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**Graham Kraehe - Brambles Limited - Chairman**

Good afternoon, ladies and gentlemen. My name is Graham Kraehe and as your Chairman it's my pleasure to welcome you to this, the AGM for 2010 for Brambles and declare the meeting open. There are copies of the Notice of the Meeting on your seats and copies of the minutes from our last AGM at the registration area. So with your agreement I proposed to take the notice of today's meeting as read. Are we happy to do that, thank you.

I would now like to introduce your Directors and from my far left we have Brian Schwartz, then Tony Froggatt. Greg Hayes the Chief Financial Officer, Tom Gorman the Chief Executive Officer. From the far right we have Stephen Johns, Chair of the Audit Committee. We have Carolyn Kay, Luke Mayhew who is Chairman of the Remuneration Committee. On my immediate right Robert Gerrard the Company Secretary.

John Mullen, our other Director has been granted a leave of absence and sends his apology. John is also a Director of Telstra and is in Melbourne for Telstra's AGM. This was a pre-existing commitment of his at the time we appointed him to the Brambles Board back in November last year. So we have known about this for quite some time, but he does apologise.

We also have with us Mark Johnson and Mark Dow from our external Auditors PwC. They are in the front row down here and they are available if any shareholder wishes to ask them a question.

We will be holding a poll on all the resolutions being tabled at this meeting and I'll now declare the poll open. Any shareholders who wish to leave the meeting early may place their completed voting cards in one of the ballot boxes and they're located just by the exit doors. I will explain the voting procedure when we reach the formal part of the meeting.

Let me start by making some comments on Brambles' performance in the 2010 financial year, but also about our strategy, our proposed acquisition of IFCO Systems and on recent trading conditions.

After that Tom Gorman will then speak to you, and then Luke Mayhew, Chairman of the Remuneration Committee and then I will then respond to some shareholder questions before we move on to the formal items of business.

I take this opportunity to remind you that all references to financial figures are in US dollars, that is the currency in which we report our results, the only exception being the dividend, which is in Australian cents. Growth comparisons are on an actual currency basis unless otherwise stated.

It has been an active 12 months for Brambles, as well as a period of transition, as the new leadership team has focused on establishing a foundation for future growth. This effort has coincided with a continuation of what have been subdued economic conditions in our largest economic regions and operating regions, being the USA and Western Europe.

Against this backdrop, Brambles has performed solidly. We continue to add new customers for CHEP and for Recall in both established and in emerging markets. We made considerable progress with Better Everyday, which you will recall is a program to deliver a step change in improvement in quality and service in CHEP USA.

We completed our highly successful first issue into the public bond markets in the United States, raising \$750 million consolidating our strong financial position. We delivered a solid financial result in what were challenging conditions. Group sales revenue was up 3% to \$4.1 billion. Operating profit was up 1% to \$725 million. After-tax profit up 2% to \$444 million, and the Board declared a final dividend of AUD0.125, which brought the full year total to AUD0. 25.

Cashflow was strong and that reflected tight financial discipline and a reduction in capital expenditure. Cashflow from continuing operations increased by \$160 million to \$882 million.

I must say the Board is pleased with the progress Tom and his leadership team are making. We have lifted our communications effort, right across the Board and I hope you as shareholders are seeing some of that. We have significantly enhanced our leadership development programs and we now have some 80 future leaders going through quite an advanced management development program and training and development and coaching plans for them.

I think most importantly, the business is delivering on its commitments, and the team has established a solid platform on which we can grow going forward. We are particularly encouraged by the extent and detail of the strategy work which has been carried out over the past 12 months, and on what is always our emphasis profitable growth.

We intend to continue to expand Brambles' reach in terms of product platform, geography and customer type. We'll do that building on our core strengths which are pooling, information management expertise, our global footprint, strong local networks and our customer franchises.

Importantly to remember we can pursue this growth strategy because of the strength of our management team but also our financial position.

Clearly our most significant transaction and action to date was this week's announcement of our proposed acquisition of IFCO for an enterprise value of about \$1.3 billion. I am sure many of you have read about this, but in summary, IFCO provides reusable plastic containers, which we call RPCs and they also operate a pallet service business in the United States.

It's a natural fit for Brambles. It represents a unique opportunity for our business to make an acquisition of scale. It will immediately be earnings-per-share accretive. The transaction is subject to a merger clearance process in the USA and in certain European countries. We anticipate that will take a while, but should be complete within nine months.

If after we've acquired IFCO, we will have a sales revenue of a bit over \$5 billion, and operations in 49 different countries. Importantly for us as a Board and as we considered this transaction it does specifically address three of the key strategy areas which the CEO set out back in August, and which has been endorsed by the Board.

These three areas are expanding our global pooling expertise and presence in RPCs; expanding the amount of pallet business we do with small-to-medium enterprise customers, and we call them SMEs, that is a particular focus for us in CHEP USA. Thirdly continuing Brambles' expansion in emerging economies, given IFCO's strength in emerging Europe and also in Latin America.

Tom will address the proposed acquisition in more detail shortly and give you a bit more colour and flavour about that. But from the Board we are confident the transaction is a great fit with our strategy. It makes financial sense and it can deliver long-term value for our shareholders.

We will fund the transaction through a fully underwritten share purchase plan to raise AUD110 million in new equity, and our ongoing fully underwritten DRP on the next three dividends. We will also of course use some existing undrawn credit facilities. Retail shareholders, you and

others in Australia and New Zealand will have the opportunity to participate in the share purchase plan and you should receive the documentation if not tomorrow very early next week.

Back in August, we also advised some other highlights of our growth strategy and that included growing our global container business, both in the automotive sector and in new sectors, and that was demonstrated by the recent small acquisition, but important we think, and that is of airline container business, Unitpool. We have also been expanding LeanLogistics, the USA-based transport and management services business which we bought back in 2008. We are investing to grow Recall's core business and at the same time we're exploring opportunities to expand its business particularly in the digital service offering space. Again, Tom will talk to you a little more about some of those things shortly.

Over the last year the Board has met in Australia, the US, China and Europe. That has allowed Directors to visit sites and meet staff. In addition to those formal meetings though it's important to say there were other engagements between Directors and staff. So Luke Mayhew based in London spends time with our management in EMEA on various issues.

John Mullen who's got an outstanding background in logistics spent some time with the LeanLogistics Group in North America and shared some of his insights into how we can grow that business. So there's a lot of outside Board meeting interaction between Board and management.

In Shanghai, where we met recently we had the opportunity to meet with customers, attend the opening of the new information centre for Recall and meet with staff. That is typical of the way the board engages with customers, engages with management and staff.

Today from the Board you have got two Directors standing for election. They are Tom Gorman and Greg Hayes. They were both appointed to the Board since last year's AGM. Luke Mayhew retires by rotation and he's standing for re-election. He will speak to you a little later.

A big focus for the Board and for our management team is safety and we are pleased to say our safety performance continues to improve. We had a significant reduction in injuries in the 2010 financial year. We continue to work with management to achieve our goal of Zero Harm.

Sustainability receives a lot of attention from the Board. If you have not yet had an opportunity to review our 2010 Sustainability Report, have a look at our website and I encourage you to have a look at that.

The Company has established a five-year sustainability road-map, which includes targets for areas such as lumber sourcing, environmental impacts of greenhouse gas emissions and establishing an employee volunteer program.

I'd now like to move and just address a couple of the questions that have been raised by shareholders in the run-up to this meeting.

The first relates to the dividend. The level of the Brambles' 2010 payout follows the Board's decision to focus on cash conservation during the GFC and 2009 financial year and given the uncertain state of global economies.

During the 2010 financial year, despite the relative strengths of Australia and emerging markets, North America and Western Europe, our two biggest economies remain fairly flat. Hence, the Board decided it was not prudent to increase the interim or final dividends for 2010.

Another area where there were quite a number of questions from shareholders was about our share price performance. For Brambles shareholders, the total return in the 2010 financial year was negative 4%. That compared with a positive return for the benchmark ASX200 Index, and you can see that on the graph behind me.

That was clearly not satisfactory for shareholders or satisfactory for us as a Board. It's important to remember though it did occur at a time of very considerable transition in our company, during which we have taken some very important steps to provide a foundation for our future growth.

If we look at the next graph, this really looks at share price versus the same Index from 1 July. That's really at the time at the beginning of this financial year that we articulated our growth plans and since that point we've seen the relative, now that we have articulated our growth plans, the relative return of Brambles' shares being strongly positive. We have outperformed the benchmark by 13% over that time. That is clearly the direction and the trend we want to see continuing.

A third area which was the subject of questions was remuneration. We have established a practice, which I know you as shareholders find useful and that is to have the Chairman of the Remuneration Committee talk to the meeting about the Remuneration Report. We will certainly have Luke do that a little later in the meeting.

I would now like though to discuss the trading update which we issued to the market on Monday and comment on the Group's outlook for the 2011 financial year.

You will be pleased to know that Brambles is performing solidly as a result of the strong foundation provided by its primary businesses, CHEP and Recall. The Board is confident in the company's capacity to continue to grow. As I have said, underlying economic conditions remain subdued in our largest operating regions.

Nevertheless, all three CHEP regions and Recall delivered an increase in constant currency terms, that's a bit of a tongue twister, constant currency terms. Revenue was up in each of those businesses for the ended October 2010. We expect that to remain on track to do so for the full financial year.

In summary of the full 2011 financial year, we are on target to deliver operating profit before finance costs and tax of where we forecast it to be some months ago, that is between \$740 million and \$780 million. That is based on June 2010 exchange rates. Given the weakness of the US dollar in recent times, if foreign exchange rates remain somewhere where they are for the rest of the financial year, our profit in US dollars will be higher than that.

We anticipate the IFCO transaction will complete, as I said earlier, within nine months and that depends on merger clearances. But given this timing, we're not currently forecasting any contribution from IFCO to either sales or revenue or operating profit in this financial year. But we do expect to recognise transaction costs in our statutory result.

Let me conclude by expressing my thanks to my fellow Directors for their support through the year. To Tom Gorman and his management team and to the 12,000 odd employees who work very hard every day for Brambles in 47 countries. But also to our shareholders, for your ongoing interest and for your support.

I and I know my fellow Directors think this is a very exciting time for Brambles. Our strategy is clear. It demonstrates the considerable growth opportunities in front of us, and we have most recently accelerated along that journey with the proposed acquisition of IFCO.

I will now hand over to CEO, Tom Gorman, to give a more detailed operating update and give you some of the flavour and the insight into our strategies. He will talk to you about IFCO in particular. Thanks, Tom.

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**Tom Gorman - Brambles Limited - Chief Executive Officer**

Well thank you very much, Graham.

Ladies and gentlemen, it's a real pleasure to be here again addressing you as the CEO of Brambles. When I spoke to you last year, it was just two-and-a-half weeks after my appointment as CEO. At that point I made a few comments about my plans and expectations.

I placed particular emphasis on the importance of focussing on our customers and pursuing profitable growth. I'm pleased to say that we're making good progress. Today I intend to give you an update on that progress, to outline the compelling strategic and financial rationale for our proposed acquisition of IFCO, and to go into some more detail about our other growth plans.

Our leadership team knows what our customers, our shareholders and our employees expect of them and they are focused on delivering.

Let me now talk about our announcement on Monday of our intention to acquire IFCO. We anticipate the IFCO transaction will complete within nine months, pending merger clearance.

IFCO is a leader in the provision of the reusable plastic containers that growers and retailers use to transport fresh fruit and vegetables from the farm or the nursery to the grocery store shelf. IFCO is also a major provider of pallet management services in the USA to users of the non-pooled one-way trip pallets we refer to in the industry as "white wood" pallets.

Now acquiring IFCO would allow us to grow in line with the themes that the Chairman outlined. Diversifying our revenue base by product platform, geography and customer type while building on our strategic strengths. We intend to combine IFCO's and Brambles' RPC businesses

over time to create a world leader in RPCs with a broad base in Europe from which to pursue growth and a strong position in the high-growth Americas region, where Brambles has no RPC business today.

IFCO's pallet services operations in the USA will strengthen Brambles' existing pallet operations, allowing us to broaden our customer service offering, including to the small-to-medium-sized enterprise sector we have identified as a priority for further growth, and will also allow us to improve our own asset control. I'm pleased to say IFCO's senior executive management is contracted to stay with IFCO until June 2014, and this will provide stability.

Now when making major strategic steps of this kind, it is essential that shareholders, customers and employees can rely on us to set clear targets and to deliver against those targets. We have to do what we say we are going to do. I'd like to give you a few examples.

At last year's AGM, we had just launched the Better Everyday program in CHEP USA to deliver a step change improvement in product quality, to make it easier for customers to do business with us and to reinvigorate our sales and marketing effort. It was really all about providing customers what they needed and giving them as little reason as possible to look elsewhere.

We are now delivering 100% of pallet issues at our highest ever repair specification in the USA and customer feedback has been improving for some time. We have converted the majority of our US customers to PortfolioPlus. PortfolioPlus is the online tool that makes it easier for them to manage their account. We are underway with the roll-out of a new simplified invoice in the USA, and feedback here has also been positive.

There is more work to do to build on these improvements but we are delivering on our promises and working with our customers to provide the outcomes that they require. Importantly, since the introduction of Better Everyday, our net new business wins are once again positive.

Now another thing we said last year was that emerging economies would play an important role in CHEP's growth. In fact, we received a specific question on this subject from a shareholder in the lead-up to this AGM. Emerging economies remain one of our key strategic areas of focus. In the 2010 financial year, CHEP's sales revenue growth in China and India combined was 92%. In Central and Eastern Europe it was 24% and in Brazil it was 32%.

Now going into this financial year, we secured our first major contracts in Turkey, with Unilever and Procter & Gamble, and we are confident of adding new contracts in that country soon. While growth in these emerging regions is from a small base, it is encouraging for our future.

In Recall, we said last year we would deliver benefits from the significant cost reduction initiatives that took place in the 2009 financial year while also continuing to grow the Recall business. Our results for 2010 showed a solid margin expansion, with the business' returns exceeding its cost of capital and becoming positive in terms of Brambles Value Added, which is our measure of economic profit.

We said we would remain committed to Zero Harm. There was a reduction in our injury frequency rate in the 2010 financial year and we have now implemented a new three-year safety strategy. This strategy includes having the heads of safety in each region report directly to the regional President and it also includes the introduction of a standardised and comprehensive safety scorecard for the entire group.

We said we would foster our culture of innovation. We have now appointed a Head of Innovation to the Executive Leadership Team and we've established a process for accelerating new business opportunities, supported by an internal fund which is set up to capture, foster and realise the best of our people's ideas.

We are making progress with several key initiatives, working directly with major global customers on projects such as developing new, more sustainable products, creating savings from shared supply chain efficiencies and finding ways for our customers to benefit from our logistics expertise.

Delivering on our promises is crucial to gaining the support of shareholders, our customers and our employees for the growth initiatives we want to pursue. We also said at the full-year result that we expected to deliver sales revenue growth in all four of our business units in the 2011 financial year. We are on track for that target, as indicated in the trading update that we issued on Monday of this week.

On a constant currency basis, sales revenue increased in all three CHEP regions and in Recall in the four months to October for this year. We continue to register net new contract wins in all business units and to expand by geography as well as service line.

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Now let me give you some examples of how we are achieving that. Recall continues to expand its largest service offering, which is the Document Management Solutions business. In this business we archive, store and provide managed access to important documents on behalf of our customers.

I'm pleased to announce today that we have secured a significant multi-year partnership with Barclays Bank, to manage its UK-based retail bank national records centres. This represents a significant move by Barclays moving away from multiple providers to a single-source provider in Recall. The agreement took effect on 1 November and transition will occur through the rest of 2010 and into 2011.

In CHEP Asia-Pacific, we are building on the underlying strength of our Australian and New Zealand operations and continuing to expand in the emerging economies of China, India and South East Asia. Recent customer wins in China include retailer Tesco, food company General Mills, and Midea, a major manufacturer of small appliances.

In India, recent wins include food company Del Monte and the drinks group Pernod Ricard. Now here in Australia, we continue to grow. I'm pleased to announce that leading health-food company Sanitarium will be switching its business to CHEP from the competitor from January of 2011.

In CHEP EMEA, in addition to the emerging economy growth I have mentioned, we continued to secure new and expanded contracts with major customers and we continued to add new customers in new segments in more developed markets. I'm pleased to announce that, in the UK, we have just signed a new expanded three-year commercial arrangement with Nestl , incorporating an increase in volumes with Nestl  Cereal Partners and a commitment between CHEP and Nestl  UK to cooperate on display pallet trials and other supply chain initiatives.

I can also announce we have signed our first major reusable plastic container contract in the food service sector. We are now issuing about 1 million RPCs a year to restaurant chain Nando's. In Spain, we last week announced our first small appliances customer, BSH Electrodom sticos, a division of the Bosch Siemens home appliance group.

In CHEP Americas, momentum remains positive since the introduction of the Better Everyday. For example, I'm pleased to announce that we have recently extended our contract with Unilever North America. This week, we signed a contract for a new broadened three-year relationship with Treehouse Foods, a major US private-label food producer.

This positive momentum will contribute to our ability to deliver the growth targets that we set at the full-year result in August and which we've reaffirmed in our trading update this week. We are also focused in CHEP USA on expanding our business with small-to medium sized enterprises, or, as the Chairman mentioned we refer to them as SMEs.

CHEP USA celebrated its 20th anniversary this year, and during that period it has grown strongly, thanks in no small part to the support of major retailers and branded fast-moving consumer goods companies. However, as the business evolves, it's important to cast a net wider and to find new sources of growth.

That's why we have been strengthening our sales and logistics approach to target smaller customers. We added more than a 1,000 contracts with these companies in the 2010 financial year. That was a 13% increase over 2009. I am pleased to report that this momentum continues.

The SME expansion strategy is one of a number of opportunities we believe offer the prospect of profitable growth for our business. Through our proposal to acquire IFCO, which in the USA collects, repairs and resells white wood pallets, we believe we will further open up this opportunity, at the same time as improving our ability to manage asset collection and returns.

Now RPCs are also a key part of our growth strategy. The IFCO transaction is a great way of increasing our presence in this sector. There is no question that the expansion of our presence in emerging economies will also continue to provide top-line growth for our business for many years to come.

IFCO's strong presence in regions such as Central and Eastern Europe and Latin America can be a part of that growth. We are also excited by the opportunities in regions such as China and India. Our planned expansion of the rest of our global container businesses focus on growing our business in the automotive sector.

We have operations today providing a pooled plastic container solution transporting automotive components and supplies to car manufacturers in CHEP Asia-Pacific and CHEP EMEA. Our teams are now pursuing these kinds of contracts in North America, and again there are considerable growth opportunities in the emerging economies and also in managing intercontinental automotive container flows.

The automotive sector represents just one of the opportunities to build our global container business. In September we announced the \$35 million acquisition of Unitpool, a provider of container pooling services in the airline sector. Unitpool manages the containers that airlines use to carry baggage and cargo. It's a small business compared with Brambles today, but it's very well placed in an industry that continues to use outsourced solutions to generate efficiencies.

We are also exploring opportunities to grow our business providing intermediate bulk containers for the transport of bulk food and industrial materials. The Chairman also has mentioned LeanLogistics. It has grown its sales revenue more than 30% since we acquired it.

It's now expanding into new countries and working with CHEP on how the two businesses can combine to provide value-adding services to our customers. LeanLogistics recently secured its first major customer in Canada, which was Air Canada, and is assessing expansion opportunities in Europe, here in Australia and in Brazil.

Recall continues to grow. We are investing in the business, developing new information centres to service new contracts and to service organic growth as well. We are also developing market-leading IT systems and security as we explore growth opportunities in the digital market for the Recall business.

Ladies and gentlemen, these strategies are the result of a detailed review of the markets in which we operate. This detailed strategy work has given us access to the insights we need to pursue growth, and has allowed us to mobilise teams in the right areas. We believe our shareholders will benefit as we pursue our expansion plans.

A growing company is best positioned to reward shareholders. This is a great company, with a very proud history and a bright future with numerous growth opportunities. I'm excited to be able to lead the business at this stage in its development, and I thank you very much for the opportunity to speak with you today. I also thank you for your continued support for the company.

I'll now hand back to our Chairman. Thank you.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you, Tom, and as I mentioned we'll have the Chairman of the Remuneration Committee talk to you about the Remuneration Report and the way the Company has approached remuneration policy. Luke, thank you.

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**Luke Mayhew - Brambles Limited - Chairman, Remuneration Committee**

Thank you very much, Graham and good afternoon ladies and gentlemen. What I want to do in the next few minutes is to set out the objectives and the structure of our Remuneration Policy. To summarize the outcomes and the decisions in 2010 and then to talk briefly about the way forward.

The objectives of our Remuneration Policy have been unchanged; they've been unchanged for many years. The key is that remuneration should reinforce the business strategy, attract and retain the right talent and pay out for performance and results in the creation of shareholder value.

The current scheme was overwhelmingly endorsed by shareholders back in 2008 and the AGM. We are really not proposing any changes in 2011 but we will revisit it. WE believe it's time to go back and just look again over the next 12 months to make sure that it working effectively and meeting business objectives. I'm not anticipating major changes it's more like a health check.

What I'd like to do now is just spend a few minutes on the structure of remuneration which I do understand can be seen as very complicated. Executive Director remuneration and Senior Executive Director remuneration is divided into two categories, fixed and at risk. In the pie chart behind me illustrates how remuneration would break down in a good year.

00pm and work clockwise and just take you through the various components. The first component is Fixed Remuneration that is salary and benefits. That's the bit that remains unchanged, whatever happens to the business or performance.

The next bit is At Risk cash. This is the annual bonus, a cash annual bonus which is earned if targets are met, financial targets and personal objective targets. The third component, the largest, is the At Risk shares and that breaks down into two pieces. If an executive earns an annual



cash bonus, they also get awarded shares, but those shares are deferred for three years. They are deferred for two reasons, one to encourage loyalty from the executive and two from our point of view to encourage retention of our key executives.

The second part of the At Risk shares, the larger part, is the reward of performance shares. These shares are awarded every year but they only vest three years later if performance hurdles are met and stretching performance hurdles as far as this company is concerned. Those performance hurdles fall into two categories, a measure of total shareholder return and a measure of sustainable, profitable growth.

So for any one year an executive takes home the following. They take home the fixed remuneration, any annual cash bonus they earn by meeting targets and then the value of any shares that vest from those awarded three years previously and most of those are dependant on performance.

So in the light of the results that Graham and Tom have explained to you, how does that translate in the last 12 months? Well in 2010 the senior executives had no pay increase at all so the fixed pay did not increase in 2010. In 2011 they've been awarded modest pay increases at an average of 3%.

For 2010 the At Risk annual bonus, the STI have reflected the company performance, the payout has been modest. Executives have earned roughly between a third and two thirds of the potential bonus they could have earned. The At Risk performance shares, the last o that pie chart, the Long Term Incentives which were awarded back in 2007 and which come for testing to be vested in 2010 did not pay out. That is the second year running that those long term performance shares have not paid out.

The outstanding At Risk performance shares, those which, if they do pay out will pay out in 2011 and 2012, at the time of Remuneration Report would require an improved performance from the Company to vest and pay out at all. That improved performance is something which we can all agree would be good for the company, good for executives and good for our shareholders.

There are two other points in terms of remuneration in 2010 which I wanted just to cover. 2010 was a year of significant executive changes. The changes in the Chief Executive Officer and the Chief Financial Officer were notified. The details of those were notified to the ASX at the time and I can tell you that all were handled by the book.

After four years of no change at all the non-Executive Director fees were adjusted to ensuer they matched local market rates and were set in local currency. They were previously in the last four years set in US dollars and that has created enormous volatility and very difficult for, I think, shareholders to follow.

The reported fees in the 2010 account reflect the fact that the number of non-Executive Directors increased. But on a full year like for like basis in Australian dollars the total fees for non-Executive Directors will be substantially unchanged from those in 2006, what is effectively a reduction in the Chairman's fees offsetting the increase in the non Executive Director fees.

But the point I particularly want to make is that both now are in line with the local market rates here in Australia and in Australian dollars which will make it far more easy and transparent for shareholders to follow.

Over the last two years I have also mentioned growing our efforts to increase the shareholding among employees across the world. 22% of employees in 25 countries have elected to participate in the MyShare plan and the first matching shares will be issued next March.

MyShare will again be offered in 2011 and there has been a 10% increase in participation from last year. I'm pleased with that but I think all of us feel there is more to be done. It's something I personally strongly believe that a wide shareholding among employees is very valuable for the Company and brings the shareholder interest even more aligned in with the executives.

So, in summary I believe the remuneration decisions have delivered outcomes this year which do reflect the performance of the company in what has been a continuing difficult environment.

Executive salary increases, bonuses, share rewards in 2010 have been modest. The performance shares awarded back in 2007 have not paid out and the outstanding performance shares, LTIs will require improved performance to vest. The Remuneration Policy and associated Plan have also been followed in all we have done.

I am confident that our approach and our existing contracts sit comfortably with recent regulation here. We have made continued progress on employee shareholding but we have more to do. As I said, we will revisit the policy in 2011 to check that it remains fit for purpose and to see what we can improve.

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Subject, as I hope you will, to re-electing me in a few minutes, I will come back to the AGM next year to tell you the outcome of that review. Thank you very much.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you, Chairman, that's the challenge, Luke.

Ladies and gentlemen before we move to the formal part of the meeting I will ask questions from shareholders. We sent a form to all shareholders with the Notice of Meeting and invited questions. We undertook that we'd give responses to as many of the frequently asked questions as possible.

We are webcasting this meeting for the benefit of shareholders who couldn't attend. Our Auditors advised us they haven't received any questions relating to their Audit Report or the conduct of the audit. But a number of shareholders did take advantage of the opportunity to ask more general questions.

The three most common topics were remuneration, shareholder returns and the Company's financial performance. I think I have answered earlier on the questions around the Company performance and the share price. Remuneration questions though fell under three broad categories; executive bonuses, non-Executive Director fees and thirdly why the vote on the Remuneration Report is non-binding.

I think you'll agree Luke Mayhew has covered the first of these two issues, but the last one the reason for the resolution on Remuneration Report being non-binding is because that's the legal requirement for it to be advisory only. As I said I think I have covered the issue of shareholder returns and financial performance earlier in my address

## QUESTION AND ANSWER

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**Graham Kraehe - Brambles Limited - Chairman**

I would now be pleased to take questions from the floor.

I'll remind you in doing that that shareholders or their proxies or company representatives are entitled to speak at the meeting. If you would like to ask a question please approach the microphone. If the attendants would please stand, where are our microphones? Up here at the front and there is one up at the back at the centre.

Show your green voting card, your red non-voting card and give the attendant your name. If for some reason you are not able to get to a microphone, please raise your hand and we'll get a microphone to you.

To maximise the opportunity for all shareholders I would ask that you ask only one question at a time. It is now open to you. We will take remuneration related questions when we talk about the remuneration Report but this is about anything else that I have said or Tom has said related to the Company's performance.

I think we have got one in the centre here and one up at the back right there. Yes, microphone 1.

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**Unidentified Company Representative**

Mr Chairman I would like to introduce [May Ling McGlynn]

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**Graham Kraehe - Brambles Limited - Chairman**

May Ling, welcome.

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**May Ling McGlynn - Shareholder**

Good afternoon, Mr Chairman. My name is May Ling McGlynn, I'm a shareholder and today I also represent the Australian Shareholders Association.

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**Graham Kraehe - Brambles Limited - Chairman**

Can you folks hear that up the back?

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**Unidentified Audience Member**

No.

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**Graham Kraehe - Brambles Limited - Chairman**

You might just speak up a bit May Ling, if you wouldn't mind.

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**May Ling McGlynn - Shareholder**

My name is May Ling McGlynn, I'm a shareholder and today I also represent the Australian Shareholders' Association. On behalf of the ASA I hold proxies from 545 shareholders for a total of 2.32 million shares. Now one question I have is that in your reporting you tend to skip from constant currency basis and actual exchange rate.

Because this year you said there was a 3% increase in sales revenue because you were quoting the actual exchange rate, right and also a 1% increase in operating profit and a 2% increase in net profit after tax.

Now last year you quote the constant currency basis, and this year if in constant currency terms there's no increase in sales revenue. There's a decrease in operating profit and there's a decrease of 5% of net profit after tax. So, you know, I guess I'm just requesting that you all stick to a consistent basis of reporting to the media.

When you quote the actual fixed exchange rate figures but then on the other hand the changes in the sales revenue for the four months to October you've quoted on a constant currency basis.

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**Graham Kraehe - Brambles Limited - Chairman**

Well thank you for the question. I'm going to ask Greg Hayes, the CFO, for everybody's benefit to outline how we report and why because we actually are very consistent. We operate in 47 different countries. We have chosen as the most common global currency the US dollar and we report in US dollar terms.

We have found over a period of time with analysts in particular that it's important for them to be able to look at what the underlying business performance is and so we talk in US dollar terms constant currency. When we report at year end we report in that constant currency but also in dollars of the day.

You referred though in your question to the media, now the media is a different issue entirely. While we will report on the basis I just outlined the media can sometimes confuse the issue. But, Greg, would you just pick up our policy, because it is consistent.

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**May Ling McGlynn - Shareholder**

Oh actually I'm actually saying that in your address to shareholders, right?

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**Graham Kraeche - Brambles Limited - Chairman**

Yes.

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**May Ling McGlynn - Shareholder**

I mean this year you refer to all those figures in the actual exchange rate figures which are all better than if you quoted them in constant currency. Last year you quoted in constant currency. The year before which is 2008 you quoted in the fixed exchange one.

I have checked it all because I've been a monitor for three years and also I think it's Greg Hoffman from Intelligent Investor also...

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**Graham Kraeche - Brambles Limited - Chairman**

If you are looking over three years though, May Ling, the currency moved we reset every year.

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**May Ling McGlynn - Shareholder**

I know that but it's not consistent, you see that's what I'm stating. That perhaps you could be consistent.

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**Graham Kraeche - Brambles Limited - Chairman**

Can I suggest to you, it is consistent, but I would invite you to have a chat with Greg Hayes after the meeting and we are very happy to take the comment and I think we will be able to give you a satisfactory answer. But it is probably not something that we want to keep deliberating here.

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**May Ling McGlynn - Shareholder**

That's all right; I am just actually stating it.

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**Graham Kraeche - Brambles Limited - Chairman**

Yes and I appreciate it and we will certainly deal with it and Greg will pick that up with you after the meeting. If you are not satisfied we will be able to give you information to satisfy you.

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**May Ling McGlynn - Shareholder**

Thank you.

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**Graham Kraeche - Brambles Limited - Chairman**

But I would just say in the broad that it is a complex issue and it's one that we have wrestled with as a Company as a Board and our investors have. We have found the best way is within a year we talk - we set our targets in constant currency terms.

We look at our budgets in constant currency terms, we measure management performance on a constant currency basis. At the end of the year we obviously need to take into account whatever the exchange rate of the day is. But if we let that move around, and it does move around every month, if we look at actual every month, we lose sight of what the underlying business performance is. So that is why we do it and we do aim to be consistent.

Is there another question, microphone 2.

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**Unidentified Company Representative**

Mr Chairman, I would like to introduce Mr Waldron.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Waldron, welcome.

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**Mr Waldron - Shareholder**

Thank you. Mr Chairman, I'm going to start where I believe you all should start every time, with safety. An improvement of 3% to 5% is excellent. But I don't know where you've improved and I don't know how you've improved. The only thing I saw was a statement in your Chairman's address.

I'd ask if in future you could give us some sort of comparison from country to country and maybe just a quick two or three, the relevant factors and start with safety. No Harm, I think you and I have discussed this at other meetings. I believe that any company that doesn't start with safety has got a major problem.

I have got two other questions and I'll come back after with them.

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**Graham Kraehe - Brambles Limited - Chairman**

Let's take the safety one though, you're absolutely right. Safety is the first item on our agenda at every Board meeting. In fact you're in a good position here because David who is the attendant here is the Global Safety Officer for Brambles and I suggest you made a very good choice in sitting there.

David is leading a great program. Literally yesterday we had an hour with David outlining the next initiatives that we're taking right across the organisation to drive safety, so I can assure you it's a very big focus. What I did say is we have had quite a significant improvement in safety across the board.

I also referred you to the website where there is quite a lot of detail. So I would encourage you to have a look at that as well. We'll take another question from you a bit later.

But first are there any other people who have got a question for the first time. One up the center back.

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**Unidentified Company Representative**

Mr Chairman I would like to introduce Mr Noel Levy.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Levy, welcome.

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**Noel Levy - Shareholder**

Thank you, Mr Chairman, my question relates to the risks which are mentioned in the Annual Report. The particular risk is the obsolescence of the pallet platform. I didn't see in the report the amount of expenditure or the amount of money spent on Research & Development.

So because of the possibility in the future of wooden pallets being replaced and it's already taking place with some other company, my question is how much money or how much is actually spent on R&D. If you have an R&D section do you have any worthwhile project in the pipeline which might compete with the non-timber pallets. In other company which is quite dominant in this area.

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Then this is really with that IFCO acquisition something you've mentioned, you did mention, Mr Chairman, in your address that they had recycled pallets. Is that the case? Could those pallets be used in opposition to I don't know the acronym a GPS or whatever? So that's basically my question.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you for that. I think you will probably remember, and we'll get a number for you or an indication from R&D spend. But let me give you a bit of flavour of that, it's one of the five key target areas and high focus areas for the organisation which the CEO is leading.

In fact literally this morning at our Board meeting we had an hour's presentation on innovation which includes the R&D piece right across the organisation, the progress we're making. There's a whole pile of elements in the program. We have a, but probably most relevant to your particular question we've got an R&D Center, which is based in Orlando in Florida and that's quite a substantial operation.

That provides the global R&D expertise for the CHEP business. But we also have now increasingly more and more co-operative ventures with external universities and other experts in the space. So we've got a very active program of increasing our R&D but our innovation.

But in a broader sense I think it's important to just think about the strategy that we've enunciated. What it really is about is saying we're not just about wooden pallets. We've got wooden pallets, we've got RPCs, we've got cubic containers, we've got automotive containers.

We are bigger in plastic pallets than anyone else in the world but we actually know the cost of them, you know the business model and what works and we apply them where it's an appropriate part of the mix. As we've added to the business with IFCO the RPC part is a part of the business we're already in, in Europe, we're in it Asia Pacific, we are not in it in the US and we're not in it in Latin America so we'll expand into that geography.

The piece that you talked about the pallet piece is really the wooden pallets, the IFCO white wood pallets. They compliment our business that we currently have in the US, really into the SME segment which is to a large extent serviced by that.

So we do have an active R&D program, have we got an indication of a number?

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**Tom Gorman - Brambles Limited - Chief Executive Officer**

Yes well, Chairman, I think it's an excellent question. You know we spend in excess of \$10 million annually on research and development just in the CHEP business alone. As the Chairman indicated we have quite an investment in our Innovation Center in Orlando and we're augmenting that Innovation Center this year with a several million investment to increase our capability to actually test the durability of all of our products and to test new initiatives.

In addition to that as we've reported, we've entered a partnership with a global design firm by the name of IDL and inherent in that relationship is looking at all sorts of initiatives and new innovation moves. But I would just like to be clear that of all of the businesses in our industry we are the largest pooler of plastic pallets.

So we entered China with a plastic pallet and we pool plastic pallets here in Australia as well as in Europe. So we look at all innovations. Really the driver of our business is to deliver to the customer what works well for the customer and what makes economic sense for our shareholders and will continue to do that going forward.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you. Another question, microphone 2?

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**Unidentified Company Representative**

Mr Chairman, I'd like to introduce Mr Cummings.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Cummings, welcome.

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**Unidentified Participant**

Yes, I'd just like to hear something about India. India has got growth of just under 10% and it's a huge growth area. If it is only one or two states in particular in the service industries, manufacture goods and computers. It's a marvellous growth spot to continue.

I was just wondering, you just mentioned you've got two companies that you've got investments in. What are they doing and what's the relationship? Is it a 50/50 position and then what is happening in the future?

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**Graham Kraehe - Brambles Limited - Chairman**

Okay, I think you heard, and thank you for the question. Emerging markets are a key part of our growth strategy; it's the organic growth piece by and large. So the Board met in China very recently and looked and reviewed all of our growth options both within CHEP and Recall within China.

In the same way the CEO is planning to be in India, you've given us a good intro, he'll be in India in three week's time reviewing the program for growth in India. Having said that we had the head of our Indian CHEP business in Shanghai and talked to us about the growth opportunity there.

I would answer it in two ways. The first is to say that India, even more so than China the transport systems, the roadways, the infrastructure are not developed to a point where there's a huge market opportunity for the traditional pallet that we know. On the other hand there's a very big automotive industry and there's a big opportunity for what are really closed loop systems, containers operating between a component supplier and an automotive supplier.

So we have recently signed a couple, and I think the CEO reported on it, of quite good contracts with some of the global fast moving consumer goods players and we're working with a couple of others on how we can accelerate the use of pallets into the Indian market. I think you will see perhaps one of the areas you will see more of in the short term for us in India is the automotive container and cubic container.

But it's right on our geographic growth footprint. Thanks for the question. Any other questions?

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**Unidentified Participant**

How is it growing?

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**Graham Kraehe - Brambles Limited - Chairman**

I think the CEO mentioned, what was the growth, a big number.

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**Tom Gorman - Brambles Limited - Chief Executive Officer**

The growth is triple digit growth year on year from a small base.

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**Graham Kraehe - Brambles Limited - Chairman**

Over 100% but from a tiny base. But we see it will grow very rapidly. Sorry, there's another question at microphone 1.

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**Unidentified Company Representative**

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Mr Chairman, can I introduce Iona McKenzie.

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**Graham Kraehe - Brambles Limited - Chairman**

Ms McKenzie, welcome.

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**Iona McKenzie - Shareholder**

Thank you and thank you for hearing the questions. I would just like to know how influential the notion of sustainability is in the Board. I have just come from a lecture at the University about sustainable procurement. I am just curious to know how high that is in your perspective and how it matters to you.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you, well it does matter to us and I think it matters to every citizen and every corporation and it certainly matters to us. The CEO might want to add to this in a minute. But at a higher level, firstly I mentioned the CSR report, which is on our website and I'd encourage you have a look at that and there's a big focus on sustainability there.

But in terms of we see the businesses we are in are really, we're in the recycling business. Pallets we use them infinitely. We have a policy of where we can source lumber from sustainable plantation sources, that's what we do. We recycle those pallets, we repair them when there's a stake or a pallet broken it gets mulched and it goes into garden waste.

So compared with plastic which was mentioned earlier or any other alternative, wood is far more sustainable if you start from a source of focusing on sustainable plantations. In a broader sense and take Recall. Recall is in the same sort of process of recycling. It takes documents at the end of document life. We're in the shredding process, back into the paper process.

Do you want to add to that at all, Tom?

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**Tom Gorman - Brambles Limited - Chief Executive Officer**

Well I think the Chairman has high the highlights extremely well. First of all in sourcing lumber we make sure that our lumber comes from regenerative forests and in the case where we actually control some of those we have expert forestry management. We can document the flows of all the timber that we purchase.

Again on the RPC side, what we're really replacing from a competitive standpoint are the disposable wood, small wooden packing that just gets thrown away by customers or to the very large extent it's the use of cardboard packaging.

So where packaging used to be disposable, we are using it time and time again, so in fact it is very much a sustainable approach. In addition we are big user of logistic services around the globe and we are really one of the best companies in the world in terms of our sophistication in managing truck miles.

It's all about reducing empty truck miles. So each year we focus on reducing our carbon footprint by being a more efficient user of transportation services. It is one of our core values as a company and we take it very seriously. As the Chairman said, we review it at the Board level frequently.

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**Graham Kraehe - Brambles Limited - Chairman**

If you want to talk about it a little further, you're talking right next to Nick Smith who is the guy best able to have a chat with you afterwards and we'd encourage you to do that. But thank you for the question. Now we've got another question, one up the back, microphone 3.

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**Unidentified Company Representative**



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Chairman, I would like to introduce Mrs Yvonne Chan.

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**Graham Kraehe - Brambles Limited - Chairman**

Mrs Chan, welcome.

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**Yvonne Chan - Shareholder**

Well thank you, Chairman, good afternoon. I have two questions. First of all I would like to bring you to understand I am being a shareholder since 1990 and seen Brambles at that time a very unbeatable, strong Brambles. Since then Brambles has gone through a lot of ups and downs and up till now I have still not seen Brambles at the strength of its past self.

So could you please tell me, when, in your opinion Brambles could get back in that strong framework please.

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**Graham Kraehe - Brambles Limited - Chairman**

Yes, thank you for the question and you are really I think you said 1990 you were a shareholder. If longer terms shareholders will remember that, I'm thinking three or four years ago Brambles sold off the business of Cleanaway and the industrial service business returned about \$4 billion to shareholders at that time and focused on two core businesses of Recall and CHEP. That is where the focus has been for the last couple of years.

But that was a deliberate downsizing of the business to focus on two businesses we thought had real opportunity to grow long term and where we could add some value. Now we've been through a GFC and we've had the impact on that, which I referred to earlier. It's impacted most businesses. But through that GFC both of them performed relatively well given the economic environment.

Important for us, Recall we thought we could improve the business and needed to improve aspects of it and for the last year, the year 2010 we are extremely pleased in the lift in the financial performance and about the reduction in overhead structure, particularly in the North American part of the business.

That was a big driver and as a result we are now back into a mode of saying we're happy to invest in Recall. We've got the foundation right and we think we can grow it, particularly organically and into new geographies like the information centre in Shanghai but also into the digital space.

In the case of CHEP in exactly the same way we've come through a Global Financial Crisis. WE had a bit of a challenge in the short term in the US which we're well on top of and we're now having spent a lot of time as a Board and with senior management reviewing our strategy.

We've said we're very happy with the foundation we have. We're financially strong as a company we've got a very good management team and we've got a very clear strategy We're going to focus on returnable, not returnable but on pooled containers whether they be RPCs, whether they be automotive containers, whether they be pallets plastic or wood. Whether they be cubic containers, and we've got a strategy that's going to optimise our global network and our expertise in pooling in each of those areas.

I'm personally very encouraged by that strategy the simplicity of it but also that we've got the team in place today that we are pretty confident are able to deliver on a growth opportunity. So I think it's a very exciting time for Brambles and thank you for your question.

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**Yvonne Chan - Shareholder**

My second question is well now that, as you say Brambles is on a growth path a maybe very vigorous growth path, do we have a strategy in place that will not repeat our CHEP story of a few years ago. The kind of management inventory problem?

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you for the question. Yes I can assure you that pallet asset management is an absolutely core requirement. It's in all of our reporting, it's in all monthly Board reporting and we have in fact expanded that whole asset control reporting, not just in terms of what I'd call obvious asset control but also the quality of our pallets.

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So we are very conscious of the points you raise, thank you.

Another question from microphone 1, May Ling again, thank you, welcome.

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**May Ling McGlynn - Shareholder**

Sorry this is a second question.

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**Graham Kraehe - Brambles Limited - Chairman**

That's all right, just one at a time, we're happy for another one.

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**May Ling McGlynn - Shareholder**

Yes that's what I thought you said, one at a time.

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**Graham Kraehe - Brambles Limited - Chairman**

No, that's fine, go for it.

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**May Ling McGlynn - Shareholder**

Okay, this question relates to the IFCO purchase, right. Now from my understanding CHEP actually sold the RPC business to IFCO or their private equity people some years ago. Why are you buying it back? I mean you've given a reason why it's good for the business but I guess the question should then be, why did you sell it.

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**Graham Kraehe - Brambles Limited - Chairman**

Yes it's a good question.

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**May Ling McGlynn - Shareholder**

Also included in the IFCO purchase they have the white wood pallet business and the margin there is very small. From what I've read the EBIT margin is about 5% for the white woods and the all CHEP pallets run around the mid-20s, the margin, so that to me is the business to be in.

Lastly the gearing after the IFCO acquisition, what will the gearing be? Because it's dropped from 60% to 59.9% last year and what will it be after?

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**Graham Kraehe - Brambles Limited - Chairman**

Okay, fine, three questions. I will let Tom answer the white wood one in the middle. Let me talk about the sale of the RPC business in the US and that was from memory four to five years ago, something of that order. At that point we had very, very strong pallet growth in the US that was the market focus. RPCs were a very tiny and flat-lining part of the business in the US. Probably at least in part because it wasn't our focus but the market wasn't doing anything either.

Europe was very different and we had a growth business in RPCs in Europe and we didn't see - at that point it was judged that it wasn't a growth opportunity and we had terrific growth opportunity in pallets in the US and in other containers in other parts of the world. What's changed? A number of things have changed.

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The first thing that's changed is a much, much greater focus in every geography around the world on minimising waste, cardboard waste aiming in simple terms to have a container that the lettuce grower packs his lettuces into. They come into Woolworths or a Coles' store, onto the display. The user takes them out the container comes back to our washing centre and it's re-issued to the lettuce grower.

You don't have cardboard waste and so on. You've seen in every geography in the last five years a significant growth in the use of returnable plastic containers, RPCs and hence what was really a minor business for us five years ago in the US we see it now today giving us a big opportunity to put with our business in Europe. To enter a very important new geography and growth geography in South America, but also a business that is growing quite rapidly in the US as those trends I talked about take place.

But you've had a run on the questions. Let's answer the white wood one now.

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**Tom Gorman - Brambles Limited - Chief Executive Officer**

Okay sure, you've asked a couple of questions on white wood. First on the margins of the business you are correct to point out that the margins are lower, but EBIT margin is only one financial metric. You also want to look at the return on capital for the business and you may have noticed in the white wood business they have very low capital expenditure.

So their model is they expense the pallet and then they resell them, so very little CapEx and the return on capital is quite good. In total the IFCO return on capital is 22.4% and that's been disclosed in IFCO's public statements and that's broadly in line with our mid 20s return that we shoot for on the CHEP side of the business.

In terms of why white wood, I think there are a couple of strategic reasons that we've been talking about with the industry community. There are three core ones really. The first is that we've indicated we want to grow our business with the small to medium enterprise customers. Today that's a space that is in the white wood market and IFCO knows those customers well. We believe we can leverage that knowledge into expanding some of those customers into a CHEP pooled solution.

Secondly asset control is very important to us in the US as has been indicated in one of the other questions and the IFCO model has their own trucks out going all around the market, going to major distributors and collecting pallets. This will give us a much better insight into pallet flows, not just on white wood but importantly on the CHEP side and we believe will improve our asset management and asset control.

The third reason is really quite simple, not all of our customers use CHEP blue pallets for every specific need. There are customers that export overseas on pallets and they don't use CHEP for that. The combination of IFCO will allow us to have a much broader suite of services. So in essence we can go to a customer and provide a more complete range of products and services.

So we think it has a great strategic fit for us and we're excited for time when we get through the regulatory approval and we can integrate the company.

Your last question I think was around our gearing. At 30 June our gearing was 51.8% I believe and we've announced that the funding for the IFCO acquisition will be a 50/50 mix between debt and equity. So that will tell you where we're going to be.

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**Graham Kraehe - Brambles Limited - Chairman**

Thanks, May Ling.

Let's now turn to other items of business and all the items on the agenda will be proposed as ordinary resolutions except for Item 10 and that's an amendment to the Constitution. It requires a special resolution and a majority of 75%. Just quickly to explain the voting procedure.

If you're entitled to vote you will have been given a green voting card. I'll be casting any discretionary proxy votes that have been given to me in favour of each of the items of business and we'll show the voting position for each resolution on the screen.

At the conclusion of the meeting please place your completed voting cards in one of the ballot boxes and they're located by the exit doors. We'll announce the poll results to the Australian Securities Exchange later today. We will also post them on our website.

Michelle Cross of Link Marketing Services has been appointed Returning Officer.

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So moving to the agenda, the first item of business is to consider and receive the Financial Report, Directors' Report, Auditors' Report for Brambles for the year ended 30 June 2010.

I think we have had questions on that item. I think if there are any other questions I'm happy to take them but if not, I'll move to Item 2, which asks shareholders to adopt the Remuneration Report for the year ended 30 June 2010. That is in the Annual Report, you've heard Luke Mayhew and me talk about the key issues raised by shareholders on remuneration and we've attempted to answer them. But we are obviously happy to take any other questions from the floor on the Remuneration Report.

Any other questions? There is one down here at microphone 2, thank you.

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**Unidentified Company Representative**

Mr Chairman, I would like to re-introduce, Mr Waldron.

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**Graham Kraehe - Brambles Limited - Chairman**

Mr Waldron, welcome back.

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**Mr Waldron - Shareholder**

Thank you, I had a couple of other questions, but I'll leave those, I'll have a word with...

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**Graham Kraehe - Brambles Limited - Chairman**

Stay with remuneration if you would?

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**Mr Waldron - Shareholder**

I certainly will. Mr Chairman, there's a move afoot to try and tie long term incentives to the industry cycles, and you're probably well aware of that yourself with being involved in other companies. I ask you, not necessarily to be a pioneer, but to be an early mover and move perhaps towards trying to tie the long term incentives a little longer.

I find three years far too short and most industry cycles are longer than three years anyway. Many companies are now moving towards four years and I just ask you to start considering that and not necessarily be the pioneer but be an early mover. So, Mr Mayhew, you might take that on board and think about that in the future. That we should at least be trying to move towards four years if not towards the industry cycle.

I'm not sure what the industry cycle is, I'm sure it's at least four years. I'll leave it at that, Mr Chairman, it's just a comment.

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**Graham Kraehe - Brambles Limited - Chairman**

I appreciate the comment and I just make the broad observation that there is a whole raft of issues that the Remuneration Committee under Luke's chairmanship will be considering. I'm not saying necessarily we will adopt any of them but we certainly debate them and the appropriateness of them. That's one of them that will certainly be on the agenda, so thank you for the question.

There is a question up at microphone 3.

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**Unidentified Company Representative**

Yes, Mr Chairman, I would like to re-introduce Mr Noel Levy.

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**Graham Kraeche - Brambles Limited - Chairman**

Mr Levy, welcome back.

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**Noel Levy - Shareholder**

Thank you, Mr Chairman. I've got to find now what I want to say. Well first of all I find these remuneration plans they're too generous. Just looking at the remuneration of the Chief Executive, it's the part that's not at risk, the basics' part or the fixed amount is something like \$1.8 million.

I was just thinking today, that's probably as much, if I was starting to earn money now and I was about 30 years or 25 years of age I'd only earn that amount in my lifetime. So, you know when you look at it in those lights, it's a lot of money. It's too generous.

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**Graham Kraeche - Brambles Limited - Chairman**

Is there a question there or do you want me to comment?

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**Noel Levy - Shareholder**

No, this is just a comment first. Then on top of that you've got the At Risk's part. Based on the CEO's remuneration which is on the report, he could end up with something \$6 million a year if he, you know, meets all those performance hurdles. Now I'm not criticising the Chief Executive, good on him, he probably deserves it.

But the Remuneration Committee they're the people that should be targeted because they are the ones that are actually recommending this. The Chairman who is coming up for re election I believe now, when you come to consider this the next time, what the previous speaker said about he long term should be at least five years.

Plus the short term incentives are very large. They are larger than the actual long term, so you're going to have short term gains which probably suits some shareholders, but it doesn't suit the investor shareholders and it doesn't suit, I don't think the long term benefit of the company.

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**Graham Kraeche - Brambles Limited - Chairman**

Okay, well thank you.

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**Noel Levy - Shareholder**

Just one question, I have got a question now.

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**Graham Kraeche - Brambles Limited - Chairman**

Well how about you just wrap it up because I think we are giving you a pretty fair run?

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**Noel Levy - Shareholder**

I'm allowed to ask one question am I?

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**Graham Kraeche - Brambles Limited - Chairman**

Good excellent.

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**Noel Levy - Shareholder**

thank you. What was it? With these performance hurdles you've got one of the hurdles is the net profit after tax, well that's what was on the screen today ,but in the report it's just profit after tax. So I don't know which profit you actually mean, but surely wouldn't it be much simpler to have something like the earnings, minus significant issues like one off issues per share. It would be much easier for shareholders, especially small shareholders like me to see what happens from year to year.

So why not, Mr Chairman, use something simple which would make it easier for us to understand and vote on.

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**Graham Kraehe - Brambles Limited - Chairman**

Okay, thank you. I think it's a very good question because remuneration has become extremely complex. If you look at Board committees today I think the Remuneration Committee and the deliberations around remuneration have become just if not more substantial in time and detail as Audit Committees.

You raise a number of points there and I think it's very important to put them back into the context which Luke made earlier on. The first thing is to say, our primary objective, and a key objective for us, for you the shareholders is to make sure that we attract very good people who are able to run this business in 49 different countries and generate good positive returns for you the shareholder.

To do that we're competing in a market where talented people are in demand and it's important that we pay at the market rate and we endeavour to do that, that's a key issue for us.

The second issue for us though, which is I think the most important issue for shareholders is in doing that we look to have a component which is fixed, which in this particular case is about \$1.5 million or thereabouts and then a much bigger part that is at risk. The risk component, as you've heard while it looks to be a reasonably large number in the last couple of years has actually been zero.

Why has it been zero, because our share price has been flat our profit has been flat. Shareholders haven't got any benefit and neither have the executives. So I'd say to you that I think we're at an exciting part of the Company's growth potential here now. If the CEO gets anywhere near the maximum number that he can potentially get I'll suggest that I will be delighted, but you as shareholders should be delighted as well.

Because we will have shot the lights out and performed extremely well and the share price and the returns to shareholders will reflect it. That's the balance we're trying to achieve. But thank you for your comments. I understand the issues. But I'd just say to you again and part of the reason of having Luke talk to you is to try and give you a sense of what are a complex set of issues that remuneration committees deal with.

We're trying to do the right thing, there's no absolutely correct precise answer but we do take into account getting good talent, retaining good talent so we've got the people who can really run the business. But we also take into account trying to get the best correlation that we can of either at risk component. The best correlation we can between the executive experience and the shareholders' experience. That's what we try to do.

Indeed when we have the review that Luke's outlined over the next few months it will all be about is that working? Have we got the length right? Are the components working, are we looking after or retaining executives and attracting good executives on the one hand and is their potential tied as closely as we can make it to that of shareholders?

That's the game and that's what we're absolutely focused on. But I understand the issue and thanks for the question.

So I think we've got microphone 1, May Ling, welcome back.

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**Unidentified Company Representative**

May Ling McGlynn again, Mr Chairman.

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**May Ling McGlynn - Shareholder**

I've got a couple of questions here, well one I guess is that the ASA policy is that long term incentives schemes should vest only after at least four years which that gentleman...

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**Graham Kraehe - Brambles Limited - Chairman**

We note that and that's on our review agenda, yes thank you.

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**May Ling McGlynn - Shareholder**

And should also occur only if the performance outcome is positive and you know, not just...

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**Graham Kraehe - Brambles Limited - Chairman**

Which is what we do, yes I understand that.

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**May Ling McGlynn - Shareholder**

Okay, so that's just one thing. The other one is in the Remuneration Report, well I find it very difficult to understand and I'm sure a lot of retail shareholders as well. What we would like you to consider it actually putting just a statement for this year, this is how much this short term incentives that's been paid to these executives and long term incentives in dollar terms and in number of shares.

That would make it quite clear what is paid. Because, you know, at the moment we've been told, no long term incentive has been paid for financial year '10 or '09, right. But if you look in the Remuneration Report it's got on page 39 this long term incentive or so many shares. So it confuses us, right.

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**Graham Kraehe - Brambles Limited - Chairman**

I understand. It's a good question because Remuneration Reports are more complex than any of us would want. We are required by accounting standards to put the full potential figure in the reports and you can chat with the Auditors afterwards, they'll confirm that's the case. So we've got to put all the at risk component, it has to be shown in the report.

We do show what the actual payments and vesting and so on is, it's in the report and it's in the last year or two it's been significantly less. But you are right, remuneration reports are complex. What we try to do to address that is to have a summary letter, which is the Chairman of the Remuneration Committee; we have that at the front of the Remuneration Report trying to just pick out the key points to make it easier to understand.

Every year we try and find a balance between what we're required to report under accounting standards and ASX standards and try to make it as simple as we can. But there aren't any silver bullets in that place. But thanks for the question. Thank you.

I think no other questions on remuneration so the resolution and direct voting and proxy positions are now on the screen. I'd ask you to mark your voting card now for Item 2. I will vote proxies granted to me in favour of the resolution.

The next items of business 3 through 5 are in relation to the election and re election of Directors. During the year the Board appointed Tom Gorman and Greg Hayes as Executive Directors and under the current Constitution this will change if you approve the change to the Constitution a little later. It will change in relation to the CEO, but today we are required to have both of them stand for election.

It's proposed that they be elected as Directors. The Board fully supports both of those elections and the first of them is Tom Gorman, the second is Greg Hayes and then later, Luke will retire by rotation. As a retiring non-Executive Director we've had the process we go through every year of an assessment of Luke's performance and in this case I am pleased to say his re-election is supported by his fellow Directors.

I think for shareholders it is important, this is a fair dinkum assessment process and it's set out in the Annual Report and I'd encourage you to have a look at it. But I will now put the motion in relation to the election of Tom Gorman, Item 3, set out in your Notice of Meeting.

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Are there any questions? No questions. The proxy and direct vote position is on the screen. I will vote proxies directed to me in favour of the resolution, please mark your voting card for Item 3.

I'll now put the motion in relation to the election of Greg Hayes, the Chief Financial Officer and Finance Director. This is item 4 set out in the Notice of Meeting. Are there any questions to this? No questions. In which case the resolution and the voting direct and proxy is shown on the screen. Again I will vote proxies directed to me in favour of the resolution, so mark your card for Item 4 if you would, please.

I'll now turn to the re-election of Luke Mayhew. As I said his re-appointment has been subject to a Board assessment. We have introduced the process, which I think is a good one where we have Directors speak to the shareholders about their directorship. Although you've heard from Luke quite a bit with his Rem Co hat on I think it would be good to hear from him about directorship more broadly. Thanks, Luke.

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**Luke Mayhew - Brambles Limited - Chairman, Remuneration Committee**

Thank you very much, Graham. I'm honoured to be one of your Directors. I've been a Director of this Company now for five years and Chairman of the Remuneration Committee for five years. So far, touching wood, we have managed to have every Remuneration Report supported by over 95% which gives me a hurdle of shareholder approval to try to keep up if you re-elect me.

I'm not sure it's a recommendation but I was born in New Zealand and live in England. I am not sure that helps me in terms of an Australian based company. But my career has been primarily in England in travel and retail. I spent some time as a Director of Thomas Cook. I was a senior executive of British Airways.

In the last 20 years I've been in retailing where I was particularly a Director of a business some of you may have heard of called the John Lewis Partnership. An employee owned business which is a department store and a supermarket business. In the last five years I've been chairing specialist retailers. At the moment I am Chairman of the British Retail Consortium, the trade association that represents all the major British retailers.

I enjoy my directorship, I hope add value and I would welcome the opportunity to serve another term.

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**Graham Kraehe - Brambles Limited - Chairman**

Thank you, Luke. This is Item 5 in the Notice of Meeting. Are there any questions or comments from the floor? If not, the direct vote proxy position is now on the screen. I will vote proxies undirected proxies in support of the motion. Please mark your voting cards for Item 5.

Resolutions 6 and 7 are to obtain approval for Tom Gorman and Greg Hayes to participate in the Brambles My Share Plan. I think you will have read the explanatory note. This is a very small number of shares but its participation along with all of the staff and executives with the broad objective of having the broadest and widest possible shareholding amongst Brambles 12,000 staff.

Are there any questions to Resolution 6, which is Tom Gorman's participation? If there are no questions on the screen behind me there are the voting positions. I will now put the motion. I will direct undirected proxies in favour of it. Please mark your poll card for Item 6. Thank you.

Item 7 is exactly the same resolution except it relates to the CFO Greg Hayes and his participation in the My Share Plan for three years from this date. Are there any questions to that? If not we will put the voting on the screen. I'll direct undirected proxies in favour of the motion. Please mark your poll card for Item 7.

Items 8 and 9 relate to the Long Term Incentive Plan that Luke outlined earlier and which we talked about in some of the Q&A around the Remuneration Report. This has been approved by shareholders and the participation has been approved at various meetings in the past. Today it's for two resolutions, one for Tom Gorman and the other for Greg Hayes to participate in the Long Term Incentive Plan.

So I will now put the resolution that Tom Gorman be permitted to participate in the Plan for three years from this date and that's as set out in the Notice of Meeting and the proxy position and direct voting position is on the screen behind me. Are there any questions there? Please now mark your poll card for Item 8. I'll vote undirected proxies in favour and move to Item 9.



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This is the similar resolution except that it's for Greg Hayes participating on the terms and conditions that have previously been approved by shareholders. Again I'll vote undirected proxies in favour and we'll put the current voting position on the board. Please are there any questions. If not please mark your poll card for Item 9.

Item 10 it relates to some changes to the Constitution. Your Board would like to take the opportunity to propose five amendments to the Constitution. Most of these are minor and of a housekeeping nature but they are detailed in the Notice of Meeting. If approved, two of the amendments will update the Constitution as a requirement of the ASX listing rules and the ASX having changed its group name.

The other three amendments one would mean that the CEO is no longer required to periodically retire and stand for re-election, that's the common practice amongst Australian companies. It's pretty rare to have the CEO stand for re-election although I am very pleased you did re-elect Tom today.

But another amendment would eligibility criteria to be appointed as a Director. The final amendment reduces the maximum number of Directors to 12. It is currently 20 which would be very unwieldy. So these proposed amendments are consistent with the corporate practice of many Australian listed companies. Full details are in the Explanatory Notes to the Notice of Meeting.

This resolution is a Special resolution, which means it requires a 75% majority. Are there any questions? No questions, if not the direct vote and the proxy position is now shown on the screen behind me. Please mark your voting card for Item 10. I will vote proxies granted to me in favour of the resolution.

Ladies and gentlemen, that's the end of the formal business of the meeting. I would just remind you that as well as your Directors you have the Auditors, you have several of Brambles senior management team in the front couple of rows here. I'd encourage you as you have a cup of coffee afterwards to take the opportunity to have a chat with them.

Particularly I'd direct you, Mr Waldron to have a chat with David about the safety program. I'm sure he'd like to talk to you about that. And the young lady who talked about sustainability, Nick will be delighted to have a yarn with you.

Thank you very much for your attendance. Thank you for your questions. I declare the meeting closed. Please don't forget as you go out, put your voting cards in the boxes near the exits. The poll will remain open for about another 10 minutes. Thank you.

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