

# Brambles

Tax Transparency Report 2019

For the Year ended 30 June 2019

12 February 2020



Shaping  
our future

[brambles.com](http://brambles.com)

## Brambles at a Glance

Brambles' purpose is to connect people with life's essentials every day.

Through its 'share and reuse' model, Brambles moves more goods to more people in more places than any other organisation.

### What Brambles does:

As a pioneer of the sharing economy, Brambles is one of the world's most sustainable logistics businesses.

Its circular business model perpetuates the share and reuse of the world's largest pool of reusable pallets and containers.

This enables Brambles to serve its customers while minimising the impact on the environment and improving the efficiency and safety of supply chains around the world.

Brambles' platforms form the invisible backbone of global supply chains, primarily serving the fast-moving consumer goods, fresh produce, beverage, retail and general manufacturing industries.

The world's largest brands trust Brambles to help them transport life's essentials more efficiently, safely and sustainably.

### As at 30 June 2019, Brambles:

Operated in...

~60

countries

Employed...

~11,000

people

Owned...

~330 million

pallets, crates and containers

Through a network of...

750+

service centres

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For more information, go to:

[BRAMBLES.COM](https://www.brambles.com)

## Introduction from the Chief Financial Officer

I am pleased to present Brambles' Tax Transparency Report for 2019, which provides an understanding of Brambles' tax profile, tax contributions and how we manage our tax obligations and make economic contributions to the countries in which we operate. This report is prepared in accordance with the Australian Voluntary Tax Transparency Code.



At Brambles, we are committed to transparency and effective tax risk management in keeping with our strong corporate governance, risk management and sustainability credentials. The expanded disclosures about our tax policies and international tax footprint included in this report highlight our commitment to transparency and are a natural evolution as we seek to exhibit best practice standards in accordance with the code.

### FY19 effective tax rate and tax contribution

Brambles' FY19 effective income tax rate from Continuing Operations was 30.4%. This is a significant increase from the 18.0% effective tax rate for FY18, which included a one-time non-cash benefit of US\$65.2 million resulting from the decrease in the USA's federal corporate income tax rate from 35% to 21%. The FY19 tax expense includes the full year benefit of a lower federal US tax rate offset by increased tax expense related to Base Erosion Anti-Abuse Tax which applies to certain foreign related party payments. Brambles global taxes paid from Continuing Operations was US\$285.1 million reflecting a range of taxes detailed on page 6 of this report. The amount paid represents an increase of US\$34.8 million on the prior financial year primarily driven by the increase of Australian corporate income tax instalment payments.

The higher Australian tax payments resulted in an increase in the availability of franking credits at 31 December 2018 enabling Brambles to increase the franking percentage of its interim dividend to 65% on a one-off basis.

### FY19 key tax developments

FY19 was a year of transition for Brambles. Following the completion of the sale of our IFCO RPC business in May 2019 for US\$2.5 billion, Brambles is now a more streamlined business uniquely positioned to leverage its core pallet and container logistics expertise to meet our customers' needs and to solve global supply chain challenges.

The accounting gain on the sale of IFCO was US\$959.3 million. The tax costs associated with the sale of US\$13.6 million mainly related to pre-sale restructuring to facilitate the separation of the IFCO group. As previously announced, Brambles is using the net sales proceeds after costs to pay down external debt and return up to US\$1.95 billion to shareholders through a combination of pro-rata cash return and on-market share buy-backs. The ATO has issued a class ruling as regards to the tax treatment of the cash return for Australian shareholders.

Looking forward, we will continue to assess our governance processes to ensure we are aligned with best practice for tax risk management, corporate governance and transparency whilst continuing to make significant economic contributions to the countries and communities in which we operate.

A handwritten signature in black ink, appearing to read 'Nessa O'Sullivan'.

Nessa O'Sullivan, Chief Financial Officer

12 February 2020

### FY19 effective income tax rate<sup>1</sup>

**30.4%**

Up from 18% in FY18

### FY19 income tax expense<sup>1</sup>

**US\$198.3 million**

Up from US\$121.8 million in FY18

### Global tax contribution

**US\$285.1 million**

Up from US\$250.3 million in FY18

<sup>1</sup> Continuing operations

## Tax policy

**Brambles' Code of Conduct provides an ethical and legal framework for all employees. Our Tax Policy aligns with the principles of the Code of Conduct and applies to Brambles businesses globally.**

### Introduction

Brambles is committed to complying with tax laws and to having open and constructive relationships with tax authorities. Taxation laws are inherently complex and Brambles seeks to comply with the laws by paying the right amount of tax in the correct jurisdiction, disclosing relevant information, and claiming reliefs or incentives where they are available. We support greater transparency of companies' tax payments and processes, in order to build public trust and have adopted the Voluntary Tax Transparency Code of the Australian Board of Taxation.

We pay corporate income taxes, customs duties, employment and other taxes. In addition, we collect and pay employee taxes as well as indirect taxes such as sales tax and VAT. The taxes we pay and collect form a significant part of the economic contribution to the countries in which we operate.

Our commitment is underpinned by the following principles:

#### 1. Tax risk management and governance framework

We follow Brambles' risk management framework as part of our internal control processes. We identify, assess and manage tax risks and account for them appropriately. We implement risk management measures including controls over the following risks:

- Operation and Transaction risks – the risk of inadequate tax consideration, expertise and judgement into business transactions, and poor implementation or management of key risks, including inadequate documentation to support positions taken. Key controls include sign-off by key functional areas including Group Tax in accordance with an approvals framework;
- Compliance risk – the risk of late or inaccurate tax returns. Key controls include a central database monitoring the lodgement of tax returns, and the use of external accounting firms to prepare or review such returns;
- Tax accounting risk – the risk of material financial misstatement as defined in the relevant accounting standards. Key controls include providing tax accounting instructions to financial statement preparers, and reviewing and signing-off of material tax balances by Group Tax; and
- External and management risk – the risk associated with new laws and management of the tax function. Key controls include ensuring that appropriate policies and procedures are in place, maintained and used consistently around the world, and that the global tax team has appropriate skills and experience.

Material tax issues and risks, when identified, are reported to the Brambles Audit Committee and Brambles Board.

#### 2. Level of risk in relation to taxation Brambles is prepared to accept

The effective management of risk, including tax risk, is vital to the continued growth and success of Brambles. We incorporate effective risk management as part of our business processes. Brambles has designed and implemented internal control systems and risk management processes, including those relevant to tax risk, and these are reviewed by the Board.

Internal governance procedures impact on acceptable levels of risk by:

- Identifying, analysing and ranking risk issues, including tax, in a consistent manner, using a common methodology;
- Making our risk tolerance for tax issues a key consideration in our decision making; and
- Requiring approval by senior management, or the Board, for transactions according to an approval process having regard to the level of risk and materiality of the consequences involved.

We adhere to relevant tax law and we seek to minimise the risk of uncertainty or disputes. For material transactions we seek certainty, for example by way of obtaining external advice and legal opinions or agreement with tax authorities where the law is uncertain or complex.

#### 3. Tax strategy and planning

Brambles Code of Conduct states that all business should be conducted in accordance with the laws and regulations in the countries in which the business is located. Our tax strategy and planning supports our business strategy and reflects commercial and economic activity. Relevant Brambles Group stakeholders are involved, according to an approval process having regard to the level of risk and materiality of the consequences involved, to ensure transactions are acceptable, including Brambles' Board, CEO, CFO, and commercial, legal, treasury and accounting functions.

We conduct transactions between group companies on an arm's-length basis and in accordance with Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines.

Brambles does not seek to avoid tax using artificial arrangements, or tax haven jurisdictions, lacking business purpose.

#### 4. Approach towards tax authorities

We seek to build and sustain relationships with governments and fiscal authorities that are constructive and based on trust and mutual respect. Brambles complies with the tax laws in each country, and should any inaccuracies arise in tax returns, these will be voluntarily disclosed to taxation authorities.

We work collaboratively wherever possible with fiscal authorities to resolve disputes and to achieve early agreement and certainty. As part of our approach to dispute resolution, we consider all legitimate avenues, including litigation, particularly where agreement is not possible.

We engage with governments, and its various bodies, on the development of tax laws, and their administrations, either directly or through trade and other similar associations as appropriate.

Our approach is evidenced by, for example, low risk ratings from the Australian Taxation Office and Her Majesty's Revenue and Customs.

#### 5. Roles & Responsibilities

The following table provides an overview of the roles and responsibilities for tax risk management within the Brambles group:

Role	Responsibility
Brambles Board	Brambles Limited's board is responsible for setting the Group's risk appetite and its risk management framework and systems of internal control including approval of the Tax Policy
Audit Committee	The Audit Committee assists the Board in fulfilling its corporate governance and oversight responsibilities including the effectiveness of the management of the Group's material risks, including tax risks
Chief Financial Officer (CFO)	The CFO is responsible for managing Brambles's financial risks, including tax risks, and the reporting of these risks to the Audit Committee and Brambles' Board
Group Vice President, Taxation (Group VP Tax)	The Group VP Tax is responsible for the design of the Tax Policy and the tax risk management framework and ensuring that appropriate processes and controls are maintained and providing specialist support
Regional Vice Presidents, Taxation (Regional VP's Tax)	The Regional VP's Tax and their teams are responsible for ensuring compliance with the Tax Policy at a regional level, maintaining the tax risk management framework and providing specialist support to the regional business units
Regional Financial Controllers	Regional Financial Controllers are responsible for compliance with local legislation and the Tax Policy at an entity level from processing of transactions through to reporting and the filing of tax notices and returns with support from external advisers and Regional VP Tax, as appropriate

#### 6. UK Legislative Requirements

This document is published in accordance with Paragraph 16(2) of Schedule 19 of the Finance Act 2016 for the financial year ended 30 June 2019.

#### 7. Board Approval

This Tax Policy was approved by the Board of Directors on 27 June 2019.

## Tax contribution summary

Provided below is a summary of Brambles' total cash taxes paid to Australian and overseas tax authorities by geographic region in the financial years ended 30 June 2019 and 2018.

### Year ended 30 June 2019

Region	Corporate Income Tax <sup>2</sup> US\$m	Employment taxes <sup>3</sup> US\$m	Property/real estate taxes US\$m	Green taxes and other taxes <sup>4</sup> US\$m	Total tax contribution US\$m
Australia	77.1	5.0	1.8	-	83.9
Americas	49.1	13.7	12.9	-	75.7
EMEA	83.1	32.2	2.9	1.5	119.7
Asia-Pacific	4.1	1.3	0.2	0.2	5.8
<b>Total</b>	<b>213.4</b>	<b>52.2</b>	<b>17.8</b>	<b>1.7</b>	<b>285.1</b>

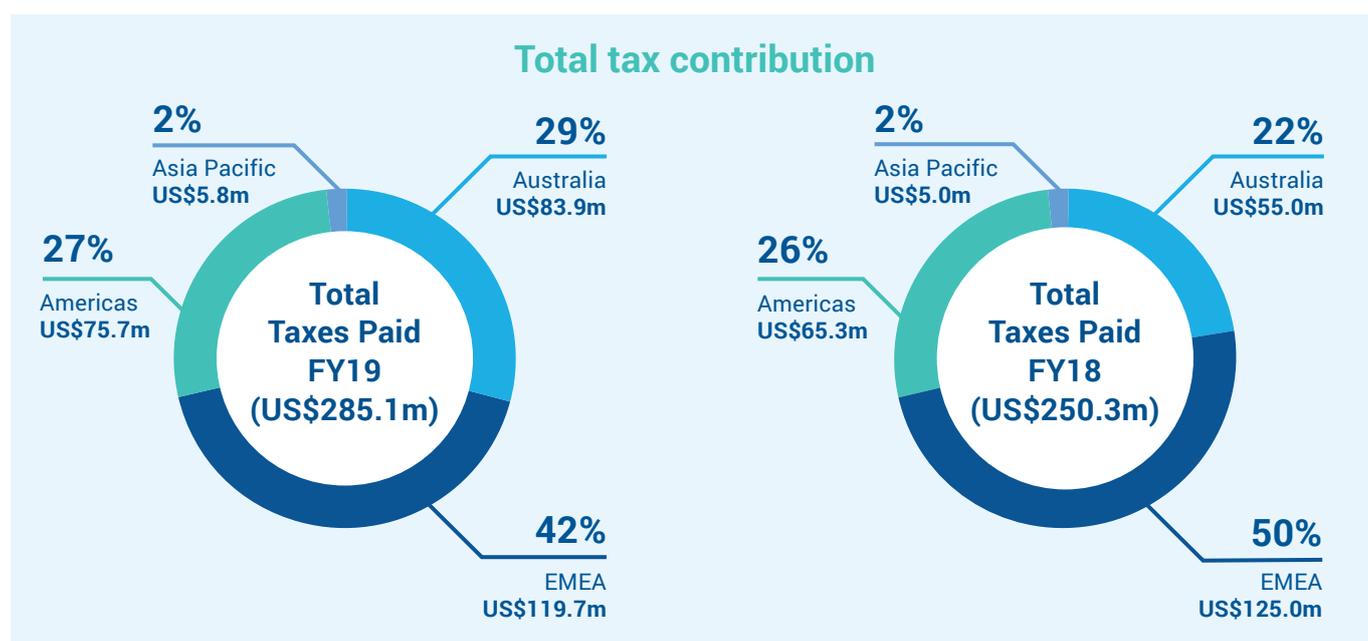
### Year ended 30 June 2018

Region	Corporate Income Tax <sup>2</sup> US\$m	Employment taxes <sup>3</sup> US\$m	Property/real estate taxes US\$m	Green taxes and other taxes <sup>4</sup> US\$m	Total tax contribution US\$m
Australia	48.6	4.8	1.6	-	55.0
Americas	40.8	11.8	12.7	-	65.3
EMEA	93.7	28.0	2.2	1.1	125.0
Asia-Pacific	3.3	1.3	0.2	0.2	5.0
<b>Total</b>	<b>186.4</b>	<b>45.9</b>	<b>16.7</b>	<b>1.3</b>	<b>250.3</b>

This table does not include:

- Discontinued operations including the IFCO RPC business which was sold on 31 May 2019; and
- Taxes collected and paid by Brambles on behalf of others (e.g. VAT/GST and payroll withholding taxes).

Less than 10% of the group's third party turnover arises in Australia, but Australia accounts for 29% of the group's total taxes paid in the financial year ended 30 June 19 (FY18: 22%). This is largely as a result of licensing of intellectual property developed and owned by Brambles in Australia to overseas group members.



<sup>2</sup> Includes income taxes paid to US State tax authorities.

<sup>3</sup> Includes e.g. Australian Fringe Benefits Tax, UK Employers' National Insurance Contributions.

<sup>4</sup> Includes e.g. Romanian packaging tax, UK landfill tax.

## Income Taxes disclosed in 2019 Annual Report

The income tax expense (ITE) disclosed in Brambles' Annual Report is calculated in accordance with Australian Accounting Standards which are consistent with International Financial Reporting Standards (IFRS).

In any year, there will be differences between the ITE calculated in the Annual Report and the amount of cash income taxes payable for the period to relevant taxation authorities. This is due to a number of timing differences between the accounting and tax treatment of various items of income and expense, such as:

- differences between accounting and tax depreciation rates on fixed assets;
- accounting differences between group accounts and local statutory accounts;
- group companies making losses, or using brought forward tax losses to offset current year profits; and
- expenses which are only tax-deductible when paid.

There will also be differences between the cash income taxes payable for a given period and the total income tax actually paid to tax authorities during the Year. This is due to a variety of factors, such as the timing of corporate income tax instalment payments, and final tax payments being made (or refunds received) for prior periods following the submission of tax returns.

### Reconciliation of worldwide accounting profit to income tax expense

#### Brambles Limited Consolidated Worldwide Group

	Americas 2019 US\$m	EMEA 2019 US\$m	Asia-Pacific 2019 US\$m	Total 2019 US\$m	Total 2018 US\$m
<b>Continuing Operations</b>					
Profit before tax	82.3	385.9	184.2	652.4	675.3
<b>Tax at the Australian rate of 30%</b>	<b>24.7</b>	<b>115.7</b>	<b>55.3</b>	<b>195.7</b>	<b>202.6</b>
Increase in income tax expense due to:					
Non-deductible expenses <sup>5</sup>	7.1	2.1	3.4	12.6	9.5
Tax losses written off or not recognised	2.4	0.6	2.2	5.2	6.3
Unrecoverable foreign withholding taxes	1.2	6.8	1.2	9.2	10.1
Change in tax rates <sup>6</sup>	1.8	(0.8)	-	1.0	(76.8)
Decrease in income tax expense due to:					
Effect of tax rates in other jurisdictions <sup>7</sup>	10.2	(19.9)	(0.8)	(10.5)	(30.9)
Prior year tax losses recouped/recognised	-	(5.1)	(1.3)	(6.4)	(7.6)
Other differences	(0.7)	(0.6)	0.6	(0.7)	3.3
	<b>46.7</b>	<b>98.8</b>	<b>60.6</b>	<b>206.1</b>	<b>116.5</b>
Adjustment for prior years	(6.2)	0.7	(2.3)	(7.8)	5.3
<b>Income tax expense for continuing operations</b>	<b>40.5</b>	<b>99.5</b>	<b>58.3</b>	<b>198.3</b>	<b>121.8</b>
<b>Discontinued Operations<sup>8</sup></b>					
Profit before tax				1,071.6	153.5
Income tax expense for discontinued operations				<b>58.0</b>	<b>14.3</b>
<b>Total</b>					
Profit before tax				1,724.0	828.8
<b>Income tax expense</b>				<b>256.3</b>	<b>136.1</b>
Effective tax rate – Continuing Operations only				30.4%	18.0%
Effective tax rate – Including Discontinued Operations				14.9%	16.4%

<sup>5</sup> The FY19 income tax expense for the Americas region was impacted by non deductible expenses related to one-off Significant Items as described in Note 4 of the 2019 Annual Report.

<sup>6</sup> The change in tax rates figure for FY18 includes a one-time non-cash benefit of US\$65.2m, representing the reduction in Brambles USA's net deferred tax liability following the decrease in the USA federal corporate income tax rate from 35% to 21%. This was the key reason for the unusually low effective tax rate for FY18.

<sup>7</sup> Americas includes impact of Base Erosion and Anti-Abuse Tax in the US, relating to payments made to non-US related parties effective from 1 July 2018.

<sup>8</sup> Profit before tax for discontinued operations for the Year ended 30 June 2019 includes a pre-tax gain on divestment of IFCO of US\$959.3m. Most of this gain arose in the UK and was not subject to corporation tax due to application of the UK's substantial shareholding exemption. The income tax expense figure includes US\$13.6m tax expense in relation to the gain on divestment of IFCO and US\$44.3m tax expense on IFCO's operating activities.

## Reconciliation of Australian consolidated group profit to income tax expense

### Brambles Limited Australian Tax Consolidated Group

	2019 US\$m	2018 US\$m
Profit before income tax <sup>9</sup>	118.1	201.4
<b>Income tax expense at the Australian rate of 30%</b>	<b>35.4</b>	<b>60.4</b>
Increase in income tax expense due to:		
Non-deductible expenses	19.1	1.8
Unrecoverable foreign withholding taxes	5.1	1.2
Other differences	0.5	0.8
	<b>60.1</b>	<b>64.2</b>
Adjustment for prior years	(2.3)	(0.7)
<b>Income tax expense in Australia</b>	<b>57.8</b>	<b>63.5</b>
Effective tax rate <sup>9</sup>	48.9%	31.5%

## Reconciliation of Australian income tax expense to cash tax payable

### Brambles Limited Australian Tax Consolidated Group

	2019 US\$m	2018 US\$m
<b>Income tax expense in Australia</b>	<b>57.8</b>	<b>63.5</b>
Temporary differences:		
On fixed assets	(1.4)	(2.3)
On revenue recognition	(1.6)	1.5
Other	(0.1)	(2.2)
<b>Gross tax payable</b>	<b>54.7</b>	<b>60.5</b>
Offsets for foreign withholding tax suffered at source	(12.5)	(9.9)
<b>Cash income taxes payable</b>	<b>42.2</b>	<b>50.6</b>

<sup>9</sup> Australian profit before income tax in FY19 is stated net of US\$59.6m of one-off disposal costs in relation to the IFCO RPC business, which are mostly non-deductible for Australian tax purposes. Excluding these one-off costs, the effective tax rate is 32.5%.

## International related party dealings

Brambles Limited is the ultimate parent entity of the Brambles Group. It has its global headquarters in Sydney and an office in London. Brambles Limited is incorporated and resident for tax purposes in Australia.

Brambles has operations in approximately 60 countries and conducts business in foreign jurisdictions generally through locally incorporated legal entities and is subject to the tax regimes in those jurisdictions. The material subsidiaries are disclosed under Note 28 "Related Party Information" in the 2019 Annual Report.

In order to operate efficiently, various functions are centralised in Australia, the United States and the United Kingdom and cross charged to the business units. In addition, certain intellectual property is centrally held in Australia and the UK.

An overview of the key international related party dealings in the Year to 30 June 2019 is as follows:

Nature of the intercompany transactions	Transfer Pricing Policy
Provision of global management services and regional support services	Charges for these services are on a cost-plus basis and costs are allocated using an appropriate method of allocation
Licensing know-how and other intellectual property	Royalties determined on a comparable uncontrolled price method and supported by Advance Pricing Agreements
Provision of intercompany funding	Funding priced at a margin over the Group's external cost of funds
Provision of global IT services	Charges for these services are on a cost-plus basis and costs are allocated using an appropriate method of allocation
Provision of pallet and container rentals	Rental charges based on a return on assets

Brambles conducts international related party dealings on arm's length terms to meet the regulatory requirements of the relevant jurisdictions and in accordance with the OECD transfer pricing rules and guidelines. Where practicable we seek to obtain advance pricing agreements with the ATO and other taxation authorities for greater assurance. However, transfer pricing is a complex area and its application can be subject to differences in interpretation by different taxation authorities.

Brambles discloses its material transactions in its lodged tax returns and other disclosures to tax authorities, including the transfer pricing Master File drawn up in line with OECD requirements and lodged with the ATO. Brambles also complies with the Country by Country Reporting (CbCR) requirements in each of the countries in which we operate. Brambles' CbC report for the Year to 30 June 2018 was lodged with the ATO in June 2019.

Local Transfer Pricing Files are lodged with tax authorities as prescribed by the laws of the particular country.

## ATO tax transparency disclosures for 2018

In December 2019, the Australian Taxation Office (ATO) published tax information for large taxpayers in respect of the 2018 tax year in accordance with the ATO's tax transparency measures. This recurring annual disclosure contains the total income, taxable income and income tax payable for 2018 for all public Australian companies with income in excess of A\$100 million.

The following taxation information was published for the Brambles Limited Australian Tax Consolidated Group for 2018:

	A\$'000
Total income	1,375,573
Taxable income	278,623
Income tax payable	69,519

A reconciliation of these disclosures is provided below:

	A\$'000	A\$'000
<b>Total income</b>		<b>1,375,573</b>
Total expenses		(514,084)
Accounting profit		861,489
Tax adjustments		
Intra-group dividends received	(604,745)	
Unrealised FX loss	30,228	
Other permanent differences	5,946	
Timing differences	(14,295)	
		(582,866)
<b>Taxable income</b>		<b>278,623</b>
Prima facie tax payable (at 30% tax rate)		83,587
Offsets for foreign withholding tax suffered at source		(14,068)
<b>Income tax payable</b>		<b>69,519</b>

## Basis of report preparation

### Tax contribution summary

Tax payments to revenue authorities reported in this section are presented on a cash paid basis.

This report includes tax amounts paid and received by controlled entities within the Brambles Group as at 30 June 2019. Tax payments made by discontinued operations, such as the IFCO RPC business are excluded from both 2019 and 2018 comparator figures.

All payments to tax authorities have been reported in US dollars, translated using the exchange rate as at 30 June 2019.

### Income taxes disclosed in 2019 Annual Report

The financial statement disclosures in this section have been extracted from the 2019 Annual Report, which was prepared under Australian Accounting Standards and complies with International Financial Reporting Standards ("IFRS").

Other financial information presented in this section has been sourced from workpapers used in the preparation of the 2019 Annual Report or from the Brambles Reporting and Consolidation System, which sources its information from each individual group entity's general ledger system.

Comparator figures for the Year ended 30 June 2018 have been restated for the adoption of AASB 15 (Revenue from Contracts with Customers). Comparator figures stated under "Continuing Operations" have also been restated to exclude discontinued operations as at 30 June 2019.

## ATO tax transparency disclosures for 2018

ATO tax transparency disclosures reflect total income, taxable income and tax payable per the Brambles Limited Australian Tax Consolidated Group's tax return for the Year ended 30 June 2018. Monetary amounts reported in this section are denominated in Australian dollars.

## Contact Information

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Email: [investorrelations@brambles.com](mailto:investorrelations@brambles.com)

### Share Registry

Access to shareholding information is available to investors through Boardroom Pty Limited

### Boardroom Pty Limited

GPO Box 3993, Sydney NSW 2001, Australia

Telephone: 1300 883 073 (within Australia)  
+61 (0) 2 9290 9600 (from outside Australia)

Facsimile: +61 (0) 2 9279 0664

Email: [brambleesp@boardroomlimited.com.au](mailto:brambleesp@boardroomlimited.com.au)

Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### Share Rights Registry

Employees or former employees of Brambles who have queries about the following interests:

Performance share rights under the performance share plans;

Matching share rights under MyShare; or

Shares acquired under MyShare or other share interests held through Sargon CT Pty Ltd, may contact Boardroom Pty Limited, whose contact details are set out above.

### American Depository Receipts Registry

Deutsche Bank Shareholder Services  
American Stock Transfer & Trust Company Operations Centre  
6201 15th Avenue Brooklyn NY 11219 USA

Telephone: +1 866 706 0509 (toll free)  
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