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BXB.AX - Brambles Limited Annual General Meeting

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CORPORATE PARTICIPANTS

Graham Kraehe *Brambles Limited - Chairman*

Tom Gorman *Brambles Limited - CEO*

Luke Mayhew *Brambles Limited - Non-executive Director*

Doug Duncan *Brambles Limited - Non-executive Director*

David Gosnell *Diageo - President of Global Supply Chain*

Tahira Hassan *Brambles Limited - Non-executive Director*

Tony Froggatt *Brambles Limited - Non-executive Director*

Stephen Johns *Brambles Limited - Non-executive Director*

Sarah Carolyn Hailes Kay *Brambles Limited - Non-executive Director*

Brian Martin Schwartz *Brambles Limited - Non-executive Director*

CONFERENCE CALL PARTICIPANTS

Mary Curran - *Shareholder*

Jack Tilburn - *Shareholder*

Noel Levy - *Shareholder*

PRESENTATION

Graham Kraehe - *Brambles Limited - Chairman*

Good afternoon, ladies and gentlemen. Can you hear me up the back fine? Yes, thank you. My name's Graham Kraehe and I'm your Chairman. It's my pleasure to welcome you today and to declare the Brambles 2012 AGM open.

There are copies of the annual review and notice of meeting on your seats and copies of the minutes of our last AGM are out in the registration area. With your agreement I propose to take the notice of meeting as read. If you're happy with that, thank you.

I now wish to introduce your directors. On my far left Tony Froggatt, Brian Schwartz, Tahira Hassan, Tom Gorman, Chief Executive Officer, and on my far right we have Doug Duncan, David Gosnell, Carolyn Kay -- I'm a bit fast to give you a chance to say hi, aren't I? Sorry, I'll slow down. Stephen Johns, Chair of the Audit Committee, Luke Mayhew, Chair of the Rem Committee and, on my left, next to Tom, is Zlatko Todorovski, who is our new CFO, who's been with us all of three days or four days now.

On my immediate right is our Company Secretary, Robert Gerrard. Paul Bendall from our external auditors, PWC, is in the audience, in the front row, as is Mark Dow, and they're available for any shareholders who wish to ask them any questions.

Also we have our outgoing Chief Financial Officer, Greg Hayes. He's in the audience, also in the front row. He'll be with us until March next year (technical difficulty) voting cards in the ballot boxes by the exit doors. I'll explain the voting procedure a bit later, when we reach the formal part of the meeting.

After I've spoken I'll hand over to the CEO to provide a detailed update on trading and on strategy. (Technical difficulty) I'll then respond to shareholder questions, before we move on to the formal items of business.



So if I can say to you that I think the annual report has summarised it very well, but the last year, 2012 financial year, has been a year of challenging economic conditions. Notwithstanding that, we delivered financial results in line with our guidance, and I think that demonstrated considerable momentum in our growth strategy.

We had sales growth of 20%, to \$5.6 billion, and that was driven by our ability to add new customers in established markets, expand strongly into new segments and regions. There was full 12 month contribution from the IFCO business, which we acquired in March 2011.

At the same time Brambles' underlying profit was just over \$1 billion, and that reflected a growth of 18% or, when you normalised it for the impact of the IFCO acquisition, it was about 9%; still a very healthy growth rate. Again, I think this was a clear demonstration of our resilience and our ability to drive continued growth at the same time as we continue to invest in the future and in improving our underlying business.

We pay our final dividend at AUD0.13 per share today. That's at an increased franking rate of 30%. Total dividends declared for the 2012 financial year were AUD0.26 per share, the same as in the 2011 financial year.

I think many of you, as shareholders, ladies and gentlemen, know that our focus is on generating value for all our stakeholders, you, our shareholders, as well as our valued customers, our hard working employees and on continuing to generate strong returns today while, at the same time, we invest in future growth.

Our growth strategy focuses on the (technical difficulty) expansion of our pooling solutions operations. That is provision of reusable pallets, crates and containers across a range of industries and under the brands of CHEP, which you know very well, and IFCO, which is newer to our Group.

These operations offer opportunities for strong rates of growth and superior rates of return on capital over the long term. I believe Brambles is uniquely positioned to exploit these opportunities because of its unrivalled expertise, customer relationships and networks, which is really our competitive advantage.

We've organised the Company to deliver this strategy by regrouping our operations into three segments. Reusable plastic crates, or RPCs, which serve the fresh food sector, pallets, which are, predominantly, serving the food, consumer goods and general manufacturing sectors, and the new group containers, which houses a number of specialist businesses serving manufacturing, automotive, aerospace and chemical refining sectors.

The new organisation structure aligns with the way we engage with different customers, enabling us to operate more strategically and evaluate opportunities for growth and development within those three segments, while providing greater levels of transparency into our particular operations.

There have been questions about Recall, and I'd like to spend a little bit of time on the divestment process which we undertook during the year, which was really for Recall -- our remaining non-pooling solutions business; information management being its key activity. After that I'll go on to discuss some broader governance issues, before handing over to the CEO to talk about the implementation of our strategy and our trading performance for the first three months of this financial year.

So, turning to Recall, it's a strong business and it's delivered consistently improving returns over recent years. People remember that three, four, five years ago it was an underperformer; but it is now a strong business and it's been improved quite considerably. So our decision to undertake a divestment process reflected our focus on growing the pooling solutions business because of the stronger long term return profile on those operations.

When we confirmed our intention to proceed with the Recall process -- and that was at last year's AGM -- we believe we could obtain a clean uncomplicated sale of Recall, and to do it at a price that reflected our analysis of its quality, its potential and, particularly, the value to you, the shareholders.

In June, after what were very volatile capital market conditions that made it harder for potential buyers to secure appropriate funding, we finally concluded we wouldn't achieve appropriate value for Brambles' shareholders from the sales process and, therefore, it was in Brambles' best interest to abort the sales process, which we did.



As a result of the cancellation of the Recall divestment process in June '12 we carried out a fully underwritten 1-for-20 pro rata accelerated entitlement offer, raising AUD448 million. That rights issue is simply an issue that gives retail shareholders exactly the same opportunity to participate as institutional shareholders.

Importantly though the rights issue would not have been necessary if we had sold Recall, but it was consistent with our original funding strategy for the acquisition of IFCO back in 2011, under which we intended to raise equity by carrying out underwritten dividend reinvestment plans for 2011 and 2012, three of them.

We cancelled that DRP program in August 2011 because we expected that we were going to be able to sell Recall. When we determined we would withdraw it from the market we needed to replace those funds. Importantly, for you, the shareholders, I think this raising of equity was necessary to make sure that Brambles maintained its credit ratings, and we, as a Board, felt very strongly the Company of the quality of Brambles should have a very strong credit rating, and we wanted to maintain that, particularly in markets that are as volatile as they are at the moment. Of course, those ratings provide the Company with funding flexibility and give us the ability to raise funds, even in difficult market times.

I want to now discuss Board composition and governance in more detail because I think this is particularly relevant this year as we have an unprecedented seven directors standing for election or for re-election.

As you know, Brambles is one of Australia's most international companies. Our Pooling Solutions business, under CHEP and IFCO brands, operate in more than 50 countries, but our network of local and international customers extends even further, to more than 70 countries. While we employ, directly, around 17,000 odd people, the majority of more than our 600 service centres around the world are outsourced to third party contractors; meaning the total number of people engaged in employment as a result of our operations network is far higher than that.

The global nature of the Business, the scale and complexity of the Business, with 90% of the revenue coming from outside Australia, makes it important for the Board to meet outside this country. Typically, we do that three times a year.

As an example, during the 2012 financial year the Board met in Toronto, home to CHEP Canada, and Brambles' fifth largest country by sales revenue. We met in Zurich, Switzerland, which is home of IFCO's largest RP service centre, and also headquarters of the new CHEP Aerospace Solutions business. Next month the Board will meet in Istanbul in Turkey, which is the headquarters of CHEP Central and Eastern Europe business, which grew sales last year by 37% on a constant currency basis. Interestingly, I think, the focus of the Istanbul meeting will be on emerging market strategy; how can we accelerate entry into some of these very fast economies?

What is important, I think, though is that each of these offshore meetings the Board engages with local employees, often over a cup of coffee at lunch time, a barbecue. We engage with local management and with key customers. It's therefore essential the Board has the appropriate experience in supply chain, in logistics, in the consumer goods and retail sectors, together with an appropriate geographic spread, to reflect our customer base.

During 2012 we strengthened the Board by appointing three new directors. David Gosnell returned and we welcomed Tahira Hassan and Doug Duncan. David, Tahira and Doug are already making a strong contribution to the Board. They'll introduce themselves to you a little later.

Our outgoing Chief Financial Officer, Greg Hayes, has stepped down from the Board and, on behalf of the Board, Greg, we thank you for your outstanding contribution over the past three years with Brambles.

On a much less positive note, and a very sad note, I need to say to you that we had, during the year -- despite our zero harm policy -- two employee fatalities within the Group. One occurred in the USA in June 2012. The earlier one, our Alfredo Ruiz warehouse assistant in CHEP's Catalyst & Chemical Containers business in Houston, Texas, suffered a serious injury while at work in October, but he didn't recover from that injury, and he passed away in June 2012. We also suffered the loss in June 2102 of Roland Haggins, an employ at a Recall facility in Landover near Maryland, as a result of a building collapse at that site.

These events are deeply regrettable, and although our overall safety performance across the Group has improved and continues to improve, the fatalities are totally inconsistent with our philosophy of zero harm, and they take away all the positives of our ongoing safety performance. So the Board has renewed and refocused its activities around the safety process and, indeed, on Monday we spent half a day at Erskine Park, here in Sydney, at a CHEP centre, focused entirely on safety, safety audits, safety processes.

The Board also continues to take an active role in the progression of our sustainability strategy and targets, in line with our belief that the long term delivery of value to all our stakeholders requires that we operate our businesses in a sustainable manner. I really would encourage you to review the sustainability section on the Brambles' website and our online annual review for more information.

Ladies and gentlemen, I'm pleased to reiterate that the 2012 financial year and financial results were successful for Brambles as we delivered our short term financial objectives, and we made great progress with the implementation of our growth strategy, and we invested further in the future.

Challenges remain, of course; not least the tough economic conditions in some of our largest markets of operation. Really, I believe Brambles is in a strong position, not only to weather those challenges, but also continue to prosper, despite the economic head winds, and to accelerate growth when conditions improve. I'd like to thank you and all our other shareholders for your ongoing support, our employees worldwide, Tom and his management team and, of course, my fellow Directors.

I'd now like to hand over to your CEO, Tom Gorman. Thank you.

Tom Gorman - Brambles Limited - CEO

Well, thank you very much, Graham. I appreciate that. Ladies and gentlemen, last year when I addressed you I discussed in some detail our growth strategy, which is aimed at developing our pooling solutions operations into more customer segments, expanding our range of products and services and driving growth in emerging and underpenetrated markets.

At this AGM, which is now my fourth as your CEO, I will review the achievements of the 2012 financial year. I'll also provide an overview of how we are tracking and executing our growth strategy and provide a trading update, following the first three months of the fiscal year 2013.

I'm very pleased to say that for the 2012 financial year we delivered our sales and profit growth targets, as we did the previous year. Now, a key component of our success is the strength of our established pooling networks and the market positions that we have developed over many years, as well as the relatively defensive nature of most of our earnings. That is because the majority of our revenue comes from customers in the consumer staples or other defensive sectors.

Also our strategy of diversifying our product and service range and expanding into new and underserved geographies is allowing us to continue to deliver superior growth despite the lacklustre prevailing economic conditions around the world.

Our 2012 underlying profit result of \$1.010 billion translated to \$1.060 billion at 30 June 2011 foreign exchange rates. Now, this number was within the guidance range which we provided at those exchange rates at last year's AGM.

We delivered constant currency sales revenue growth in all of our operating segments. This, again, was in line with our publicised targets. We met or exceeded our sales growth targets in the areas in which we are making key investments. These areas include the RPCs and Container segments and our emerging market, Pallets operations.

We also delivered the first \$20 million of combined efficiencies and synergies from the integration of the IFCO acquisition and the establishment of a centralised global management of operations and logistics in our Pallets segment.

In addition, the business improvement program, which we launched for CHEP USA in October 2009 -- this program is better known as Better Everyday -- it continued to deliver improved quality outcomes and higher rates of customer satisfaction in that business, and it did it at greater levels of efficiency.

As the Chairman has already discussed, we were not able to deliver the intended outcome to the Recall sale process. That business, however, continued to deliver improved operating results in the year and it remains a strong operation with great people and an outstanding customer base. We are confident that Recall will continue to generate value for all shareholders as part of the Brambles Group.

The strong performance of our businesses has enabled us to enter the 2013 financial year with confidence, despite the fact that we still do not anticipate that the global economic conditions will be much better this year than they were in 2012. We have again forecasted constant currency sales revenue growth in all segments, including, for the second year, growth of 15% in the RPC segment and in emerging markets and, again, the doubling of combined sales revenue in the new parts of our Container business.

We expect Recall to grow its sales revenue at underlying profit margins which will be, broadly, comparable to the improved margins Recall delivered in the 2012 financial year. We will continue to deliver efficiencies from the IFCO integration, global Pallets organisation, and the Better Everyday program, and we are targeting underlying profit growth between 4% and 10% in FY13.

At 30 June 2012 foreign exchange rates this performance equates to between \$1.010 billion and \$1.070 billion of underlying profit. Now, we expect to deliver this growth at the same time as we are committing an additional \$25 million of operating expenditures on business development. This is, predominantly, in the Containers segment and in emerging markets to support our pre-existing capital investment programs.

I would now like to share with you some more detail of how we are actually organising to deliver our strategy. As set out in the strategic scorecard in our annual report and our annual review we are implementing this growth strategy along four key themes of value creation. Now, these themes are diversification, cost leadership, go to market and people and leadership.

Now, I would encourage all of you to review the progress report that is published in our online annual review, and that was published last month. I would, however, like to take the opportunity today to discuss each of these in a bit more detail. I'll start with diversification.

This is the first of our four themes, and it is really at the heart of our strategy of growing our pooling solutions business by expanding into more customer segments, broadening our range of products and services, including growth in emerging markets.

The growth in these areas in 2012, and the continued growth that we're forecasting for 2013, demonstrates the strong momentum that we have in this area. All the areas we are targeting key characteristics. These characteristics include the following -- a common platform that's used by multiple customers, assets -- and what we mean by assets here are pallets, crates and containers -- our assets flow freely amongst our customers. The ownership of those assets is not a competitive differentiator for our customers. That means that outsourcing the management for our customers makes sense.

Pooling those assets can create a network advantage through increased efficiency, and expert management of that network can generate superior economic profit for the pooling service provider, and that would be CHEP and IFCO.

Now, these common characteristics enable us to apply the unique intellectual property that we have from our established operations around the world. Importantly, our analysis shows that each of our new initiatives offers a compelling market opportunity that we are uniquely placed to develop and add scale -- we believe will deliver superior long term pre-tax return on capital in excess of 20%.

Now, our second theme is cost leadership. By this we mean delivering a low cost business model that leverages our global scale to create sustainable competitive advantage for Brambles and its customers. The delivery of efficiencies through the integration of IFCO and our creation of the global operations, logistics and marketing functions in the Pallets group, for which the combined efficiency target, by the end of 2015 financial year, is \$100 million, reflects this theme.

In addition, we are focusing on capital efficiency; in particular, in relation to examining ways to reduce loss rates, reducing the damage on our assets and increasing the cycle time for our assets.



Now, our third theme is about investing and enhancing and developing the way in which we go to market. We plan on doing this by strengthening our brand position and continuing to enhance the customer experience through improved quality of our products and services. Again, in 2012 we made significant progress in this area.

For example, we have streamlined and accelerated our product development efforts by linking them much more closely to our customer engagement programs and our innovations processes. We have now implemented a standardised go to market approach for our commercial teams to drive improved quality and efficiency in how we interact with our customers. We now have set up a dedicated global accounts team for our largest global customers.

The other of our four key themes is around people and leadership. This is very much around attracting, developing and retaining the right individuals and teams that can enhance our culture and bring the required capability for sustainable long term success. The appointments to our executive leadership team from outside Brambles of individuals such as Jean Holley, our Chief Information Officer, Jason Rabbino has been appointed to the newly created role of Group President for Containers, and Zlatko Todorovski, as our new CFO, are a key facet of this strategy of attracting outstanding individuals.

I'm also extremely proud to see the continued promotion and success in leading operation roles of high potential individuals from within our Company as this reflects our continued investment in developing our own people; not the least through our ongoing relationship with CEDEP. Now, CEDEP is the European Centre for Executive Development. It's based on the INSEAD Business School campus in Fontainebleau France.

Now I'll move on to the trading update. For the first three months, to the end of September of 2012, we released this earnings update to the Australian Security Exchange earlier this morning. I'm very pleased to report that our sales revenue for this period was \$1.425 billion. Now, this reflects growth of 3% or 8% at constant currency.

I'm also happy to report that we remain on track to deliver all of the sales growth, efficiency and profit targets that I outlined just a few months ago. Although economic conditions have continued to negatively impact organic volume growth in many parts of our business, and the opportunities for pricing growth remains relatively modest, our ability to growth through generating new business continues to be very strong.

Notable wins in the period included, in the Pallets segment, the pet care division of leading food manufacturer, Mars, in Brazil, and leading South African packaging company, Nampak. In the RPC segment an extension of our long term relationship with the German retailer, Rewe, and a new contract with Aldi, here in Australia, and in the Containers segment a significant pooling contract with Air Canada and a maintenance contract with American Airlines in the CHEP Aerospace Solutions business, as well as an extension of our contract with Ford Motor Company in the automotive sector in Europe.

Ladies and gentlemen, Brambles has entered the 2013 financial year in very good shape. We have a robust underlying business. We are making progress in delivering our growth strategy and, despite the ongoing global economic malaise, we are on track for another strong year.

Thank you very much for your time today. I'll now hand back to the Chairman.

Graham Kraehe - *Brambles Limited - Chairman*

Thank you, Tom. I'll now ask the Chairman of the Remuneration Committee, Luke Mayhew, to speak to you about our remuneration policy. Thanks, Luke.

Luke Mayhew - *Brambles Limited - Non-executive Director*

Thank you very much, Graham. Good afternoon, ladies and gentlemen. What I want to do today is to talk through the aims of our remuneration policy, how the components of the senior executive remuneration scheme pulled together, the outcomes and decisions on executive remuneration in the year 2012.



I also thought I'd spend some time talking about how pay is managed globally and how we ensure that there's some consistency and fairness across the Group. Then, finally, an update on employee share ownership.

There are four key objectives to the remuneration policy. The first is to attract and retain high calibre executives. The second is to ensure the policy reinforces the business strategy. The third is to motivate executives to achieve exceptional performance and, finally, to make sure there's a clear link between executive rewards and the creation of shareholder value.

So how is top pay built up? There are two categories of pay, fixed and variable. This pie chart shows how that breaks down in proportion if all potential remuneration is achieved -- in other words, if executives max out. I ask you to go from the 12 o'clock point, and we're going to go clockwise.

So the first part is fixed remuneration. That represents 24% of the total potential -- salary, superannuation et cetera.

There is then the short term incentive which is driven and achieved through performance in the year concerned; primarily, through achievement of financial results, but also through the achievement of key personal objectives. Half of that is paid in cash, and half of that is awarded in shares which are deferred for two years to aid retention. So that represents 44% of the potential.

Finally, executives are awarded long term incentive shares. These only vest if stretched targets are met. There are two sets of targets in the Brambles' scheme. One is achievement of total shareholder return and the other is the delivery of sustainable, profitable growth.

In the last five years the long term incentive schemes have vested three out of those five years.

So what remuneration outcomes actually were achieved last year and what decisions were made? Well first of all overall there were modest salary increases for senior executives during the year, but as will have read, a higher one-off increase for the Chief Executive Officer, which I will come to separately in a minute.

The short term bonus and deferred share awards reflected company performance. You've heard a lot about company performance and the awards were very much in line with that sort of performance and the long term incentive invested at 42% in the financial year. For the first time since we introduced the double measures, sustainable profit and TSR, both elements partially vested and that 42% was the highest vesting in the past five years.

As I indicated, the CEO pay was subject to a one-off significant adjustment. Earlier last year the CEO received a 21% one-off increase to base salary and I want to put that in context so you understand the rationale behind our decision.

On his appointment back in 2009, his salary was set relatively low to other CEOs of equivalent companies and much lower than his predecessor as it was a first-time CEO appointment. Following the Board's assessment of his performance and contribution over the first two years of his role as CEO, we made a one-off adjustment which now brings his salary up to the level of the pay of top management in equivalent organizations and back in line with his predecessor.

The CEO base salary increase for 2013 will fall back in line with the average increases for senior executives. This was a one-off readjustment. In 2013 his increase is 3%.

I now want to say a few words about how Brambles structures its remuneration across the 17,000 employees globally.

Our remuneration's underpinned by a banding structure with roles based and evaluated on equivalent work value. We apply a common methodology to assess the scale, the responsibility, the width of roles and this ensures that there's fairness across the Company. More interestingly, it allows us to analyse the way pay operates across the business and so for the first time last year the Remuneration Committee received a report on remuneration by gender to ensure that we could monitor equity of remuneration by gender across the Group.



I'm pleased to say that that analysis showed parity of remuneration globally across senior management levels and no gender bias in the three major markets we reviewed.

So let's move on to employee share ownership. As those of you have been here before, know that it's something I feel very strongly about and increasingly encouraged by progress, although I'm sure more can be done.

We have 3000 employees in 40 countries now have elected to participate. You see the details in the second and third line of that slide. More encouraging and very encouraging is the fact that employees in new businesses have participated in 2012 and that was a key part of the reasoning for employee share ownership -- was to encourage engagement with the business early. Just over 0.1% of the total share capital is now held by employees.

Finally, I just want to talk about 2013. We obviously review our remuneration policy regularly, but we have no proposed changes for 2013. We believe the current approach is fit for purpose and aligns well with the business strategy and will continue to set stretch targets for the future.

Thank you very much.

Graham Kraehe - *Brambles Limited - Chairman*

Thank you Luke and ladies and gentlemen before I move to the formal part of the meeting, I now want to answer questions from shareholders and you'll know that we sent a form to shareholders with the Annual Review and the Notice of Meeting and we invited your questions. We undertook to give responses to as many of the frequently asked questions as possible and we are webcasting this meeting for the benefit of shareholders who can't attend in person.

Our auditors advised us they have not received any questions relating to their audit report or the conduct of their audit, but a number of shareholders took advantage of the opportunity to ask general questions. The most common topic shareholders asked related to aspects of Brambles remuneration policy and the level of remuneration and that's why we had the chair of the remuneration talk to you in some detail and I believe his presentation has answered most of the questions that were asked.

We also received a number of questions of the Recall divestment process and the rights issue and I believe I covered that quite fully in my earlier remarks.

So ladies and gentlemen I'll now take questions from the floor. In doing so, I remind you that only shareholders or their proxies or company representatives are entitled to speak at the meeting.

If you'd like to ask a question please approach a microphone, show your yellow voting card or your red non-voting card, shareholder card, and give the attendant your name. If for some reason you're unable to get to a microphone, please put up your hand and an attendant will bring one to you. To maximise the opportunity for all shareholders, I request you ask only one question at a time.

So now turning to items of business and all items on the agenda will be proposed as ordinary resolutions and I'll just quickly explain the voting procedure to you. If you're entitled to vote you will have been given a yellow card and as stated in the Notice of Meeting and on the shareholder voting form, I'll be casting any discretionary proxy votes that have been given to me in favour of each of the items of business, including the remuneration report and the increase to the non-executive director (inaudible).

The voting position for each resolution will be shown on the screen and at the conclusion of the meeting please place your completed voting cards in one of the ballot boxes that are located by the exit doors.

We'll announce the poll results to the ASX later today and also post them on our website.

Michelle Cross at Link Marketing Services has been appointed returning officer and she's out in the office I think in the back reception area at the moment.

So the first item of business is to consider -- I haven't given you a chance to ask any questions.

Slip of the tongue. So let me invite questions from shareholders. Microphone 1.

QUESTIONS AND ANSWERS

Unidentified Company Representative

Mr Chairman I'd like to introduce Ms Mary Curran.

Graham Kraehe - Brambles Limited - Chairman

Ms Curran welcome.

Mary Curran - - Shareholder

Good afternoon, thank you. Mary Curran representing the Australian Shareholders' Association covering approximately 1.75 million shares, 340 shareholders and long term personal shareholder.

As mentioned, we've been told that the sale of Recall was expected to unlock value for shareholders. Clearly, despite expenses in excess of AUD21 million, this unlocking has not occurred. Shareholders would like to know what is the long term strategic plan now for Recall and what negative impact this has had on the business.

Graham Kraehe - Brambles Limited - Chairman

Yes it's a good question. Thanks Ms Curran. I address some aspects of that in what I had to say, but we've been quite public that -- and I should just make it very clear -- Recall is a good business. We didn't need to sell the business for financial reasons, but we do have superior growth opportunities in the pooled assets business and we believe we could get a value in the marketplace that would reflect its real value to shareholders and be able to use some of it to return to shareholders.

Financial markets did not enable that to happen and so we made the very, very appropriate decision to say it's not in shareholders' interest to proceed with a sale at sub-market value. We don't need to sell it. We'll keep it and we've been very public that our intention -- and it's several months into the process now -- is to review with Recall management, their strategy. We've done that. We've set the budget with them for the year we've entered. We've looked at their -- reviewed with them in some detail a strategy and we've approved a budget which includes capital allocation for the business going forward. So the business is not on the market.

Is there another question? Yes on microphone 2?

Unidentified Company Representative

Mr Chairman I'd like to introduce Jack Tilburn.



Graham Kraehe - *Brambles Limited - Chairman*

Welcome Mr Tilburn.

Jack Tilburn - *Shareholder*

Yes and welcome to you Mr Kraehe, thank you at our AGM and I'd like to get in a comment or two before my first question which might be five questions altogether on the financials.

We all thank you for your address, followed by Mr Gorman and followed by Mr Mayhew. My comment please. Some appreciation must be presented to the Board, management and 17,000 employees for a satisfactory performance, results and growth and you have mentioned growth many times.

Graham Kraehe - *Brambles Limited - Chairman*

Thank you.

Jack Tilburn - *Shareholder*

Thank you and some necessary structural reforms of Brambles Limited for the past 12 months up to the year ending 30 June 2012.

I have secured some help and assistance for some stern and solid questions to the Secretary, Mr Gerard on behalf of myself and may I humbly say for the 62,000 other shareholders who aren't present today.

You all have read or should have read -- it was in the newspaper -- a comment by Mr Gorman and Mr Gorman's words were, we aren't going to pull in our horns. Well I somewhat understand that. It means really he's on the warpath to help Brambles get ahead in 2013.

Okay, first question on our results and performance for the year ending 30 June 2012 fellow shareholders. Now if you look at page 4 you will see that the revenue has gone up 20%, profit has gone up 21% and the earnings per share up 18% and it's generally from the earnings per share that we get a dividend. Of course earnings per share is connected to the net operating profit too from which we get paid out our dividends. Why though we are still only getting AUD0.26 per share for the second consecutive year, AUD0.26 in 2011 and followed by another AUD0.26 in 2012?

If dividends were paid out of AUD398 million and the net operating profit was AUD576 million, this equals a payout ratio of 69%. Is this good enough for our shareholders? Should we get more than AUD0.26 per share and what do you think about next year for that problem Mr Kraehe?

Graham Kraehe - *Brambles Limited - Chairman*

Thank you for the question and it's a good question.

The dividend policy of Brambles has been consistent with that of many other Australian companies. We did reduce the dividend in the GFC and then we increased it last year. This year we've held it constant.

If you look at it US dollar terms it's up about 6% but we pay it in Australian dollars and it's level. The primary reason is a payout ratio of 69% which you quite accurately calculated is a pretty high ratio and it's a high ratio for a growth company. So Brambles is in I guess a position of being a high growth company and we've talked about our growth and our growth aspirations and that growth needs capital. At the same time we recognise that we need and want to reward our shareholders with dividends and so we try and find a balance between capital for growth and dividends for shareholders, but getting the ratio too far above what where it is at about close to 70%, that's at the top end of what most companies in Australia would pay. So it's a balance. Something the Board looks at consistently.



I can tell you one of the most common discussions and one we wrestle with most around the Board table is dividend policy and one of the complications we have, most of our earnings are in US dollars and our dividend we pay because we've got a lot of Australian shareholders, we pay it in Australian dollars. This year the currency, as you all know, has worked against us to a tune of about 6.5%, so I could say to you well we actually have increased the dividend by 6.5% but you loss at 6.5% in exchange rate. But I can tell you we are very conscious of the shareholders when we look at dividend policy and it's something the Board takes very seriously.

So good question thank you. Another question from microphone 1? I would encourage anyone else who's got a question to feel free to do that. Ms Curran again, welcome back.

Mary Curran - - *Shareholder*

Thank you. It's also a bit about the dividends to be honest. We all like them and it's no doubt that figures are not my forte unless it's my shoe size, but I'm concerned about this negative-free cashflow of AUD280 million. Did we have enough money from income to pay these dividends we've talked about and could you please comment on that?

Graham Kraehe - *Brambles Limited - Chairman*

I can and are very happy to.

Go back to the comments I made earlier about the Recall process and the fact that the Board has -- we didn't need to sell it. We were never in a position where we needed to sell businesses for capital or for cash rather. This was an issue of Recall not fitting with our pooled asset growth strategy and we thought we could get appropriate value for it from shareholders.

But in terms of the question as it -- sorry I've lost the train of that question. Sorry can you give it to me again please?

Mary Curran - - *Shareholder*

It's about the negative --

Graham Kraehe - *Brambles Limited - Chairman*

Yes the negative-free cashflow.

Mary Curran - - *Shareholder*

-- free cashflow of AUD280 million.

Graham Kraehe - *Brambles Limited - Chairman*

Yes thank you, sorry.

Mary Curran - - *Shareholder*

It's quite a lot of money really isn't it?



Graham Kraehe - *Brambles Limited - Chairman*

Yes okay. So the first thing to say is we have a triple B plus credit rating. That's an investment grade credit rating and we've maintained that and that says the company is in a very strong financial position.

So the free cashflow though is a different issue and why do we have a negative-free cashflow? Really for two reasons; the first reason is we do have a fairly high dividend payout ratio. It's up close to 70% so we spend a fair bit of money on dividends but the other thing to remember is we have a very strong focus on growth. So as we, for example, acquire IFCO -- and you've heard from the CEO that our forward aspirations are to growth the revenue of IFCO by 15% per annum, not just in emerging markets but in Western Europe and the US as well -- the nature of that growth -- and it's true of pallets as well -- is that if we're looking to grow fast in the US we need to acquire a lot of RPCs ahead of the revenue starting. So the negative-free cashflow largely reflects the emphasis we put on growth and growth investments in that period.

Another question from microphone 2.

Unidentified Company Representative

Mr Chairman I'd like to introduce Mr Cummings.

Graham Kraehe - *Brambles Limited - Chairman*

Mr Cummings welcome.

Unidentified Audience Member

I am a long term shareholder but I haven't been to an annual meeting recently.

I'm interested in what happens in the past can determine what happens in the future and what I'm interested in is what happened in like US when we had the company who brought out a different type of pallet and took a large amount of countries away from Brambles. I know you've got them back, but what actually did happen and the process it did in overcoming that?

Graham Kraehe - *Brambles Limited - Chairman*

Okay that's quite --

Unidentified Audience Member

-- and are they still active or not?

Graham Kraehe - *Brambles Limited - Chairman*

The final answer to your question is they have very, very, very significantly reduced volume. They're still alive, however. But the broader answer to your question is they came in with a new product but a business model that was never going to work and we always knew it wouldn't work because they had a AUD70 pallet selling it at the same price and letting it out at the same price as our AUD20 wooden pallet. However, the real issue was we dropped our quality in the US. Our quality was down, our customers weren't happy and that gave this competitor an opportunity to get in and they did and they were quite disruptive for several years.



We got our act together. We focused on quality. We've lifted our quality dramatically. So today 95% of the pallets that are issued in the US are above an increased quality standard, whereas previously that would have been as low as perhaps 60%.

Huge investment by the Company and the Better Every Day program in the US very successful in that essentially we've got back virtually all of the customer base we had and we're growing that business year on year.

But the lesson from it is very important and the Board absolutely has the lesson this is a business that -- Tom Gorman will tell you he has an operational focus. He spends two-thirds of his time travelling around the world so he's really got his hands on the business and if you don't have your hands on the business you can see the quality deteriorate or you lose pallets. It's an operational business. Tom's focused on managing it by being in the marketplace and in our operation regularly, but that is very much a lesson of history and a painful one.

Unidentified Audience Member

Thanks very much.

Graham Kraehe - *Brambles Limited - Chairman*

Thank you. Another one from microphone 1.

Unidentified Company Representative

Mr Chairman I'd like to introduce Mr Reginald Wiltshire.

Graham Kraehe - *Brambles Limited - Chairman*

Mr Wiltshire welcome.

Unidentified Audience Member

Good afternoon Board. Good afternoon Chairman. This question is more or less to Tom Gorman. Tom you mentioned in your report the fact that efficiency was one of your main themes of your operation and obviously you're endeavouring to gain these efficiencies down the track to reduce your costs. But I point out in your report here that your margins are still slipping and how can you correct that?

Graham Kraehe - *Brambles Limited - Chairman*

Yes have a go Tom.

Tom Gorman - *Brambles Limited - CEO*

Yes look I think there's a -- thank you very much for your question. I think there are several things going on in our business. First of all, our business is a very large global business so to respond to questions we sometimes need to look at specific markets which I'd like to do for you. So I'll start with the CHEP USA business which the earlier question really referred to.

We have been undergoing over the last several years now a significant improvement program that we call Better Every Day and that has led to significantly improved margins in the United States and you're seeing that in our results and we've committed to another 200 basis points improvement in the US in 2013. So that is continuing.



However, we made an acquisition in the United States. We acquired a company called IFCO. They have a pallet business that's about AUD400 million of revenue and their business model is a little different from ours. So they don't spend capital the way we do, but their profit margin is lower and when you add those two businesses together, it does have an adverse effect but their return on capital is very high. So the US business is absolutely heading in the correct direction.

In the European business you're correct to identify that margins declined. The situation there is a little bit different. We have seen some market pressure, so we had inflationary costs ahead of where we could deliver efficiencies last year and because the business is growing at a slower rate, our overheads so our overhead costs, need to come down. We've been very open about that and transparent and our commitment is over the next two years to improve our margins in our European business by that same 200 to 300 basis points and we're well on track to deliver that.

Unidentified Audience Member

Good, that's very good. I'd like to see an increase next year.

Tom Gorman - Brambles Limited - CEO

Good on you. I'm sure everybody that sits next to me would like to see the same.

Graham Kraehe - Brambles Limited - Chairman

Another question? Another one from microphone 2? Yes thanks.

Unidentified Company Representative

Mr Chairman I'd like to introduce Edward Walton.

Graham Kraehe - Brambles Limited - Chairman

Mr Walton welcome.

Unidentified Audience Member

Thank you Mr Chairman. I'll start where I believe you should have started -- safety. You had two deaths. If this was Japan you'd be all out here on your knees putting your head down. You should have had a minute's silence at the start. I think that's atrocious. We should learn from our mistakes and I hope we have. I'd like to find out a little bit more about those incidents. What corrective action we've taken both locally and overseas and I think the report about your injury rates in this report is atrocious. It's very difficult to read, I have no idea what our rate was last year and I don't even have idea about where it's been all over the place. I've tried to read it twice and I still don't understand it.

So I ask you next year to lift your game. Can I ask that we explain a little bit more about those two deaths and what corrective action we've taken? Thank you.

Graham Kraehe - Brambles Limited - Chairman

Okay thank you for the question and I didn't in any way downplay the tragedy of those two fatalities, but what's (technical difficulty) -- but let me just say very clearly that we are at great pains in the organisation from the Board down to ensure that the whole organisation feels - absolutely feels the pain of Roland and Alfredo because they are our colleagues.



But Tom why don't you just give a bit of how we handled it in the organisation because as you rightfully say a minute's silence -- we've had a lot more than a minute's silence I can tell you.

Tom Gorman - *Brambles Limited* - CEO

So first of all, look I appreciate your comment but I will tell you that personally and professionally as a Chief Executive Officer you care nothing -- the thing you care about most is the safety of your people. I can tell you the day and the minute and the hour when I was notified of the passing of both of our employees.

Now Mr Alfredo Ruiz was injured in October of 2011. He was hit by a reversing fork-truck, an accident that should not have caused a fatality. He was wearing a safety helmet, he was walking across a floor with his head down and when he got hit by a reversing fork-truck he fell back on his head. It caused a closed head injury and unfortunately he never recovered from that incident and he died in late June. That was a terrible incident. We have done everything possible as a Company both to support his family. Now in his case he was not married. He had no children and no real dependents, but we supported him, we supported his workforce and we took immediate actions in that facility to correct any of the deficiencies that we identified and that accident is shared immediately across every one of our businesses.

So I would trust that any business you go into they're aware of that incident and we've taken remedial action to make sure it doesn't happen again.

Now in the case of Roland Haggins that's a much different situation. Now it happened to occur at the end of June at the same time when I was notified of Alfredo's passing, but in Roland's case it was a collapse of a roof in a building that we lease in Landover, Maryland. Now we were fortunate there was no one else caught, but unfortunately in Roland's case he was trapped. It was a Recall facility and when the roof collapsed our racking collapsed with it and he was trapped under that racking.

Now I would postulate here that there's no issue in process for us at Recall, it was just a terrible accident. We have 17,600 employees in 55 countries around the world and our safety record is something we're very proud of and I'd be happy to talk to you outside of this meeting. Our performance is strong. The fatalities are something that every one of our employees takes personally and I stand behind our record and I will tell you from the Board on down we're absolutely committed to the safety of our employees.

Graham Kraehe - *Brambles Limited* - Chairman

And just to round that out, the Board when it met at Erskine Park on Monday, one of the key focuses was fork-trucks. Have they got the appropriate reversing lights, the beepers? Is the separation -- we had a presentation and the thing for us, if there's any pleasure in these things was that the local management opened the whole presentation by talking about Alfredo, what happened to Alfredo, what they were doing to ensure it couldn't happen.

So I just want to make it very clear this is not something we take lightly. It's a disaster.

Another question? Microphone 2 as well.

Unidentified Company Representative

Mr Chairman I'd like to reintroduce Jack Tilburn.

Graham Kraehe - *Brambles Limited* - Chairman

Mr Tilburn again, welcome back.

Jack Tilburn -- *Shareholder*

Yes well you've got to put up with me still because I've got three more questions after this on the financials, thank you.

Graham Kraehe - *Brambles Limited - Chairman*

I look forward to it.

Jack Tilburn -- *Shareholder*

I do a lot of homework on these annual reports.

I think it's only a principle that I bring up the matter of the Recall division again because you and the Board could walk away after the AGM and say oh well there was only one or one and a half questions about it, you know, let's skip it. Let's not worry about it. So I think Mr Tilburn has the principle at heart to bring up Recall and I have a statement here about it. Then of course it's all found out on page 10 of the Annual Report. The very good performer that it is -- I think you used that word performer -- that Recall is.

My question is on the holding of the very profitable asset and a core value asset I believe of Recall. So much information is provided on page 10 that it is a good performer, that it has good growth, that it's making a good profit to help our shareholders and its return on capital is a very high 16%. But if you turn back a page to Recall from -- if you turn back a page from the statistics on Recall and you go back to reusable plastic containers, it's only ladies and gentlemen 9%. So just stretching figures a little bit, Recall is giving twice the return that we're getting on your new acquisition of IFCO. Recall is 16% return on capital; reusable plastic containers only 9%.

Now I want to punish the Board with this matter. If the statistic on page 10 is so excellent, why does Brambles want to get rid of it, toss it aside? On the figures that I've presented and which are in the annual report, your new acquisition of IFCO is not doing anywhere as good as the good old division of Recall.

So this shareholder, on behalf of the thousands and thousands of shareholders who aren't here out of 62,000 shareholders, I think I ought to pummel you presently and cooperatively to make a stand that we keep Recall. Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Good on you, thank you. Good question and I sort of in part addressed that earlier. Let me just flesh it out a bit because pretty much everything you said is correct. There are a few things that are not in that analysis.

The first thing is, we didn't sell Recall, we aborted the sale because we couldn't get the value we thought you, the shareholders, needed from it and we won't do anything with Recall at any time in the future that doesn't represent value for Brambles shareholders. That's the first point to make.

The second point to make is that IFCO, you're quite right, in the year concerned, it had a return on investment of about 9%. Why? Because when we acquired IFCO, we paid quite a bit of goodwill. Why did we pay quite a bit of goodwill in acquiring IFCO? Because it gave us, it was a much bigger returnable plastic crates business than the Brambles business, put together they were clearly the market leader in the world, strong position in the US, strong position in South America and a very strong position in Europe.

More importantly than that, it was totally consistent with our strategy of managing pooled assets and even more important than that, although the initial investment includes some goodwill, all the incremental investment and every piece of investment we make in that business will achieve returns on capital typically about 5% higher than the recall number. That's the first point.



The second point is, if you project the growth rates for the Recall business, you'll see that it certainly has improved and it's only three or four years ago that the return on capital was only 9%. The efforts of Tom and the management team have got that up to 16% and it is a good business today. But its growth rate is circa 2% or 3% per annum, nice growth rate but circa 2% or 3% per annum. The IFCO returnable plastic crate business is not only right in our sweet spot of pooled assets, but also it's got 20% growth on every future investment, 20% return or thereabouts on every future investment.

But also, as part of our growth strategy, it gives us another very important growth opportunity. In pallets our growth, big growth opportunities are mainly in emerging markets. In RPCs, it's also in established markets. So you'll see that we've been public and we remind Tom Gorman of this regularly, but he's been very public that our targets for IFCO's sales revenue are growth in Western Europe, growth in the US and growth in South America, but in each of those markets of more than 10% per annum. So it's quite fast growing and that growth, as we invest in the growth, will get us returns well about what Recall did. So that's the answer. But a good question, thank you.

Another question? Mr [Wiltshire] again.

Unidentified Audience Member

Mr Chairman, I remember being here when a predecessor of yours said we lost pallets and we didn't really lose them, we just didn't know where they were and he didn't understand the business at all. I have an understanding of that business as I've worked in transport and Australian operation works differently to overseas. Can you or Mr Gorman give us a better - some sort of indication of what the recovery rates are on pallets once they're distributed?

Because as happened in that previous situation, the recovery was the very thing that took us down. The quicker we get the pallet back, the quicker we can get back to what Mr Gorman was talking about earlier, which is getting it out again. If we don't get the pallet back, we end up having to spend more and more capital putting more and more pallets in there and they're just sitting around doing nothing. So can you or Mr Gorman give us some overall figures? I don't want to know down to the last incident, maybe just by segment what the recovery rates are on the pallets please.

Graham Kraehe - Brambles Limited - Chairman

Absolutely, I'll give you an answer and Tom, feel free to add to it. But you heard Mr Gorman talk about four key strategic themes. One of them was efficiency. Efficiency is about use, about pallets, improving the use of our pallets, faster velocity, quicker return, less damage. That's one of the key projects and within that broad strategic theme, there's something like 50 sub projects across the organisation right across the world. It's a very big focus of the organisation. Not because we have a huge problem today, because we've corrected the problems we had in Europe and the problems we had in North America and we have those business under control. It's because, we think, we've got the opportunity to continue to drive improvement in small pieces right across the organisation to get better returns on those pallets, quicker turnover as you said and get better returns for shareholders. So that's what we're about.

I'd say we've moved from the big strategy of let's make sure we don't lose them and let's make sure we don't let the quality drop, to a much more refined strategy which comes out of our focus on managing pooled assets which we really understand very well, let's now focus ourselves on the raft of little things we can do, customer by customer, channel by channel, country by country that will drive faster returns, lower damage.

Tom Gorman - Brambles Limited - CEO

Graham I think you've hit the nail on the head, but I'm happy to share information more specifically because we make it publically available. So on average, if you look at our pallet business, every time we issue a pallet, so we send it from one of our facilities to a customer, on average around the globe it's about a 2% to 3% loss rate on that. So then if you multiply that by how many times the pallet turns, you get to in the neighbourhood of 6% to 8% depending on the velocity of our pallets that get replaced each year. The RPC business is less than 1% per issue, it's actually around 0.8% and we disclose that to the analyst community when we have our various reviews.



As the Chairman said, we're the global leader in pooling. Nobody does this better than we do, but that doesn't mean that there's not opportunity to improve and the opportunity to improve our control of our assets not only, as you said, you get them in you can send them out again, so you get more revenue for every asset, but the big opportunity is don't lose them to begin with. If you don't lose them, then you don't have to spend our collective capital, because by the way, I'm a shareholder, so our collective capital to replace those pallets. As they Chairman indicated, we have myriad number of projects around the world focusing on that very issue. We take it very seriously.

Graham Kraehe - *Brambles Limited - Chairman*

Any other questions? If not, thank you for those, they've been good questions. Oh sorry, another one over here.

Jack Tilburn - *Shareholder*

I did tell you, Mr Kraehe, that I had three more questions and I'm going to stick to that operation of mind because I spend two or three or four days on annual reports and I'm not ever going to give up. By the way, ladies and gentlemen, every question I give is to help you. This is my 493rd annual general meeting Mr Kraehe and I don't give up. A question on very, very high net debt of AUD2690 million, or ladies and gentlemen, AUD2.7 billion which could be too high and very dangerous, because when you read in the business sections of the papers, nearly every company that goes under has too, too high debts that can't be repaid so the receivers and liquidators move in. Every day there's a company going down, especially construction companies and I'm in Leighton with Mr Stephen Johns and they have too much debt.

What of interest paid shown in the cash flow statement of operating activities of AUD164 million that we shareholders are paying out on your long term debt? Is this a very high figure of AUD164 million of interest paid for our bottom line? How are we ever going to pay down and pay off the very, very enormous and gigantic and titanic debt of AUD2.7 billion? Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Okay, thank you. Very happy to answer it, good question. Come back to the point I made very early on about our investment grade rating, that's a BBB+ rating and that requires us, as a company, to manage our affairs so we've got earnings before interest in tax a multiple of our interest costs. It's about - somebody help me, 1.7 times? So very, very big margin; we measure and we look at every board meeting at our liquidity, what's our buffer of liquidity, it's well over AUD1 billion - don't quote me on the number, but it's way, way over AUD1 billion and our cash flow generation and our earnings are very consistent and steady and growing.

So I'll tell you a story. When I was first appointed Chairman some four years ago, a shareholder whom I won't name, but you would know the company well by name, said you could have AUD4 billion more debt in Brambles. We didn't of course and I remind him every time I see him that wasn't it a good thing that we didn't take on that AUD4 billion debt. But I can tell you, the level of debt of Brambles of AUD2.5 billion or thereabouts, it is very well managed, it is consistently reviewed by very capable finance staff and by the Board. Importantly, there is a lot of headroom in terms of repayment of north of AUD1 billion and, importantly, the repayment of that debt has been scheduled so that there's multiple sources, 20 banks or that order of banks and we're very particular about which banks we're prepared to deal with and the repayment of that debt is typically scheduled from three through seven or eight years. This is a very solid company. So sleep at night.

Another question? You've got - is there anyone else with one before we take Mr Tilburn's fourth question? Okay, good on you. This is a hot corner down here.

Unidentified Audience Member

Unfortunately following Mr Tilburn, I'd like to find out what his 500's going to be. Mr Chairman I note we've got some fairly large shareholders and the only one reported apart from the Commonwealth Bank is a group called Baillie Gifford, if I'm correct, who own just over 6%. Do we know anything about them?



Graham Kraehe - *Brambles Limited - Chairman*

Yeah, we know a lot about them. Baillie Gifford are one of the big fund managers based in Edinburgh in Scotland. You talk to them regularly, Tom. Please.

Tom Gorman - *Brambles Limited - CEO*

So Baillie Gifford, as you know, approximately 80% of our shareholders are institutional shareholders and about 20% are individual shareholders like ourselves here today. Baillie Gifford is our largest shareholder by some margin. They're a very strong institutional investor. They take a very long term view of their investment in Brambles and twice annually I travel to Edinburgh to meet with them. So we know them extremely well, they have direct access in the same manner that our individual shareholders have direct access. But because they are such a large shareholder, twice annually I go and we visit with them and we share with them the results and we give them the opportunity, just as you have today, to query me as the CEO.

Graham Kraehe - *Brambles Limited - Chairman*

Literally a couple of weeks ago, as I do the rounds and talk to shareholders before the AGM and to the Australian Shareholders Association, I spoke with Harvey Hammonds at Baillie Gifford and had quite a discussion with him really from a Board perspective. They are very happy with their investment in Brambles and we're very happy with them as a long term investor.

Another question? Have a go at number four, Mr Tilburn.

Jack Tilburn - *Shareholder*

Thank you very much Mr Graham Kraehe, I appreciate your interest as I think you've shown at every AGM for four years. Of course after all, we are the owners of this company. I think you show appreciation of that. So number four question ladies and gentlemen, I think I've picked it up from page 127 of Brambles Annual Report and it's always very interesting, audit expenses and then non audit expenses, so you've got two big divisions, sometimes very big divisions. It's related to number one, Mr Kraehe, as you know sir, Recall divestment process. Number two, very, very big, acquisition due diligence, AUD2.5 million. I'd like to know how the auditors can get out of this AUD2.5 million on an acquisition of IFCO, no doubt. Number three point, tax consulting advice, AUD152,000. Part 4, implementation of a compliance tracking system, could you explain the implementation of a compliance tracking system? Thank you. Please explain all these four issues brought forward with depth and breadth and there was another AUD53,000 of course, added up on page 127, so you spent, on our behalf, AUD2,754,000, bit short of AUD3 million, on non-audit assignments. Could you tell us what you did with due diligence which is AUD2.5 million, is that for IFCO? Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Let me - I'll ask Stephen Johns, the Chair of the Audit Committee to make a couple of comments to you in a minute, but at a broad level, the Audit Committee reviews the audit fees and the non-audit fees regularly at each meeting and we have very, very strict processes for what processes the auditors can be involved in outside audit. You're quite right in saying the acquisition was related to IFCO, there was a fee related to - why don't you --

Stephen Johns - *Brambles Limited - Non-executive Director*

Maybe I can just elaborate there. The AUD2.5 million was related to the attempted sale of Recall this year. There was a complete audit, financial statements for the potential buyers, there's what's called a vendor's due diligence program where the auditors presented all the suite of information

which went into the data room for the potential buyers. We had obviously many potential buyers at the outset. So that's what the AUD2.5 million was concerned. The AUD1,473,000 in the previous year related to IFCO.

I'd just like to say as a general - I think this is a question that you also asked last year which I'm very happy to answer, I think the auditors do an excellent job, their fees are comparable with what any of the other big firms would charge. We look at it very carefully. Last year, not this year, but last year we had a substantial reduction in their audit fees from what had been in 2010 and that lower base continued into this year. So they do a very good job.

We have charter or audit independents which most firms have as to what the audit firm can do other than just straight audit and that's strictly controlled from an independent point of view to make sure that there's no conflict in that regard. The work that they did, that PWC did for the Recall sale or potential Recall sale, fitted into that category and didn't interfere with their year end audit.

Graham Kraehe - *Brambles Limited - Chairman*

Thanks Stephen. If you want any further questions, grab Stephen over a cup of coffee. I'll just make the broader question though, Brambles we should remember is one of the most global of Australia's companies that operates in over 50 countries, has operations in over 50 countries. We, as a Board on your behalf, want assurance that the financial systems, the fraud protection, all of those things, are operating effectively in 50 odd countries. So that means we engage - our auditors engage their partners in many countries around the world, there's travel associated with that, it is a big and complex company, but the audit fees generally - the base audit fees are aimed to give us and therefore you assurance that the accounts are all in order.

So last, number five I think?

Jack Tilburn - *Shareholder*

Yes, it is indeed Mr Kraehe, you're lucky I didn't make it number six. This is a terrifically big question and you might give me credit for it up to a point. Ladies and gentlemen on 31 March last year, 2011, this company bought IFCO, funny name, I-F-C-O, I wonder if it means anything apart from the abbreviation I-F-C-O. But before I finish, I want to know and the people do, I'm sure, what's the difference between a so-called container on the one hand and a crate on the other? I never found it in the annual report and I'm mixed up with containers recyclable, crates recyclable, reusable, they use the word now, reusable. Right, number one, what were the total costs, tangible asset costs and intangible costs like goodwill which was a huge figure, I believe?

Two, how has it been paid for and I believe it hasn't been paid for because I believe the total costs were about AUD1 billion, AUD1000 million. Part three, what are our ongoing debts after capital raising? Part four - oh there's five and six - part four, would you provide distributive economics, which I was very good at, on the IFCO infrastructure of 43 service centres, page 28, 240 fleet of trucks? But what about the 5000 trailers? What on earth is a trailer? Part five, how can you boost both (a) the revenues of this acquired plus the operating profits of this acquired company, Mr Gorman? Number six, note, return on capital invested, Mr Gorman, is only 9% which must be uncomfortable Mr Kraehe. Please respond in depth and breadth. Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

I think in my previous answer I answered about three quarters of those questions, so Jack, I think you've got to be a bit fair here. That was 13 questions in one. So it's five (1), five (2), five (13), alright? I'll just make a couple of observations, but what I invite you to do is we have in the audience our retiring CEO and we have SCCFO, he told me to say that, CFO and next to him Patrick Sawyer, Chief Accountant, they'll be happy to go through all those items with you.

But in terms of the big ticket item, I'll just repeat again, that the debt associated with the IFCO acquisition, we paid it by debt, increased the debt short term, we had underwritten DRPs which paid back most of it to get us down to back to within our ratios of investment grade. The Company



is in good shape. The 9%, I just repeat, the 9% of acquisition, remember IFCO was a public company listed in Munich and Netherlands and we paid a premium but not a massive premium to its market cap on that stock exchange. Included in its value was quite a bit of goodwill and that depresses the opening return on investment on that business. But - and I repeat again - our target is to grow the business of IFCO in every market, US, Western Europe, by more than 10% per annum and every one of those will require some investment for the growth and we expect and we target that we're going to get very strong returns from all of that. So if you project yourself out two or three years' time, we'll have a much bigger returnable plastics crates business and it'll be getting a much higher return on average on its investment.

So thank you for the question and let me then move to the first item of business to consider and receive the financial report, the Directors' report, auditors report for Brambles for the year ended 30 June 2012. Are there any questions on this item? I think we've had quite a few that are related to it. Is there anything else?

If not, the next item of business asks shareholders to adopt the remuneration report for Brambles for the year ended 30 June 2012 that's contained in the Annual Report. You've heard from Luke Mayhew on the principle issues raised by shareholders on remuneration. Are there any other questions to the remuneration report?

Unidentified Company Representative

Mr Chairman, I'd like to reintroduce Ms Mary Curran.

Graham Kraehe - Brambles Limited - Chairman

Ms Curran, welcome back.

Mary Curran - - Shareholder

Thank you. Just a comment, not a question. The Brambles remuneration policy does not meet the Australian Shareholders Association guidelines in many respects, some of these being the long term incentives only being three years, payment of incentives even when shareholder return is negative, sign on fees and the rest. I note extensive cover in the media of Mr Gorman's salary increase. Whereas one never lets the truth get in the way of a good story, I do believe Mr Gorman's base pay has increased by 21%, although he does have the ability to exceed this to the stated quantum of 40%. Given his statement at the investor briefing in August of when we come out of this economic malaise, how can this be justified? If we are indeed in economic malaise, surely we should all be tightening our belts. We would like Mr Gorman to continue in his role as CEO, however more alignment in pay versus performance and shareholder return would be appreciated.

At my meeting last year with the head of the remuneration committee, Mr Mayhew, who spoke to us today, he made it clear to me that Brambles was a follower and not a leader. Perhaps in this instance then Brambles could follow the example of Marius Kloppers, Kerr Neilson, Tom Albanese and many more high profile CEOs and forgo executive bonuses. I will be directing all open proxies and my own vote against this motion. Thank you.

Graham Kraehe - Brambles Limited - Chairman

Thank you. We respect your position, disagree with most of it, but we respect it. In terms of the CEO's salary, let me repeat again, the 21% is what Mr Mayhew reported. I just repeat, we appointed Mr Gorman internally at a level well below that of his predecessor. We did that very consciously and we said to Tom there was potential if he performed to grow to the level that his predecessor did. We're very pleased with the performance of Mr Gorman. He has delivered and we made a very conscious decision as a Board that we would last year increase his figure, his base pay, to a level which was broadly speaking consistent with two things, the benchmark of other companies of similar and comparable size and scale and global reach and secondly, with that of his predecessor. He's now at that level, that was a 20% increase. We make no apology for that and I think Luke explained that pretty well.

But the resolution is before you. Is there another question or comment on REM reports? Thank you.

Unidentified Company Representative

Mr Chairman, Mr Tilburn.

Graham Kraehe - Brambles Limited - Chairman

Mr Tilburn again, thank you.

Jack Tilburn - - Shareholder

Thank you monitor, thank you Mr Kraehe. Ladies and gentlemen, I've done some homework on the remuneration report. It covers a lot of pages. As always, I've stated at AGMs, 493 to date, very complex, very arithmetical, very mathematical, sometimes confusing. You could spend two hours to six hours on it and not be much the wiser. But let me break it down. Number one point, we thank Mr Luke Mayhew's directorship report on remuneration on page 46 in the Annual Report of course. Point one, he points out, Mr Kraehe, which he mentioned I think, Mr Mayhew, that the executive leadership team were given modest increases of 3% to 4%. Jolly good, that's moderate and modest from this company and that helps the shareholders.

Two, he states that non-executive directors were given moderate increases, modest again of only 4%. I think that's all fair and reasonable. No shareholder could really or actually argue against this policy of rewarding our high echelon executives and our non-executive directors.

Part three, we send, he said, Mr Mayhew, we wish to send our best wishes to the following executives, there was a Jean Holley, Jason Rabbino, Jim Ritchie, Jasper Judd and Kevin Shuba and I would like to add we, the shareholders, send our best wishes for their future employment and we wish to express our simpatico and empatico on their leaving Brambles Limited and they must have done some honourable and right and good work for our shareholders.

Now I was going to read out lastly, Mr Kraehe, a principle advanced by Mr Mayhew in his last paragraph on page 46 and it was that each year we do set new stretched targets that executives need to obtain and achieve to obtain their remuneration packages. Well I think that's all very good. I think that's very sterling activity and progress and it helps the shareholders. We are not, Mr Kraehe, as you will know, per Mr Mayhew's report on page 46 again, we are not overpaying our executives. Perhaps Mr Gorman did secure more than the other key management personnel, KMPs, but you've explained all that, I'm not going into it.

I'd like to keep it on the attitude that I have put forward, that Mr Mayhew's report is very good and I wish other companies would tackle, like Mr Mayhew does, their remuneration reports. I think there's about 1600 companies on the Australian Securities Exchange and very few go into the depth and breadth that a Director like Mayhew has given us the information and disclosures and transparencies. I thank him very much indeed and I think that's a great pride for Brambles to have such a directorship doing such work.

I want to end up and say that overall I said, Mr Kraehe, the remuneration report ladies and gentlemen, is all very fair and reasonable and I have great pleasure in voting for it and accepting it. Thank you.

Graham Kraehe - Brambles Limited - Chairman

Thank you for those comments. Any other comments or questions on remuneration report? Sorry, another one there, yep?

Unidentified Company Representative

Mr Chairman, Mr Walgreen.

Unidentified Audience Member

Thank you Mr Chairman, whether I agree or disagree with it, I think it's a very progressive approach Brambles has taken and I have to back up Mr Tilburn's compliments of Mr Mayhew and the Company itself on the speech you allowed to be presented here. Many companies aren't doing it and the covering letter. Whether I agree or disagree with the approach, I think the approach you've taken is very, very progressive and I congratulate you all, thank you.

Graham Kraehe - Brambles Limited - Chairman

Thank you for that and what we try and do, I mean remuneration is a tough, tough issue and we're trying all ways, as Mr Mayhew said, to get the right balance between reward for shareholders and reward for executives for doing a good job. There are no perfect systems. We spend a lot of time and Mr Mayhew and his committee spends a lot of time in trying to get that balance right, get the systems right, make sure we do it appropriately and we think part of the process is to be very open and transparent about it as we are with Mr Mayhew talking to shareholders today. We think that gives you a chance to understand that we're trying to do the right thing, both by the shareholders, by the executive and by other stakeholders. So thank you for those comments.

Anything else on remuneration? Yes, we have another comment here or question here.

Unidentified Company Representative

Mr Chairman I'd like to introduce Mr Noel Levy.

Graham Kraehe - Brambles Limited - Chairman

Mr Levy, welcome.

Noel Levy - - Shareholder

Thank you Mr Chairman. I've just got one question relating to the long term incentive schemes. Every year at almost every Company meeting, the different speakers on remuneration ask that the long term incentives should be long term, not three years. Each year the Remuneration Committee seem to look into this issue, but they always seem to come up with the same result. It's still three years. So Mr Chairman or Mr Mayhew, do you have any plans or can you answer the question, will you be extending the time for the long term incentive scheme? Thank you.

Graham Kraehe - Brambles Limited - Chairman

Thank you for the question. What we do is have a strategy meeting of the Remuneration Committee every year and we review what's working, what isn't working, we find tune it. That's an issue that's been on the agenda for the last several years, I think Luke, probably will be on the agenda - it would be wrong of me to say there's any intention to change it, but it will be reviewed when we have our strategy review on remuneration. We note your comment. Some shareholders are very, very pleased with our long term incentive scheme. Others, like yourself, have a view that it could be changed. So we note your comments.



Noel Levy - *Shareholder*

Why don't you change? Can you give me a direct answer?

Luke Mayhew - *Brambles Limited - Non-executive Director*

I think there are two things you've got to look at here. One, in this sector I think three years is long and it's very much where the market sits. I think there are some strong arguments in other sectors, particularly in the banking sector. The length of time on decisions should lead to a longer form of vesting. I don't think it is necessary or reasonable here at the moment, but we will keep it under review as that conversation continues more widely.

I think the other thing you've got to note is that there is a guideline for shareholding and I think there are two different things here. The vesting over three years is a good period for judging the performance and whether an award should vest. The second part we have is shareholding guidelines which means that shareholders should hold onto their shares up to a certain value. I think the two in combination you need to look at because what I do understand shareholders want is a sense that executives are holding onto shares, are still participating and it's the same ups and downs than the shareholders have. It is a wider debate, but I do not want to lead on this one, I don't think there's a commercial imperative.

PRESENTATION

Graham Kraehe - *Brambles Limited - Chairman*

Any other comments or questions? If not, thank you and the resolution and the direct voting and the proxy position are now on the screen, so would you please mark your voting card for Item 2. As I said earlier, I'll vote the proxies granted to me in favour of the resolution.

The next seven resolutions to be put to the meeting are the election or re-election of Directors. Each of them has been subject to an assessment process and their election or re-election is supported by their fellow directors. We set out the assessment process in the Annual Report and that's a very important part of our governance process.

So the next item on business is the election of Doug Duncan as a Director and Doug having been appointed by the Board since the last AGM and being eligible, offers himself for election. That's Item 3 as set out in the Notice of Meeting and I'd now invite Doug to speak to the meeting on his election. Thanks Doug.

Doug Duncan - *Brambles Limited - Non-executive Director*

Thank you Chairman. I am honoured to stand for election as a Director today and I would like to take just a minute to introduce myself to our shareholders. I'm the retired president and CEO of FedEx Freight and I live in the United States. My career in transportation and logistics has spanned over 30 years and I've held executive positions in not only operations, but sales and marketing as well. My last 12 years of my career was spent as a CEO with heavy concentration in strategic acquisitions and M&A, mergers and acquisitions, in North America.

Since I've retired, I still remain active and am a Director of JB Transportation Services in the US, as well as Benchmark Electronics. I sit on the audit committee of both of those public corporations and I'm the chairman of the governance and nominating committee for Benchmark Electronics. I would describe myself first and foremost as a student of transportation and logistics, having learnt a lot over those 30 years and the thing that I have witnessed firsthand over that career is the phenomenal productivity our customers have gained from containerisation and transportation and logistics. My real excitement to join and be a part of Brambles is the fact that our pooling and network expertise can actually bring more productivity to that containerisation across multiple platforms around the world.

I look forward to working with Brambles to achieve that value for our customers.



Graham Kraehe - *Brambles Limited - Chairman*

Thank you Doug, are there any questions to the motion? Oh, sorry, microphone two, yes.

Unidentified Company Representative

Mr Jack Tilburn.

Jack Tilburn - *Shareholder*

Thank you Mr Kraehe, I appreciate you calling. I have read the profile for Mr Doug Duncan. I understand from his accent today he must be a typical American man and we find he has a very impressive profile, curriculum vitae on logistics, trucking, transportation and general freight, and that must be very good for our Company, which leads the world, I understand, Mr Kraehe, with pallets. So I wish him all the best, but there was one question, looking at page 58 of what the directors own in their shareholdings, which I'd like to say, as a good compliment, they have a very good holding -- very good holdings -- most of the directors -- but Mr Duncan has a vacant space there on page 58. Now, if Mr Duncan joined our company in January and it's now October and the balance date, of course, was 30 June, Mr Duncan knows that he's been on board for six months. Well why hasn't he bought some shares? Is there some problem there? Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Good question. let me answer it quickly. The answer is we have a policy that Non-Executive Directors will acquire over a three year period a holding in shares equal in value to their after tax fees. That will apply to Mr Duncan as it applies to everybody else. Mr Duncan's been on the Board about six months. A fair bit of that time, because we've had -- soon after he joined we had February results, we have blackout windows when you can't trade, then we were selling IFCO -- sorry, not selling IFCO, we were selling Recall, so we've had a series of trading windows. I will be very sure that when you come to the AGM next year you'll find that Mr Duncan is a shareholder and he'll on his path to meeting our targets. Any other questions? So please mark your card for that resolution on item three and as I said, I'll vote proxies granted to me in favour of the resolution.

The next item of business is the election of David Gosnell as a Director, and David, having been appointed since the last AGM and being eligible, offers himself for election, and that's item four as set out in the notice of the meeting and I asked David if he would briefly address the meeting. Thanks, David.

David Gosnell - *Diageo - President of Global Supply Chain*

Thank you, Mr Chairman. Good afternoon ladies and gentlemen. As you know, I spent a number of years here at Brambles, on the Board. I had to take a year out due to my short-term global executive duties, as they increased. I've rejoined Brambles last year and I'm very pleased to have the opportunity to be considered here today on to the Directors of Brambles. I've spent all my working time in global supply. The first 20 years was with a company called Heinz, that most people would know, headquarters in Pittsburg, USA, a global food manufacturer and distributor. My last 15 years have been with a UK FTSE 100 company called Diageo, as their President of Global Supply Chain.

For those people in the room that don't recognize the name Diageo, we actually manufacture and sell brands like Smirnoff, Johnnie Walker, Guinness, Baileys and of course, here, Bundaberg. In Diageo, I'm responsible for the supply chain of all the beers, wines and spirits around the world, from the seeds that we use to grow the barley, to the consumers of our brands in over 180 countries throughout the world. I hope this knowledge and current experience from a user perspective of global supply chains is very applicable to Brambles in becoming a leading global supply chain solution provider in a changing world. My time as a Brambles board member and as a member of the audit committee has been both interesting and rewarding. I have witness just how the executive team have taken the strategy and transformed it into meaningful actions delivering strong results for all of us as shareholders. I welcome the opportunity to serve the shareholders of Brambles and I thank you for your consideration for my appointment. Thank you.



Graham Kraehe - *Brambles Limited - Chairman*

Thank you, David. Are there any questions? Microphone one.

QUESTIONS AND ANSWERS

Unidentified Company Representative

Mr Chairman, Miss Mary Curran.

Mary Curran - *Shareholder*

I'd like to welcome Mr Gosnell from the country of my birth, to Sydney; it's usually blue skies. Perhaps he brought the UK weather with him but never mind; we needed the rain. Given his impressive credentials and full-time role in global supply and procurement, we hope, with his input, we may see blue skies of a different nature in the UK and Europe, and indeed, perhaps more blue pallets in the Diageo warehouses. Nevertheless, I would like to hear from Mr Gosnell how he plans to balance these commitments, what business Diageo does currently with Brambles, and if, indeed, he sees any conflicts of interest. Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Well, if you address the question to me, and you have, I'm sure, I'll answer it for you. The answer to the question is we disclose in our Director's reports our view on independence of directors and I can assure you the view is that Mr Gosnell is independent. The second point I'd make to you, which is one that is of interest, is the issue of workload. Mr Gosnell undoubtedly has great experience for Brambles and that's not the question, but an executive director, he has a substantial workload. He came to us a couple of years ago and said look, I've got a one-off very big increase in my workload, should I take leave of absence or -- and we had a discussion and decided it was better to retire from the Board at that point, but given his expertise and his skills we were very clear that it was a skill set that was absolutely appropriate to the business and if the opportunity came we would welcome him back, which has happened. so there are no conflicts of interest between his other duties and certainly he's an attendee at all meetings, great contributor and time isn't an issue so thank you for your question. Any other questions? Yes, microphone two again.

Unidentified Company Representative

Mr Jack Tilburn.

Jack Tilburn - *Shareholder*

Mr Graham Kraehe, thank you. With some forensic examination, as always I try to do, and from page 58 it says that there is a listing of course, of Mr DP Gosnell and he has 14,450 shares. I think I've got double that, luckily, but there is a special footnote there, Mr Kraehe and it says that these shares, unless I can't read rightly, Mr Kraehe and Mr Gerard, thank you, are held by a Susan Gosnell. Well, if they're held by a Susan Gosnell, they can't be held by David Gosnell. Now, what is the constitution and the requirements of what you have expressed, that each Non Executive Director should hold over three years, X, Y, Z number of shares? What's the legal position?

Graham Kraehe - *Brambles Limited - Chairman*

Okay, yeah, they've got to be beneficially held. Susan Gosnell is David's wife, I'd be very surprised if you haven't got some of your investments in the name of your wife or in your super fund...



Jack Tilburn -- *Shareholder*

No I have not.

Graham Kraehe - *Brambles Limited - Chairman*

Okay, good on you -- or in your super fund, but they're beneficially held through David Gosnell and that meets our policy. The resolution and the vote and the proxy position is now on the screen. Will you mark you poll card for item four. Again, I'm going to vote the proxies granted to me in favour of this resolution. The next item of business is the election of Tahira Hassan as a Director and she's been appointed since the last AGM, and being eligible, offers herself for election. This is item five on the notice of your meeting, and Tahira, I invite you to speak to the meeting. Thank you.

Tahira Hassan - *Brambles Limited - Non-executive Director*

Thank you Graham and good afternoon ladies and gentlemen. It is an honour and privilege to be appointed to the Board of Brambles and I am grateful for this nomination. Just for background, I acquired international and cross-functional work experience primarily in the CPG industry. This includes 26 years with Nestle and 10 years with retailers. At Nestle I had the opportunity to lead strategic and operational transformation across a spectrum of business models in various roles such as Head of Global Supply Chain, Global Head of Nescafe ready-to-drink business, Deputy Operations for Americas and President of Ice Cream in Canada. I also served on the Board of [Dryers] in the US and was actively involved in creation and management of joint ventures such as Dairy Partners America with Fonterra of New Zealand.

My professional foundation as a chartered management accountant and first hand exposure to diverse environments whilst living in Pakistan, UK, Canada and Switzerland has served me well throughout my executive career. The last 10 months serving on the Board of Brambles has been a fascinating learning experience in many ways. Brambles has a unique and strong business model with a positive trajectory for increasing shareholder value. Collaboration with value chain partners is fundamental for innovation and extracting more value from shares supply chains and joint data assets with customers and suppliers. Hopefully, I can contribute to the Board discussions with perspectives from the customer side on further opportunities for sustainable value creation on your behalf. Thank you again for your consideration for my appointment.

Graham Kraehe - *Brambles Limited - Chairman*

Thank you Tahira. Are there any questions? If there are no questions, the resolution, the direct vote and the proxy position is now on the screen; would you now mark your poll card for item five, and once again, I'll vote proxies granted to me in favour of the resolution. The next item of business is my re-election as a director and as it related to me, I'll vacate the chair in favour of Tony Froggatt, who's a member of the nominations committee, but before I do so I'd like to just -- you've heard a lot from me today but I'll just briefly address the meeting in support of my re-election.

I've been the Chairman for the last four and a half years, been privileged to be Chairman of one of Australia's most global companies and in that time I've overseen very significant change in the organisation starting with a new CEO, adoption of a global pooling strategy, acquisition of IFCO, which significantly advanced that global pooling strategy and gave us many more growth options than we had in the base business and the formation of a global containers business, which we hope to grow to real scale over the next few years. In addition to that, over the last period, particularly the last year, I've overseen a very significant change in the composition of the Board, which I think much more accurately reflects the spread and the nature of Brambles' global business.

So the appointments have significantly increased our supply chain and logistics expertise, they've increased our geographic diversity and they've also, of course, increased our gender diversity. So I think today Brambles is in a position of very good, solid strength, both financially and in terms of its strategic direction. With your support I'd very much like to be a part of the contribution to that growth over the next few years, thank you and I'll hand over to Tony to handle the resolution.



Tony Froggatt - *Brambles Limited - Non-executive Director*

Thank you Graham. At this meeting, Graham is retiring by rotation. His re-election is item six, as set out at your notice of meeting. Are there any questions?

Unidentified Company Representative

Mr Chairman, Mr Jack Tilburn.

Graham Kraehe - *Brambles Limited - Chairman*

Hello Mr Tilburn.

Jack Tilburn - *Shareholder*

Yes, thank you, Mr Acting Chairman Froggatt. I'd like to give my credits and compliments to always the performance and results and growth of our Chairman. He follows the pathways of Brambles Limited very well and looking on page 65, ladies and gentlemen, he's not overloaded with other directorships, thank goodness. I don't like directors who are overloaded with other directorships and have got too much on their plate because I and many other shareholders can never understand how they've got the time to be energized to look after the company of which they are a director or even a chairman. Our Chairman, Mr Kraehe has been doing an outstanding job, I consider, over the last four years, steering Brambles to greater performance results and growth; that's his job; he gets paid for it.

But he hasn't got too many other directorships and I'd like to stand up and talk and make a comment about that. He only is a director of BlueScope Steel. I think he's a chairman of BlueScope Steel, sorry Graham, and he's a director, I believe, of [unclear] Investments Limited. I'd like to get in and say that I'm very please, Mr Graham Kraehe, that you're not still on the Reserve Bank of Australia as a director, with their terrible bribery and corruption going on, which makes me very, very disillusioned and disenchanted about public companies. Nevertheless, Mr Froggatt, please accept my credits and compliments in the right spirit, so that Mr Kraehe can continue on to help us all for another three years.

Tony Froggatt - *Brambles Limited - Non-executive Director*

Thank you very much, Mr Tilburn. Very supportive, thank you. Any other questions? The resolution and direct vote and proxy position is now on the screen. Please mark your voting card for item number six. I intend to vote proxies granted to me as Chairman of the meeting for this item in favour of this resolution. Now I'll hand that back to Graham. Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Thank you, Tony, and the next item of business is the re-election of Stephen Johns as a director, as you know, Stephen is our very capable audit committee Chair. He retires by rotation at this meeting and his re-election is item seven as set out in the notice of meeting. Stephen, I now invite you to address the meeting.

Stephen Johns - *Brambles Limited - Non-executive Director*

Thank you Chairman. It's been a privilege to be a director of this company, Brambles, for some eight years now. My biographical details are set out in the annual report on page 30, so I won't repeat them here. My senior executive experience was with Westfield for many years. I was the Finance Director for 25 years or thereabouts. Obviously from that position I think I have a deep knowledge of corporate financial matters but I think also, Westfield's a very successful company, continues to be successful. I achieved, I think, great insights and knowledge as to how a successful public company is managed, through that experience. Apart from Brambles, I remain a director of Westfield, I'm the Chairman of Leighton Holdings, as

Mr Tilburn has mentioned, and until last year, when I retired, I was also the Chairman of a company called Spark Infrastructure. I've been on the Board of Brambles for eight years and I think over those eight years I've acquired a deep knowledge of the business, not just as Chairman of the audit committee but as an active member of the Board.

It's been a real honour and pleasure to serve as a director of your company and if re-elected, I look forward to continuing to make a meaningful contribution to the future success of Brambles. If re-elected that would be a great honour for me. Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Thank you Stephen. Are there any questions? No questions. If not the resolution and the direct vote and the proxy position is on the screen. Please mark your cards for item seven. Once again, I'll vote the proxies granted to me in favour of the resolution. The next item of business is the re-election of Carolyn Kay as a director. She's retiring by rotation at this meeting. Her re-election is item eight as set out in your notice of meeting and Carolyn, I now invite you to speak to the meeting.

Sarah Carolyn Hailes Kay - *Brambles Limited - Non-executive Director*

Thank you, Chair. Good afternoon, and thank you fellow shareholders, for allowing me to address you today. I'm honoured to be a director of Brambles and request the opportunity to continue in that role. The Board, as you have heard, has a diverse range of skills, which have been utilized during the ongoing challenging environment, with a focus on creating long-term value for you, the shareholders. We bring our individual perspectives but work productively as a team. For my part, I have been a Non Executive Director of Brambles since 2006, during which time we have gone through a significant positive transformation. I have had over 25 years of experience in finance, working both in Australia and overseas as a lawyer, a banker and a director.

I also have been, and am currently, a Non Executive Director across a broad range of sectors. My background in law and finance, coupled with my experience as a Non Executive Director provides me with relevant skills, particularly in the areas of global markets, finance, risk, governance, diversity and strategy. A brief CV is set out in the annual report. I take my responsibilities very seriously and it is with a commitment to continue to work diligently for you that I offer myself for re-election, thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Thank you, Carolyn. Are there any questions? No questions; if not, the resolution and the direct vote and proxy position is now on the screen, so if you'd mark your voting card for item eight and again, I'll vote proxies granted to me in favour of this resolution. The next item of business is the re-election of Brian Schwartz as a director, and Brian's retiring by rotation at this meeting. His re-election is item nine in the notice of meeting and I'll invite Brian to speak briefly to the meeting. Thanks, Brian.

Brian Martin Schwartz - *Brambles Limited - Non-executive Director*

Thank you Mr Chairman and good afternoon ladies and gentlemen. It really is a privilege to be re-nominated as a director of Brambles and to that end, I'd like to give you a brief overview of my background. I'm a chartered accountant who spent some 26 years with Ernst & Young in Australia, the last six as Chief Executive Officer. After leaving Ernst & Young in 2005 I was appointed Chief Executive of Investec Bank and I retired from that position in 2009. My roles at Ernst & Young and Investec exposed me to the full spectrum of business in Australia and internationally and I believe this stands me in good stead as a director of Brambles. In addition to Brambles, I'm a chairman of IAG, deputy chairman of Westfield and deputy chairman of the Football Federation of Australia. My initial three-year term at Brambles has been challenging and interesting. The company has made many far-reaching strategic decisions and I believe we have the right team in place at Board and Management level to continue this momentum and grow shareholder value, I welcome the opportunity to serve you and I thank you for your consideration of my appointment. Thank you.



Graham Kraehe - *Brambles Limited - Chairman*

Thank you, Brian. Are there any questions? Question, microphone two.

Unidentified Company Representative

Mr Chairman, Mr Jack Tilburn.

Graham Kraehe - *Brambles Limited - Chairman*

Mr Tilburn.

Jack Tilburn - *Shareholder*

Yes, thank you Mr Kraehe. Doing my homework on these directors who are coming up today -- quite a large number, but of course there would be more if it was following the United Kingdom policy, I believe that every year the directors have to come up for re-election, but nevertheless, you've made a statement about how many we have for election -- three, and re-election -- four -- seven all together. But looking at page 65 for the background on Mr Schwartz, I would like to state that he has a very large number of other directorships. Being Chairman these days, Mr Kraehe, you ought to know, is of great intensity, great velocity and a great number of meetings, internal and external and he gets paid a large sum of money - all chairmen do; they think they're doing three times more than an ordinary director.

Well, I'm not on the inside, Mr Kraehe, I don't know, but I would like to say that I consider, from my perspective, that Mr Schwartz is getting towards having too many external directorships. He's trying to do a job for Brambles and he's a chairman of the second or third largest insurance company in Australia - Insurance Australia Group Limited, of which I am a shareholder. I know Schwartz, but I often wonder if these directors have too much on their plate and are involved in too many other external directorships, jobs, positions, roles and leave themselves open to criticism from the floor, like me today, that I think Mr Schwartz has too many external directorships and I find, from my perspective, it's very difficult to see how he can carry out all these other jobs on top of trying to do a supporting job, helpful job, caring job for our Brambles Limited. Thank you.

Graham Kraehe - *Brambles Limited - Chairman*

Okay, thank you for the question, and I'd like to answer that quite directly because I understand the issue and shareholders will often say people have too much and too many competing interests. There are two very important components to answering. The first is, without question, across the Board, people who are involved in other businesses, other experiences, bring to the table of Board table, those experiences and they enrich the debate and they can talk about what's done in other places, what's done in other countries, what's worked, what hasn't worked, and that is a very, very important part of the diversity of skills and background around the Board table. Mr Schwartz adds to that. The second thing, though, and I think this is really the question that shareholders should be asking of us, is not trying to form a view about whether Mr Schwartz can contribute or not -- I can tell you he does and he makes a great contribution. What the question ought to be: is there a process by which there's an independent and very hard nosed assessment of each director and whether they actually make a contribution? The answer to that: there is and we show in our director's report our board review process. Now, that board review process would highlight -- and it has at various times -- things that might be done better around the Board table and we adopt and we manage and we change and people will change if that's appropriate.

So the process is a very real one; I can tell you the assessment that we talk about when recommending MR Schwartz is a real assessment. He is a real contributor and frankly, I'm not particularly concerned about what he does outside Brambles and I'd say then why should you be? What you should be interested in, what I'm interested in, does he make a real contribution to Brambles? Yes he does and I'd suggest the question you perhaps ought to interrogate [us], and I'm sure we'll get this at the next AGM, is do you have a really process of assessing directors and whether they actually do make a contribution. The answer to that is yes, but I'll be happy to expand on it next year.



So, any other questions? The resolution and the direct vote and the proxy position is on the screen. Please mark your voting card for item nine. Once again, I'll vote the proxies granted to me in favour of the resolution. The next item of business is the increase in Non Executive Directors fee pool. Under the company's constitution and the ASX listing rules the fees payable to the Non Executive Directors may not exceed a maximum sum approved by shareholders. The current maximum is \$2.3 million and the current actual Non Executive Director fees are \$2.12 million, so the Board is seeking a \$450,000 increase to the maximum sum to provide it with the flexibility to appoint an additional Non Executive Director, should circumstances warrant. I'd say there is no current plan to do that but if circumstances warrant -- and to provide for market rate increases in fees over the next several years. So I now out the resolution that the Non Executive Director fee pool be increased by \$450,000 to \$2.75 million effective from 1 January. Are there any questions? Microphone two.

Unidentified Company Representative

Mr Chairman, Mr Jack Tilburn.

Jack Tilburn - - Shareholder

Thank you Mr Kraeche. Straight away to you and the Board of Directors. Sometimes they're called Board of Dictators by me. Ladies and gentlemen, I will support this resolution, item number 10, shown on the screen because by rule of thumb, ladies and gentlemen, what have the directors done for us in the past year, or two or three years down the track? Well, the simple answer is we are going ahead very well. Mr Gorman tells us we're progressing. Mr Kraeche tells us we're advancing and all the directors there are helping both Mr Gorman and Mr Kraeche to help us and to help our pockets. I did have a criticism. I always say Mr Tilburn, it's a justified criticism that I hope next year they'll take on board and we can get a bit more dividends paid into our pockets. But look at the work that they do. They have to get their superannuation payments, okay. That is in the increase in the fees. They have to get board fees, committee board fees. They have a nominations committee board fee to get, remuneration committee board fee to receive, audit committee board fee to receive and there's a special committee. I might ask, Mr Kraeche, to talk a moment about the special committee, because ladies and gentlemen, we understand nomination -- new people coming up on the Board. Remuneration, Mr Mayhew, has helped us out very greatly. Audit committee, we had Mr Johns talking about a bit of audit work, but the special committee I do not understand. One other thing: I told you I'm voting for it, I'm happy about it, I believe that your track record is to help our shareholders and in helping our shareholders, we want to help you to get extra fees. Right, will you explain what the special committee does and about how much money those people earn and you didn't answer the difference between -- although I could ask Gorman over a nice cup of tea -- what is the difference between a container and a crate?

Graham Kraeche - Brambles Limited - Chairman

Okay, that's quite a collection under item 20 on the agenda. I didn't realize it was such a diverse agenda item, but thank you. The first thing to say, to correct you, the nominations committee people do not receive any fees, not the Chairman or the members. So there are no fees associated with that. Nor are there any fees associated with the special committees. What do the special committees do? Different things depending on the circumstances. So if a board, for example, is debating an issue, and perhaps a good example would be a media release and there's some debate about some component of it, we want some more data and we might then delegate to a special committee, management go away, come back, sort out that to the satisfaction of the special committee, who'll be empowered to make the decision.

So that's one example but it could be over many things but special committees, no fees, nominations committees, no fees. So the resolutions, direct vote and proxy position for item 10 is now on the screen, directors have not voted in this resolution and I ask you now to mark your poll card for item 10. Once again, I'll vote the proxies granted to me in favour of this resolution.

So before we go on, I will answer the question about crates and so on. A pallet, we know what a pallet is; it can be plastic, it can be wood, it can be full size, half size, quarter size or a display pallet, but there's a lot of different pallets, but pallets, we know what they are. Returnable plastic crates are just that; they are plastic crates, which will have lettuces put in them, shipped to the Woolworths supermarket, put on the Woolworths display counter, when the lettuces have gone they'll be folded down, collapsible so they minimize freight, back to (inaudible) to IFCO, washed, re-issued to the lettuce grower. In terms of containers, is a composite of things. I can be an automotive components container, which is really pretty much



exactly as I just described except it's a bigger, heavier metal container. It could be a cubic container, which is literally similar to the things you see on airlines for freight, and airlines, indeed, are another container -- they are bigger containers that carry all sorts of things - could be chemicals, could be luggage for airlines, could be a range of different things, so there's a number of parts of a container business. So they are the three groups into which we're organised and that's really the key to implementing our pooled assets growth strategy. So thank you very much for your attendance, thank you for your questions thank you for your patience. Please don't forget to place your (inaudible) exits. The poll (technical difficulty) and please join us for a cup of coffee.

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