

# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

Brambles is a global provider of pooling solutions and operates in more than 50 countries. It is therefore subject to an extensive range of legal, regulatory and governance requirements. Brambles is committed to observing the requirements applicable to publicly listed companies in Australia. The Board is conscious that best practice in the area of corporate governance is continuously evolving, and will therefore continue to anticipate and respond to further corporate governance developments.

This Corporate Governance Statement (Statement) outlines the key components of Brambles' governance framework in place during the year ended 30 June 2014 (Year), by reference to the Australian Securities Exchange Corporate Governance Council (Council) Corporate Governance Principles and Recommendations, Second Edition (CGPR). During the Year, the Board believes Brambles met or exceeded all the requirements of the CGPR. The information provided in this Corporate Governance Statement is current at 31 July 2014.

A checklist summarising Brambles' compliance with the CGPR is included at the end of this Statement. Various documents referred to in this Statement have been posted in the Corporate Governance section of the Brambles website at [www.brambles.com](http://www.brambles.com). The checklist includes more detailed guidance on the location of all the governance-related documents.

On 27 March 2014, the Council issued the third edition of the Corporate Governance Principles and Recommendations (3CGPR). For Brambles, the 3CGPR take effect for the financial year ending 30 June 2015. During the balance of the Year, the Board adopted various changes to its corporate governance practices, which took effect from 1 July 2014, to take into account the provisions of the 3CGPR. Where applicable, these changes are referred to in this report.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### 1.1 ROLE OF THE BOARD AND EXECUTIVE MANAGEMENT

#### 1.1.1. Role of the Board and executive management

The Board has overall responsibility for overseeing the effective management and control of the Group on behalf of Brambles' shareholders and supervising executive management's conduct of the Group's affairs within a control and authority framework, which is designed to enable risk to be prudently and effectively assessed and monitored. The Board has adopted a schedule of matters reserved to it for decision, a copy of which can be found on Brambles' website, and further details of which are in Section 1.1.2.

The roles of the Chairman and executive management, led by the Chief Executive Officer, are separated and clearly defined:

- The Chairman, Graham Kraehe and, from 30 September 2014, Stephen Johns, is responsible for leadership of the Board, setting the Board's agenda, conducting Board meetings, facilitating effective communication with shareholders and the conduct of shareholder meetings; and
- Executive management, led by the Chief Executive Officer, Tom Gorman, has been delegated responsibility for the management of Brambles within the control and authority framework referred to above. The levels of authority for management are periodically reviewed by the Board and are documented. The Chief Executive Officer is assisted by Brambles' Executive Leadership Team (ELT).

The Non-Executive Directors constructively challenge the development of strategy. They review the performance of management in meeting agreed objectives and monitor the reporting of performance. They have a prime role in appointing and where necessary, recommending the removal of, Executive Directors, and in their succession planning.

The structure of the Board ensures that no individual or group of individuals dominates the Board's decision-making process.

The ELT, a management committee, assists in implementing Brambles' strategic direction, and ensuring its resources are well managed.

The ELT has a range of responsibilities, which include:

- Reviewing business and corporate strategies;
- Formulating major policies in areas such as succession planning and talent management, human and capital resources management, information technology, development of strategy, risk management, communications and post-investment project reviews;
- Leading initiatives which may from time to time vary, but include Zero Harm and innovation; and
- Leading the implementation of change processes.

Biographical details for the members of the ELT are shown on Page 18.

#### 1.1.2. Responsibilities of the Board

The Board is responsible for approving the Group's overall strategic objectives, facilitating the provision of appropriate financial and human resources to meet these objectives and reviewing executive management's performance.

The schedule of matters reserved to the Board for approval includes:

- The Group's overall strategic direction and strategic plans for its major business units;
- Acquisitions or disposals of assets which exceed the authority limits delegated to the Chief Executive Officer and Chief Financial Officer;
- Budgets, financial objectives and policies, and significant capital expenditure;
- Brambles' financial statements and published reports;
- The Group's systems of internal control and risk management processes, and the annual review of their effectiveness;
- Changes to the Group's capital structure (other than changes resulting from established employee share plans);
- The appointment of the Chief Executive Officer and Chief Financial Officer;
- The Group's Diversity Policy; and
- The Board skills matrix.

Having regard to the 3CGPR, amendments to the schedule of matters reserved to the Board were approved by the Board and took effect on 1 July 2014 and include:

- The formalisation of its current practice of conducting a bi-annual review of the effectiveness of the Group's risk management framework including by determining that it is properly identifying risks, their materiality and mitigation steps for them;
- Where appropriate, ratifying the appointment and termination of other senior executives; and
- Overseeing the integrity of the Group's reporting systems for the Directors', corporate governance, sustainability and remuneration reports and other significant statements to the press, stock exchange and/or shareholders relating to those reports.

The Board has delegated some of its functions to the Audit, Nominations and Remuneration Committees, although overall responsibility for those functions remains with the Board. The charters of the Board Committees also require certain matters to be approved by the Board including, among other matters, the executive remuneration policy and the appointment of the external auditors.

# CORPORATE GOVERNANCE STATEMENT - CONTINUED

Details of the Board Committees are set out in Sections 2.4, 4.1 and 8.1 and the Committee charters can be found on Brambles' website. From time to time, the Board establishes Special Committees to consider and approve specific matters. The Board is supported by the ELT (see Section 1.1.1).

### 1.1.3. Allocation of individual responsibilities

Formal letters of appointment, which are contracts for service but not contracts of employment, have been put in place for all Non-Executive Directors. The letters set out the key terms and conditions of their engagement, including time commitments, corporate expectations and, if appropriate, any special duties or assignments. A template letter of appointment for a Non-Executive Director is available on Brambles' website.

Senior executives have employment contracts setting out, among other things, their term of office, rights, responsibilities and entitlements on termination, and job descriptions setting out their duties.

### 1.2 PERFORMANCE EVALUATION OF SENIOR EXECUTIVES

Brambles has a well-established performance management and development planning process, which is used throughout the Group. The process involves objective setting consistent with Brambles' strategic objectives and its remuneration policy and targets for cash and equity-based incentive plans set by the Remuneration Committee. Personal development planning, half-year reviews and full-year appraisals feed into a performance rating, leading to the assessment of annual bonuses. Senior executives (including Executive Directors and the ELT) all participate in this process, which is overseen by the Remuneration Committee.

Performance evaluations for senior executives, including the Chief Executive Officer and the ELT, were carried out during the Year in accordance with this process.

#### 1.2.1. Induction of senior executives

Business units have procedures for the induction of senior executives, to assist them in participating fully and actively in management decision-making at the earliest opportunity after commencing their new roles.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

At the date of the Directors' Report, the Board consists of 10 members, with one Executive Director (the Chief Executive Officer) and nine Non-Executive Directors. On 30 June 2014, Brian Schwartz and Luke Mayhew retired as Non-Executive Directors. Graham Kraehe will retire as Chairman and a Non-Executive Director on 30 September 2014.

The biographies for each of the current Directors, shown on Pages 16 and 17, indicate the breadth of their business, financial and international experience. This gives the Board the range of skills, knowledge and experience essential to govern Brambles, including an understanding of the health, safety, environmental and community-related issues it faces. The Board considers that its current composition, and its composition after Mr Kraehe's retirement from the Board on 30 September 2014, reflects an appropriate balance of Executive and Non-Executive Directors. The table on Page 21 sets out the names of the Directors in office at the date of the Directors' Report, the years of their appointment and, where applicable, their most recent election by shareholders, their status as Executive or Non-Executive Directors, whether they will retire and seek election or re-election at the 2014 Annual General Meeting (AGM), and when they are next due for re-election.

## 2.1 INDEPENDENT DIRECTORS

### 2.1.1. Independent decision-making

The Board recognises the importance of independent judgement and constructive debate on all issues under consideration. With the approval of the Chairman, Directors may take independent professional advice at Brambles' expense in the furtherance of discharging their duties and responsibilities. None of the Directors availed themselves of this right during the Year.

The Chairman holds meetings with the Non-Executive Directors from time to time, including meetings at scheduled sessions, without the presence of the Executive Directors or other executives. The Non-Executive Directors meet without the Chairman present on such occasions as they considered appropriate.

### 2.1.2. Independent Directors

The Board has considered the independence of each of the Directors in office as at the date of the Directors' Report and concluded that all Non-Executive Directors are independent. Therefore the Board has a majority of independent Directors. In reaching this conclusion, the Board had regard to the matters set out in Box 2.1 of the CGPR and also to the additional matters referred to in Box 2.3 of the 3CGPR. It noted that three of those matters exist.

In considering the matters in Box 2.1 of the CGPR, the Board considered that a customer was material if it accounted for more than 2% of Brambles' consolidated gross revenue and that a supplier was material if Brambles accounted for more than 2% of the supplier's consolidated gross revenue.

#### Substantial Shareholder

Carolyn Kay and Brian Long are directors of the Commonwealth Bank of Australia (CBA), which, during the Year, was a substantial shareholder of Brambles holding between 5.03% and 6.35% of its issued share capital. The Board does not consider that Carolyn Kay's or Brian Long's relationship with CBA gives rise to any actual or perceived loss of independence on their part because of the number of shares held by CBA and the manner in which CBA's relevant interests in Brambles shares are held, namely principally by related bodies corporate of CBA which are either: a superannuation trustee; a life company holding statutory funds; a responsible entity or manager of a managed investment scheme; under an investment mandate; by external managers unrelated to the CBA group; or subject to client direction.

#### Tenure

Stephen Johns has served as a director for 10 years, having been appointed in April 2004. The Board believes that the interests of all stakeholders are best served if its composition includes a blend of experience and tenure among Directors. This is particularly the case with Brambles due to its geographic spread, its complex business models and the accounting issues to which these give rise.

The Board is of the view that throughout his tenure Mr Johns has made a significant contribution to the general work of the Board, as Chairman of the Audit Committee and as a member of the Nominations Committee. The Board believes that his deep knowledge of the Group's businesses, his broad international business experience and public company director skills will continue to add value to the Board, particularly as he takes up the role as Chairman from 30 September 2014.

The Board considers that Mr Johns has always maintained absolute independence as a Non-Executive Director of Brambles, that he will continue to do so as Chairman and that he has not formed associations with the Group's management or businesses that might compromise his ability to exercise independent judgment or to act in the best interest of the Group as a whole. The Board does not believe, therefore, that Mr Johns' length of service on the Board will materially interfere with his ability to exercise independent judgment or to act in the best interests of the Group.

## CORPORATE GOVERNANCE STATEMENT - CONTINUED

Name	Year appointed <sup>1</sup>	Year last elected	Executive or Non-Executive	Independent	Seeking election/re-election at 2014 AGM <sup>2</sup>	Next due for re-election <sup>2</sup>
C Cross	2014	N/A	Non-Executive	Yes	Yes	N/A <sup>3</sup>
D Duncan	2012	2012	Non-Executive	Yes	No	2015
T Froggatt	2006	2013	Non-Executive	Yes	No	2016
T Gorman	2009	2010	Executive	No	No	N/A <sup>4</sup>
D Gosnell	2011 <sup>5</sup>	2013	Non-Executive	Yes	No	2016
T Hassan	2011	2012	Non-Executive	Yes	Yes	2014
S Johns	2004	2012	Non-Executive	Yes	Yes	2014
C Kay	2006	2012	Non-Executive	Yes	No	2015
G Kraehe	2005 <sup>6</sup>	2012	Non-Executive	Yes	No	N/A <sup>7</sup>
B Long	2014	N/A	Non-Executive	Yes	Yes	N/A <sup>3</sup>

### 2.1.3. Regular assessments

Directors are required to complete a declaration of interest form prior to their appointment. This form is tabled at the Board meeting to consider the appointment of the relevant Director. If their circumstances change or they acquire any office, property or interest that may conflict with their office as a Director of Brambles or the interests of Brambles, Directors are required to disclose the character and extent of that conflict in writing at the next Board meeting. The Board also makes an annual assessment of the independence of each Non-Executive Director. If the Board concludes that a Director has lost their status as an independent Director, that conclusion will be advised to Australian Securities Exchange in a timely manner.

Directors are generally not entitled to attend any part of a Board meeting, or to vote on any matter, in which they have a material personal interest, unless the other Directors unanimously decide otherwise. In appropriate cases, Directors may be required to absent themselves from a meeting of the Board while such a matter is being considered.

### 2.2 INDEPENDENT CHAIRMAN

The Board has concluded that the current Chairman is independent and that his other positions do not prevent him from devoting sufficient time to perform the role effectively. The Board also believes that the Chairman elect, Mr Johns, will also be independent (see Section 2.1.2) and that his other positions will not prevent him from devoting sufficient time to perform that role effectively. As both the current Chairman and the Chairman elect are independent, the Board does not consider it necessary to appoint a lead independent Director.

The Chairman is responsible for facilitating the effective contribution of Non-Executive Directors, who are to receive accurate, timely and clear information so that they may effectively discharge their duties and responsibilities. The Chairman is also responsible for fostering constructive relations between Executive and Non-Executive Directors.

### 2.3 ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are exercised by two different individuals and are clearly documented, as discussed in Section 1.1.1 of this Statement. The Chairman does not have a history of employment with Brambles.

## 2.4 NOMINATIONS COMMITTEE

### 2.4.1. Purpose of the Nominations Committee

The objective of the Nominations Committee is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors.

### 2.4.2. Charter

A copy of the Nominations Committee's Charter giving full details of its duties and responsibilities can be found on Brambles' website. The Nominations Committee's Charter also sets out its composition, structure, membership requirements and the procedures for inviting non-members to attend meetings. The Committee is authorised to seek any information it requires from any Group employee or from any other source, including obtaining outside legal or other independent professional advice.

### 2.4.3. Composition of the Nominations Committee

The Nominations Committee is comprised entirely of Non-Executive Directors, all of whom the Board considers to be independent. The members of the Nominations Committee are Graham Kraehe (Committee Chairman), Stephen Johns and Tony Froggatt. Mr Kraehe will retire as Chairman and a member of the Nominations Committee on 30 September 2013 (when he retires from the Board). Mr Johns will become Chairman and David Gosnell will become a member of the Nominations Committee on 30 September 2014.

Details of Nominations Committee meetings held during the Year, and attendance at those meetings, is set out in the Directors' Report - Other Information on Page 52.

### 2.4.4. Responsibilities

The Nominations Committee discharges its responsibilities by meeting regularly throughout the year and, among other matters:

- Assessing periodically the Board skills matrix to determine that it includes the skills required to discharge competently the Board's duties, having regard to the strategic direction of the Group, and making recommendations to the Board on any changes which should be made to that matrix;
- Having regard to the Board skills matrix, assessing the skills currently represented on the Board to determine whether those current skills meet the required skills identified;
- Reviewing the structure, size and composition (including the mix of skills, experience, expertise and diversity having regard to the Board skills matrix) of the Board and the effectiveness of the Board as a whole, and keeping under review the leadership needs

<sup>1</sup> For the purposes of this table, the year appointed is the year the relevant Director was appointed to the Boards of Brambles or BIL and BIP.

<sup>2</sup> See section 2.4.5 for an explanation of the determination of the years when Non-Executive Directors are due for re-election.

<sup>3</sup> Appointed to the Board since the last shareholders' meeting. Will stand for election for the first time at the 2014 AGM and, if elected, will be due for re-election at the 2017 AGM.

<sup>4</sup> Following an amendment to Brambles' constitution which was approved by shareholders at the 2010 AGM, it is no longer necessary for the managing director of Brambles to stand for re-election. Tom Gorman holds the role of managing director, but is referred to by the title of Chief Executive Officer.

<sup>5</sup> David Gosnell served as a Director from 2006 to 2010, and was re-appointed to the Board in 2011.

<sup>6</sup> Graham Kraehe served as a Director from 2000 to 2004, and was re-appointed to the Board in 2005.

<sup>7</sup> Graham Kraehe will retire as a Director on 30 September 2014.

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- of Brambles, both executive and non-executive, with a view to ensuring the continued ability of Brambles to compete effectively;
- Preparing a description of the role, capabilities and skills required for any Board appointment (Role Specification), identifying suitable candidates to fill Board vacancies, and nominating candidates for the approval of the Board;
  - In identifying suitable candidates for a Board appointment, if necessary, causing:
    - A search to be undertaken by an appropriately qualified independent third party acting on a brief prepared by the Nominations Committee, which includes the Role Specification;
    - The search to be international, extending to those countries in which candidates with the necessary skills would ordinarily be expected to be found; and
    - The pool of candidates to include qualified persons who would fill an existing diversity gap having regard to the Board skills matrix, Brambles' Diversity Policy (see Section 3.2) and the diversity objectives adopted by the Board from time to time;
  - Ensuring that, on appointment, Non-Executive Directors receive a formal letter of appointment, setting out the time commitment and responsibilities envisaged in the appointment;
  - On any re-appointment of a Non-Executive Director on the conclusion of their specified term of office, undertaking a process of review of the retiring Non-Executive Director's performance during the period from their appointment or most recent re-appointment, as the case may be, to the Board;
  - Reviewing annually the time commitment required of Non-Executive Directors and carrying out performance evaluations to assess whether the Non-Executive Directors are devoting enough time to fulfilling their duties; and
  - Giving full consideration to whether succession plans are in place to maintain an appropriate mix of skills, experience, expertise and diversity on the Board, and satisfying itself that processes and plans are in place in relation to both Board (particularly for the key roles of Chairman and Chief Executive Officer) and other senior executive appointments.

Having regard to the 3CGPR, the Nominations Committee Charter was amended with effect from 1 July 2014 to include within the Board selection process a requirement for the Committee to cause appropriate checks to be carried out on Director candidates and for the checks to include the candidate's character, experience, education, criminal record and bankruptcy history.

### 2.4.5. Selection and appointment process and re-election of Directors

The Board is conscious of the need to ensure proper processes are in place to deal with succession issues at Board level. As set out in Section 2.4.4, the Nominations Committee assists the Board in the Board selection process, which involves the use of a Board skills matrix.

The matrix incorporates the following elements: function (finance, accounting, operations); international management (Americas, Europe, Asia); industry (logistics, retail, fast-moving consumer goods); diversity (male/female, international residency, regional/cultural background); and customer perspectives. In adopting the matrix, the Nominations Committee noted that it was an iterative document and would be reviewed and revised from time to time to meet Brambles' ongoing needs. During the Year, the Nominations Committee carried out a review of the Board skills matrix and recommended to the Board that no changes were required. The Board subsequently reviewed the matrix and adopted the Nominations Committee's recommendation.

The appointment of two new Directors (Christine Cross and Brian Long) during the Year balanced the retirements of Brian Schwartz

and Luke Mayhew on 30 June 2014. The Board considers that, having regard to the Board skills matrix, the current composition of the Board is, and will after Mr Kraehe's retirement on 30 September 2014, contain an appropriate balance of skills and experience.

Each Non-Executive Director receives a Non-Executive Director's formal letter of appointment (see Section 1.1.3) which sets out, among other things, the time commitment required and specifies that the Director should consult with the Chairman before accepting any additional commitments that may impact their role. Any Non-Executive Directors who are standing for election or re-election at the next AGM are asked to consider their other significant commitments and specifically acknowledge to Brambles that they will have sufficient time to meet what is expected of them as Directors of Brambles. Details of the number of Board and Committee meetings held during the Year, including attendance at those meetings by each of the Directors and Committee members, are set out in the Directors' Report - Other Information on Page 52.

Directors are appointed for an unspecified term, but are subject to election by shareholders at the first general meeting after their initial appointment by the Board. No Director (other than the Chief Executive Officer) may serve for more than three years without being re-elected by shareholders. Re-appointment is not automatic. The Board reviews whether retiring Directors should stand for re-election, having regard to their performance and the contribution of their individual skills and experience to the desired overall composition of the Board and the Board's skills matrix. This process was carried out for those Directors standing for re-election at the 2014 AGM.

At the 2012 AGM, seven Non-Executive Directors were elected or re-elected to the Board. As a result, they would all be eligible to stand for re-election at the 2015 AGM. To enable a more even number of Non-Executive Directors to be eligible to stand for re-election at the next three AGMs, the Board decided that the year in which they would be eligible to stand for re-election would be determined by lot. With the exception of Doug Duncan, the result of that lot, and the order in which Non-Executive Directors will be eligible to stand for re-election, are set out in the table in Section 2.1.2 on Page 21. Because the two new Directors appointed during the Year will stand for election at the 2014 AGM, to maintain an even number of Non-Executive Directors standing for re-election at the next three AGMs, the eligibility of Doug Duncan to stand for re-election was deferred to the 2015 AGM, being three years since his most recent election.

The Non-Executive Directors' formal letters of appointment confirm that the Non-Executive Directors have no right to compensation on termination of their appointment for any reason, other than for unpaid fees and expenses for the period actually served.

### 2.5 PROCESS FOR EVALUATING THE PERFORMANCE OF THE BOARD, ITS COMMITTEES AND DIRECTORS

The Board and its Committees carry out both internal and external evaluations, with the form of evaluation being determined each year. For the Year, the Board undertook an internal evaluation of its performance as a whole and the performance of each of its Committees. The review involved the completion of a detailed questionnaire by each of the Directors and selected Brambles executives and Board advisors on matters relevant to the Board and Committees' performance.

The outcomes of the questionnaires were collated and the results were reported to the Board and each Committee by PricewaterhouseCoopers. These findings were reviewed and discussed by the Board and Committees, and key issues arising from the evaluations were identified for further action.

An internal evaluation of the performance of the Directors standing for re-election at the 2014 AGM was carried out. Having regard to the results of those reviews, the Board unanimously resolved to recommend the election or re-election, as the case may be, of each

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Non-Executive Director standing for election or re-election at the 2014 AGM. Details of those Directors standing for election or re-election are set out in the table in Section 2.1.2 on Page 21.

## 2.5.1. Induction and education

Newly appointed Directors receive appropriate induction and training, specifically tailored to their needs. Appointees are provided with an information pack including governance policies and business information, taken to visit operating sites and receive presentations on Brambles' businesses and functions by its business unit leaders and functional heads.

On an ongoing basis, Directors participate in various seminars and conferences held by industry and professional bodies. In addition, Board meetings regularly include sessions on recent developments in governance and corporate matters, significant accounting matters, operational site visits and meetings with local staff and major customers.

## 2.5.2. Access to information

The Board receives accurate, timely and clear information so that it may effectively discharge its duties and responsibilities. Where necessary, Directors seek clarification or request the provision of further information to assist with their decision-making processes. The Board Committee charters document the Committees' unrestricted rights to seek information from any Group employee or from any other source. Presentations to the Board are frequently made by senior executives.

## 2.5.3. The Board and the Company Secretary

The Board is assisted by the Company Secretary who, under the direction of the Chairman, is responsible for facilitating good information flows within the Board and its Committees and between senior executives and Non-Executive Directors, as well as the induction of new Directors and the ongoing professional development of all Directors. The Company Secretary is responsible for monitoring compliance with the Board's procedures and for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board.

The Company Secretary is Robert Gerrard. His qualifications and experience are set out on Page 52.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

### 3.1 ESTABLISH A CODE OF CONDUCT

Brambles has a Code of Conduct, which provides an ethical and legal framework for all employees in the conduct of Brambles' business.

Brambles' Code of Conduct includes the following schedules:

- Corporate Social Responsibility Policy;
- Speaking Up Policy;
- Continuous Disclosure & Communications Policy;
- Group Guidelines for Serious Incident Reporting;
- Environmental Policy;
- Competition Compliance Policy;
- Health & Safety Policy;
- Diversity Policy;
- Securities Trading Policy;
- Anti-Bribery and Corruption Policy;
- Supplier Policy;
- Risk Management;
- Guidelines for Document Management; and
- Social Media Policy.

The policies listed above set out the reporting responsibilities of specified individuals, or in some cases, all employees. The Audit Committee is responsible for monitoring compliance with the

Speaking Up Policy. At each meeting, the Audit Committee receives a report on investigations into any matters raised under that policy relating to financial control issues. A report on all matters raised under the Speaking Up Policy is provided to the Board at each of its meetings. A copy of the Code of Conduct is available on Brambles' website.

### 3.1.1. Purpose of the Code of Conduct

The Code of Conduct defines how Brambles relates to its shareholders, employees, customers, suppliers and the communities in which it operates. It includes Brambles' general principles on business integrity. All employees are expected to conduct business in accordance with the laws and regulations of the countries in which the business is located, and in a manner so as to enhance the reputation of Brambles.

### 3.1.2. Application of the Code of Conduct

The Code of Conduct has been translated into 20 languages. This means that all Brambles' employees can read the Code in their first language. The Code of Conduct can also be used to form part of employees' terms and conditions of employment. Non-Executive Directors are required to agree to comply with the Code of Conduct and to acknowledge that their performance assessments will include an element on conformity with the Code.

The Code of Conduct is not intended to be all-encompassing. There are areas in which Brambles expects its businesses to develop detailed policies in accordance with local requirements. The Code of Conduct provides a set of guiding principles that may be supplemented with additional local policies. It provides a common behavioural framework.

Brambles implements the Code of Conduct through a variety of induction and training programs. During the Year, ongoing training took place with the aim of enhancing employees' compliance with certain of the policies under the Code.

The Code of Conduct requires Brambles' contractors to adhere to Brambles' health and safety, environmental and serious incident reporting standards and requires consultants or professional advisers who are engaged to undertake work for the Group to comply with the Continuous Disclosure & Communications Policy.

### 3.2 ESTABLISH A DIVERSITY POLICY

The Board has a Diversity Policy, which forms part of Brambles' Code of Conduct. When adopting the policy, the Board believed that it should deal with diversity across a range of issues and not be solely limited to gender.

Brambles' vision statement for diversity, set out in the policy, is:

- Brambles is committed to creating and maintaining a culture which delivers outstanding performance and results.
- Diversity is essential to Brambles' long term success. Brambles values and fosters diversity because it allows:
  - Customers' needs, both today and in the future, to be recognised and addressed;
  - All employees to feel valued and able to perform to their best; and
  - Brambles to have access to the widest possible talent pool.

The Diversity Policy provides, among other things, that:

- Brambles is committed to selecting, recruiting, developing and supporting people solely on the basis of their professional capability and qualifications, irrespective of gender, ethnicity, nationality, class, colour, age, sexual identity, disability, religion, marital status or political opinion;
- Brambles selects, retains and develops the best people for the job on the basis of merit and job-related competencies - without discrimination;

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- Where appropriate, Brambles will engage external agencies to assist it in the identification, selection and assessment of candidates;
- Brambles will continue to develop talent management programs such as:
  - Development programs for senior executives;
  - Development programs for next-generation leaders; and
  - Mentoring programs; and
- On an annual basis, the Board will review and report on the:
  - Relative proportion of women and men in the workforce at all levels;
  - Statistics and trends in the age, nationality and professional backgrounds of Brambles' executive population;
  - Measurable objectives for achieving gender and nationality diversity; and
  - Progress towards achieving those objectives.

### 3.3 GENDER DIVERSITY OBJECTIVES

The schedule of matters reserved to the Board includes the following as Board responsibilities:

- Determining measurable objectives for achieving gender diversity and annually assessing both the objectives and the progress towards achieving them; and
- Annually reviewing and reporting on the relative proportion of women and men in the workforce at all levels of the Group.

Brambles had previously committed to establishing diversity targets during 2011 in its 2010 Sustainability Report. In considering the measurable objectives for achieving diversity, the Company considered a number of areas that it believed were important to both demonstrate and achieve a diverse workforce. These included:

- Nationality - Brambles believes that it is essential that its employees represent the communities in which they operate. The Company already has a high representation of different nationalities in its employee population. The general managers and executive teams in each of the countries in which Brambles operates are made up almost entirely of people of that nationality. Brambles monitors this through its bi-annual talent management process with a view to continuing the process and expanding the access of differing nationalities to its global operations.
- Professional background - Brambles believes that its employees should be able to relate to the Company's customers. It therefore recruits extensively from the sectors in which it operates, to ensure that the Company has the right blend of skills and experience. This aspect of diversity is monitored through the bi-annual talent management process.
- Gender - Brambles believes its executive population should reflect the overall balance of employees in its organisation. This is the best measure for Brambles, as it has a large proportion of employment activities in heavy manual duties, and therefore an overall workforce that is predominantly male.

As at 31 July 2014, women comprise 30% of Brambles' Board and 25% of its management (defined as the manager, director, vice president and senior vice president grades). In calculating these percentages, Brambles included each permanent employee on the payroll but excluded casual employees and contractors.

During 2011, Brambles adopted a measurable objective for women to represent 30% of its Board and ELT and management positions by

<sup>8</sup> The objective of having women represent 30% of Board and ELT positions by 30 June 2015 remains unchanged.

<sup>9</sup> The percentages for senior vice president, vice president, director and manager exclude the employees of IFCO Latin America which has not yet

30 June 2015. At the time these targets were set, the integration into the Group of the recently acquired IFCO, Paramount Pallet and CHEP Aerospace Solutions businesses was taking place and a complete analysis of the gender diversity within those businesses had not yet occurred. It has since become apparent that Brambles will need additional time to meet the targets set in 2011. As a result, during the 2012 financial year, the measurable objective of having women represent 30% of management positions was revised to 30 June 2018. The objective of having women represent 30% of Board and ELT positions by 30 June 2015 remains unchanged.

### 3.4 GENDER DIVERSITY REPORTING

Each year, Brambles will publish the composition of its executive population by grade against this target, showing progress year on year. The position at 31 July 2014 was as follows:

	2018 Objective <sup>8</sup>	% Females at 31 July 2014 <sup>9</sup>	% Females at 31 July 2013 <sup>10</sup>
Board	30%	30%	20%
Executive Leadership Team	30%	14.3%	12.5%
Senior Vice President	30%	25%	15.6%
Vice President	30%	10.9%	11.7%
Director	30%	21.6%	21.3%
Manager	30%	25.7%	26.8%

Further information on diversity is included in the Diversity & Inclusion section of the 2014 Sustainability Review, which will be available on Brambles' website in late October 2014.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### 4.1 ESTABLISH AN AUDIT COMMITTEE

Brambles confirms that, in accordance with ASX Listing Rule 12.7, it has had an Audit Committee throughout the Year.

#### 4.1.1. Purpose of the Audit Committee

The objective and purpose of the Audit Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by:

- Monitoring and reviewing:
  - The integrity of financial statements;
  - Internal financial controls;
  - The objectivity and effectiveness of the internal auditors; and
  - The independence, objectivity and effectiveness of the external auditors;
- Making recommendations to the Board in relation to the appointment or removal of the external auditors, the approval of their remuneration and the terms of their engagement, including the rotation of external audit engagement partners;
- Assessing whether the Committee is satisfied that the independence of the external auditors has been maintained, having regard to any non-audit related services;
- Reviewing and monitoring the policy on the engagement of the external auditors to supply non-audit services (set out in the Charter of Audit Independence, a copy of which can be found on

completed the banding classification process into those categories. This is expected to be completed during the FY15 year.

<sup>10</sup> The percentages for senior vice president, vice president, director and manager include Recall but exclude the employees of IFCO RPCs and Paramount Pallets which had not yet completed the banding classification process into those.

# CORPORATE GOVERNANCE STATEMENT - CONTINUED

Brambles' website), taking into account relevant legal and ethical guidance regarding the provision of non-audit services by the external auditors; and

- Reporting to the Board, identifying any matters relating to the above in respect of which it considers that action or improvement is needed and making recommendations as to steps to be taken.

Having regard to the 3CGPR, the Audit Committee Charter was amended with effect from 1 July 2014 to include as one of its objectives the review of the effectiveness of the management of the Group's material risks.

## 4.2 STRUCTURE OF THE AUDIT COMMITTEE

### 4.2.1. Composition of the Audit Committee

The Audit Committee has five members and is chaired by Stephen Johns, an independent Director. Mr Johns will retire as the Chairman and a member of the Audit Committee on 30 September 2014, when he takes up the role of Board Chairman. Brian Long will become Chairman of the Audit Committee on 30 September 2014.

### 4.2.2. Importance of independence

The Audit Committee is comprised entirely of Non-Executive Directors, all of whom the Board considers to be independent.

### 4.2.3. Technical expertise

The Board considers that each of the members of the Audit Committee has recent and relevant financial and accounting experience and an understanding of accounting and financial issues relevant to Brambles.

The members of the Audit Committee as at 31 July 2014, including details of their relevant qualifications, are as follows:

- Stephen Johns had a long executive career with Westfield where he held a number of senior positions including that of Finance Director from 1985 to 2002. He is the former Chairman of Leighton Holdings Limited and Spark Infrastructure Group and a former Executive and Non-Executive Director of the Westfield Group. He has a Bachelor of Economics degree from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Stephen was a member of the Committee throughout the Year and will retire as the Chairman and a member of the Committee on 30 September 2014, when he takes up the role of Chairman of the Board.
- Doug Duncan is a Non-Executive Director and a member of the Audit Committee of JB Hunt Transport and Benchmark Electronics. From 2001 until his retirement in 2010, he was President and Chief Executive Officer of FedEx Freight. Prior to that he spent more than 20 years with the company that ultimately became Viking Freight, where he held senior executive roles including President & Chief Executive Officer from 1998 to 2001, when FedEx acquired Viking. He holds a Bachelor of Science degree in Business Administration from Christopher Newport University, Virginia. He was a member of the Committee throughout the Year.
- David Gosnell was President of Global Supply & Procurement for Diageo plc until 1 July 2014, leading a global team of 9,000 people across manufacturing, logistics and technical operations as well as managing Diageo's multi-billion sterling procurement budget. Prior to joining Diageo, he spent 20 years at HJ Heinz, where he served on the UK board and held various European operational positions. He holds a Bachelor of Science degree in Electrical & Electronic Engineering from Middlesex University. He was a member of the Committee throughout the Year.
- Carolyn Kay is a Non-Executive Director and a member of the Audit Committee of Commonwealth Bank of Australia, Infrastructure NSW and an External Board Member of Allens. She has more than 25 years' experience in the finance sector and worked as an executive in finance at Morgan Stanley in London and Melbourne, JP Morgan in New York and Melbourne and as a finance lawyer at Linklaters & Paines in London. She holds Bachelor degrees in Law and Arts from the University of Melbourne

and a Graduate Diploma in Management from the Australian Graduate School of Management. She is a Fellow of the Australian Institute of Company Directors. She was a member of the Committee throughout the Year.

- Brian Long is a Non-Executive Director of Commonwealth Bank of Australia and the Chairman of its Audit Committee. He is a Non-Executive Director and Deputy Chairman of Ten Network Holdings Limited and member of both its Audit and Remuneration Committees. Brian had a longstanding international career with Ernst & Young where he was a partner from 1981 to 2010 and was the firm's most senior audit partner for many years. He is a Fellow of the Institute of Chartered Accountants in Australia and a past member of the Canadian Institute of Chartered Accountants. Brian became a member of the Committee on 1 July 2014 and will become its Chairman on 30 September 2014.

## 4.3 AUDIT COMMITTEE CHARTER

### 4.3.1. Charter

The Audit Committee has a Charter, which includes its duties and responsibilities, composition, structure, membership requirements, authority and access rights, and sets out a procedure for inviting non-members to attend its meetings. The Charter requires the Audit Committee to meet with internal and external auditors at least once a year without executive management being present. A copy of the Audit Committee's Charter, which is reviewed annually, can be found on Brambles' website.

### 4.3.2. Responsibilities

The Audit Committee discharges its responsibilities by meeting regularly throughout the year and, among other matters:

- Reviewing, and challenging where necessary, the actions and judgment of management in relation to full-year and half-year financial reports and other announcements relating to those reports prepared for release to the ASX, regulators and the public, before making appropriate recommendations to the Board;
- Reviewing the audit plans of the internal auditors, including the scope and materiality level of their audits; monitoring compliance with, and the effectiveness of, the audit plans of the internal auditors; reviewing reports from the internal auditors on their audit findings, management responses and action plans in relation to those findings, and reports from the internal auditors on the implementation of those action plans; and facilitating an open avenue of communication between the internal auditors, the external auditors and the Board;
- Reviewing the audit plans of the external auditors, including the nature, scope, materiality level and procedures of their audits; monitoring compliance with, and the quality and effectiveness of, the audit plans of the external auditors; and reviewing reports from the external auditors in relation to their major audit findings, management responses and action plans in relation to those findings, and reports from the external auditors on the implementation of those action plans; and
- Reviewing and recommending to the Board the fees payable to the external auditors, monitoring compliance with the Charter of Audit Independence and pre-approving the performance by the external auditors of any non-audit related work and any proposed fees to be paid to the external auditors for that work, for which its approval is required by the Charter of Audit Independence. The Charter divides non-audit work into three categories: work which must be approved by the Chief Financial Officer (if fees will fall below specified limits); work which must be approved by the Audit Committee; and work which is prohibited. Prior consultation with, and approval of the Chief Financial Officer or Audit Committee, as prescribed by the Charter, is required whenever management recommends that the external auditors undertake non-audit work. Internal accounting, valuation services, actuarial

# CORPORATE GOVERNANCE STATEMENT - CONTINUED

services and internal audit services must not be performed by the external auditors.

The Audit Committee is responsible for monitoring the Brambles Speaking Up Policy, that it is communicated properly and complied with throughout Brambles, and monitoring that appropriate protection against victimisation and dismissal is given to employees who make certain disclosures in the public interest.

Having regard to the 3CGPR, the Audit Committee Charter was amended with effect from 1 July 2014 to include as one of its responsibilities the review of the effectiveness of the management of the Group's material risks by reviewing regular risk reports on the implementation and effectiveness of risk mitigation steps and by assessing whether internal audit plans are addressing material risks.

### 4.3.3. Meetings

Details of the number of Audit Committee meetings held during the Year, and attendance at those meetings, are set out in the Directors' Report - Other Information on Page 52. Audit Committee papers are provided to all Directors and minutes of meetings are included in the papers for subsequent Board meetings. There is an open invitation for all Directors to attend Audit Committee meetings. Directors who are not members of the Audit Committee receive a specific invitation for Committee meetings at which the half and full-year financial statements are considered and significant accounting issues are reviewed including the Irrecoverable Pooling Equipment Provision.

### 4.3.4. Reporting

The Chairman of the Audit Committee reports to the Board on the Committee's proceedings and on all matters relevant to the Committee's duties and responsibilities.

## 4.4 EXTERNAL AUDITOR

PricewaterhouseCoopers has been engaged by the Board to act as external auditor to Brambles since the 2002 financial year. Under the terms of engagement, the Australian audit engagement partners rotate every five years. Paul Bendall was appointed as lead audit engagement partner in the 2012 financial year.

The Audit Committee is responsible for making recommendations to the Board on the selection, appointment, evaluation and removal of external auditors, setting fees and ensuring that the external auditors' engagement partners are rotated at appropriate intervals.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### 5.1 ESTABLISH A CONTINUOUS DISCLOSURE POLICY

Brambles is committed to the promotion of investor confidence by taking all steps within its power to enable trading in its securities to occur in an efficient and informed market. Brambles recognises the importance of effective communication as a key part of building shareholder value, and that to prosper and grow, it must earn the trust of shareholders, employees, customers, suppliers and communities, by being open in its communications and consistently delivering on its commitments.

The Board has adopted a Continuous Disclosure & Communications Policy to:

- Reinforce Brambles' commitment to the continuous disclosure obligations imposed by law and to describe the processes Brambles implements to ensure compliance;
- Outline Brambles' corporate governance standards and related processes and ensure that timely and accurate information about Brambles is provided equally to all shareholders and market participants; and
- Outline Brambles' commitment to communicating effectively with shareholders and encouraging shareholder participation in shareholder meetings.

To achieve the above objectives and satisfy regulatory requirements, the Board provides information to shareholders and other market participants in several ways:

- Brambles releases significant announcements directly via the ASX and immediately places copies on its website;
- Brambles conducts investor and analyst briefings as a part of its investor relations program. No new materials or price-sensitive information is provided at those briefings unless it has been previously or is simultaneously released to the market. Brambles posts all presentation materials on its website; and
- Brambles' website contains further information about Brambles and its activities, including copies of recent interim and annual reports and recordings and slides of recent presentations to analysts.

The Continuous Disclosure & Communications Policy takes into account the matters listed in Box 5.1 of the CGPR. A copy can be found on Brambles' website.

### 5.1.1. Commentary on financial results

The Audit Committee Charter requires the Committee to review the clarity of financial reports.

A review of operations and activities for the Year is included on Pages 3 to 15. Brambles makes presentations, which are reviewed and approved by the Board in accordance with the Company's continuous disclosure procedures, of the full and half-year results to the investment community immediately after the public release of those results. Brambles webcasts these presentations live and posts copies of the associated presentation materials on its website.

### 5.1.2. Eliminating surprise on termination entitlements

Details of the termination entitlements of Brambles' Chief Executive Officer, Chief Financial Officer and other Key Management Personnel are disclosed on Page 40 of the Directors' Report - Remuneration Report.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholders play an important role in the governance of Brambles by electing the Board, whose task it is to govern on their behalf.

The Chairman regularly meets major investors to understand their issues and concerns and discuss particular matters relating to Brambles' governance and strategy. The Chief Executive Officer, Chief Financial Officer and other senior executives regularly meet investors and other market participants to understand their issues and concerns and discuss Company performance and strategy. No new material or price-sensitive information is provided at such meetings. Other Non-Executive Directors may attend meetings with major investors if requested. The Chairman reports to the Board on the matters discussed at meetings with major investors and copies of relevant correspondence are included in the Board papers. Executive management provides information on shareholder activity and trading to the Board, along with shareholder feedback and copies of analysts' reports.

### 6.1 ESTABLISH A COMMUNICATIONS POLICY

As disclosed in Section 5.1, the Board has adopted a Continuous Disclosure & Communications Policy, which outlines Brambles' commitment to communicating effectively with shareholders and encouraging shareholder participation in shareholder meetings. A copy can be found on Brambles' website.

#### 6.1.1. Electronic communication

Brambles takes all of the measures outlined in Box 6.1 of the CGPR to make effective use of electronic communication with stakeholders.

Brambles posts a copy of all announcements made to the ASX on its website. On release, significant announcements are highlighted in the Latest News area on the website's homepage.



# CORPORATE GOVERNANCE STATEMENT - CONTINUED

Presentations to investors, analysts or media during briefings and copies of speeches and presentations made by the Chairman and Chief Executive Officer at general meetings are released as regulatory announcements and posted on Brambles' website after release. General meetings and, where possible, briefings are webcast live on Brambles' website. All of the ASX regulatory releases and notices of meetings Brambles Limited has published since it was listed in December 2006, as well as all webcasts since that time, are available on Brambles' website.

Shareholders are encouraged to provide an email address to Brambles' share registry so that they can be sent an electronic notification when a communication is available on Brambles' website, rather than a hard copy. Brambles believes shareholders benefit from electronic communication as they receive information promptly and have the convenience and security of electronic delivery. Electronic communication is also environmentally friendly and generates cost savings. Shareholders who do not specify a preferred method of communication are posted a printed notification of availability of the annual report and hard copies of all other communications.

Shareholders may electronically appoint proxies and lodge proxy instructions for items of business to be considered at general meetings, or have the option of lodging direct votes.

## 6.1.2. Meetings

AGMs provide an opportunity for the Board to communicate with investors, through presentations on Brambles' businesses and current trading. Shareholders are encouraged to attend AGMs and to participate and use the opportunity to ask questions on any matter.

To make better use of the limited time available, shareholders are invited to register questions and issues of concern prior to AGMs. This can be done either by completing the relevant form accompanying the notices convening the meetings or by emailing Brambles at [shareholderquestions@brambles.com](mailto:shareholderquestions@brambles.com). Answers to frequently asked questions are given during presentations to AGMs. Shareholders may also ask questions at AGMs without having registered their questions in this manner.

## 6.1.3. Communication with beneficial owners

Beneficial owners of shares, investors or members of the public are encouraged to register for free email alerts, so that they may stay up to date on major news announcements made by Brambles. There is a link to the Email Alerts registration area on the homepage of Brambles' website. Users of the email alerts service may customise the types of announcements they receive.

## 6.1.4. Website

As noted in Sections 6.1.1 and 6.1.3, Brambles communicates with shareholders via electronic methods, including its website. Brambles' website contains the financial results for the Year as well as more detailed information about Brambles' business operations.

## 6.1.5. Briefings

Brambles follows a calendar of regular disclosure of its financial and operational results. The calendar, which is posted on the website, includes advance notice of the dates for the release of half-year and full-year results, other financial information, shareholder meetings, major analyst and investor briefings and Brambles' involvement in major investment conferences. Where possible, Brambles webcasts these significant briefings.

When Brambles conducts analyst and investor briefings, a record of the briefings is maintained for internal use. This record includes a summary of the issues discussed, a record of those present (names or numbers where appropriate) and the time and place of the meeting.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### 7.1 ESTABLISH POLICIES FOR THE OVERSIGHT AND MANAGEMENT OF MATERIAL BUSINESS RISKS

#### 7.1.1. Risk management policies

During the Year, the Board was responsible for approving and reviewing the effectiveness of the Group's system of internal control and risk management. The Board was supported in this role by management (in particular by the Chief Executive Officer), the Audit Committee (in relation to financial reporting risks) and the Group's internal audit function.

The Board has implemented some changes to the manner in which it oversees risk having regard to the 3CGPR. With effect from 1 July 2014:

- The Board will maintain responsibility for approving and reviewing the effectiveness of the Group's system of internal control and risk management;
- The Board's bi-annual review of the effectiveness of the Group's risk management framework will include determining that it is properly identifying risks, their materiality and mitigation steps for them; and
- The Audit Committee will be responsible for reviewing the effectiveness of the management of the Group's material risks by reviewing regular risk reports on the implementation and effectiveness of risk mitigation steps and by assessing whether internal audit plans are addressing material risks.

Unless otherwise specified, the discussion in Section 7 reflects the policies, practices and procedures for the Year.

To strengthen the relationship between risk management and strategic and operational planning, the Chief Executive Officer, through the ELT (see Section 1.1.1), has principal responsibility for risk management. The Audit Committee's responsibilities for the Year and from 1 July 2014 are described above and in Section 4.3.2 of this Statement.

The Board has adopted a risk management framework, the objectives of which are as follows:

- To incorporate effective risk management as part of Brambles' strategic planning process;
- To require business operating plans to address the effective management of key risks;
- To develop internal audit plans to concentrate efforts on providing assurance on the viability and value of risk mitigation and management processes;
- To embed a stronger risk management culture;
- To improve allocation of capital to reflect business risks;
- To seek competitive advantage through increased certainty of achieving agreed organisational and business objectives; and
- To continue to fulfil governance requirements for risk management.

Brambles' Headquarters and each of its business units have a risk and control committee (RCC). The Brambles Headquarters RCC is chaired by the Chief Financial Officer and its members include key functional heads. Each RCC conducts an in-depth review on a regular basis of the risk profile of the relevant business unit, or of Headquarters, as the case may be. The Group Presidents review the risk profile and accompanying mitigation plans of their respective business units before they are consolidated into the Group-level risk profile. The risk profiles and mitigation plans for Brambles' Headquarters, the business units and the Group as a whole are evaluated by the ELT, with support from the Group Vice President, Taxation & Risk. (From 2 September 2014, a new role, Group Vice President Risk & Assurance, will commence at Brambles and will be responsible for the risk management function.) The ELT, through the Chief Executive Officer, prepares a risk report to the Board

# CORPORATE GOVERNANCE STATEMENT - CONTINUED

twice yearly, which includes a review of the Group's risk profile, mitigation factors and emerging risks (see Section 7.2). Legal obligations and the reasonable expectations of stakeholders, such as shareholders, customers, employees, subcontractors, suppliers and the community in general are taken into account when preparing and updating mitigation plans. Having regard to the 3CGPR, with effect from 1 July 2014, the RCCs will also assess the economic, social and environmental sustainability risks within their respective areas of responsibility.

## 7.2 REPORTING ON EFFECTIVE MANAGEMENT OF MATERIAL BUSINESS RISKS

### 7.2.1. Risk management and internal control system

Management is responsible for the development, implementation and management of systems that:

- Identify, assess and manage risks in an effective and efficient manner;
- Enable decisions to be based on a comprehensive view of the reward-to-risk balance;
- Provide greater certainty of the delivery of objectives; and
- Satisfy the Group's corporate governance requirements.

These systems are designed to limit the risk of failure to achieve business objectives. It must be recognised, however, that internal control and risk management systems can provide only reasonable, and not absolute, assurance against the risk of material loss.

Key elements of Brambles' internal control systems include:

- A Code of Conduct that sets out an ethical and legal framework for all employees in the conduct of Brambles' business;
- Financial systems to provide timely, relevant and reliable information to management and to the Board;
- Appropriate formalised delegations and limits of authority consistent with Brambles' objectives;
- Biannual management declarations at country, regional and global levels confirming, among other matters, the adequacy of internal control procedures, the effectiveness of risk management systems and compliance with the Code of Conduct and all regulatory and statutory requirements;
- An internal audit function, described in Section 7.2.2;
- A risk management function;
- RCCs for each of Brambles Headquarters and Brambles' business units; and
- Other sources of independent assurance, such as environmental audits, occupational health and safety audits and reports from the external auditors.

The biannual management declarations are collected through a web-based system, to enable the questionnaires to be completed more easily and to facilitate rigorous tracking across periods.

The key elements of Brambles' business risk management systems during the Year are set out below:

- Risk control - risks to the achievement of business objectives were identified through a process of examination between the ELT, Brambles' risk management team, the business unit Group Presidents, RCCs and functional process owners. Key business risks were also identified and analysed during regular management reporting and discussions. The identified risks were assessed in terms of their underlying causes, business consequences, external variables, current internal control effectiveness, likelihood of occurrence, overall risk priority and risk mitigation status. The resulting net risk and control profiles were presented to the Board, together with a risk improvement program designed to increase the effectiveness of controls and manage the overall level of risk. This process formed part of the Board's annual

review of the effectiveness of the risk management system and systems of internal control.

- Risk monitoring - there was regular reporting of key risk events, such as safety incidents, litigation and serious incidents (as defined in the Code of Conduct). In addition to regular monitoring by the ELT and Brambles' risk management team, risks and controls were reassessed by the RCCs on a regular basis. The outcome of those assessments and details of progress in implementing risk improvement programs were signed off by Group Presidents and reported to the Group Vice President, Taxation & Risk. In addition, a report on the effectiveness of the management of business risks was provided to the ELT and the Board. The effectiveness of specific business risk controls and risk improvement programs was periodically reviewed by internal audit as part of the FY14 internal audit program, and the results reported to the Audit Committee (see Section 7.2.2).

The Board reviews the effectiveness of the internal control and risk management systems on an ongoing basis by:

- Considering and approving the budget and forward plan of each business;
- Reviewing detailed monthly reports on business performance and trends;
- Setting limits on delegated authority;
- Receiving regular reports on Brambles' treasury activities, and reviewing treasury guidelines, limits and controls;
- Receiving twice-yearly reports from the ELT on the effectiveness of internal control and risk management systems for Brambles' material business risks, being the report required by Recommendation 7.2 of the CGPR;
- Receiving twice-yearly written assurances from the Chief Executive Officer and Chief Financial Officer, as described in Section 7.3; and
- Receiving reports from the Audit Committee, which has a responsibility to assist the Board in reviewing internal financial controls.

### 7.2.2. Internal audit function

The internal audit function is independent of the external auditor. Brambles' internal audit function carries out risk-based audits under an annual plan approved by the Audit Committee. The internal audit team makes an independent appraisal of the adequacy and effectiveness of Brambles' risk management and internal control system, to provide assurance to the Audit Committee and the Board.

The head of internal audit has direct access to the Chairman of the Audit Committee. Both the Audit Committee and the internal audit team have unrestricted access to management and the right to seek information and explanations.

### 7.2.3. Risk Management Committee

The roles of the Board, ELT and the RCCs in Brambles' risk management framework are described in Section 7.1.1.

## 7.3 CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER DECLARATION

The Board receives written assurances from the Chief Executive Officer and Chief Financial Officer that the declaration provided under Section 295A of the Corporations Act 2001 (Cth) (Act) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Board received these assurances in advance of approving both the annual and interim financial statements for the Year.

# CORPORATE GOVERNANCE STATEMENT - CONTINUED

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### 8.1 ESTABLISH A REMUNERATION COMMITTEE

#### 8.1.1. Purpose of the Remuneration Committee

The objective and purpose of the Remuneration Committee is to assist the Board in establishing remuneration policies and practices that:

- Enable Brambles to attract and retain executives and Directors who will create value for shareholders;
- Fairly and responsibly reward executives having regard to the performance of Brambles, the performance of the executive and the general remuneration environment; and
- Comply with the provisions of the ASX Listing Rules and the Act.

#### 8.1.2. Charter

The Remuneration Committee has a Charter, which includes its duties and responsibilities, composition, structure, membership requirements, authority and access rights, and sets out a procedure for inviting non-members to attend its meetings. A copy of the Remuneration Committee's Charter, which is reviewed annually, can be found on Brambles' website.

#### 8.1.3. Responsibilities of the Remuneration Committee

The Remuneration Committee discharges its responsibilities by meeting regularly throughout the year and, among other matters:

- Determining and agreeing with the Board the broad policy for the remuneration of the Chairman of the Board, the Chief Executive Officer and other members of the senior executive team, and reviewing the ongoing appropriateness and relevance of the executive remuneration policy;
- Determining the remuneration for the Executive Director(s) and the Company Secretary, reviewing the proposed remuneration for the senior executive team, ensuring that contractual terms on termination, and any payments made, are fair to the individual and Brambles, that failure is not rewarded and that the duty to mitigate loss is fully recognised, and, in determining such packages and arrangements, giving due regard to all relevant regulations and associated guidance;
- Insofar as they impact on the Executive Director(s) and the senior executive team, approving the design of, and determining targets for, all cash-based executive incentive plans, and approving the total proposed payments from all such plans;
- Keeping all equity-based plans under review in light of legislative, regulatory and market developments; determining each year whether awards will be made under such plans and whether there are exceptional circumstances that allow awards at other times; approving total proposed awards under each plan; approving awards to Executive Director(s); and reviewing awards made to the senior executive team;
- Annually reviewing and taking account of the remuneration trends across Brambles in its main markets, reviewing and making recommendations to the Board on remuneration by gender and advising on any major changes in employee benefit structures throughout Brambles;
- Reviewing the funding and performance of Brambles' retirement plans and reporting to the Board;
- Selecting, appointing and setting the terms of reference for external remuneration consultants who advise the Committee or Brambles in respect of the remuneration of the Executive Directors and other Key Management Personnel as outlined in the Remuneration Report; and
- Monitoring the Group's policy of equal remuneration for equal work value, regardless of gender, by receiving an annual report on remuneration by gender across the Group, and otherwise

reviewing and making recommendations to the Board on remuneration by gender.

#### 8.1.4. Remuneration policy

In discharging its responsibilities, the Remuneration Committee applies Brambles' Remuneration Policy, which requires that remuneration is structured to be consistent with Brambles' strategic business objectives. Brambles' Remuneration Policy can be found in the Directors' Report - Remuneration Report on Pages 34, 35 and 45.

The remuneration of the Chairman of Brambles is determined by the Remuneration Committee. The remuneration of the other Non-Executive Directors is determined by the Executive Directors, following consultation with the Chairman of Brambles, with the Non-Executive Directors taking no part in the discussion or decision relating to their remuneration. In setting remuneration, advice is sought from external remuneration consultants.

### 8.2 STRUCTURE OF THE REMUNERATION COMMITTEE

The Remuneration Committee is comprised entirely of Non-Executive Directors, all of whom are independent. Tony Froggatt, Luke Mayhew, Tahira Hassan, Graham Kraehe and Brian Schwartz were members of the Remuneration Committee throughout the Year. Christine Cross was a member of the Remuneration Committee from 1 April 2014. Brian Schwartz retired as a member of the Committee on 30 June 2014 (when he retired from the Board). Mr Kraehe will retire as a member of the Remuneration Committee on 30 September 2014 (when he retires from the Board). Mr Johns will become a member of the Remuneration Committee on 30 September 2014.

Mr Mayhew retired as Chairman of the Remuneration Committee with effect from the end of the 2013 AGM and retired from the Committee (and the Board) on 30 June 2014. Mr Froggatt replaced Mr Mayhew as Chairman. The Remuneration Committee meets at least three times a year. Details of the number of Remuneration Committee meetings held during the Year, and attendance at those meetings, are set out in the Directors' Report - Other Information on Page 52.

The Remuneration Committee may seek input from certain members of executive management on remuneration, but no members of executive management are directly involved in deciding their own remuneration.

### 8.3 COMPARISON OF REMUNERATION STRUCTURES

There is a clear distinction between the structure of Non-Executive Directors' remuneration and that of the Executive Directors and executive management. Brambles has taken account of the guidelines for executive remuneration packages in Box 8.1 of the CGPR and the guidelines for Non-Executive Director remuneration in Box 8.2 of the CGPR. Further details can be found in the Directors' Report - Remuneration Report on Pages 34, 35 and 45.

## CORPORATE GOVERNANCE STATEMENT - CONTINUED

The following checklist summarises Brambles' compliance with the CGPR and contains cross references to the sections of this Statement and to the exact location of information disclosed at [www.brambles.com](http://www.brambles.com).

Principle/Recommendation	Reference
<b>PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>	
Recommendation 1.1 Role of the board and management	Corporate Governance Statement: 1.1
Recommendation 1.2 Performance evaluation of senior executives	Corporate Governance Statement: 1.2
Recommendation 1.3 Companies should provide the following information in the corporate governance statement:	
- an explanation of any departures from Recommendations 1.1, 1.2 or 1.3	Not applicable
- whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed	Corporate Governance Statement: 1.2
A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section	<a href="http://www.brambles.com">www.brambles.com</a> See "Corporate Governance", "Charters & Related Documents"
<b>PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE</b>	
Recommendation 2.1 Independent directors	Corporate Governance Statement: 2.1
Recommendation 2.2 Independent chairman	Corporate Governance Statement: 2.2
Recommendation 2.3 Roles of chairman and chief executive officer	Corporate Governance Statement: 2.3
Recommendation 2.4 Nomination Committee	Corporate Governance Statement: 2.4
Recommendation 2.5 Process for evaluating the performance of the board, its Committees and directors	Corporate Governance Statement: 2.5
Recommendation 2.6 Companies should provide the following information in the corporate governance statement:	Corporate Governance Statement:
- the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report	2 and Board and Executive Leadership Team, Pages 16 to 18.
- the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds	2.1.2.
- the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of those relationships	2.1.2.
- a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company	2.1.1.
- a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board	2.4.5.
- the period of office held by each director in office at the date of the annual report	2.1.2.
- the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out	2.4.3 and Directors' Report - Other Information, Page 52.
- whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed	2.5
- an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6	Not applicable
The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:	
- a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors	<a href="http://www.brambles.com">www.brambles.com</a> See "Corporate Governance", "Charters & Related Documents", "Nominations Committee Charter"
- the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee	
- the board's policy for the nomination and appointment of directors	

## CORPORATE GOVERNANCE STATEMENT - CONTINUED

Principle/Recommendation	Reference
<b>PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</b>	
Recommendation 3.1 Establish a code of conduct	Corporate Governance Statement: 3.1
Recommendation 3.2 Establish a diversity policy	Corporate Governance Statement: 3.2
Recommendation 3.3 Gender diversity objectives	Corporate Governance Statement: 3.3
Recommendation 3.4 Gender diversity reporting	Corporate Governance Statement: 3.4
Recommendation 3.5 An explanation of any departures from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement	Not applicable
The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:	
- any applicable code of conduct or a summary	www.brambles.com
- the diversity policy or a summary of its main provisions	See "Corporate Governance"
<b>PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>	
Recommendation 4.1 Establish an audit committee	Corporate Governance Statement: 4.1
Recommendation 4.2 Structure of the audit committee	Corporate Governance Statement: 4.2
Recommendation 4.3 Audit committee charter	Corporate Governance Statement: 4.3
Recommendation 4.4 Companies should provide the following information in the corporate governance statement:	
- the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out	Corporate Governance Statement: 4.2.3 and Directors' Report - Other Information, Page 52.
- the number of meetings of the audit committee	
- an explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4	Not applicable
The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:	
- information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners	Corporate Governance Statement: 4.4 and www.brambles.com
- the audit committee charter	See "Corporate Governance", "Charters & Related Documents".
<b>PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE</b>	
Recommendation 5.1 Establish a continuous disclosure policy	Corporate Governance Statement: 5.1
Recommendation 5.2 An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement	Not applicable
The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section	
	www.brambles.com See "Corporate Governance", "Brambles Code of Conduct" (which incorporates the Continuous Disclosure & Communications Policy as Schedule 3).
<b>PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS</b>	
Recommendation 6.1 Establish a communications policy	Corporate Governance Statement: 6.1
Recommendation 6.2 An explanation of any departures from Recommendations 6.1 or 6.2 should be included in the corporate governance statement	Not applicable
The company should describe how it will communicate with its shareholders publicly, ideally by posting the information on the company's website in a clearly marked corporate governance section	
	www.brambles.com See "Corporate Governance", "Brambles Code of Conduct" (which incorporates the Continuous Disclosure & Communications Policy as Schedule 3).

## CORPORATE GOVERNANCE STATEMENT - CONTINUED

Principle/Recommendation	Reference
<b>PRINCIPLE 7: RECOGNISE AND MANAGE RISK</b>	
Recommendation 7.1 Establish policies for the oversight and management of material business risks	Corporate Governance Statement: 7.1
Recommendation 7.2 Reporting on effective management of material business risks	Corporate Governance Statement: 7.2
Recommendation 7.3 Chief Executive Officer and Chief Financial Officer declaration	Corporate Governance Statement: 7.3
Recommendation 7.4 Companies should provide the following information in the corporate governance statement:	
- an explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4	Not applicable
- whether the board has received the report from management under Recommendation 7.2	Corporate Governance Statement: 7.2
- whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3	Corporate Governance Statement: 7.3
The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:	
- a summary of the company's policies on risk oversight and management of material business risks	www.brambles.com See "Corporate Governance", "Risk Management".
<b>PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY</b>	
Recommendation 8.1 Establish a remuneration committee	Corporate Governance Statement: 8.1
Recommendation 8.2 Structure of the remuneration committee	Corporate Governance Statement: 8.2
Recommendation 8.3 Comparison of remuneration structures	Corporate Governance Statements: 8.3 and Directors' Report - Remuneration Report Pages 34, 35 and 55.
Recommendation 8.4 Companies should provide the following information in the corporate governance statement or a clear cross reference to the location of the material:	
- the names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out	Corporate Governance Statement: 8.2 and Directors' Report - Other Information, Page 52.
- the existence and terms of any schemes for retirement benefits, other than superannuation, for Non-Executive Directors	Not applicable
- an explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4	Not applicable
The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:	
- the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee	www.brambles.com See "Corporate Governance", "Charters & Related Documents".
- a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes	www.brambles.com See "Corporate Governance", "Brambles Code of Conduct" (which incorporates the Securities Trading Policy as Schedule 9).