

Letter from the Chair & CEO

Step into the future



In the face of significant global supply chain disruptions and inflationary pressures unseen in over 40 years, we continued playing a critical role in global supply chains and delivered strong financial outcomes for shareholders. This has only reinforced the importance of our transformation agenda as we step into the future, reinventing pooling for the supply chains of tomorrow.

Over the past two years we have seen unprecedented levels of uncertainty and volatility across global supply chains. Disruptions to global trade and shortages of critical inputs have introduced new challenges and significant cost pressures across our customers' supply chains and our own operations.

During the Year, lumber prices reached peaks of more than three times the historical average in some of our largest regions. Labour and transport markets continued to face COVID-19 pressures and structural capacity shortages, which saw costs outpace general inflation in every country we operate in. Retailers and manufacturers in all regions also continued to hold higher levels of inventory, further exacerbating industry-wide pallet shortages and impacting the efficiency of their supply chains.

Faced with these challenges, retailers and manufacturers are seeking an agile and resilient partner able to de-risk their supply chains and improve the efficiency and sustainability of their operations.

As the global leader in pooling solutions, we have an unrivalled network advantage and sustainability expertise underpinned by our circular 'share and reuse' model which uniquely positions us to be the supply chain partner of choice for our customers and retail partners in 60 countries.

It is from this position of strength that we are transforming our business and accelerating our decarbonisation agenda to pioneer regenerative supply chains.

Shaping Our Future

In September 2021, following a strategic review of Shaping Our Future, we outlined our multi-year transformation programme designed to strengthen our competitive advantage and create value over the long-term for our customers, shareholders and employees. In the first year, we have overcome numerous challenges and disruptions to set the foundations for transformation.

Through a twin-track approach, we will increase the performance and resilience of our current business and further strengthen our sustainability credentials, while investing to create the 'Brambles of the Future'.

To improve the efficiency of our current business, we are implementing high-returning supply chain initiatives including the next phase of service centre automation, optimising our networks and improving platform durability. In addition to cost savings, these initiatives also deliver a better customer experience by providing platforms better suited for increasingly automated supply chains and improving service levels to mitigate increased uncertainty and volatility across their operations.

Letter from the Chair & CEO (continued)

In the current landscape of scarce resources, asset efficiency has never been more important to reduce our environmental impact, improve pallet availability for customers and deliver increased shareholder returns. In FY22, we recovered and salvaged an additional four million pallets through pallet remanufacturing processes and a range of initiatives supported by data analytics and the deployment of smart assets, including pricing to improve market behaviour and increased collections from difficult channels. We expect to significantly improve these savings in the years ahead as we continue to expand advanced data analytics and digital track and trace capabilities.

To ensure the success of our transformation, we increased the digital and project management capabilities across our organisation. We have developed new ways of working and upgraded our technological foundations to support our transition to the 'Brambles of the Future', including migrating key systems to the cloud and implementing a best-in-class customer relationship management system.

Accelerating the digital transformation of our business and transforming the customer experience are at the heart of building the 'Brambles of the Future'. By better leveraging data and maximising the potential of digital assets, we will increase end-to-end supply chain visibility, and provide our teams with the tools to identify new sources of value for our customers. This year provided key learnings for our digital asset strategy. We deployed over 250,000 smart pallets with autonomous tracking devices in over 20 countries. This included our UK and Canada continuous diagnostics trials, which have established key building blocks for capturing data and generating insights our teams can use to support commercial decision-making, asset efficiency and customer value creation across the organisation. We will build on these learnings in FY23 to assess scalability and returns of these initiatives which will inform our scale and investment beyond FY23.

As we progress with the transformation programme, we remain disciplined in how capital is deployed. We expect the transformation to support the delivery of annual Underlying Profit growth in the high single-digits with consistent operating leverage and sustainable Free Cash Flow generation.

The key streams and activities have been summarised in our scorecard that tracks and reports our progress, and can be found on pages 12 and 13.

Step into the Positive

Advancing our vision to pioneer regenerative supply chains, we launched a customer-focused sustainability campaign, inviting our customers to 'Step into the Positive' with Brambles. The purpose is to share our sustainability experience and encourage a greater understanding of how regenerative strategies like creating value from waste or replenishing resources will lead to net positive outcomes for all stakeholders. Restoring habitats, strengthening societies and fostering sustainable innovation for businesses are some of the outcomes that we expect to accelerate through this initiative.

During the Year, we continued to make good progress against our ambitious 2025 Sustainability Targets and announced our commitment to accelerate our decarbonisation strategy with a goal of achieving net-zero greenhouse gas emissions across our whole supply chain by 2040, ten years ahead of our previous deadline. The Group continues to assess the potential long-term impacts of climate change. While decarbonisation is only one element of our sustainability strategy, this commitment is an increasingly important point of focus and engagement for our customers, employees and shareholders.

We are particularly pleased with our safety performance in the Year. Brambles Injury Frequency Rate (BIFR) decreased 18% on the prior year to 4.1 in FY22 and is tracking ahead of our FY25 target. We remain focused on continuous improvements in safety and expect further benefits from service centre automation investments and the launch of our new 'Safety First' strategy to guide us to our vision of Zero Harm.

Our sustainability credentials continue to be recognised as best in class by global sustainability indices, including Corporate Knights, MSCI and Dow Jones. We were also one of the inaugural recipients of

the Terra Carta Seal, launched by His Royal Highness, The Prince of Wales, to recognise global companies demonstrating a commitment to the creation of genuinely sustainable markets.

Further information about our sustainability performance and decarbonisation strategy can be found on pages 20 to 27 of this report, with more details to be outlined in our 2022 Sustainability Review, due to be released in September 2022.

FY22 Performance

We are proud in difficult circumstances to have delivered strong full year revenue growth with Underlying Profit leverage and Free Cash Flow outcomes which exceeded our revised FY22 guidance due to a stronger than expected fourth-quarter performance.

Sales revenue increased 9% on a constant currency basis, driven by price realisation to recover significant increases in the cost-to-serve in all regions. Volume growth remained in line with elevated levels in the prior year despite pallet availability constraints. Underlying Profit growth of 10% at constant currency included US\$48.4 million of short-term transformation costs. Profit growth reflected incremental pricing and surcharge income, supply chain efficiencies and increased asset compensations which more than offset operating cost inflation and the added investments in the transformation programme.



While our revenue and profit performance was strong, free cash was an outflow of US\$218.6 million. This was a result of increased capital expenditure, which included lumber inflation of US\$470 million and additional pallet purchases to support customer and retailer inventory holdings to de-risk supply chains.

During the Year, we took the decision not to participate in the potential transition to plastic pallets in Costco's United States supply chain. We believe the decision is a demonstration of our disciplined approach to capital allocation as the price premium and commercial terms required by Brambles were prohibitive to Costco and their suppliers. We have an excellent relationship with Costco and our customers continue to use our wooden pallets to supply their goods into Costco's supply chain.

Dividend and Capital Management

Shareholders benefited from Brambles' strong earnings growth in the Year, with the Board declaring total dividends for FY22 of 22.75 US cents per share, an increase of 11% over the prior year with the Australian dollar equivalent of 32.31 Australian cents per share. Further details of the FY22 dividend are on page 15.

Brambles also completed its A\$2.4 billion on-market share buy-back programme on 15 June 2022 with a total of 216.5 million ordinary shares purchased and cancelled.

Following the completion of the on-market share buy-back programme, the Board is reinstating the Dividend Reinvestment Plan (DRP). The DRP will not attract a discount and any dilutive impacts on earnings per share will be neutralised. Shareholders wishing to participate in the DRP should confirm their election status before 5pm Sydney time on Friday 9 September 2022 with Brambles Limited's Share Registrar, Boardroom Pty Limited.

Board Renewal

In line with our Board renewal plan, Kendra Banks was appointed as a Non-Executive Director in May 2022 filling one of the vacancies created by Tony Froggatt's and Tahira Hassan's retirement from the Board at the 2021 Annual General Meeting (AGM). Kendra has extensive experience across the retail and technology sectors with a focus on customer insights, commercial management and digital marketing. This detailed knowledge and experience of customer insights, particularly in the FMCG sector, and in digital advancement, marketing and product strategies that will enhance the Board's overall skills mix.

We continue to recruit for a North American-based Non-Executive Director and expect that to be completed in the next few months.

Full Board biographies are on pages 45 to 48. Details of our Board skills matrix are in the Corporate Governance Statement on [brambles.com](https://www.brambles.com)

Outlook

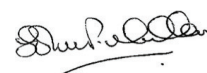
Subject to there being no material change in underlying economic and operating conditions, in FY23 we expect to deliver constant currency growth in sales revenue in the range of between 7-10% and Underlying Profit growth of between 8-11%. Free Cash Flow after dividends to improve on FY22 but remain a net outflow.

We remain committed to a progressive improvement in the level of Free Cash Flow generated over the medium term as the asset efficiency and pricing benefits enabled by digital transformation investments are realised. We understand it is consistent delivery of operating leverage and sustainable Free Cash Flow generation that underpins shareholder value creation over the long term.

These financial outcomes are dependent on a number of factors, including material unknowns. These factors include, but are not limited to, prevailing macroeconomic conditions, customer demand, lumber prices, sawmill capacity and efficiency of global supply chains.

Conclusion

In closing, our achievements this year would not be possible without the dedication and tireless efforts of our people and their ability to manage through uncertain and challenging times. On behalf of the Board, we would like to thank the whole Brambles team for their hard work and dedication during the Year and Brambles' shareholders for their continued support.



John Mullen
Chair



Graham Chipchase
Chief Executive Officer

