

Letter from the Chair & CEO

In FY21, Brambles played a critical role in keeping global supply chains open, enabling the flow of essential goods around the world. At the same time, the focus and agility of our people has allowed us to deliver on all of our financial commitments while laying the foundations for an ambitious future.

Towards a regenerative supply chain





Strong revenue growth and Underlying Profit leverage delivered in a challenging operating environment

Global supply chains have experienced significant disruptions since the COVID-19 pandemic began over a year ago. Our teams around the world have adapted to unprecedented changes in customer demands and network dynamics across our global operations. We are particularly proud of our service centre staff who have been on the frontline, working tirelessly to ensure global supply chains continued to function effectively, despite a range of COVID-19 and Brexit-related challenges.

During the Year, demand for our pallets was strong, yet volatile, as retailers and manufacturers responded to record levels of at-home consumption and increased their inventory levels to manage supply chain risk and consumer demand uncertainty. At the same time, our businesses were faced with high levels of lumber inflation, pallet availability challenges and ongoing scarcity of both labour and transport in all regions. These dynamics required a high level of agility across our operations to keep goods flowing through supply chains.

Against this challenging backdrop, we successfully completed our three-year US automation programme which has progressively added capacity to our US service centre network. In addition, our investments in US lumber and related procurement initiatives delivered efficiency and supply benefits in the period. Our teams in all regions continued to demonstrate commercial discipline, recovering cost-to-serve increases through pricing, surcharges, and underlying cost efficiencies across our network. The collective benefits of these actions offset cost increases during the Year, enabling us to meet all our financial commitments for FY21, including Group revenue growth with operating profit leverage, US margin improvement and strong Free Cash Flow generation to fully fund dividends and capital expenditure.

As a global leader in sustainability, we are also pleased to announce that in June 2021 we took our first critical step towards a regenerative business model by becoming a carbon neutral company, bringing the net CO₂ emissions derived from our own operations to zero. This is an important milestone in our decarbonisation journey; however, we acknowledge that the real challenge lies in the activities of our whole supply chain. We have started collaborative actions with customers, suppliers and external organisations to advance in our commitment for a 1.5°C future, aligned with the 2015 Paris Agreement.

With COVID-19 restrictions starting to ease around the world and developed countries entering the recovery phase of the pandemic, our priority remains the health and wellbeing of our people and being a reliable and responsible supply chain partner to our customers around the world.

Letter from the Chair & CEO continued

Foundations for an Ambitious Future

Brambles' purpose is 'to connect people with life's essentials, every day'. As we continue to contend with the challenges and complexities created by the COVID-19 pandemic this purpose continues to underpin our strategy, drive our endeavours, and motivate our people.

Brambles introduced the platform pooling model around the world. Our ambition now is to transform our business and reinvent pooling for the supply chains of tomorrow. We are investing to create new digital and data capabilities that will unlock additional value from our current platforms and networks, as well as creating new sources of value for our customers and shareholders.

As the global leader in sustainable logistics, we are committed to raising standards for customer experience, service quality, innovation and raising the bar for the whole industry. We are constantly seeking to improve asset and network productivity, with ongoing programmes of automation and process standardisation to enhance the efficiency and resilience of our operations. We are reinventing our organisation, technology, and processes to be simpler, more effective, and more customer focused. We call this ambition *Shaping Our Future*.

During the Year, we have undertaken a focused programme to accelerate *Shaping Our Future* and the transformation it will drive across our business. We have identified ambitious opportunities to improve customer value, operate more efficiently, and embed digitisation across Brambles.

Consequently, in FY22 we will be recognising increased investments in numerous initiatives, which are expected to drive a significant and sustainable uplift in shareholder value creation by supporting revenue growth with operating profit leverage and Free Cash Flow generation across the Group from FY23 onwards.

We are in the process of finalising our transformation plan and will be in a position to provide further information on specific initiatives, expected future financial outcomes and more specific guidance for FY22, including transformation programme costs, at our Investor Day on 13 and 14 September 2021.

To enable the delivery of our transformation and digital ambitions, we have created two new roles on the Executive Leadership team, with Craig Jones becoming the Group's Chief Transformation Officer and Helen Lane being appointed as the Group's Chief Data and Digital Officer. In addition, our Customer Experience transformation will be led by our Senior Vice President of Strategy and Innovation, Alasdair Hamblin (See biographies on pages 38 to 44).

Pioneering Regenerative Supply Chains

Our ambitions for the business would not be complete without recognising our responsibility to drive sustainability across global supply chains. The 2020s is the 'decade of action' on the United Nations Sustainable Development Goals and, as a global leader in sustainability and the backbone of supply chains all over the world, we believe we have a critical role to play. The time has come to transform how we get products to people. That is why we are setting the ambition to pioneer truly regenerative supply chains. It is about delivering life's essentials every day in a nature and people positive way, with reuse, resilience, and regeneration at its core. By getting to zero impact and beyond, we will be the company delivering the supply chains the world needs for the future.

To support this ambition, we launched our 2025 sustainability targets in September 2020, and we are pleased to announce that we have already started our journey towards regeneration. In addition to achieving carbon neutral status, we have made significant progress with our afforestation programme, investing in projects designed to grow the world's forest reserves while securing the essential supply of sustainable lumber for our operations into the future. More details about our sustainability performance and progress with our 2025 sustainability targets will be outlined in our 2021 Sustainability Review, that will be released in September 2021.

FY21 Performance

Notwithstanding significant challenges during the Year, our FY21 performance was above the upgraded guidance range provided to the market in February and reconfirmed in April 2021. At constant currency, sales revenue increased 7%, with volume and price realisation in the global pallets business and a progressive recovery in the Automotive business. Underlying Profit increased 8% at constant currency, reflecting increased contribution from pricing and surcharges, supply chain efficiencies and one-off net income of US\$10 million in the Asia-Pacific region. These contributions to profit more than offset input-cost inflation, higher asset charges in the US business and other operating cost increases, driven by changes in network dynamics and demand patterns due to COVID-19, Brexit and pallet availability challenges in the second half of the year. Excluding timing benefits which are expected to reverse in FY22, Free Cash Flow after dividends was US\$126.2 million, reflecting strong earnings, asset compensations and working capital benefits.



The capital management programme is now 78% complete

Dividend and Capital Management

Shareholders benefited from Brambles' strong performance in the Year, with the Board declaring total dividends for FY21 of 20.5 US cents per share, with the Australian dollar equivalent of 27.32 Australian cents per share. Further details of the FY21 dividend are on page 65.

In addition, Brambles continued to return IFCO sale proceeds to shareholders through the on-market share buy-back programme. At 30 June 2021, a total of 158 million ordinary shares have been bought back for a total consideration of A\$1,752 million. The capital management programme is now 78% complete and is expected to be completed in FY22.

Board Renewal

In line with our Board renewal plan, Tony Froggatt and Tahira Hassan will retire at the conclusion of the 2021 AGM after 16 years' and 10 years' service respectively. Both Tony and Tahira have made outstanding contributions to Brambles throughout their time on the Board and we thank them for their service. Recruitment for their replacements on the Board has been initiated and we expect to appoint two new directors over the course of the next six months. Full Board biographies are on pages 38 to 41. Details of our Board skills matrix are in the Corporate Governance Statement on brambles.com

Conclusion

On behalf of the Board, we would like to thank Brambles' shareholders for their continued support and the whole Brambles team for their hard work and dedication during the Year.

John Mullen

Chair

Graham Chipchase

Chief Executive Officer

