

30 June 2022

The Manager - Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir / Madam

BRAMBLES PLASTIC PALLET DECISION

Please see the attached announcement relating to the above.

Management will be hosting a briefing today, Thursday 30 June 2022 at 5:00pm (AEST). Interested parties can register for the briefing at <https://brambles.com/webcasts>.

The release of this announcement was authorised by a Committee of the Board.

Yours faithfully
Brambles Limited

Robert Gerrard
Chief Legal Officer & Company Secretary

Brambles announces decision not to participate in the potential transition to plastic pallets in Costco's US supply chain

Key highlights

- Brambles' decision not to proceed demonstrates its disciplined approach to capital allocation and has been informed by extensive trials over the past three years.
 - In the current market environment, the price premium and commercial terms required to offset higher total cost-to-serve and deliver an appropriate return for Brambles' shareholders were prohibitive for Costco and its suppliers. The higher cost-to-serve includes a 50% increase in the capital cost of a plastic pallet since September 2021.
 - Brambles continues to have a strong relationship with Costco and its suppliers and is committed to supporting them through any potential transition.
 - If a transition does occur independent of Brambles, it will likely be phased over multiple years and Brambles would seek to offset any associated financial and operational impacts through new business wins and transformation initiatives. Any wooden pallets released from the Costco system during a transition would be redeployed to new and existing customers, resulting in lower capital expenditure.
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Sydney – 30 June 2022: Brambles Limited today has confirmed it is unable to proceed with the investment in a plastic pallet pool for customers supplying to Costco Wholesale Corporation ("Costco") in the United States ("US"). This follows the announcement by Costco in 2019 of its intention to migrate all pallet usage in its supply chain to plastic pallets over time.

This decision has been informed by an extensive trial and associated analysis of plastic pallet economics. Brambles has developed an industry-leading plastic pallet, which complies with US fire regulations. Together with Costco, a more efficient operating model was also formulated, which delivers system cost efficiencies. However, these efficiencies will not be sufficient to cover the additional capital cost of a plastic pallet, which is approximately four times higher than a wooden pallet. Neither Costco or its suppliers were willing to agree to the required commercial terms and price premium to enable Brambles to meet its Return on Capital Invested ("ROCI") targets.

Commenting on the announcement, Brambles' CEO, Graham Chipchase said: "Our decision not to proceed demonstrates our disciplined approach to capital allocation.

"As the market leader, we have leveraged our scale and expertise to exhaust every operational and commercial lever to find a viable solution for Costco's supply chain in the current environment. The trial results confirmed the unique efficiencies in Costco's supply chain and sound operational foundations of a digitally enabled plastic pallet pool. However, in the current economic and market conditions, a conversion to plastic pallets was deemed commercially prohibitive by Costco's suppliers and, without adequate cost recovery, dilutive to Brambles' ROCI.

"Costco remains a highly valued retail partner in North America and we will continue to work closely with them as they assess the viability of other options to convert to a plastic pallet pool. We believe today's decision is the best course of action for our business as we concentrate on helping our customers through the current challenges across global supply chains.

"Our Shaping Our Future programme is progressing well and we remain confident that transforming our business will increase our competitive advantage, improve customer service and deliver strong shareholder returns. We continue to expect the improvement in Underlying Profit between FY21 and FY25 to be weighted to the CHEP Americas segment. The business is focused on appropriately responding to short-term cost pressures while investing to digitally transform the business and unlock significant efficiencies across its operations, delivering a step change in the value it provides to customers and shareholders."

Implications of a potential transition

While the likelihood, timing, and magnitude of Costco's transition to plastic pallets is currently unknown, Brambles makes the following comments about a potential transition:

- Conversion to plastic pallets and associated implications will likely be phased over multiple years;
- Any reduction in Costco volumes is expected to be replaced with new business wins. ~50% of the US market is currently addressable providing material opportunities for longer term growth. The intention is for this growth to be addressed progressively as wooden pallets are released from the Costco system and overall wooden pallet supply and availability improves; and
- It is expected any short-term transition costs (e.g. pallet relocation costs) and inefficiencies due to the loss of Costco volume will be mitigated through network efficiency and optimisation initiatives.

"Our business is well prepared for any transition scenario. While there will be revenue and profit implications associated with a transition, the investments we are making in automation will enable us to more effectively manage changes in network dynamics. If Costco flows do transition to plastic pallets, we anticipate an equivalent reduction in capital expenditure as we redeploy wooden pallets released from Costco's supply chain to service our existing customers and pursue new business growth.

"The current operating conditions, leading to high demand for wooden pallets while supply is limited, are not expected to change in the near-term and we therefore do not anticipate a shortage of demand for our pallets in the United States. As the leading pallet pooler in North America, we remain focused on working closely with our manufacturing and retail customers to navigate through the current challenges and realise opportunities to eliminate waste and make supply chains more efficient," Mr Chipchase said.

Further information

Investors:

Raluca Chiriacescu

Vice President, Investor Relations

+44 7810 658 044

raluca.chiriacescu@brambles.com

Media:

Sarah Pellegrini

Chief Communications Officer

+61 429 819 005

sarah.pellegrini@brambles.com

Brambles Limited (ASX: BXB) Under the CHEP brand Brambles helps move more goods to more people, in more places than any other organisation on earth. Its pallets, crates and containers form the invisible backbone of the global supply chain and the world's biggest brands trust Brambles to help them transport their goods more efficiently, sustainably and safely. As pioneers of the sharing economy, Brambles created one of the world's most sustainable logistics businesses through the share and reuse of its platforms under a model known as 'pooling'. Brambles primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries. The Group employs approximately 12,000 people and owns approximately 345 million pallets, crates and containers through a network of more than 750 service centres. Brambles operates in approximately 60 countries with its largest operations in North America and Western Europe. For further information, please visit brambles.com

Forward-Looking Statements: Certain statements made in this release are "forward-looking statements" – that is, statements related to future, not past, events. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", and similar expressions are intended to identify forward-looking statements. These forward-looking statements are not historical facts, but rather are based on Brambles' current beliefs, assumptions, expectations, estimates and projections. Forward-looking statements are not guarantees of future performance, as they address matters that are uncertain and subject to known and unknown risks, uncertainties and other factors that are beyond the control of Brambles, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Brambles cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the views of Brambles only as of the date of this release. The forward-looking statements made in this release relate only to events as of the date on which the statements are made – Brambles will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or events occurring after the date of this release, except as may be required by law or by any appropriate regulatory authority.