

## Supply Chain

Brambles considers environmental stewardship a key corporate value and is committed to driving efficiency and environmental sustainability in the supply chains CHEP and Recall serve, through an ongoing commitment to continuous improvement, innovation and supply chain collaboration.

Brambles has robust management systems for maintaining and improving relationships with customers and suppliers. Brambles policy is incorporated in the Code of Conduct and is clearly communicated to suppliers. For example, CHEP Europe purchasing contracts refer to the Code of Conduct and the Code of Conduct is passed on to suppliers. The majority of CHEP Europe purchases are under such contracts. Elements of the Code of Conduct are also included in material purchasing contracts with suppliers in CHEP Asia-Pacific. The code is available in a number of languages: Chinese (simplified), Chinese (traditional), Danish, Dutch, English, Finnish, French, French Canadian, German, Hindi, Italian, Norwegian, Portuguese, Spanish, Swedish, Tamil and Thai.

Responsibility for managing relationships with suppliers resides with the Group Presidents of each of Brambles' operating businesses.

Brambles systematically monitors relationships with suppliers. Brambles is committed to assessing supplier environmental standards against its own and requires evidence of such systems from suppliers to ensure good environmental performance.

A micro-site was built on the CHEP website in support of CHEP USA's "One Pallet at a Time" environmental sustainability campaign. The micro-site includes an environmental calculator that allows the user to enter supply chain information for their business and generate a report that shows the environmental impact and supply chain savings using the CHEP program. The micro-site can be viewed at [www.chep.com/onepallet](http://www.chep.com/onepallet).

Compared with disposable pallets, pallet pooling significantly reduces the use of resources. Worldwide it has been estimated that the CHEP pallet pools reduce lumber use by the equivalent of 16 million trees per annum.

CHEP works with leading organisations aimed at promoting the use of sustainable forms of packaging in the supply chain. For example, CHEP USA is a member of the Sustainable Packaging Coalition and the Reusable Packaging Association. *Inbound Logistics* magazine in the USA recently named CHEP as one of its 25 Green Supply Chain Partners (G25).



CHEP also partners with leading environmental organisations such as Conservation International in the USA, which specialises in resource conservation and sustainable forestry, in an effort to ensure ongoing environmental excellence in its sourcing practices.

CHEP Asia-Pacific is a patron of the Gottstein Trust in Australia, a leading supporter of forestry research and education.

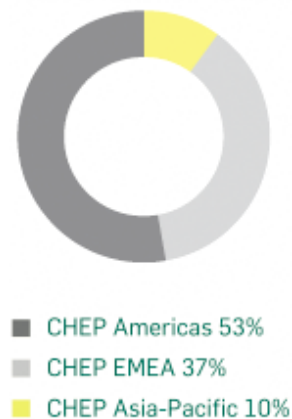
CHEP also takes a pro-active role in assisting governments and regulatory authorities in developing processes to assist in mitigating spreads of wood parasite infestations when these occur.

## LUMBER

Estimated volume of lumber sourced by CHEP in 2008/09 (m3):

CHEP Americas	805,880
CHEP EMEA	550,671
CHEP Asia-Pacific	145,086
<b>TOTAL</b>	<b>1,501,637</b>

**ESTIMATED LUMBER VOLUMES SOURCED BY REGION**



CHEP’s lumber suppliers are internally audited and certified against rigorous standards for responsible lumber harvesting, reforestation and biodiversity preservation. CHEP maintains strict lumber sourcing policies supporting the replenishment of natural resources by sourcing lumber in a responsible and sustainable manner, with a preference for plantations and state-managed forests with managed forest certifications.

CHEP does not source from protected areas, parks or similar areas where harvesting operations are not complementary to responsible forestry management. A good example of reforestation practices is in the USA, where many CHEP suppliers are planting three or more trees for every tree harvested.

Major progress has been made during the year by CHEP Europe’s central sourcing department in only buying lumber for pallets and repairs from certified forest resources. More than 96% direct and indirect sourcing of pallets and lumber was Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC) certified.

An expert team at CHEP Europe started a project to develop a lumber traceability and marking system which allows the identification of the individual pallet element back to the forest source in order to provide further assurance that CHEP and its pallet suppliers only use controlled sustainable forest resources. The system will allow CHEP to demonstrate the use of only certified lumber.

CHEP actively manages controls governing acceptable wood species types and sourcing locations to prevent pest infestation.

### CASE STUDY: CHEP EUROPE

CHEP Europe is working closely with ProForest, an independent consulting company specialising in the responsible management of natural resources. ProForest will review internal control processes and current environmental status of suppliers, relevant certifications and potential environmental risks associated with location/resource base. This will ensure suppliers are in compliance with the certification schemes to which they are registered (eg FSC/PEFC) and assure traceability to source and chain of custody throughout the supply chain.

ProForest will provide CHEP with comprehensive recommendations and an audit protocol to incorporate the requirements of the CHEP lumber sourcing policy. ProForest also selects suppliers for an in depth audit and provides coaching for CHEP in the audit process.

## PRODUCT AND SERVICES

Wood is 100% recyclable and can be reused in the repair and manufacture of pallets and recycled into other uses, such as fuel, mulch and animal bedding. However, without a clear system of ownership and accountability, many other types of wood pallets still end up in landfills. CHEP avoids this problem by maintaining ownership of its assets and enforcing a system of controls to ensure that its pallets are recovered and the materials are reused or recycled into other uses at the end of their useful lives.

Recall reclaims cartons where possible and uses recycled material in the production of its cartons.

### CASE STUDY: CHEP USA

An average CHEP USA pallet contains between 12-37% recycled content depending on the age of the pallet and approximately 35% of lumber is reused in pallet repairs before being recycled. After lumber is reused, it is recycled into other uses such as fuel, mulch and animal bedding.

CHEP works closely with leading industry groups and NGOs aimed at promoting the use of sustainable forms of packaging in the supply chain such as the Sustainable Packaging Coalition, Reusable Packaging Association and Wal-Mart's Packaging Sustainable Value Network.

Based on third-party life cycle inventory results, the CHEP USA pallet pooling system produces significantly less solid lumber waste, consumes less total energy, and produces less greenhouse gases than other common pallet options in the industry. The life cycle environmental savings created by members of the CHEP USA pooling program alone during the year amounted to approximately 1.1 trillion kilograms of solid lumber waste, a 95% reduction compared to using one way pallets and the equivalent of 109,176 dump trucks filled with waste. A copy of the analysis can be found on the website.

### CASE STUDY: CHEP AUSTRALIA

CHEP Australia has active management programs to divert lumber waste from landfill. A significant proportion (estimated at 35%) of otherwise waste lumber is reused in the repair process; the balance is directed to alternate uses subject to local operations, including wood chip manufacturers and for use as fuel in energy stations and brick companies.

### CASE STUDY: IMPROVING SUSTAINABILITY FOR US PRODUCE GROWERS

The use of a strong and recyclable pallet by Farmer's Best produce growers in the US meets all sustainability and safety goals for the industry.

Duda Farm Fresh Foods, Inc, one of the USA's leading produce growers and shippers, is now shipping all products on CHEP pallets. The company has a long history of environmental stewardship and views CHEP as a key partner in its sustainability efforts. Duda Farm Fresh Foods had been using white wood pallets and moved to CHEP because of cost, pallet quality and productivity issues. CHEP pallets are used to transport clementines, grapefruit, oranges, broccoli, cauliflower, celery, lettuce, leafy greens, onions and other fruits and vegetables from Duda Farm Fresh Foods facilities across the US to supermarket retailers, wholesale clubs and foodservice distributors as a part of the produce company's sustainability efforts.

## BIODIVERSITY

The potential impact of sourcing lumber products on biodiversity include direct (deforestation, habitat destruction and degradation, land conversion for lumber plantations, introduction of non-native species) and indirect (improved access to previously undisturbed areas of forests) impacts. CHEP's responsible and sustainable lumber sourcing policies support the replenishment of natural resources.

CHEP does not source from protected areas, parks or similar areas where harvesting operations are not complementary to responsible forestry management.

While the vast majority of the lumber sourced by CHEP comes from plantations and state-managed forests with managed forest certifications, there are concerns that threatened lumber species may still make their way into the supply chain.\* CHEP's internal auditing has identified the possible inclusion of Longleaf Pine, one of four sub-species of Southern Yellow Pine in the USA and classified as 'vulnerable' (exact sub-specie is not always nominated by suppliers) and the absence of specie identification for some mixed hardwood sourced in Malaysia.

Southern Yellow Pine, of which Longleaf Pine may be a constituent, comprises 17.5% of lumber purchased by CHEP Americas. CHEP intends to educate and work closely with its suppliers and continue current supply chain auditing practices to better understand and minimise the potential use of Longleaf Pine.

Although lumber sourced in Malaysia comprises less than 1% of all lumber purchased by CHEP globally, CHEP has commenced work to develop a due diligence plan enabling local lumber suppliers and millers to meet Brambles' transparency and ethical lumber knowledge and reporting expectations.

## SUSTAINABLE LUMBER PLANTATIONS

CHEP South Africa has invested in its own lumber plantations, which makes a significant contribution to meeting its lumber requirements in that region and contributes positively to CHEP's sustainable lumber sourcing practices.

Over the past three years CHEP has acquired five lumber farms in the southern Drakensberg region of KwaZulu Natal in South Africa, covering approximately 2,500 hectares. The farms hold government tree planting permits to cover 1,700 hectares of pine tree plantations. The current standing volume of the plantations is sufficient to cover approximately 20% of CHEP South Africa's current annual lumber requirements for each of the next five years, securing the supply of lumber raw material in the region, which was becoming increasingly difficult to obtain. CHEP is currently in negotiation with other local plantation owners to match the current supply of standing trees, thereby extending supply for a further five years.

The CHEP farms are managed on a fully rotational and sustainable basis using best forestry practice, relating to the establishment, development, tending, protection and re-establishment of commercial plantations on a sustainable and environmentally acceptable basis.

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\*Defined as 'threatened' by the IUCN red list of threatened species, compiled by the International Union for Conservation of Nature and Natural Resources.

Since acquiring the plantations, CHEP has applied for the internationally recognised Forestry Stewardship Council (FSC) accreditation for environmentally well-managed plantations. Work is in progress for the effective eradication of alien species such as gum, wattle and bramble from non-permitted riparian and wetland areas. FSC-compliant forestry practices, as well as the general improvement of the plantation estates and the areas in which they are located have also been implemented. This includes effective thinning programs, plantation waste, pulp and saw log extraction control programs, improved fire prevention controls, improved staff facilities and local community programs, as well as significant improvement in estate roads.

Outside of its own plantations, lumber purchased for pallet and repair purposes by CHEP South Africa is only from government-permitted pine plantation owners. This means that lumber is only purchased from sustainable pine plantations that are managed in compliance with accepted silvicultural practices that are not harmful to the environment. Imported lumber suppliers are required to provide assurances as to the existence of acceptable and ongoing control systems in respect of silvicultural practice as well as logging and cutting processes.

CHEP's current waste management projects include the manufacture of composite blocks from waste lumber recovered from the repair of pallets at service centres and also from waste fibre at saw mills where the lumber from CHEP plantations is processed. This initiative alone can reduce the felling of up to 4,000 trees per annum.

CHEP South Africa's investment in its own lumber farms is providing security against both future supply shortages and major raw material cost increases, while conserving natural resources.



#### CASE STUDY: REDUCING CUSTOMERS ENVIRONMENTAL IMPACT

Tarmac, the leading supplier of heavy building materials in the UK, announced during the year that it will increase its use of CHEP pallets for distribution of its goods into the UK DIY market, further demonstrating the company's commitment to protecting the environment. Tarmac had been using white wood pallets to ship its Trupak products into retail customers' stores across UK and Ireland.

"Protecting the environment is a primary concern for Tarmac and we are confident that CHEP's pooling service, where equipment is continually reused across the supply chain, is not only more environmentally friendly than white pallet exchange, but also will deliver for us considerable improvements to the quality of our customer service," said Cliff Ogden, Director of Trupak, a division of Tarmac and the UK's largest supplier of pre-packaged building and decorative aggregates.

He added, "We are keen to minimise the impact of all our operations on the environment, preventing pollution and striving for continual improvement in our environmental performance, whilst working towards more sustainable operating practices."

“Not only is CHEP’s pooling model environmentally friendly, but also the robust quality of its pallets can handle our heavy building products, better than the alternative white pallets we have used in the past.”

By moving to CHEP’s pallet pooling service, which by its very nature is a greener alternative to one-way or white wood exchange, Tarmac will benefit from operational and pooling efficiencies and also contribute to the responsible use and conservation of natural resources.

Equally, Tarmac’s customers are reinforcing their commitment to green logistics by advocating CHEP equipment over the disposable or one way alternatives, which diminish lumber stocks and contribute to unnecessary waste disposal, creating a negative impact on the environment.