



## Corporate Governance Statement 2015

# Corporate Governance Statement

## Introduction

Brambles is a global provider of supply-chain logistics services and operates in more than 60 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 2015 (Year), by reference to the Australian Securities Exchange Corporate Governance Council Corporate Governance Principles and Recommendations, Third Edition (CGPR). During the Year, the Board believes Brambles met or exceeded all the requirements of the CGPR, and details of its compliance with the CGPR is set out in the Appendix 4G, lodged with the ASX on 20 August 2015. The information provided in this Corporate Governance Statement is current as at 19 August 2015 and has been approved by the Board of Directors.

The documents referred to in this Statement as being on Brambles' website are located in the Corporate Governance section of the Brambles website. Brambles' 2015 Annual Report is also posted on the Company's website at [www.brambles.com/annual-reports](http://www.brambles.com/annual-reports).

## 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 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 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 (see Sections 2.1.3, 4.1.4 and 8.1.3) 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.

#### 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;
- 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;
- The Group's risk management framework and systems of internal control and the conduct of a bi-annual review of the effectiveness of the risk management framework, including by a determination that it is properly identifying risks, the materiality of risks identified and mitigation steps for them;
- Changes to the Group's capital structure (other than changes resulting from established employee share plans);
- The Group's remuneration policy;
- The appointment of the Chief Executive Officer and Chief Financial Officer and, where appropriate, ratifying the appointment and termination of other senior executives and the company secretary;
- The Group's Diversity Policy; and
- The Board Skills Matrix.

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. Details of the Board Committees are set out in Sections 2.1, 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.

#### 1.1.3 Responsibilities of Executive Management

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 in Section 1.1.1. 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), which is a management committee.

The ELT has a range of responsibilities, which include:

- Reviewing business and corporate strategies;
- Implementing Brambles' strategic direction and ensuring its resources are well managed;
- 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 14 of Brambles' 2015 Annual Report.

### 1.2 Undertake Appropriate Checks

The Nominations Committee Charter (see Section 2.1.3) sets out the Board selection process. It includes a requirement for the Committee to cause appropriate checks to be carried out on Director candidates and for those checks to include the candidates' character, experience and education as well as any criminal record and bankruptcy history.

Notices of Meeting for Annual General Meetings (AGMs) contain all material information known to Brambles which is relevant to a decision whether or not to elect or re-elect a Director. Non-Executive Directors standing for election or re-election are required to provide details of their other commitments, an indication of the time involved and specifically acknowledge that they will have sufficient time to fulfil their responsibilities as Brambles' directors.

### 1.3 Written Agreements with Directors and Senior Executives

Formal letters of appointment, which are contracts for service but not contracts of employment, have been put in place for all Non-Executive

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Directors. The letters set out the key terms and conditions of their engagement, which include, among other things, expected time commitments, specifying that the Director should consult with the Chairman before accepting any additional commitments that may impact their role, expectations with regard to conduct that is in accordance with Brambles' corporate policies and, if appropriate, any special duties or assignments. The Non-Executive Directors' letters of appointment also set out their right to obtain independent advice (see Section 2.3.1) and 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.

A template letter of appointment for a Non-Executive Director is available on Brambles' website.

Senior executives, including the Chief Executive Officer, 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.

## 1.4 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, to whom the Company Secretary is directly accountable. The Company Secretary's biography is set out on Page 31 of Brambles' 2015 Annual Report.

## 1.5 Diversity Policy and Measurable Objectives

### 1.5.1 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; and
- 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;
- 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 diversity; and
- Progress towards achieving those objectives.

The Remuneration Committee also monitors remuneration by gender relativities (see Section 8.1.3).

### 1.5.2 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 enable the Company to have 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.

Brambles originally adopted gender diversity objectives in 2011. As a consequence of the acquisition and integration of the IFCO, Paramount Pallet and CHEP Aerospace Solutions businesses, these objectives were revised in 2012. The measurable objectives subsequently adopted by the Board were for women to represent 30% of its Board and ELT by 30 June 2015 and 30% of management positions by 30 June 2018. Management is defined as the positions of manager, director, vice president and senior vice president grades. With the exception of the ELT, broadly speaking, each of these grades reports to the grade immediately above it in the table in Section 1.5.3. All members of the ELT, except the CEO, report to the CEO.

The objective of having women represent 30% of Board positions by 30 June 2015 was achieved in 2014. This objective has been reviewed and was considered to remain appropriate. In addition, during the Year, due to the stability of the ELT since 2012 and because it was unlikely new roles would be added to the ELT in the short term, the objective of having women represent 30% of ELT positions has been revised to 30 June 2018. The objective of having women represent 30% of management positions by 30 June 2018 was reviewed and affirmed during the Year.

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## 1.5.3 Gender Diversity Reporting

As at 31 July 2015, women comprise 33% of Brambles' Board and 24.5% of its management. In calculating these percentages, Brambles included each permanent employee on the payroll but excluded casual employees and contractors.

The composition of Brambles' Board and executive population by management grade against the objectives referred to in Section 1.5.2, at 31 July 2014 and 31 July 2015 was as follows:

	2018 Objective <sup>1</sup>	% Females at 31 July 2015	% Females at 31 July 2014 <sup>2</sup>
Board	30%	33%	30%
Executive Leadership Team	30%	14.3%	14.3%
Senior Vice President	30%	24.0%	25%
Vice President	30%	10.0%	10.9%
Director	30%	23.4%	21.6%
Manager	30%	25.4%	25.7%

## 1.6 Performance Evaluation of Board, 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 external evaluation of its performance and the performance of each of its Committees and each Non-Executive Director (the performance of the CEO was carried out under the senior executive performance process, see Section 1.7). The review was conducted by an independent consultant. It involved the completion of a detailed questionnaire by each of the Directors and selected Brambles executives on matters relevant to the Board's, Committees' and each Non-Executive Director's performance. This was followed by an in-depth interview conducted by the consultant with each Director and executive.

A report on the results from the questionnaires and interviews as they related to the Board and each Committee was prepared by the consultant and provided to the Board and each Committee. The findings in the report were reviewed and discussed by the Board and Committees.

The results of the evaluation of the performance of each Non-Executive Director arising from the questionnaires and interviews were provided by the consultant to the Chairman. A private meeting was held between the Chairman and each Non-Executive Director to review his or her performance evaluation. The Board reviewed the results of the Chairman's evaluation.

Non-Executive 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, the outcome of their evaluation as outlined above and the contribution of their individual skills and experience to the desired overall composition of the Board and the Board's skills matrix (see Section 2.2).

## 1.7 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.

## Principle 2: Structure the Board to Add Value

The Brambles Board consists of nine members, with one Executive Director (the Chief Executive Officer) and eight Non-Executive Directors. While the Board considers that its current composition broadly reflects an appropriate balance of Executive and Non-Executive Directors, the Board has decided, as part of its annual review of the Board's Skills Matrix (see Section 2.2) and as a consequence of the retirement of Doug Duncan, that its skill-set could be enhanced by adding a Non-Executive Director with experience in one or more of the retail, transport and supply chain industries. An external consultant has been engaged to assist in identifying suitable candidates to fill that role.

The table on Page 5 sets out the names of the Directors in office at the date of this Statement, the years of their appointment and, where applicable, their most recent election by shareholders, their status as Executive or Non-Executive Directors, whether they are independent and when they are next due for re-election.

## 2.1 Nominations Committee

### 2.1.1 Objective

Brambles has a Nominations Committee whose objective is to support and advise the Board in fulfilling its responsibilities to shareholders for the Board to be comprised of individuals who are best able to discharge the responsibilities of Directors.

### 2.1.2 Composition

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 Stephen Johns (Committee Chairman), Tony Froggatt and David Gosnell (from 1 October 2014). Brambles former Chairman, Graham Kraehe was Chairman and a member of the Nominations Committee until 30 September 2014 (when he retired from the Board) and Stephen Johns became Chairman on 1 October 2014.

Details of Nominations Committee meetings held during the Year, and attendance at those meetings, is set out on Page 32 of Brambles' 2015 Annual Report.

### 2.1.3 Nominations Committee Charter

The Nominations Committee has a Charter, a copy of which is on Brambles' website. The Charter sets out details of the Committee's duties and responsibilities. These include:

- 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 of Brambles, both executive and non-executive, with a view to ensuring the continued ability of Brambles to compete effectively;

<sup>1</sup> The objective of having women represent 30% of Board positions by 30 June 2015 has been achieved.

<sup>2</sup> The percentages for senior vice president, vice president, director and manager exclude the employees of IFCO Latin America which had not then completed the banding classification process into those categories.

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- 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;
  - 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 1.5.1) and the diversity objectives adopted by the Board from time to time; and
  - Appropriate checks to be carried out on candidates and for the checks to include the candidate's character, experience, education, criminal record and bankruptcy history;
- 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.

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.

### 2.2 Board Skills Matrix

The biographies for each of the current Directors are on Pages 12 and 13 of Brambles' 2015 Annual Report. These 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.

Brambles first adopted a Board Skills Matrix in 2011. The Nominations Committee conducts an annual review of that matrix and, if necessary, makes recommendations to the Board on any changes which should be made to it (see Section 2.1.3). The Nominations Committee conducted such a review during the Year and recommended to the Board that no changes to it were required. The Board subsequently reviewed the matrix and adopted the Nominations Committee's recommendation.

The following table summarises the Board Skills Matrix and the skills and experience of the Directors. A copy of the full pro-forma Board Skills Matrix is on Brambles' website.

Skill and Experience	No. of Directors	
Functional	Finance	6
	Accounting	4
	Operations	6
International Management	Americas	6
	Europe	6
	Asia	4
Industry	FMCG	4
	Logistics	3
	Retail	3
Public company experience	Australia	7
	International	6
Institutional Investor Profile	Australia	7
	International	2
Board history (other than Brambles)	Chairman	1
	Committee Chairman	4
	Non-Executive Director	7
Experience as Pooling Customer		4

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### 2.3 Independent Directors

#### 2.3.1 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.

#### 2.3.2 Independent Directors

The Board has considered the independence of each of the Directors in office as at the date of this Statement 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 2.3 of the CGPR. It noted that two of those matters exist in relation to three of its Directors.

#### Substantial Shareholder

Carolyn Kay was, until March 2015, and Brian Long is a director of the Commonwealth Bank of Australia (CBA), which, during the Year, was a substantial shareholder of Brambles holding between 6.35% and 8.62% of its issued share capital. The Board does not consider that Carolyn Kay's previous, or Brian Long's current 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 11 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 and its complex business models.

The Board is of the view that throughout his tenure Mr Johns has made a significant contribution to the general work of the Board, during his tenure as Chairman of the Audit Committee and as a member and then as Chairman 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 in his role as Chairman, which he commenced on 1 October 2014.

The Board considers that Mr Johns has always maintained absolute independence as a Non-Executive Director and, from October 2014, as Chairman of Brambles 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.

Name	Year appointed <sup>3</sup>	Year last elected	Executive or Non-Executive	Independent	Next due for election/re-election
C Cross	2014	2014	Non-Executive	Yes	2017
T Froggatt	2006	2013	Non-Executive	Yes	2016
T Gorman	2009	2010	Executive	No	N/A <sup>4</sup>
D Gosnell	2011 <sup>5</sup>	2013	Non-Executive	Yes	2016
T Hassan	2011	2014	Non-Executive	Yes	2017
S Johns	2004	2014	Non-Executive	Yes	2017
C Kay	2006	2012	Non-Executive	Yes	2015
B Long	2014	2014	Non-Executive	Yes	2017
S Perkins <sup>6</sup>	2015	N/A	Non-Executive	Yes	2015

<sup>3</sup> For the purposes of this table, the year appointed is the year the relevant Director was first elected to the Boards of Brambles or Brambles Industries Limited and Brambles Industries plc, as the case may be.

<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 also served as a Director from 2006 to 2010, and re-joined the Board in 2011.

<sup>6</sup> Appointed to the Board since the last general meeting. Will stand for election for the first time at the 2015 AGM and, if elected, will be due for re-election at the 2018 AGM.

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## 2.3.3 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.

## 2.4 Majority of Board Independent

The table on Page 5 and the discussion at Section 2.3 shows that the Board has a majority of independent Directors.

## 2.5 Independent Chairman

The Board has concluded that the Chairman, Stephen Johns, is independent and that his other positions do not prevent him from devoting sufficient time to perform the role effectively. The Board does not, therefore consider it necessary to appoint a lead independent Director.

The Chairman 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 facilitating the effective contribution of Non-Executive Directors. The Chairman is also responsible for fostering constructive relations between Executive and Non-Executive Directors.

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 consider appropriate.

The roles of Chairman and Chief Executive Officer are exercised by two different individuals and are clearly documented (see above and Section 1.1.3). The Chairman does not have a history of employment with Brambles.

## 2.6 Induction and Professional Development

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.

## Principle 3: Act Ethically and Responsibly

### 3.1 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. It 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.

The Code applies to all Brambles' directors, officers and employees and requires them 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.

The Code of Conduct adopts the following policies, which are set out in schedules to the Code:

- 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 Code of Conduct has been translated into 20 languages, representing the principal languages in all countries where Brambles conducts business.

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 (see the Sections of this Statement on Principles 5 and 6).

## Principle 4: Safeguard Integrity in Corporate Reporting

### 4.1 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 Objective

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 Brambles' website), taking into account relevant legal and ethical guidance regarding the provision of non-audit services by the external auditors;
- Reviewing the effectiveness of the management of the Group's material risks; and

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- 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.

## 4.1.2 Composition

The Audit Committee has four members and is chaired by Brian Long, an independent Non-Executive Director.

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

The members of the Audit Committee as at the date of this Statement are: Brian Long (a member of the Committee throughout the Year and Chairman of the Committee from 1 October 2014), David Gosnell, Carolyn Kay and Scott Perkins (from 16 June 2015). Stephen Johns was a member of the Committee and its Chairman until 30 September 2014, when he retired as a member of the Committee upon his appointment as Chairman of the Board. Doug Duncan was a member of the Committee until 20 February 2015, when he retired from the Board.

Details of the number of Audit Committee meetings held during the Year, and attendance at those meetings, are set out on Page 32 of Brambles' 2015 Annual Report.

## 4.1.3 Technical Expertise

The qualifications and experience of the current members of the Audit Committee are set out in their respective biographies on Pages 12 and 13 of Brambles' 2015 Annual Report.

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

## 4.1.4 Charter

The Audit Committee has a Charter, a copy of which is on Brambles' website. The Charter, which is reviewed annually, sets out the Committee's 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.

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

- Reviewing 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.

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.

## 4.2 CEO and CFO Declaration

Prior to approving Brambles' financial statements for each half and full-year reporting period, the Board receives a declaration from the Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial records of the Brambles Group have been properly maintained and that the financial statements for the applicable reporting period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Brambles Group. The declaration also provides that the opinion is founded on a sound system of risk management and internal control and that the system is operating effectively.

## 4.3 External Auditor

PricewaterhouseCoopers has been engaged by the Board to act as external auditor to Brambles since the 2002 financial year. The Lead Audit Engagement partner is formally invited to attend the Annual General Meeting and provided with a copy of the Notice of Meeting and all other communications relating to the meeting that Brambles' shareholders receive. The Lead Audit Partner will attend the 2015 AGM and be available to answer any questions from shareholders related to the audit process.

## Principle 5: Make Timely and Balanced Disclosure

### 5.1 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. The Policy is a Schedule to the Code of Conduct, a copy of which is on Brambles website.

In relation to Brambles' continuous disclosure obligations, the Policy:

- Reinforces Brambles' commitment to the continuous disclosure obligations imposed by law;
- Sets out the processes Brambles implements to ensure matters which may have a material effect on the price of value of Brambles shares are reported to the Chief Executive Officer;
- Sets up a Disclosure Committee (comprising the Chairman or in his absence the Audit Committee Chairman or in his absence a Non-Executive Director), the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and Group General Counsel to manage compliance with the Policy; and
- Outlines 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.

## Corporate Governance Statement – continued

To achieve the above objectives and satisfy regulatory requirements, the Brambles 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. 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; and
- Brambles' website contains further information about Brambles and its activities, including copies of recent interim and annual reports and webcasts and slides of all significant presentations to analysts and investors.

### Principle 6: Respect the Rights of Security 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 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 Brambles' Website

Brambles' website contains detailed information about the Company, its businesses and their respective operations and its governance practices. It contains the information listed in the commentary on this recommendation in the CGPR.

#### 6.2 Investor Relations Program

Brambles has a structured investor relations program.

Brambles follows a calendar of regular disclosure of its financial and operational results. The Investor Centre page on Brambles' website includes advance notice of the dates for the release of half-year and full-year results, other financial information, shareholder meetings and major analyst and investor briefings. Brambles webcasts all significant briefings and retains these webcasts and transcripts on its website.

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.

Brambles posts a copy of all announcements made to the ASX on its website. On release, significant announcements are highlighted in the News Updates area on the website's homepage. These announcements are also made available in public channels such as Twitter and LinkedIn.

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.

The Chairman meets major investors from time to time 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

attend meetings with major investors from time to time. The Chairman reports to the Board on the matters discussed at meetings with major investors and copies of relevant correspondence are provided to the Board. Executive management provides information on shareholder activity and trading to the Board, along with shareholder feedback and copies of analysts' reports.

#### 6.3 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.

#### 6.4 Electronic Communications

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.

### Principle 7: Recognise and Manage Risk

#### 7.1 Overseeing Risk Management Framework

The Board is responsible for overseeing Brambles' risk management framework but has delegated part of that responsibility to the Audit Committee.

The Board:

- Is responsible for approving and reviewing the effectiveness of the Group's system of internal control and risk management;
- Conducts a bi-annual review of the effectiveness of the Group's risk management framework which includes determining that it is properly identifying risks, their materiality and mitigation steps for them; and
- Conducts an annual review of the Group's insurance programme.

The Audit Committee is 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.

The Board and Audit Committee are supported in their respective roles by management (in particular by the Chief Executive Officer, through the ELT, and the Group Vice President Risk & Assurance), and the Group's internal audit function.

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;

## Corporate Governance Statement – continued

- 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. From the commencement of the Year, this includes material economic, environmental and social sustainability risks (see Section 7.4). 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 Risk & Assurance. The ELT, through the Chief Executive Officer, prepares a risk report to the Board twice yearly, which includes a review of the Group's risk profile, mitigation factors, economic, social and environmental sustainability risks and emerging risks.

A description of the nature of the Group's material risks and how those risks are managed is set out in the Strategy Scorecard and in Section 5.2 of the Operating & Financial Review on Page 2 and Pages 4 and 5 of the Brambles' 2015 Annual Report.

### 7.2 Review of Risk Management Framework

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

- Receiving and critically reviewing twice-yearly reports from the ELT on the effectiveness of the Group's internal control and risk management framework;
- 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 written assurances from the Chief Executive Officer and Chief Financial Officer, as described in Section 4.2;
- Conducting an annual review of the Group's insurance program; and
- Receiving reports from the Audit Committee, which has a responsibility to assist the Board in reviewing internal financial controls.

### 7.3 Internal Audit Function

Brambles has an internal audit function which is independent of the external auditor and management. 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.

### 7.4 Sustainability Risks

From the commencement of the Year, the identification, assessment and adoption of mitigation plans for material economic, environmental and social sustainability risks was incorporated into the Group's risk management framework. The RCCs, as a part of their regular review of their respective risk profiles and material risks, identify, assess and, if applicable, adopt mitigation plans for economic, environmental and social sustainability risks. Any such risks, and their associated mitigation steps,

are included in the twice yearly report from the ELT to the Board (see Section 7.2).

A description of the nature of the Group's material economic, environmental and social sustainability risk and how those risks are managed is set out in Section 5.3 of the Operating & Financial Review on Page 5 of Brambles' 2015 Annual Report.

## Principle 8: Remunerate Fairly and Responsibly

### 8.1 Remuneration Committee

Brambles confirms that, in accordance with ASX Listing Rule 12.8, it has had a Remuneration Committee throughout the Year.

#### 8.1.1 Objective

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 Corporations Act.

#### 8.1.2 Composition

The Remuneration Committee is comprised entirely of Non-Executive Directors, all of whom the Board considers to be independent. The members of the Committee are: Tony Froggatt (Chairman), Christine Cross, Tahira Hassan and Stephen Johns (from 1 October 2014). Graham Kraehe was a member of the Remuneration Committee until 30 September 2014 when he retired from the Board.

Details of the number of Remuneration Committee meetings held during the Year, and attendance at those meetings, are set out on Page 32 of Brambles' 2015 Annual Report.

#### 8.1.3 Charter

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

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;

## Corporate Governance Statement – continued

- 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;
- 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; 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.

### 8.2 Remuneration Policy

Details of Brambles' remuneration policy can be found in the Directors' Report – Remuneration Report on Pages 17 to 18 and 25 of Brambles' 2015 Annual Report. The policy provides for a clear distinction between the structure of Non-Executive Directors' remuneration and that of the Executive Directors and executive management. For example, Non-Executive Directors do not receive performance or equity based remuneration and do not receive retirement benefits other than superannuation.

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 Director(s) and the Chairman of Brambles, with the other 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. 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 Policy on Limiting Economic Risk of Equity Based Remuneration

Brambles' Securities Trading Policy sets out its policy on hedging its equity-based remuneration. It provides that senior executives may not enter into any hedging arrangements or acquire financial products (such as equity swaps, caps and collars or other hedging products) over unvested equity awards which have the effect of reducing or limiting exposure to risks associated with the market value of Brambles shares. It also prohibits senior executives from using Brambles shares as security for loans, including margin loans.

The Securities Trading Policy is a Schedule to Brambles' Code of Conduct, a copy of which is on the Company's website.