

Brambles

Tax Transparency Report 2020

For the Year ended 30 June 2020

26 November 2020



Brambles at a Glance

Brambles' purpose is to connect people with life's essentials, every day.

Through its 'share and reuse' model, Brambles moves more goods to more people in more places than any other organisation.

What Brambles does:

As a pioneer of the sharing economy, Brambles is one of the world's most sustainable logistics businesses.

Its circular business model facilitates the 'share and reuse' of the world's largest pool of reusable pallets and containers.

This enables Brambles to serve its customers while minimising the impact on the environment and improving the efficiency and safety of supply chains around the world.

Brambles' platforms form the invisible backbone of global supply chains, primarily serving the fast-moving consumer goods, fresh produce, beverage, retail and general manufacturing industries.

The world's largest brands trust Brambles to help them transport life's essentials more efficiently, safely and sustainably.

As at 30 June 2020, Brambles:



Operated in...
~60
countries



Owned...
~330 million
pallets, crates and containers



Employed...
~12,000
people



Through a network of...
750+
service centres

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For more information, go to:

[BRAMBLES.COM](https://www.brambles.com)

Introduction from the Chief Financial Officer

I am pleased to present Brambles' Tax Transparency Report for 2020, which provides an understanding of Brambles' tax profile, tax contributions and how we manage our tax obligations and make economic contributions to the countries in which we operate. This report is prepared in accordance with the Australian Voluntary Tax Transparency Code.



At Brambles, we are committed to transparency and effective tax risk management in keeping with our strong corporate governance, risk management and ESG credentials. The disclosures about our tax policies and international tax footprint included in this report highlight our commitment to transparency as we seek to exhibit best practice in accordance with the voluntary code.

FY20 effective tax rate and tax contribution

Brambles' FY20 effective income tax rate from Continuing Operations was 30.5%, in line with the 30.4% effective rate for FY19. Brambles global taxes paid from Continuing Operations was US\$269.6 million, reflecting a range of taxes detailed on page 6 of this report. The amount paid represents a reduction of US\$29.2 million on the prior financial year largely driven by a reduction in Australian corporate income tax payments during the period mainly due to the timing of tax instalments.

Capital Management Programme

At the time of the sale of its IFCO RPC business, Brambles announced that it intended to return A\$2.8 billion (US\$1.95 billion) of the sale proceeds to shareholders through an on-market share buy-back of up to A\$2.4 billion (US\$1.65 billion) and a 29.0 AU cents per share pro-rata cash return.

The on-market share buy-back commenced on 4 June 2019 and has continued during FY20. At 30 June 2020, a total of 91,697,878 ordinary shares had been bought back and cancelled for a total consideration of A\$1,049.7 million. The cash return was paid to shareholders on 22 October 2019 and had two components: a capital return of 12.0 AU cents per share and a special unfranked dividend of 17.0 AU cents per share. The total pro-rata cash return was A\$453.8 million and was the subject of the ATO Class Ruling CR 2019/68, a copy of which can be found on our website. At 30 June 2020, Brambles had completed A\$1.5 billion, that is 53%, of the A\$2.8 billion capital management programme.

Covid-19

Governments around the world responded to Covid-19 with various fiscal measures to support businesses through the global pandemic. Brambles tax contributions during the year were not significantly impacted by such Covid-19 measures and Brambles has continued to meet its ongoing tax compliance obligations around the globe without interruption.

A handwritten signature in black ink, appearing to read 'Nessa O'Sullivan'.

Nessa O'Sullivan, Chief Financial Officer

26 November 2020

30.5%

FY20 effective income tax rate¹

Up from 30.4% in FY19

US\$209.0 million

FY20 income tax expense¹

Up from US\$198.3 million in FY19

US\$269.6 million

Global tax contribution

Down from US\$298.8 million in FY19

¹ Continuing operations.

Tax policy

Brambles' Code of Conduct provides an ethical and legal framework for all employees. Our Tax Policy aligns with the principles of the Code of Conduct and applies to Brambles businesses globally.

Introduction

Brambles is committed to complying with tax laws and to having open and constructive relationships with tax authorities. Taxation laws are inherently complex, and Brambles seeks to comply with the laws by paying the right amount of tax in the correct jurisdiction, disclosing relevant information, and claiming reliefs or incentives where they are available. We support greater transparency of companies' tax payments and processes, in order to build public trust and have adopted the Voluntary Tax Transparency Code of the Australian Board of Taxation.

We pay corporate income taxes, customs duties, employment and other taxes. In addition, we collect and pay employee taxes as well as indirect taxes such as sales tax and VAT. The taxes we pay and collect form a significant part of the economic contribution to the countries in which we operate.

Our commitment is underpinned by the following principles:

1. Tax risk management and governance framework

We follow Brambles' risk management framework as part of our internal control processes. We identify, assess and manage tax risks and account for them appropriately. We implement risk management measures including controls over the following risks:

- Operation and Transaction risks – the risk of inadequate tax consideration, expertise and judgement into business transactions, and poor implementation or management of key risks, including inadequate documentation to support positions taken. Key controls include sign-off by key functional areas including Group Tax in accordance with an approvals framework;
- Compliance risk – the risk of late or inaccurate tax returns. Key controls include a central database monitoring the lodgement of tax returns, and the use of external accounting firms to prepare or review such returns;
- Tax accounting risk – the risk of material financial mis-statement as defined in the relevant accounting standards. Key controls include providing tax accounting instructions to financial statement preparers, and review and sign-off of material tax balances by Group Tax; and
- External and management risk – the risk associated with new laws and management of the tax function. Key controls include ensuring that appropriate policies and procedures are in place, maintained and used consistently around the world, and that the global tax team has the skills and experience to implement the approach appropriately.

Material tax issues and risks, when identified, are reported to the Brambles Audit Committee and Brambles Board.

2. Level of risk in relation to taxation Brambles is prepared to accept

The effective management of risk, including tax risk, is vital to the continued growth and success of Brambles. We incorporate effective risk management as part of our business processes. Brambles has designed and implemented internal control systems and risk management processes, including those relevant to tax risk, and these are reviewed by the Board.

Internal governance procedures impact on acceptable levels of risk by:

- Identifying, analysing and ranking risk issues, including tax, in a consistent manner, using a common methodology;
- Making our risk tolerance for tax issues a key consideration in our decision making; and
- Requiring approval by senior management, or the Board, for transactions according to an approval process having regard to the level of risk and materiality of the consequences involved.

We adhere to relevant tax law and we seek to minimise the risk of uncertainty or disputes. For material transactions we seek certainty, for example by way of obtaining external advice and legal opinions or agreement with tax authorities where the law is uncertain or complex.

3. Tax strategy and planning

Brambles Code of Conduct states that all business should be conducted in accordance with the laws and regulations in the countries in which the business is located. Our tax strategy and planning supports our business strategy and reflects commercial and economic activity. Relevant Brambles Group stakeholders are involved, according to an approval process having regard to the level of risk and materiality of the consequences involved, to ensure transactions are acceptable, including Brambles Board, CEO, CFO, and commercial, legal, treasury and accounting functions.

We conduct transactions between group companies on an arm's-length basis and in accordance with OECD Transfer Pricing Guidelines.

Brambles does not seek to avoid tax using artificial arrangements, or tax haven jurisdictions, lacking business purpose.

4. Approach towards tax authorities

We seek to build and sustain relationships with governments and fiscal authorities that are constructive and based on trust and mutual respect. Brambles complies with the tax laws in each country, but should any inaccuracies arise, these will be voluntarily disclosed to taxation authorities.

We work pro-actively and transparently with fiscal authorities with the objective of minimising disputes and reaching agreement on any areas of disagreement on a timely basis wherever possible. As part of our approach to dispute resolution we consider all legitimate avenues, including arbitration, mutual agreement and where considered appropriate appeal procedures to achieve certainty over tax treatments.

We engage with governments, and its various bodies, on the development of tax laws, and their administrations, either directly or through trade and other similar associations as appropriate. Our approach is evidenced by a robust tax governance framework, our behaviours and supported by our low risk relationships with tax authorities including the Australian Taxation Office and Her Majesty's Revenue and Customs.

5. Roles & Responsibilities

The following table provides an overview of the roles and responsibilities for tax risk management within the Brambles group:

Role	Responsibility
Brambles Board	Brambles Limited's board is responsible for setting the Group's risk appetite and its risk management framework and overseeing the systems of internal control including approval of the Tax Policy.
Audit Committee	The Audit Committee assists the Board in fulfilling its corporate governance and oversight responsibilities including the effectiveness of the management of the Group's material risks, including tax risks.
Chief Financial Officer (CFO)	The Chief Executive Officer has principal responsibility for risk management whilst the CFO is primarily responsible for managing Brambles's financial risks, including tax risks. The reporting of these risks to the Audit Committee and Brambles Board forms part of the bi-annual risk report to these respective bodies.
Group Vice President, Taxation (Group VP, Tax)	The Group VP Tax is responsible for the design of the Tax Policy and the tax risk management framework and ensuring that appropriate processes and controls are maintained and providing specialist support.
Regional Vice Presidents, Taxation (Regional VP's Tax)	The Regional VP's Tax and their teams are responsible for ensuring compliance with the Tax Policy at a regional level, maintaining the tax risk management framework and providing specialist support to the regional business units.
Group Financial Controller	The Group Financial Controller is responsible for monitoring compliance with local laws and regulations and reporting exceptions such as late filed returns to the Audit Committee twice yearly.
Regional Financial Controllers	Regional Financial Controllers are responsible for compliance with local legislation and Tax Policy at an entity level from processing of transactions through to reporting and the filing of tax notices and returns with support from external advisers and Regional VP Tax, as appropriate.
Internal Audit	Internal Audit is responsible for testing of controls and reporting findings. A description of the controls testing shall be maintained as part of the audit program.

6. UK Legislative Requirements

This document is published in accordance with Paragraph 19(2) of Schedule 19 of the Finance Act 2016 for the financial year ended 30 June 2020.

7. Board Approval

The Tax Policy is approved by Brambles Board.

Tax contribution summary

Provided below is a summary of Brambles' total cash taxes paid to Australian and overseas tax authorities by geographic region in the financial years ended 30 June 2020 and 2019.

Year ended 30 June 2020

Region	Corporate Income Tax ² US\$m	Employment taxes ³ US\$m	Property/real estate taxes US\$m	Green taxes and other taxes ⁴ US\$m	Total tax contribution US\$m
Australia	29.6	4.8	2.0	-	36.4
Americas	54.0	21.0	25.1	0.3	100.4
EMEA	91.2	31.7	2.9	1.8	127.6
Asia-Pacific	3.4	1.3	0.2	0.3	5.2
Total	178.2	58.8	30.2	2.4	269.6

Year ended 30 June 2019

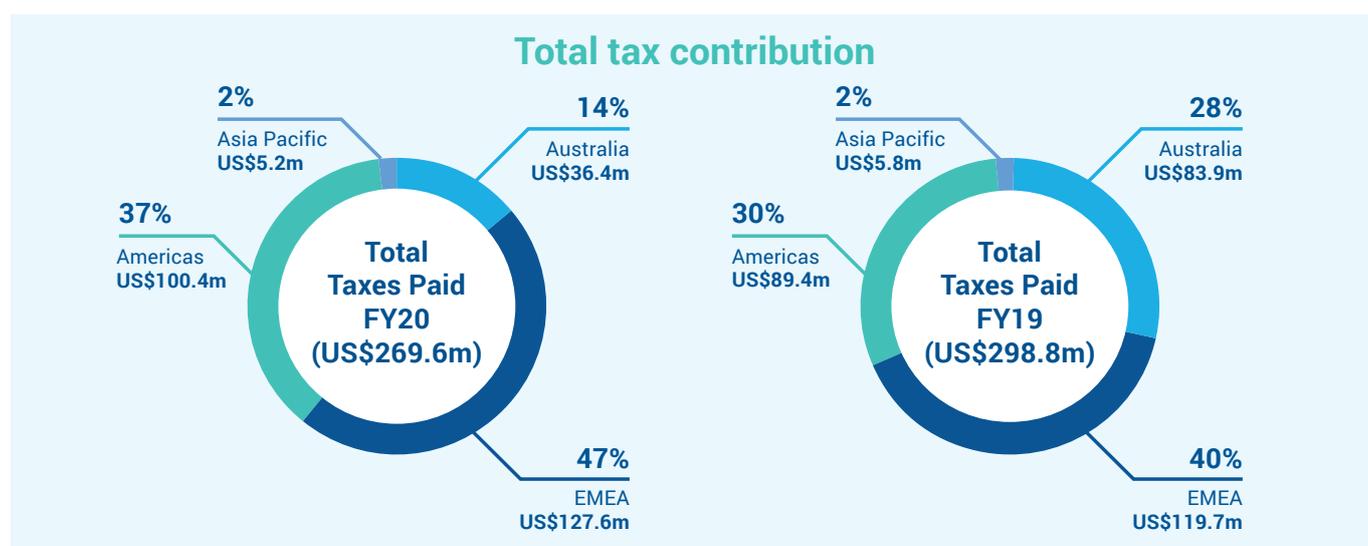
Region	Corporate Income Tax ² US\$m	Employment taxes ³ US\$m	Property/real estate taxes US\$m	Green taxes and other taxes ⁴ US\$m	Total tax contribution US\$m
Australia	77.1	5.0	1.8	-	83.9
Americas ⁵	49.1	20.6	19.7	-	89.4
EMEA	83.1	32.2	2.9	1.5	119.7
Asia-Pacific	4.1	1.3	0.2	0.2	5.8
Total	213.4	59.1	24.6	1.7	298.8

This table does not include:

- Discontinued operations including the IFCO RPC business which was sold on 31 May 2019; and
- Taxes collected and paid by Brambles on behalf of others (e.g. VAT/GST and payroll withholding taxes).

The reduction in Australian Corporate Income Tax paid from FY19 to FY20 is mainly due to:

- A reduction of US\$8.4 million in the amount of Australian Corporate Income Tax payable from FY19 to FY20.
- Australian Corporate Income Tax payments totaling US\$32.9 million in respect of FY18 were paid in FY19.
- Changes in the tax instalment payment rate, which resulted in Corporate Income Tax overpayments in FY19.



² Includes income taxes paid to US State tax authorities.

³ Includes e.g. Australian Fringe Benefits Tax, UK Employers' National Insurance Contributions.

⁴ Includes e.g. Romanian packaging tax, UK landfill tax.

⁵ Amounts for Employment taxes and Property/real estate taxes for FY19 have been restated from amounts originally reported.

Income taxes disclosed in 2020 Annual Report

The income tax expense (ITE) disclosed in Brambles' Annual Report is calculated in accordance with Australian Accounting Standards which are consistent with International Financial Reporting Standards (IFRS).

In any year, there will be differences between the ITE calculated in the Annual Report and the amount of cash income taxes payable for the period to relevant taxation authorities. This is due to a number of timing differences between the accounting and tax treatment of various items of income and expense, such as:

- differences between accounting and tax depreciation rates on fixed assets;
- accounting differences between group accounts and local statutory accounts;
- group companies making losses, or using brought forward tax losses to offset current year profits; and
- expenses which are only tax-deductible when paid.

There will also be differences between the cash income taxes payable for a given period and the total income tax actually paid to tax authorities during the Year. This is due to a variety of factors, such as the timing of corporate income tax instalment payments, and final tax payments being made (or refunds received) for prior periods following the submission of tax returns.

Reconciliation of worldwide accounting profit to income tax expense

Brambles Limited Consolidated Group

	Australia 2020 US\$m	Americas 2020 US\$m	EMEA 2020 US\$m	Asia-Pacific 2020 US\$m	Total 2020 US\$m	Total 2019 US\$m
Continuing Operations						
Profit before tax	116.2	166.9	394.9	8.2	686.2	652.4
Tax at the Australian rate of 30%	34.9	50.1	118.5	2.4	205.9	195.7
Increase in income tax expense due to:						
Non-deductible expenses ⁶	10.6	1.7	2.5	-	14.8	12.6
Tax losses written off or not recognised	-	1.1	1.1	2.4	4.6	5.2
Unrecoverable foreign withholding taxes	0.4	1.2	8.7	-	10.3	9.2
Other differences ⁷	0.7	22.1	(0.2)	-	22.6	17.6
Decrease in income tax expense due to:						
Effect of tax rates in other jurisdictions	-	(5.5)	(25.1)	(0.2)	(30.8)	(28.8)
Prior year tax losses recouped/recognised	-	-	(9.3)	(1.2)	(10.5)	(6.4)
Change in tax rates	-	(6.4)	5.2	-	(1.2)	1.0
	46.6	64.3	101.4	3.4	215.7	206.1
Adjustment for prior years	(2.7)	(13.7)	9.8	(0.1)	(6.7)	(7.8)
Income tax expense for continuing operations	43.9	50.6	111.2	3.3	209.0	198.3
Discontinued Operations⁸						
Profit before tax					(35.9)	1,071.6
Income tax (credit)/expense for discontinued operations					(6.7)	58.0
Total						
Profit before tax					650.3	1,724.0
Income tax expense					202.3	256.3
Effective tax rate – Continuing Operations only ⁶	37.8%	30.3%	28.2%	40.2%	30.5%	30.4%
Effective tax rate – Including Discontinued Operations					31.1%	14.9%

⁶ Australian profit before income tax in FY20 is stated net of US\$24.2 million of non-cash impairment of the Kegstar business, which is non-deductible for Australian tax purposes. Excluding this one-off cost, the Australian effective tax rate for FY20 is 31.3%.

⁷ Americas includes impact of Base Erosion and Anti-Abuse Tax in the US, relating to payments made to non-US related parties effective from 1 July 2018.

⁸ Profit before tax for discontinued operations for FY19 included a pre-tax gain on divestment of IFCO of US\$959.3 million. Most of this gain arose in the UK and was not subject to corporation tax due to application of the UK's substantial shareholding exemption. Income tax expense for FY19 included US\$13.6 million relating to the gain on divestment of IFCO and US\$44.4 million tax expense on IFCO's operating activities.

Income taxes disclosed in 2020 Annual Report - continued

Reconciliation of income tax expense to cash tax paid

	Australia 2020 US\$m	Group 2020 US\$m	Australia 2019 US\$m	Group 2019 US\$m
Income tax expense for continuing operations	43.9	209.0	57.8	198.3
Temporary differences:				
On fixed assets	(1.9)	(41.6)	(1.4)	41.4
On revenue recognition	1.4	1.5	(1.6)	(17.4)
On leases	(0.6)	2.0	-	-
Other	(0.6)	28.2	(0.1)	46.7
Gross tax payable	42.2	199.1	54.7	269.0
Offsets for foreign withholding tax suffered at source	(8.4)	-	(12.5)	-
Current income tax payable	33.8	199.1	42.2	269.0
Income taxes to be (paid)/refunded in later years	(7.8)	39.8	2.0	23.9
Income taxes paid/(refunded) for prior years	3.6	(60.7)	32.9	(79.5)
Income taxes paid for continuing operations⁹	29.6	178.2	77.1	213.4
Income taxes paid for discontinued operations	-	-	-	17.1
Income taxes paid on operating activities¹⁰	29.6	178.2	77.1	230.5

⁹ See Tax Contribution Summary for explanation of reduction in Australian income taxes paid from FY19 to FY20.

¹⁰ Per Consolidated Cash Flow Statement in Brambles Annual Report.

International related party dealings

Brambles Limited is the ultimate parent entity of the Brambles Group. It has its global headquarters in Sydney and an office in London. Brambles Limited is incorporated and resident for tax purposes in Australia.

Brambles has operations in approximately 60 countries and conducts business in foreign jurisdictions generally through locally incorporated legal entities and is subject to the tax regimes in those jurisdictions. The material subsidiaries are disclosed under Note 28 "Related Party Information" in the 2020 Annual Report.

In order to operate efficiently, various functions are centralised in Australia, the United States and the United Kingdom and cross charged to the business units. In addition, certain intellectual property is centrally held in Australia and the UK.

An overview of the key international related party dealings in the Year to 30 June 2020 is as follows:

Nature of the intercompany transactions	Transfer Pricing Policy
Provision of global management services and regional support services	Charges for these services are on a cost-plus basis and costs are allocated using an appropriate method of allocation
Licensing know-how and other intellectual property	Royalties determined on a comparable uncontrolled price method and supported by Advance Pricing Agreements
Provision of intercompany funding	Funding priced at a margin over the Group's external cost of funds
Provision of global IT services	Charges for these services are on a cost-plus basis and costs are allocated using an appropriate method of allocation
Provision of pallet and container rentals	Rental charges based on a return on assets

Brambles conducts international related party dealings on arm's length terms to meet the regulatory requirements of the relevant jurisdictions and in accordance with the OECD transfer pricing rules and guidelines. Where practicable we seek to obtain advance pricing agreements with the ATO and other taxation authorities for greater assurance. However, transfer pricing is a complex area and its application can be subject to differences in interpretation by different taxation authorities.

Brambles discloses its material transactions in its lodged tax returns and other disclosures to tax authorities, including the transfer pricing Master File drawn up in line with OECD requirements and lodged with the ATO. Brambles also complies with the Country by Country Reporting (CbCR) requirements in each of the countries in which we operate. Brambles' CbC report for the Year to 30 June 2019 was lodged with the ATO in June 2020.

Local Transfer Pricing Files are lodged with tax authorities as prescribed by the laws of the particular country.

During the financial year ended 30 June 2020, the Brambles Limited Australian Tax Consolidated Group provided the following ongoing services to overseas subsidiaries:

- Provision of know-how and other intellectual property (US\$116.0 million);
- Provision of management and support services (US\$93.1 million); and
- Provision of engineering and R&D support services (US\$10.5 million).

The following services were provided to the Brambles Limited Australian Tax Consolidated Group in the same period:

- Provision of management and support services (US\$97.4 million);
- Provision of engineering and R&D contracted support services (US\$31.8 million); and
- Provision of IT access and support (US\$7.6 million).

Entities within the Brambles Group provide intra-group administrative support and engineering/R&D services, with corresponding charges both to and from Australia.

ATO tax transparency disclosures

The Australian Taxation Office (ATO) publish tax information for large taxpayers in accordance with the ATO's tax transparency measures. This recurring annual disclosure contains the total income, taxable income and income tax payable for all public Australian companies with income in excess of A\$100 million.

The following taxation information is disclosable by the ATO for the Brambles Limited Australian Tax Consolidated Group

	2019 A\$'000	2018 A\$'000
Total income	3,381,683	1,375,573
Taxable income	255,874	278,623
Income tax payable	61,461	69,519

A reconciliation of these disclosures is provided below:

	2019 A\$'000	2019 A\$'000	2018 A\$'000	2018 A\$'000
Total income		3,381,683		1,375,573
Total expenses		(671,155)		(514,084)
Accounting profit		2,710,528		861,489
Tax adjustments				
Intra-group dividends received	(2,559,596)		(604,745)	
Unrealised FX loss	17,625		30,228	
Other permanent adjustments	87,794		5,946	
Timing differences	(477)		(14,295)	
		(2,454,654)		(582,866)
Taxable income		255,874		278,623
Prima facie tax payable (at 30% tax rate)		76,762		83,587
Offsets for foreign withholding tax suffered at source		(15,301)		(14,068)
Income tax payable		61,461		69,519

Basis of report preparation

Tax contribution summary

Tax payments to revenue authorities reported in this section are presented on a cash paid basis.

This report includes tax amounts paid and received by controlled entities within the Brambles Group as at 30 June 2020. Tax payments made by discontinued operations, such as the IFCO RPC business, are excluded from both 2020 and 2019 comparator figures.

All payments to tax authorities have been reported in US dollars, translated using the exchange rate prevailing at the time.

Income taxes disclosed in 2020 Annual Report

The financial statement disclosures in this section have been extracted from the 2020 Annual Report, which was prepared under Australian Accounting Standards and complies with International Financial Reporting Standards (IFRS).

Other financial information presented in this section has been sourced from workpapers used in the preparation of the 2020 Annual Report or from the Brambles Reporting and Consolidation System, which sources its information from each individual group entity's general ledger system.

ATO tax transparency disclosures

ATO tax transparency disclosures reflect total income, taxable income and tax payable per the Brambles Limited Australian Tax Consolidated Group's tax return for the Year ended 30 June 2019 and the Year ended 30 June 2018. Monetary amounts reported in this section are denominated in Australian dollars.

Contact Information

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Telephone: +61 (0) 2 9256 5238

Email: investorrelations@brambles.com

Share Registry

Access to shareholding information is available to investors through Boardroom Pty Limited

Boardroom Pty Limited

GPO Box 3993, Sydney NSW 2001, Australia

Telephone: 1300 883 073 (within Australia)
+61 (0) 2 9290 9600 (from outside Australia)

Facsimile: +61 (0) 2 9279 0664

Email: bramblesp@boardroomlimited.com.au

Website: www.boardroomlimited.com.au

Share Rights Registry

Employees or former employees of Brambles who have queries about the following interests:

Performance share rights under the performance share plans;

Matching share rights under MyShare; or

Shares acquired under MyShare or other share interests held through Sargon CT Pty Ltd, may contact Boardroom Pty Limited, whose contact details are set out above.

American Depository Receipts Registry

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company Operations Centre
6201 15th Avenue Brooklyn NY 11219 USA

Telephone: +1 866 706 0509 (toll free)
+1 718 921 8124

ESG Recognitions

Barron's

Rated #1 most sustainable international company

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

96th percentile in industry category

 **CIRCULTICS™**

Rated A in Circular Economy Assessment
by Ellen MacArthur Foundation

MSCI 

Maximum AAA rating