Welcome to the Bunzl plc Annual Report 2020

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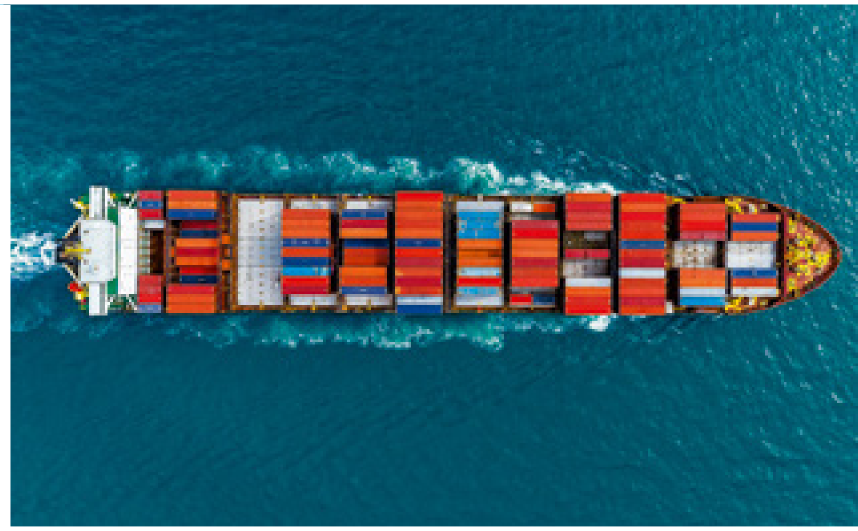
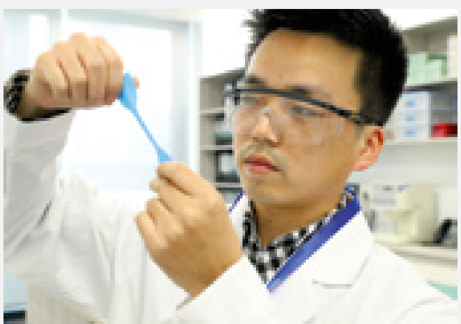
DELIVERING VALUE FOR OUR CUSTOMERS

Bunzl plc Annual Report 2020


We are a focused and successful specialist international distribution and services Group with operations across the Americas, Europe, Asia Pacific and UK & Ireland. We support businesses all over the world with a variety of products that are essential for our customers in the successful operation of their businesses.

WE GO ABOVE AND BEYOND TO DELIVER END-TO-END CUSTOMER SOLUTIONS



RESPONSIBLE SOURCING

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SMART CONSOLIDATION

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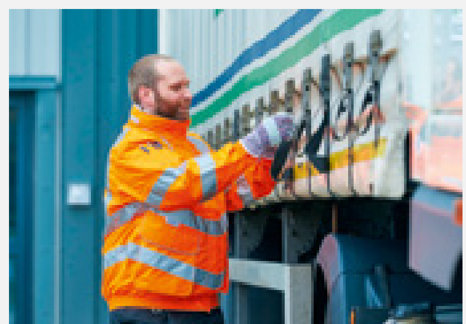

EFFICIENT DELIVERY

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DELIVERING ON OUR PURPOSE AND VALUES

Read more page 14 →

www.bunzl.com

HIGHLIGHTS

Adjusted earnings per share*
164.9p
(2019: 132.2p)
+26.6%
Growth at constant exchange rates
(Actual exchange rates +24.7%)

Adjusted operating profit*
£778.4m
(2019: £653.3m)
+20.9%
Growth at constant exchange rates
(Actual exchange rates +19.1%)

Cash conversion*
103%
(2019: 101%)

Operating profit
£618.5m
(2019: £528.4m)
Growth at actual exchange rates +17.1%

Dividend per share
54.1p
(2019: 51.3p)
+5.5%

Basic earnings per share
128.8p
(2019: 104.8p)
Growth at actual exchange rates +22.9%

Revenue
£10,111.1m
(2019: £9,326.7m)
+9.4%
Growth at constant exchange rates
(Actual exchange rates +8.4%)

Committed acquisition spend
£445m

Sustainability materiality assessment conducted and priorities set
54
External stakeholders interviewed

* Alternative performance measure (see Note 3 on page 158).

Reconciliation of alternative performance measures to statutory measures
for the year ended 31 December 2020

		Adjusting items					
	Alternative performance measures £m	Customer relationships and brands amortisation £m	Acquisition related items £m	Non-recurring pension scheme charges £m	Statutory measures £m	
Adjusted operating profit	778.4	(100.4)	(42.7)	(16.8)	618.5	Operating profit
Finance income	10.4				10.4	Finance income
Finance expense	(73.2)				(73.2)	Finance expense
Adjusted profit before income tax	715.6	(100.4)	(42.7)	(16.8)	555.7	Profit before income tax
Tax on adjusted profit	(165.1)	24.5	10.7	4.2	(125.7)	Income tax
Adjusted profit for the year	550.5	(75.9)	(32.0)	(12.6)	430.0	Profit for the year
Adjusted earnings per share	164.9p	(22.7)p	(9.6)p	(3.8)p	128.8p	Basic earnings per share

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Strategic report

Directors' report

Financial statements

This review refers to alternative performance measures which exclude charges for customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and the profit or loss on disposal of businesses and any associated tax, where relevant. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and they are removed in calculating the profitability measures by which management assesses the performance of the Group. Further details of these alternative performance measures can be found in Note 3 on page 158.

Growth at constant exchange rates is calculated by comparing the 2020 results to the results for 2019 retranslated at the average exchange rates used for 2020.

SUPPORTING BUSINESSES GLOBALLY WITH A VARIETY OF ESSENTIAL PRODUCTS

MARKETS SERVED

We provide a one-stop-shop, on-time and in-full specialist distribution service across more than 30 countries, supplying a broad range of internationally and responsibly sourced non-food products to a variety of market sectors.

GROCERY

26%
of Group revenue

Goods-not-for-resale, including food packaging, films, labels, cleaning and hygiene supplies and personal protection equipment to grocery stores, supermarkets and convenience stores.

FOODSERVICE

25%
of Group revenue

Non-food consumables, including food packaging, disposable tableware, guest amenities, catering equipment, cleaning and hygiene products and safety items, to hotels, restaurants, contract caterers, food processors and the leisure sector.

SAFETY

14%
of Group revenue

Personal protection and safety equipment, including gloves, boots, hard hats, ear and eye protection and other workwear, as well as cleaning and hygiene supplies, to industrial and construction markets.

CLEANING & HYGIENE

13%
of Group revenue

Cleaning and hygiene materials, including chemicals and hygiene paper, to cleaning and facilities management companies and industrial and public sector customers.

RETAIL

10%
of Group revenue

Goods-not-for-resale, including packaging and other store supplies and a full range of cleaning and hygiene products, to retail chains, boutiques, department stores, home improvement chains, office supply companies and related e-commerce sales channels.

HEALTHCARE

10%
of Group revenue

Healthcare consumables, including gloves, masks, swabs, gowns, bandages and other healthcare related equipment and cleaning and hygiene products to hospitals, care homes and other facilities serving the healthcare sector.

OTHER

2%
of Group revenue

A variety of product ranges to other end user markets.

28
Years of dividend growth

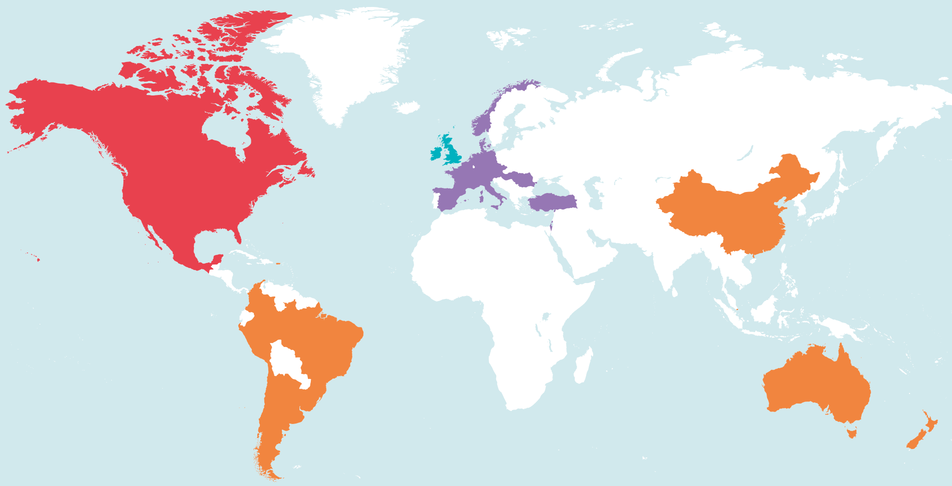
19,853
Employees

31
Countries

172
Acquisitions since 2004

OUR BUSINESS REGIONS

We operate across the Americas, Europe Asia Pacific and UK & Ireland with our global HQ in London, UK. We are continually developing our global network to ensure we deliver the best service to our customers.



Rest of the World

Adjusted operating profit (£m)*

£104.2m

2019: £61.6m

North America

Adjusted operating profit (£m)*

£395.7m

2019: £343.6m

Continental Europe

Adjusted operating profit (£m)*

£238.1m

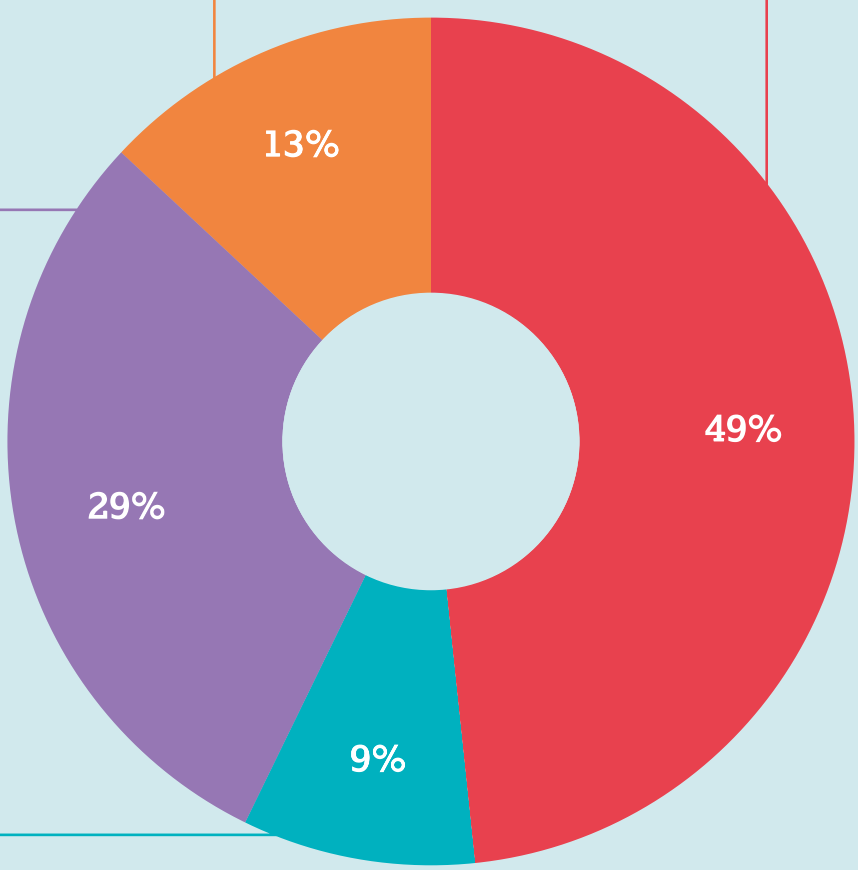
2019: £182.1m

UK & Ireland

Adjusted operating profit (£m)*

£68.6m

2019: £87.1m



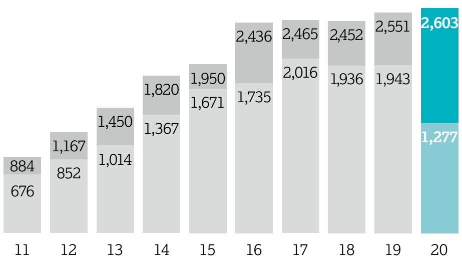
* Alternative performance measure (see Note 3 on page 158). Percentages stated are the business areas' adjusted operating profit compared to the Group's adjusted operating profit before corporate costs.

DEMONSTRATING THE RESILIENCE OF OUR PORTFOLIO

'I have been truly impressed by Bunzl's response to the pandemic. During a challenging year the Group has demonstrated the resilience and agility of its business model, the strength of its supply chain network and the dedication of its employees across the globe.'

Peter Ventress
Chairman

Share price range p



High
2,603p

Low
1,277p

Over the last year, which was my first as Bunzl's Chairman, I have admired the strength of the Bunzl business model, its consistent and proven strategy and the strength of its people. The Covid-19 pandemic has had a significant operational impact on us globally which has required our colleagues across the Group to change the way they do business and interact with our key stakeholders. Given the essential nature of the products Bunzl supplies, we were able to continue operating throughout the pandemic. The Group's ability to respond has been supported by its decentralised model, its motivated workforce and the benefit of multi-year investments into its technology infrastructure and supply chains, particularly its Asia sourcing and auditing operation based in Shanghai. Our in-house team in Asia is well established and enabled us to source high quality products from audited suppliers at a time when products were scarce. On a constant exchange rate basis, the Group delivered impressive revenue growth of 9.4%, a 20.9% increase in adjusted operating profit and a rise of 26.6% in adjusted earnings per share.

Bunzl continued to demonstrate strong cash conversion and, after repaying employee-related government support packages and bringing forward the settlement of tax deferrals where possible to do so, as well as announcing eight acquisitions, ended the year with a strong balance sheet and net debt to EBITDA of only 1.5 times. The strength of the Group's financial position enables a continued focus on longer term strategic growth priorities despite continued near term uncertainties.

Strategic priorities

We continue to pursue a consistent and proven strategy of developing the business through a combination of organic growth, operational improvements and acquisition growth. As the new Chairman I am very supportive of the Group's ambitions and believe in the opportunities ahead. We committed £445 million of spend on acquisitions during 2020, demonstrating our ability to continue to consolidate our fragmented markets. Alongside this, we have a major role to play in supporting customers, communities and the environment, and as a

OUR PEOPLE IN ACTION IN 2020

Colleagues

Bunzl's people have been on the front line throughout the pandemic, supplying essential products to key workers and ensuring crucial supply chains could continue to operate. The Group has taken all appropriate measures to keep colleagues safe and to ensure their outstanding efforts have been rewarded.

Customers

Bunzl's colleagues have gone above and beyond to support our customers during the pandemic. They have worked tirelessly to source and deliver orders from large quantities of in-demand personal protection equipment, to new innovative products that our customers have needed to comply with restrictions and new safety protocols.

Communities

Bunzl is a decentralised business comprised of many operating companies. Our businesses are very local and throughout the pandemic have supported local communities in various ways. Examples include donating masks to vulnerable communities and lunchbox packaging for free school meals.

proactive leader in the transition to a more sustainable future. I am really pleased with the progress we have made this year.

People and culture

Bunzl's core asset is its workforce and 2020 showcased the importance of this. Our front line colleagues have gone above and beyond to support our customers and we have sought to recognise their dedication, including through appropriate rewards and 'thank you' gifts. We value our people and, despite the challenges in some of our operations during 2020, the number of Bunzl employees at the end of the year increased by 5% alongside revenue growth of 9% at constant exchange rates.

The Group's decentralised model makes the business very local and it is admirable to see how our people have been involved in supporting their local communities during the year. On top of enhanced charitable donations made by the Group, the 20% reduction in fees and base salaries paid to the Board, Executive Committee members and Business Area Managing Directors during the second quarter of 2020 were also donated to charities.

Talent is a key pillar of focus for the Board and during 2020 we continued to further assess our talent development programmes which focus on ensuring that we have the right capabilities for the future and a strong succession pipeline across leadership positions. The Group is further developing its diversity programmes with unconscious bias training initiatives launched in North America and UK & Ireland and the appointment of a Director of Diversity and Inclusion in North America. Whilst gender is not the only focus for diversity, encouragingly the number of women in UK & Ireland's leadership team has increased by 40% over the last two years and women now represent 40% and 38% of our Executive Committee and Board respectively, demonstrating the importance of business-led initiatives to drive diversity. We are committed to further developing programmes to support a diverse workforce.

Shareholder returns

The Board is recommending a final dividend of 38.3p, 7.0% higher than the prior year, resulting in a full year dividend of 54.1p. This represents a 5.5% increase compared to the 2019 total dividend, and Bunzl's 28th consecutive year of dividend growth, with the Group remaining committed to ensuring sustainable dividend growth. With the Annual General Meeting held on 15 April 2020, during the heightened period of uncertainty in the early days of the pandemic, the final dividend for the year ended 31 December 2019 was no longer proposed by the Board at that meeting. However, following a better than expected trading performance, the Board decided to reinstate the final dividend for the year ended 31 December 2019 at the same level as originally proposed through the payment of an additional interim dividend for the year ended December 2019 which was paid on 16 November 2020.

Since 2004 Bunzl has returned £1.6 billion to shareholders through dividends and has committed £3.9 billion in acquisitions to support an adjusted earnings per share compound annual growth rate of 11% over the period.

Governance

During 2020 Philip Rogerson stepped down as Chairman and as a director and I succeeded him as Chairman having joined as Chairman designate in June 2019. I would like to thank Philip for his strong leadership of and guidance to the Group throughout the 10 years he was on the Board. Eugenia Ulasewicz also retired as a non-executive director, having joined the Board in 2011. She provided many years of valuable insight across North America and retail markets. I also want to thank Brian May, who retired after 25 years at Bunzl, for 13 years of which he held the position of Chief Financial Officer, for his significant contribution to the Group's development. Brian was succeeded at the beginning of 2020 by Richard Howes who was appointed after an extensive search process.

During the year the Board also welcomed two new non-executive directors. Vinodka (Vin) Murria OBE joined the Board in June. Vin has exceptional experience in the technology sector and was awarded her OBE in 2018 for services to the digital economy. Further, given her experience as a successful entrepreneur, Vin draws on invaluable knowledge that has a strong relevance to Bunzl's decentralised and entrepreneurial culture. In December 2020, we also welcomed Maria Fernanda Mejía. She has extensive international experience, particularly in North America and Latin America, strong knowledge of distribution and supply chain management and a valuable background in marketing and communications through multiple leadership positions in the FMCG sector.

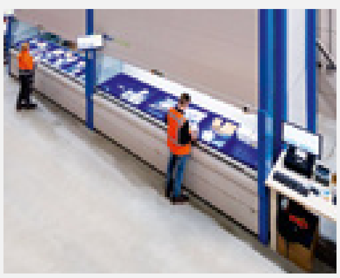
Peter Ventress
Chairman
1 March 2021

RESPONDING TO CHALLENGING CIRCUMSTANCES

Our ability to respond quickly and effectively to the demands of the pandemic has been underpinned by the strength of our supply chain and our reliable, added-value Asia sourcing and auditing operation.

OUR RESILIENCE COMES FROM...

Strength of our of business model



Bunzl has a long track record of delivering stable and consistent results. We are a key component in global supply chains and provide essential items our customers need in order to operate their businesses.

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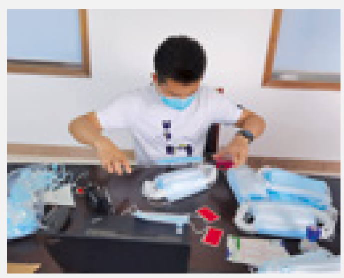
Strong global supply chains



The strength of our global supply chains allowed the Group to quickly and efficiently source products for customers across our markets. In particular, our Asia sourcing and auditing operation has been a significant asset to the Group.

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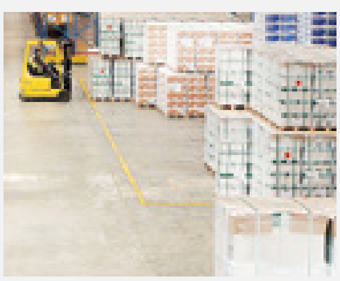
Diversified sector portfolio across geographies



Bunzl operates in more than 30 countries and across six market sectors. This diversification enabled the Group to offset the impact to the businesses which were more materially affected by the pandemic.

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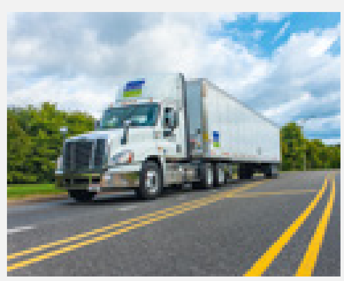
Local agility and responsiveness driven by decentralisation



Bunzl's decentralised nature and entrepreneurial DNA supported local responsiveness and agility. This enabled our teams to navigate these challenging circumstances and continue to deliver solutions for our customers.

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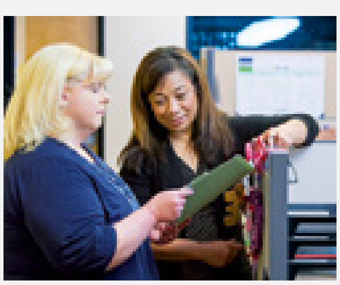
Dedicated and hardworking colleagues



Our colleagues worked tirelessly throughout 2020 to support our customers. They have been on the front line, supplying essential products to key workers and ensuring businesses could continue to operate safely.

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Critical supplier status

Given the essential nature of the products the Group supplies and the sectors that we service, we have often been designated a critical supplier and remained open throughout the pandemic in 2020.

Read more page 8 →

Financial strength of the business and good financial controls

Balance sheet strength, together with strong financial controls, provided reassurance to our customers. Over the year customers trusted Bunzl with large prepayments required to source Covid-19 related products.

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Infrastructure investments capable of supporting digital shift

Previous investments in technology supported a shift to digital ordering, and over the year 66% of orders were made digitally.

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Strong collaboration and learnings between global teams

We were able to leverage the benefit of our global footprint, with management teams across the Group supporting each other and providing crucial learnings over the period.

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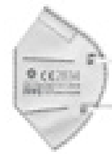
Top 8 Covid-19 related products

Masks



Gloves

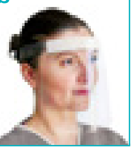
Sanitisers

Disinfectants

Disposable wipes

Coveralls

Face shields



Eye protection

2.6x

Revenue from top 8 Covid-19 related products compared to 2019

STRONG COMMITMENT TO OUR VALUES AND PURPOSE

Thank you to all our Bunzl heroes

'Our number one priority during 2020 has been the well-being of our colleagues and customers and I am exceptionally proud of how our people have responded. Our ability to respond quickly and effectively to customer needs has given our customers the confidence to trust their business with us. Our teams have worked tirelessly and have demonstrated a strong commitment to our core values including reliability, responsiveness and humility. Revenue growth of 9.4% at constant exchange rates reflects this dedication and I am incredibly proud of the Bunzl family which now includes almost 20,000 colleagues. At Bunzl we seek to achieve a balance of focus across all stakeholders, and I believe the strength of this has been demonstrated in 2020.'

Key highlights

- £10 billion revenue milestone reached, supported by underlying revenue growth of 4.8%.
- Adjusted operating profit up 20.9% at constant exchange rates, up 19.1% at actual exchange rates.
- Reported operating profit up 18.7% at constant exchange rates, up 17.1% at actual exchange rates.
- Return on average operating capital 45.4% with return on invested capital 16.2%.
- Continued strong cash conversion of 103% and free cash flow growth of 27.3%.
- 28 year track record of dividend growth continues with a 5.5% increase in the dividend for the year.
- Digital order volumes 66% of total orders, up from 62% in 2019.
- Committed acquisition spend of £445 million, second highest spend in Bunzl's history; pipeline remains active.
- In-depth materiality assessment conducted to prioritise sustainability ambitions.
- Substantial increase in charity donations and government support repaid.

Overview

Against the backdrop of extremely challenging trading conditions caused by the Covid-19 pandemic which impacted all our geographies, the Group performed very well during 2020. Our strong position within supply chains, sourcing and delivering essential goods, led to our classification as a critical supplier and, as a result, our businesses have remained open throughout the pandemic. While the Group's resilient performance over 2020 has been supported by our diversified portfolio and historical investments in our supply chains and digital infrastructure, it is principally our people who have driven our results. From the outset of the pandemic, we prioritised the health and safety of our workers, establishing appropriate cleaning and social distancing protocols in our facilities and rapidly implemented technologies to allow for remote working environments where possible, thereby allowing us to continue to serve our customers effectively. The Group has prioritised the well-being of its colleagues and I am pleased to see that during a challenging year Bunzl's employee survey showed colleagues are highly engaged, are very willing to recommend Bunzl as a place to work and have a strong sense of pride about the service Bunzl gives its customers. Importantly, they know we have processes and procedures in place to help keep them safe.

Our overall trading performance during 2020 has benefited from the breadth of the customer sectors and geographies the Group operates in and the wide range of products supplied. The substantial declines in profitability in the lower margin foodservice and retail sectors were more than offset by strong performances in the generally higher margin safety, cleaning & hygiene and healthcare sectors, primarily driven by significant sales volumes of Covid-19 related, mostly own brand, products such as gloves, masks and sanitisers. Performance over 2020 as a whole broadly reflected these diverging trends from the start of the second quarter onwards.

Operating performance

With less than 10% of operating profit generated inside the UK, and due to the strengthening of sterling in recent months, the Group was adversely impacted 1% to 2% by currency translation. The commentary below is stated at constant exchange rates unless otherwise highlighted. In 2020 revenue increased 9.4% (8.4% at actual exchange rates) to £10,111.1 million. Within this, underlying revenue, which is organic growth of 5.3% adjusted for an extra trading day impact of 0.5%, grew by 4.8%. In addition, acquisitions contributed revenue growth of 4.1%. Adjusted operating profit was £778.4 million, an increase of 20.9%

Regional performance

	Revenue (£m)		Growth at constant exchange	Organic growth	Adjusted operating profit* (£m)		Growth at constant exchange	Operating margin*	
	2020	2019			**2020**	2019		**2020**	2019
North America	**5,843.8**	5,473.2	7.2%	1.0%	**395.7**	343.6	15.7%	**6.8%**	6.3%
Continental Europe	**2,127.3**	1,829.8	15.6%	15.1%	**238.1**	182.1	30.8%	**11.2%**	10.0%
UK & Ireland	**1,287.7**	1,242.1	3.5%	2.6%	**68.6**	87.1	(21.2)%	**5.3%**	7.0%
Rest of the World	**852.3**	781.6	21.6%	17.6%	**104.2**	61.6	94.0%	**12.2%**	7.9%

* Alternative performance measure (see Note 3 on page 158)

(19.1% at actual exchange rates) and operating margin was 7.7%, up from 7.0% in 2019 at both constant and actual exchange rates.

An initial surge in demand for hygiene paper followed by strong volume growth of Covid-19 related products, such as disposable gloves, masks, sanitisers and disinfectants, resulted in significant growth over the year. Our global sourcing capabilities, strong supplier relationships and decentralised structure allowed our category management teams to react quickly and make available these products, often our own brands, to our customers. Our financial strength was a significant asset over the period, enabling customers to trust the Group with significant pre-payments required to secure certain Covid-19 related products. At the same time, each of our businesses took prudent measures to manage both operating costs and customer credit risks.

Within underlying revenue growth of 4.8%, sales of the top 8 Covid-19 related products, being masks, sanitisers, gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection, and which are primarily own brand, contributed underlying revenue growth of 14.6%. These products represented 22% of total Group revenue with the revenue they generated 2.6 times the comparable 2019 level. Around 40% of the Covid-19 related growth was attributable to larger orders than Bunzl would typically see and these orders were generated predominately by governments and healthcare organisations, with more than half fulfilled in the second quarter of 2020 as customers sought to build stocks of essential items at the start of the pandemic. Smaller orders were generally from existing customers, including Covid-19 related products that they may not have sourced previously, and while sales were highest in the second quarter demand remained strong through the second half. The benefit to underlying growth from Covid-19 related product sales was partially offset by the decline of sales across other product ranges which impacted the Group's underlying revenue growth by 9.8%. This decline in other product sales was greatest during the second quarter of the year when pandemic-related restrictions were at their most onerous, with the level of decline reducing meaningfully in the third quarter and improving moderately in the final quarter. Overall total underlying growth accelerated from 2.8% in the first half of the year to 6.7% growth in the second half of the year.

Our performance across our sectors and geographies has been reflective of the diverging trends between sales of Covid-19 related products and other products and our customer sector diversification has strongly supported our resilience over the year. We saw the strongest growth in the healthcare, safety and cleaning & hygiene sectors, with combined growth of 31%, and a decline in the foodservice and retail sectors of 6% although we saw an improved second half performance compared to the second quarter. The grocery sector grew 8%, with second half organic growth stronger than in the first half. Group operating margin performance largely reflected the mix effect of increased revenues in the higher margin healthcare, safety and cleaning & hygiene sectors and fewer sales to the retail and foodservice sectors which tend to have lower margins. The increase in higher margin own brand penetration, volume leverage on larger Covid-19 related orders and price inflation on some Covid-19 related products further supported operating margins. Businesses and geographies more heavily weighted to foodservice and retail have conversely seen margins impacted by lower sales in these customer sectors and by increased provisions relating to customer credit exposure. The Group has also seen a number of customers either entering insolvency processes or showing specific credit stress indicators that have impacted the recoverability of receivables and customer specific inventory particularly in the foodservice and retail sectors. This has resulted in a net charge of approximately £15 million being taken during the year to reflect the risks around recoverability. In addition, there is a heightened risk of further recoverability issues with customers, mainly in these same sectors, as government support is withdrawn and the trading uncertainty continues. Consequently, the Group has taken an additional net charge of approximately £10 million in the year relating to aged receivables and customer specific inventory for those customers identified as having a high or medium credit risk. In addition, the Group has seen an increase in the level of slow moving inventory as the Covid-19 pandemic and the associated government imposed control measures have continued to impact customer demand across a range of market sectors. This has resulted in a net charge of approximately £15 million in the year to increase slow moving inventory provisions.

Our North America business area was impacted by its exposure to the foodservice and retail sectors in the first half of the year, but following a strong recovery of its redistribution and retail businesses in the second half, achieved organic growth of 1.0% over 2020. Continental Europe and the Rest of the World benefited from their exposures to the safety, healthcare and cleaning & hygiene sectors with organic revenue growth of 15.1% and 17.6%, respectively. The UK & Ireland business was the most impacted by its exposure to the foodservice and retail sectors. Although organic revenue was up 2.6%, operating margin was materially impacted.

Reported operating profit was £618.5 million, an increase of 18.7% (17.1% at actual exchange rates). Adjusted profit before income tax was £715.6 million, an increase of 25.6% (23.8% at actual exchange rates) due to the growth in adjusted operating profit and a decrease in the net finance expense. The lower net finance expense was due to lower average interest rates and lower average net debt levels over the year. Reported profit before income tax was £555.7 million, an increase of 24.4% (up 22.6% at actual exchange rates). The effective tax rate of 23.1% reduced from 23.8% in 2019 due to a higher credit for share-based payment expense and a larger benefit from reduced prior year tax exposures. Basic earnings per share were 128.8p, an increase of 24.8% (22.9% at actual exchange rates), and adjusted earnings per share were 164.9p, an increase of 26.6% (24.7% at actual exchange rates).

Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) remained strong over the period at 103% and the Group delivered free cash flow growth of 27.3% over the year at actual exchange rates. The cash flow benefited from advance payments from customers net of upfront payments to suppliers of £34 million. Excluding these net advanced payments, cash conversion was 99%. Net capital expenditure of £31.9 million compares to £28.8 million in 2019 and reflected continued investment in IT and digital technologies, as well as warehouse consolidations and upgrades. The Group ended the year with net debt, excluding lease liabilities, of £1,255.0 million and net debt to EBITDA, calculated at average exchange rates and in accordance with the Group's external debt covenants which are based on historical accounting standards, was 1.5 times compared to 1.9 times at the end of 2019.

Return on average operating capital grew strongly to 45.4% compared to 36.9% in 2019 and return on invested capital was 16.2% compared to 13.6% in 2019, both due to a higher return in the underlying business driven by an increase in adjusted operating profit and lower average operating capital.

Organic growth and operational efficiency

Organic growth in 2020 was mainly driven by our ability to rapidly fulfil the heightened demand for Covid-19 related products, supported by the Group's Asia sourcing and auditing operation based in Shanghai and our ability to secure essential products through a large network of Bunzl approved and audited suppliers. Consequently, over the year we expanded the range of products supplied to many of our customers. Digital technologies further supported our performance, with 66% of orders placed in 2020 made through Electronic Data Interchange and our webshops compared to 62% in the prior year. Digital continues to be a key strategic priority for the business, given the value it provides to our customers and how it differentiates Bunzl's proposition. During 2020 we saw good growth in the number of digital solutions offered to our customers. In addition, we continued to focus on operational efficiencies with multiple warehouse consolidations and further investments to optimise delivery routes. Operational efficiency was further supported by lower travel expenses.

Acquisitions

During 2020 Bunzl's committed spend on acquisitions was £445 million, adding annualised revenue of £602 million. This compares to a spend of £124 million in 2019 and an average spend of approximately £310 million over the last five years. The eight announced transactions have locations across each of our business areas and operate in multiple market sectors.

The Group acquired two sizeable North America focused businesses during the year. At the beginning of January 2020, Bunzl purchased Joshen Paper & Packaging, a distributor of packaging and other goods-not-for-resale to customers operating in the grocery, foodservice and cleaning & hygiene sectors in the US. The business generated annualised revenue of £255 million in 2020 and integration is progressing well with purchasing synergies being achieved and back office efficiencies generated. In September, the Group completed the acquisition of MCR Safety which distributes a variety of largely own brand personal protection equipment (PPE) and other safety products to distributors operating in a number of end user markets. The business has operations in North America, Mexico, Latin America and Europe and supplies gloves, eye protection and workwear in particular. MCR Safety is a high quality business with a strong leadership team and has a well-established portfolio of own brand products which complements Bunzl's existing product range and significantly strengthens and expands our safety operations both in the US and elsewhere. In 2019 revenue was £194 million. In December 2020 the Group also completed the acquisition of Snelling, a Canadian packaging and cleaning and hygiene supplies business with annual revenue in 2019 of £28 million.

In Brazil we purchased Medcorp and SP Equipamentos in January and November respectively. Medcorp is a distributor of a broad range of medical products to leading private hospitals and redistributors in Brazil with 2019 revenue of £9 million. SP Equipamentos is a leading PPE distributor based in São Paulo with revenue in 2019 of £22 million.

Bodyguard Workwear, a distributor focused on PPE distribution in the UK and Ireland with 2019 revenue of £8 million, was acquired in February 2020. In September we acquired Abco Kovex, a distributor of flexible packaging based in Ireland with revenue of £20 million in 2019.

ICM, a leading distributor of PPE to both end users and redistributors in Denmark, with 2019 revenue of £49 million, was acquired at the end of October 2020.

Today we are announcing the completion of three acquisitions since the start of 2021. In January we acquired Deliver Net, a healthcare distributor to care homes in the UK, with revenue of £20 million in 2020. The business is closely aligned with our existing care home business in the UK and we anticipate being able to develop the business through the introduction of additional product offerings such as care home equipment. In February we completed the acquisition of Disposable Discounter, an online distributor of foodservice disposable products to a highly fragmented customer base. The business has grown strongly in recent years and operates mostly in the Netherlands but has recently started to expand across Europe. The business generated £18 million of revenue in 2020, has attractive growth potential and supports Bunzl's continued development of e-commerce capabilities. Lastly, we also completed the acquisition of Pinnacle, a leading distributor of cleaning & hygiene in Saskatchewan, Canada, in February. The company generated £11 million of revenue in 2020 and supports a wide range of customers in the education, facilities management and care home sectors. The business is highly complementary to our existing cleaning & hygiene business in Canada.

Bunzl ended the year with net debt to EBITDA of 1.5 times, despite the acquisition spend in 2020, providing the Group with substantial capacity for further self-funded acquisitions. Our pipeline is active, and we see significant opportunities for continued acquisition growth in our existing markets, both where we have more limited and no sector presence, as well as potential to expand into new markets.

Equitable and sustainable growth

We understand our role as a proactive leader in the transition to a more sustainable and equitable future. We have an opportunity to support people, communities and the environment through our role in global supply chains. As a major player in its industry, Bunzl is a trusted partner to its customers, collaborating with leading companies across sectors to help them achieve the sustainability objectives most relevant to their industries and fulfil their ambitious sustainability commitments while growing the Group's business.

Following an in-depth materiality assessment during 2020, the Group has identified four key areas of focus for the business going forward: ensuring a responsible and ethical supply chain; ensuring a diverse thriving workforce; taking action on climate change; and helping customers to transition to more sustainable packaging.

Global supply chains have expanded customer choice and lowered costs but this comes with a responsibility to ensure communities and workers' rights are respected in the process. Based in Shanghai, our industry-leading sourcing and auditing operation opened in 2008. The operation

OUR KEY SUSTAINABILITY THEMES

1
Protecting human rights and driving broad-based growth through responsible supply chains

What we are doing
- We have been auditing our Asian supply chain since 2008 to ensure the highest quality and labour standards for products sourced from the region.
- We will continue to focus on enhancing our leading practices relating to supply chain oversight.

2
Investing in a diverse workforce and thriving communities

What we are doing
- Our decentralised business model is supportive of employee-led focus and we strive to ensure our employees thrive at Bunzl.
- We continue to develop our diversity and inclusion employer practices.

3
Taking action on climate change by reducing emissions

What we are doing
- Bunzl's consolidated deliveries reduce the Group's carbon footprint, with Bunzl's CO_2 generated per pound of revenue having reduced 53% over the last 10 years.
- In 2021 we will refine our long term carbon targets to reduce carbon in our operations in line with climate science.

4
Providing sustainable solutions and supporting circular economy techniques that keep waste out of nature

What we are doing
- Bunzl plays a key role in the supply chain as an adviser to customers on the shift to sustainable solutions; our expertise and capabilities are a differentiator for customers.
- We will be accelerating our progress in providing alternative sustainable products, with this supported by the setting of new commitments in our most material and relevant retail, foodservice and grocery businesses.

Read more page 42 →

ensures our suppliers from Asia, the Group's most significant high-risk sourcing region, are subject to frequent stringent labour and quality checks. This capability sets Bunzl apart from its peers, gives customers the reassurance they need and allows the Group to directly help suppliers to improve their practices. Similarly, the Group appreciates the importance of responsible sourcing regarding raw materials and seeks to purchase responsibly sourced wood fibre products and largely purchases its paper related products through leading branded companies with their own stringent certifications. Going forward, the Group will continue to focus on enhancing its industry leading practices relating to supply chain oversight.

Companies may not grow sustainably if they cannot attract, retain and get the best out of diverse talent. The businesses in Bunzl have a long track record as local employers and I am proud of the progress we have made to create a diverse and inclusive working environment, particularly with regards to gender representation over the last couple of years. I am pleased that our Board and Executive Committee now comprise 38% and 40% women, respectively. While the Group continues to focus on improving gender representation across the Group and in more senior positions, we will be expanding programmes to focus on other groups, in particular to increase ethnic diversity.

Given Bunzl's one-stop-shop operating model, including combined consolidated delivery, we provide a carbon efficient solution for customers which limits the number of deliveries. Over the last 10 years the total carbon emissions from Bunzl's operations has remained stable despite the business growing substantially and revenue doubling, driving an increase in efficiency of more than 50%. However, we recognise that there is more that can be done and in 2021 will be setting a new long term carbon reduction target to further reduce carbon in our operations.

Finally, the Group recognises its responsibility to be part of the solution on reducing waste and we are proactively working with our customers and suppliers to lead the industry towards a sustainable approach to single use plastics. Bunzl is not a manufacturer and can easily switch between suppliers and products and is therefore well placed to play this role, providing sustainable product solutions and independent expert advice on emerging trends and product categories. In addition to its other product ranges, Bunzl's own brand offering also provides a cost-effective solution for customers. For example, in

2020 our businesses in Australia and New Zealand sold over 39 million Sustain products, our own brand range which is made from paper and plant-based products, and while in its early days I am pleased that Bunzl's Continental Europe business area has launched a new own brand sustainable range under the brand Verive. Further, the Group continues to train sustainability experts across sales teams to work closely with customers to help them achieve their packaging targets, including moving to more sustainable product ranges. Going forward we will continue our progress in proactively providing alternative sustainable products, supported by the setting of new commitments within our businesses serving the retail, foodservice and grocery sectors.

Sustainability is a vital part of the Bunzl equation and integral to our strategy and the Group will be refining its ambitions against each of these key areas over the course of 2021.

Prospects

The Group's expectations for 2021 remain unchanged and visibility remains limited on the future extent and duration of pandemic-related restrictions, the speed of the roll out of vaccination programmes and the pandemic's macroeconomic impact. At constant exchange rates the Group expects robust revenue growth in 2021 over the prior year, after excluding larger Covid-19 related orders which strongly supported the performance in 2020 and which are not expected to repeat. The Group expects a recovery in sales of other products to be broadly offset by a decline in smaller Covid-19 related orders, while recent acquisitions will contribute to the Group's performance in 2021. Given the growth trends in 2020, after excluding larger Covid-19 related orders we expect good organic revenue growth in the first half of 2021 to be followed by a moderate decline in the second half of the year. Overall, the foodservice and retail sectors, which were more heavily impacted by pandemic-related restrictions in 2020, are expected to demonstrate recovery in the second half of 2021 but will remain below 2019 levels for the year. Persistently stronger sterling would however negatively impact reported growth. Group operating margin is expected to return to a more historical level.

Focus on our Shanghai sourcing office

Bunzl's Asia sourcing and auditing operation based in Shanghai is responsible for both sourcing products and for quality assurance and quality control. Each of the c.1,300 suppliers Bunzl works with in the region has to meet strict product quality control thresholds and the Group has a zero tolerance policy to unethical trading practices, such as modern slavery. We conduct around 700 in-person supplier audits each year which cover c.95% of annual spend.

During 2020 the Shanghai team was instrumental to the Group's ability to source large quantities of quality products, despite the unprecedented demand. The team provided customers with crucial assurance around their orders which was especially important given the level of pre-payments required. Products were tested by the team prior to placing orders and the actual orders were inspected prior to shipment. In some circumstances, Bunzl representatives were also sent to factories to inspect products coming off the production line to ensure quality and speed of delivery. Over the period March to December, the team sourced 8.5 billion gloves and 480 million masks, and conducted more than 1,500 pre-shipment inspections.

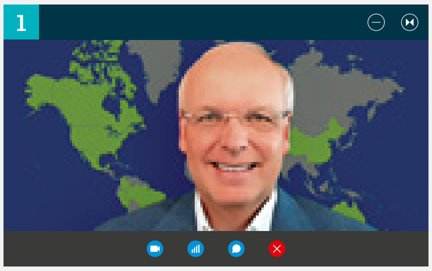
At constant exchange rates, revenue growth in North America is expected to be robust driven by the continued benefit from acquisitions and the lower proportion of larger Covid-19 related orders seen in 2020. Revenue in both Continental Europe and UK & Ireland is expected to decline given the higher proportion of larger orders seen in 2020 which were strong contributors to growth. Rest of the World revenue is also expected to decline, driven by the reduced support from Covid-19 related sales.

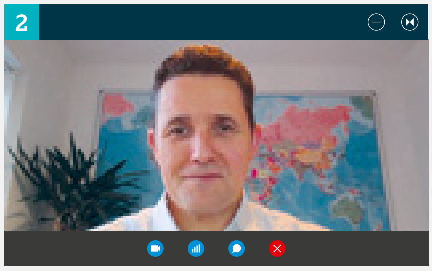
Looking ahead, Bunzl's longer term prospects remain attractive. The last year has reinforced the resilience and quality of the Bunzl model by demonstrating the agility that comes with a decentralised business model, the critical role we play in supply chains and to customers and our highly cash generative nature. We expect to see some benefit from enhanced hygiene trends across most of our business areas and believe that our credentials as a proactive leader in providing sustainable solutions are a growing competitive advantage. Further, we believe the merits of joining the Bunzl family have only been strengthened as a result of the pandemic and this is reflected in the conversations we are having with a number of acquisition targets. The Group remains committed to creating value through its proven and consistent strategy of driving organic growth, delivering operational improvements and further consolidating our markets through strategic acquisitions.

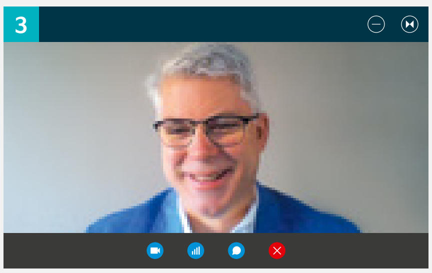
Frank van Zanten
Chief Executive Officer
1 March 2021

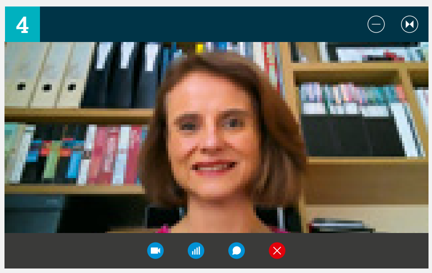
CONNECTED AND COLLABORATIVE: OUR LEADERSHIP TEAM

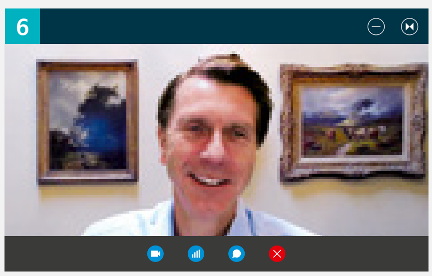
While it might have been virtual in 2020, leaders from across the Group meet regularly to review performance, discuss trends affecting our businesses and seek further opportunities for growth and competitive advantage.

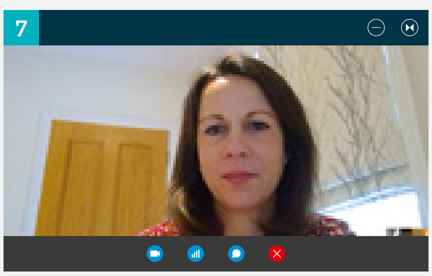


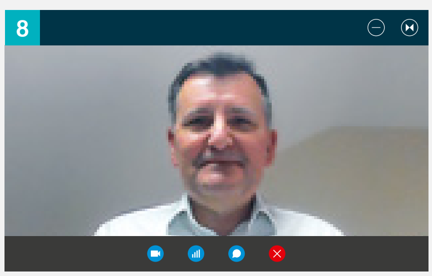


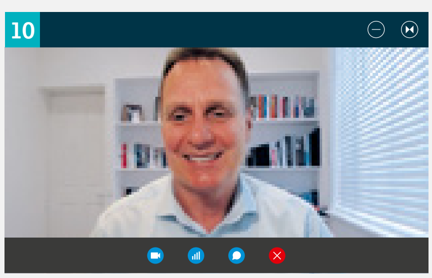












1
Frank van Zanten*
Chief Executive Officer

2
Richard Howes*
Chief Financial Officer

3
Jim McCool
Chief Executive Officer, North America

4
Diana Breeze*
Director of Group Human Resources

5
Alberto Grau
Managing Director, Continental Europe

6
Andrew Mooney*
Director of Corporate Development

7
Suzanne Jefferies*
General Counsel and Company Secretary

8
Andrew Tedbury
Managing Director, UK & Ireland

9
Jonathan Taylor
Managing Director, Latin America

10
Kim Hetherington
Managing Director, Asia Pacific

* Members of the Executive Committee

Board of directors page 92 →

DELIVERING LONG TERM SUSTAINABLE VALUE

OUR PURPOSE

We believe that our purpose is to deliver essential business solutions around the world and create long term sustainable value for the benefit of all stakeholders.

Read more page 16 →

THROUGH OUR CORE VALUES

- Humility
- Responsiveness
- Creativity
- Diversity
- Customer-centricity
- Reliability
- Transparency

WHAT

Essential business solutions...

ONE-STOP-SHOP

WE SOURCE

Read more page 20 →

WE CONSOLIDATE

Read more page 22 →

WE DELIVER

Read more page 24 →

We ensure:

- Customer-centric service model
- Simplification and efficiency
- Local agility and knowledge
- Value-add services and expertise
- Sustainable and responsible solutions
- Reliability

HOW

create long term
sustainable value...

A COMPOUNDING STRATEGY THAT CONSISTENTLY DELIVERS...

ORGANIC GROWTH

Read more page 28 →

OPERATING MODEL IMPROVEMENTS

Read more page 29 →

ACQUISITION GROWTH

Read more page 30 →

SUSTAINABLE AND EQUITABLE GROWTH

Read more page 31 →

We deliver:

- Growth opportunities
- Strong track record
- Resilience
- Good return on invested capital
- Strong cash generation

WITH SUSTAINABILITY A VITAL PART OF THE EQUATION

RESPONSIBLE SUPPLY CHAINS

INVESTING IN A DIVERSE WORKFORCE

TAKING ACTION ON CLIMATE CHANGE

PROVIDING SUSTAINABLE SOLUTIONS

We provide:

- Industry-leading supplier audits and control
- Decentralised business model that is supportive of a focus on our colleagues
- Carbon efficiency through consolidation
- Supplier flexibility to source alternative and more sustainable products

Read more page 42 →

WHY

for the benefit for
all stakeholders

Customers

Colleagues

Environment

Shareholders

Suppliers

Communities

Read more page 60 →

AN ETHOS AND VALUES THAT UNITE OUR DIFFERENT GEOGRAPHIES

This pandemic has reinforced our belief that our greatest asset is our people.

OUR SHARED BELIEFS

During the year we conducted an extensive review into what our employees believe sets Bunzl apart from others. These beliefs show what is most important to Bunzl's people and demonstrate how the Group's purpose and values run through the organisation.

We Believe...

- that the safety and security of our people is our first priority;
- that through diversity, we build strength;
- that an entrepreneurial spirit provides endless possibilities;
- that together we can achieve anything;
- in creating a sustainable environment for us and those who follow;
- that through innovation we find more dynamic solutions;
- that it's our business to enhance our customers' business;
- that our global supply chain brings local benefits;
- that investing in our local communities is the right thing to do;
- that technology enables success;
- that motivated people create happy customers; and
- that at Bunzl, everyone counts.

We...

- are transparent;
- show humility;
- are reliable; and
- are responsive.

Read more page 59 →

A responsible business

We have taken actions as a responsible business operating throughout the pandemic that reflect our values.

- The safety of our employees has been our top priority.
- We have continued to regularly check in on the well-being of our people throughout the pandemic, which has included local surveys, a Group wide pulse survey and virtual listening sessions with members of the Board.
- We have rewarded our front line heroes, from our warehouse staff to our delivery drivers, in a range of ways from regular performance bonuses and one-off 'thank you' bonuses to gift cards, meals offered between shifts and personal protection equipment products supplied for family members.
- We have returned all government assistance initially received, with the stronger parts of the business able to support those operations which have been more adversely impacted by the pandemic.
- Bunzl's Group wide employees at the end of the year had grown by 5%.
- During 2020, the Group substantially increased its donations to charities with senior management salary reductions at the start of the year donated on top of a general increase in Group donations.

+5%

Group wide employees

ESSENTIAL BUSINESS SOLUTIONS

We provide our customers with essential items that are necessary for their businesses to operate. We reliably source, consolidate and deliver these items through customised solutions, providing both efficiency and value-added benefits.

OUR SOURCES OF COMPETITIVE ADVANTAGE

Unique service offering
Our unique service offering is at the heart of the Bunzl business model and the reason our customers choose to buy from us. Our customised solutions enable us to add value to our customers' operations ensuring they receive their orders on-time and in-full whatever their requirements.

Our people
Our 3,300 expert sales people supported by 2,600 locally based customer service specialists use their deep and detailed knowledge to work with customers to ensure that they receive the best possible advice on all product and service related matters. Our dedicated warehouse teams ensure orders are picked to a high degree of accuracy and our drivers represent Bunzl on a daily basis as the main face-to-face contact with our customers.

Decentralised model
With a decentralised operational structure, our enthusiastic, experienced and knowledgeable management teams, including many former business owners, are able to focus on our customers' needs in their local markets and create an entrepreneurial environment, while retaining full responsibility for the financial performance of their businesses.

Global sourcing
Our global scale and strength of relationships with multinational and local suppliers, together with the benefits of our Asia sourcing and auditing operation based in Shanghai, allow us to provide a broad range of responsibly sourced and competitively priced products, including an extensive range of own brand and sustainable items.

International scale
With operations in more than 30 countries, our extensive distribution networks mean we can deliver to customers on a local, regional, national and international basis, giving them complete flexibility.

Digital capabilities
Our e-commerce platforms increase the efficiency of our operations while enhancing the experience for our customers. These include options, such as budgetary controls, closed specific product lists and branded portals for our customers.

Acquisition track record
We have a strong track record of making and successfully integrating acquisitions, helping us to extend our geographic footprint while at the same time enabling our acquired businesses to continue to feel 'local'. Since 2004 we have acquired 172 businesses.

OUR CAPITAL ALLOCATION PRIORITIES

Cash flow
Our businesses are highly cash generative and since 2004 we have turned on average 98% of our operating profit into cash. This high cash generation together with our disciplined approach to capital allocation allows us to continue to pay a growing dividend, reinvest to deliver organic growth and grow our business by acquisition.

Reinvestment
We continue to reinvest in our operations, including in our IT systems and e-commerce applications, vehicle routing and warehouse management systems and by consolidating and upgrading our warehouses. Our net capital expenditure in 2020 was £31.9 million.

103%
of adjusted operating profit into cash

Acquisitions
Applying our disciplined and controlled approach, we have been able to commit £3.9 billion of cash generated to 172 acquisitions since 2004 while maintaining a prudent approach to net debt.

Dividends
Our dividend has grown every year for 28 years at a CAGR of 10% per annum. We are committed to ensuring sustainable dividend growth in-line with our progressive policy.

Read more page 27 →

DELIVERING LONG TERM SUSTAINABLE VALUE TO OUR STAKEHOLDERS

OUR SERVICE OFFERING

By providing our customers with a broad range of essential items, readily available from stock, they are able to focus on their core businesses, achieve purchasing efficiencies and savings and minimise their working capital requirements.

WE SOURCE

Read more page 20 →

WE CONSOLIDATE

Read more page 22 →

WE DELIVER

Read more page 24 →

Market sectors

- Grocery
- Foodservice
- Safety
- Retail
- Cleaning & Hygiene
- Healthcare
- Other

WE SOURCE RESPONSIBLE SUPPLY CHAIN, RESPONSIVE TEAMS

Our teams quickly and efficiently sourced vital, quality supplies during a year of unprecedented challenges.

Global sourcing
We source and procure branded, own brand and unbranded products globally, working with suppliers to give our customers access to the best and most suitable products and solutions to meet their needs. Our scale allows us to source competitively priced products through a large network of multinational and local suppliers and, using our Asia sourcing and auditing operation, ensure quality and ethical sourcing. As a distributor, we are not tied to particular products and can therefore help our customers to source the right products for their specific needs.

Local, customer-centric model focused on solutions
With a decentralised operational structure, Bunzl's experienced and knowledgeable teams are able to focus on their customers' needs in their local markets and create an energised entrepreneurial environment, but with access to investment enabled by Bunzl's scale. We are a solution provider and work with customers to determine the most appropriate products for their needs, including providing specialist advice around environmental solutions and health & safety requirements. We further provide management information tailored to specific needs ranging from consumption data versus budget, compliant ordering, market intelligence and supply chain studies.

Value-added services
Our deep industry knowledge enables us to offer extensive value-added services to our customers. These include bespoke and printed product management, product training, design and installation services, contract mobilisations and sustainability expertise.

c.150
operating businesses across Bunzl

19,853
employees with c.3,300 expert sales people and c.2,600 customer service specialists

>20
year average relationship with the Top 40 customers in North America

WE CONSOLIDATE

SMART, CUSTOMISED SOLUTIONS

Our distribution centres have remained open and, with new ways of working, we continued to consolidate and deliver products to our customers.

One-stop-shop
By applying our resources and consolidating a broad range of products into our extensive warehousing infrastructure, we are able to offer our customers an efficient one-stop-shop solution with a single delivery to an agreed site. On one pallet delivered directly to each site we can ensure our customers have everything they need from cleaning materials to customised safety goggles, efficiently consolidating products from multiple suppliers in one delivery and through one invoice. This ensures our customers can focus on their business, whilst also ensuring both economic and environmental efficiencies.

Customised digital ordering
With personalised digital solutions we enable customers and their employees to seamlessly order when further products are needed. We are able to offer electronic order processing through webshops, including customised versions, apps and Electronic Data Interchange, together with further enhancements, such as budgetary controls.

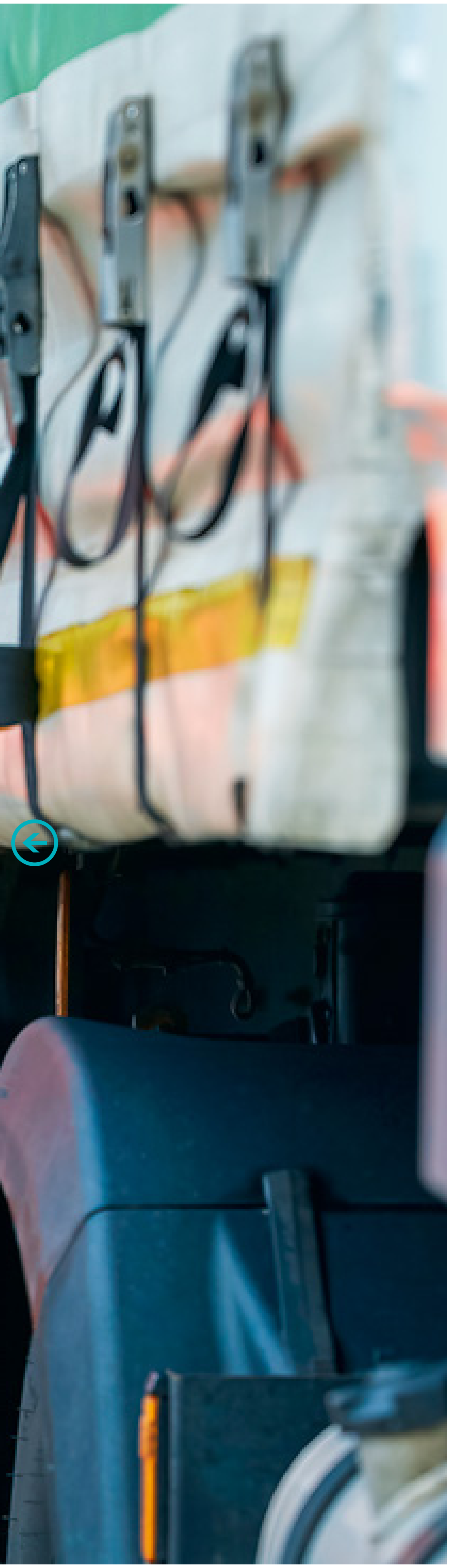
Carbon efficient model
Our consolidation model drives a reduced carbon footprint in comparison to competitors who process smaller, unconsolidated orders.

492
warehouses worldwide

66%
of orders digitally received in 2020

WE DELIVER

DELIVERY MODEL SUPPORTIVE TO CARBON EFFICIENCIES



Reliability is an essential component of our service and, despite the significant challenges faced, our teams have adapted to continue to deliver throughout the year.

On-time, in-full delivery
Reliability is key to our customers. We provide an on-time and in-full service by maintaining high product availability.

Tailored offering
We adapt our delivery options to suit our customers' needs, including direct to site, warehouse replenishment and cross-dock deliveries where we deliver to customers' hubs for onward delivery by them to their own sites.

Extensive distribution network
Due to our extensive branch network and a combination of our own fleet and third party delivery options, we are able to deliver to local, regional and national customers wherever their location.

An example relationship with a customer in the US

Key products sourced: Paper items, packaging and cleaning products

Number of suppliers utilised in 2020: 307

Own brand utilisation: Various products (including gloves, disinfectant and bin bags)

Level of account manager interaction: Daily

Average number of units in each delivery: 97 units of various SKUs

Sustainability requirements: The customer has joined the Ellen MacArthur Foundation and so Bunzl is helping them to transition to alternative product options

Digital offering: Online portal customised so that each of the customer's c.800 stores can replenish items from a customised list depending on their individual stock levels

Number of sites delivered to in 2020

c.800

Number of deliveries made in 2020

42,000

Number of SKUs delivered in 2020

2,300

A STRONG TRACK RECORD FOR DELIVERING GROWTH

Bunzl has a compounding growth strategy that consistently delivers, with sustainability a vital part of the equation.

A DIVERSIFIED, BALANCED AND RESILIENT BUSINESS

- Global presence in 31 countries
- Six customer focused market sectors
- Fragmented markets
- Long term customer and supplier relationships

Revenue CAGR since 2004

+9%

Adjusted operating profit CAGR since 2004

+10%

A CONSISTENT AND PROVEN COMPOUNDING STRATEGY

- Profitable organic growth
- Operating model improvements
- Disciplined approach to self-funded acquisitions

Average organic revenue growth since 2004

+c.2%

Acquisitions since 2004

172

Self-funded committed acquisition spend since 2004

£3.9bn

SIGNIFICANT OPPORTUNITIES FOR FUTURE GROWTH

- Significant opportunities to grow in existing countries
- Scope for further geographic and new sector expansion

Committed acquisition spend in 2020 on businesses in existing markets

£445m

Net debt to EBITDA, excluding leases, provides substantial capacity for further self-funded acquisitions

1.5x

SUSTAINABLE AND EQUITABLE GROWTH

- Industry-leading supplier audits and control
- Carbon efficiency through consolidation
- Supplier flexibility to source alternative and more sustainable products
- Decentralised business model that is supportive to a focus on our colleagues

In-person supplier audits in Asia over 2020

680

Scope 1 and 2 tonnes of CO_2e per £m revenue since 2010

-c.50%

DISCIPLINED FINANCIAL MANAGEMENT

- Consistently strong cash conversion
- Efficient capital allocation
- Strong balance sheet

ROIC

16.2%

RAOC

45.4%

Cash conversion

103%

A LONG TERM TRACK RECORD OF RETURNS FOR SHAREHOLDERS

- Sustained increases in revenue, adjusted operating profit and adjusted earnings per share
- Long term dividend growth and total shareholder return
- A focus on ensuring that future growth remains sustainable

Annual dividend growth

28 years

Adjusted earnings per share growth

31.7p

in 2004

to

164.9p

in 2020

LONG TERM SUSTAINABLE VALUE

A compounding strategy that consistently delivers, with sustainability a vital part of the equation.

Our strategy is founded on a focus on organic growth, operating model improvements and growth through acquisition, with a commitment that this growth is sustainable and equitable. Within these core pillars, our strategic priorities enable Bunzl to maintain and strengthen its competitive advantages.

Organic growth

We are constantly looking to grow Bunzl organically, both by expanding and developing our business with existing customers and by gaining new business with additional customers.

Winning new customers

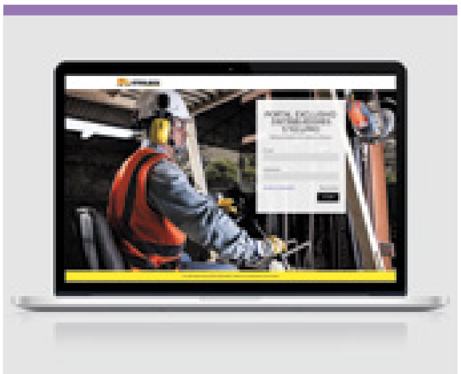
By showcasing our unique service offering, our sales specialists are able to show potential customers that we can reduce or eliminate many of the hidden costs of in-house procurement and distribution or fulfil their needs more effectively.

Market leading customers

Our customers are often the market leaders in their chosen sector and therefore, as their businesses grow, the need for our products and service solutions also increases, thereby contributing to our organic growth.

Expanding our offering

Once we have established a good relationship with a customer, by using our knowledge of the customer's needs, we aim to deepen and develop that relationship. This can be achieved by expanding our product offering, either with branded or own brand products or providing additional value-added services. Our ability to provide expert knowledge and advice on our customers' product and service needs, including in relation to complex sustainability issues, also helps to drive additional sales.



Digital investment

During 2020, we launched eight new webshops across six of our Latin America markets. These new webshops are predominately focused on the safety sector and have been developed to enhance customer experience and further differentiate Bunzl's proposition. In addition, we have continued to develop other technology solutions which simplify the ordering process for customers in the region, such as an ability to track orders and assign order limits. Whilst digital penetration in Latin American markets is lower than in some of Bunzl's other markets, digital ordering is growing strongly and we have been able to leverage our global experience to support the acceleration of investment in the region. Overall, our investments into digital technology contributed to a meaningful increase in orders placed digitally in Latin America over 2020.

Contract renewal

During 2020 Bunzl renewed a multi-year contract with a logistics customer in the Netherlands. We are now their preferred supplier of around 1,000 products, up from 600 previously, across branded items, packaging materials, disposables and transport packaging. The contract was secured on the strength of our commitment to sustainable solutions and our levels of customer service. The sustainable solutions of particular importance to this customer include air reduction on packaging which improves transport-related carbon, thinner products which reduce waste and green packaging. Also, we now provide the customer with a business intelligence tool to analyse data relating to their usage of all products sourced.

Operating model improvements

We continually strive to improve the quality of our operations and to make our businesses more efficient and sustainable. We do this by investing in new warehouse facilities, routing systems, IT systems and digital capabilities, as well as implementing and sharing best practice operational procedures.

Global purchasing
By using our global scale with suppliers, we obtain purchasing synergies which we share with our customers in the form of competitive selling prices.

Consolidating warehouses
We continuously review strategic opportunities to improve our warehouse footprint in order to drive efficiencies as leases come to an end.

Sharing best practice
We use our experience and expertise from our international businesses to share best practice across the Group.

Environment
We focus on environmental initiatives, such as energy efficient lighting and reducing our waste packaging, which also lead to cost savings.

Routing and safety systems
By installing routing and safety systems, we are able to minimise distances travelled and encourage safe and efficient driving practices, thereby reducing fuel and other transport costs.

IT systems
We are continually upgrading our IT systems and increasing functionality to improve our customer service through areas such as management reporting and customer budgetary controls.

Digital capabilities
Our industry leading e-commerce solutions have increased the efficiency of our operations and the ease of doing business for our customers and suppliers.

Warehouse efficiency
Bunzl Irish Merchants and Bunzl Cleaning & Safety Supplies moved into a new warehouse facility in 2020. The new warehouse features the highest Energy Performance Certification rating for a warehouse environment and has systems in place to harvest rainwater, electric chargers for vehicles and energy efficient lighting throughout. The move was driven by both business and environmental criteria and rationale.

UK finance shared service centre
During 2020, the UK & Ireland business kicked off a project to create a finance shared service centre to support all operating companies in the UK, covering general accounting, accounts payable and cash management. This will not only drive efficiencies and further enhance controls but will also allow the operating business finance functions to focus more on commercial support. This is a significant project for the UK & Ireland team, with 20 operating companies included in the scope.

Acquisition growth

We seek out businesses that satisfy key criteria, including having good financial returns often in resilient and growing markets, while at the same time providing opportunities to extract further value as part of the Bunzl Group.

Key acquisition parameters
In considering acquisitions, we target businesses which meet certain specific parameters. These include businesses: selling goods-not-for-resale to a fragmented customer base; whose products represent a small percentage of total customer spend; whose markets have scope for further consolidation and synergies; and with attractive financial returns.

Growth in existing countries
Our markets are very fragmented and as a result there are numerous opportunities to develop through acquisition in the countries where we already have a presence. We do this by further penetrating the sectors in which we operate or by acquiring a business in a sector in which we do not currently operate within that country.

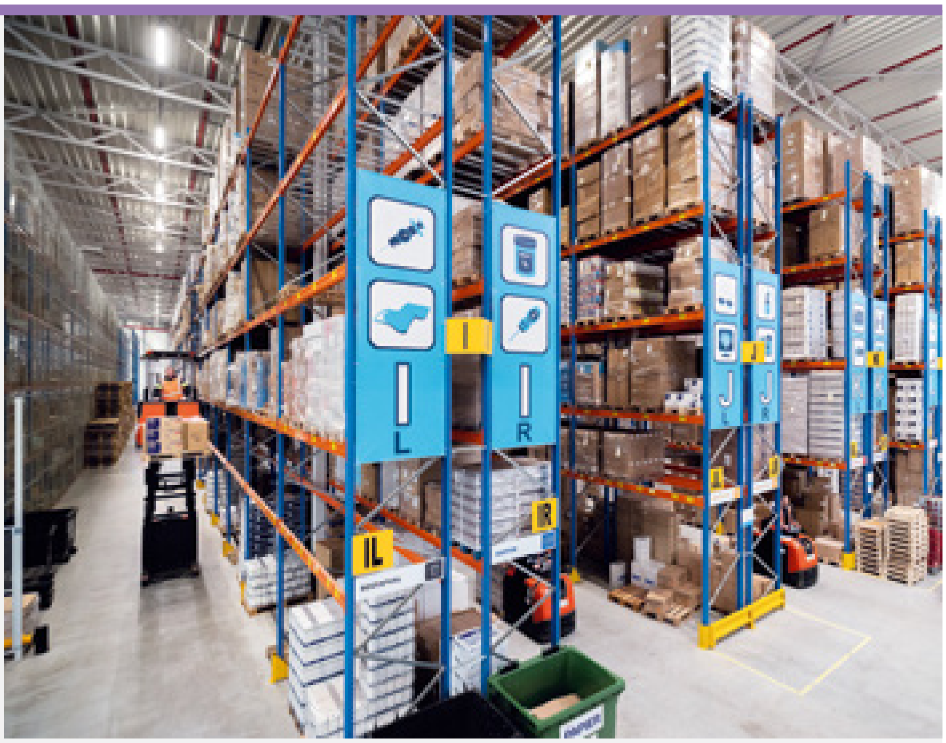
Building our business in the Netherlands

Our Netherlands business is almost three times larger than it was 10 years ago. Growth has been supported by 14 acquisitions since our entry into the market in 1994 with the purchase of Hopa, a foodservice business. The Netherlands business today has a presence across all six of our main customer sectors although significant opportunities for further expansion remain.

14
acquisitions

3x
larger than in 2010

25+
years of acquisition growth



1994
- Hopa

2005
- Gelpa

2007
- King

2008
- Worldpack
- Weerstra

2010
- Sleegers
- Van't Veer

2011
- D-Care
- Majestic

2014
- Allshoes
- De Ridder

2015
- Janssen Packaging

2018
- QS

2019
- Coolpack

Our commitment to grow our strategy
Sustainable and equitable growth

Growth in new countries
We are truly international, having grown from a business with operations in 12 countries in 2003 to one with a presence in more than 30 countries today. However, there are a number of potentially attractive countries where we do not currently operate, which gives us potential for further future growth.

Evolving the US business through acquisition over 10 years
Bunzl North America revenue and profit has more than doubled in the last 10 years with this growth supported by a number of acquisitions. Acquisitions have also helped to diversify the business with the percentage of revenue from grocery and foodservice redistribution activities decreasing within the mix, while safety, agriculture, cleaning & hygiene and non-food retailing have increased. Diversification is an important element of the Bunzl model and strongly supported the Group's performance in 2020. Examples of acquisitions that have contributed to the development of the North America business area include Tillman in 2015 which broadened our safety presence and Wesclean in 2013 which enhanced our cleaning & hygiene presence in Canada. We have completed 35 acquisitions in North America since 2010, including the acquisitions of Joshen Paper and Packaging, MCR Safety and Snelling in 2020.

Bunzl is committed to sustainable and equitable growth. As the world navigates the continuing Covid-19 pandemic and strives to 'build back better', the supply of essential products and services to end markets, such as grocery, foodservice, safety, cleaning & hygiene, retail and healthcare matter now more than ever.

Bunzl is a central player in these critical supply chains, providing everyday products and services that the economies and societies in which we operate depend on – from the PPE that keep doctors and nurses safe, to the containers that protect food in the supermarkets, and the packaging that enables home delivery of goods and meals.

Unique position in supply chain
Crucially, we are a distributor not a manufacturer. That means we can respond quickly to changing customer needs and consumer trends. Our decentralised model, with around 150 businesses across the world, means we are perfectly positioned to identify and seize on new opportunities and to serve our customers where and when they need us. That was clear in our ability to rise to the Covid-19 challenge.

It also means we are a proactive leader in the transition to a more sustainable and equitable future. As a major player in our industry, it is our responsibility to support our customers in determining and delivering their strategies. That is why we are a trusted partner to our customers, collaborating with leading companies across sectors to help them achieve their objectives and fulfil their ambitious sustainability commitments while at the same time growing our business.

Working with our customers
We are collaborating with some of the world's largest companies across Europe and North America on reducing their single use plastic footprint and transitioning to more sustainable products. This is just one example of how we build enduring and high value relationships with our customers which benefit Bunzl and this is increasingly becoming a condition of doing business. Of the last 10 UK & Ireland tenders we participated in, our sustainability credentials were a prerequisite for seven.

Integral to wider business strategy
We grow by acquisition and it matters that potential partners see Bunzl as a place where they can benefit from Bunzl's scale and experience – whether related to health & safety practices, employee training and well-being or the latest low-carbon products and operating processes.

As a leading FTSE 100 business, we are committed to creating financial and social value through a business model and corporate practices that benefit all stakeholders. We have committed to consistent disclosure of our material sustainability issues in alignment with the leading Environmental, Social and Governance ('ESG') standards and frameworks because it is clear to us that we can only deliver for our customers and grow our business when our employees, suppliers and communities succeed alongside us.

Bunzl's focus pillars
Our priority areas of focus are:

- Responsible supply chain
- Diverse workforce
- Climate change
- Sustainable products

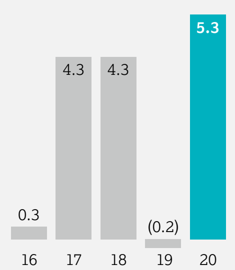
Read more page 42 →

MEASURING OUR STRATEGIC PROGRESS

We use the following key performance indicators ('KPIs') to measure our progress in delivering the successful implementation of our strategy and to monitor and drive performance.

Organic growth

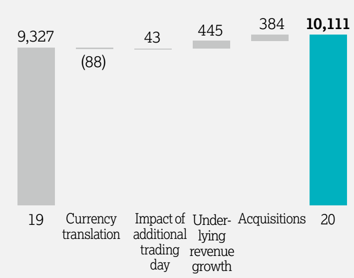
Organic revenue growth %



Increase/(decrease) in revenue for the year excluding the impact of currency translation, acquisitions during the first 12 months of ownership and disposals.

Organic revenue increase of 5.3% was driven by the strength of Covid-19 related sales.

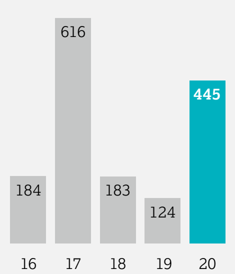
Reconciliation of revenue growth between 2019 and 2020 £m



Revenue up 8% (9% at constant exchange rates) driven by underlying revenue growth, acquisitions made in 2019 and 2020, and a small benefit from an additional trading day compared to 2019.

Acquisition growth

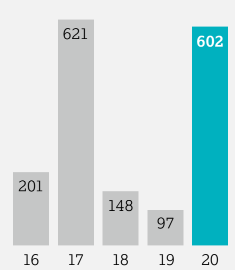
Acquisition spend £m



Consideration paid and payable, together with net debt/cash assumed, in respect of acquisitions agreed during the year.

Committed acquisition spend of £445 million with eight announced acquisitions.

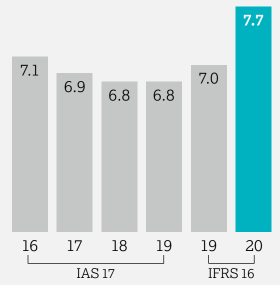
Annualised revenue from acquisitions £m



Estimated revenue which would have been contributed by acquisitions agreed during the year if such acquisitions had been completed at the beginning of the relevant year (see Note 26 on page 189).

Operating model improvements

Operating margin %$^{\Delta}$

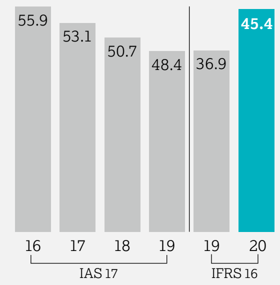


Ratio of adjusted operating profit$^{\Delta}$ to revenue.

Operating margin of 7.7% compared to 7.0% in 2019.

Excluding the impact of acquisitions during the first 12 months of ownership, the 2020 operating margin$^{\Delta}$ was 7.7%, up from 7.0% in 2019 (restated at constant exchange rates).

Return on average operating capital %$^{\Delta}$



Ratio of adjusted operating profit$^{\Delta}$ to the average of the month end operating capital employed (being property, plant and equipment, software, right-of-use assets, inventories and trade and other receivables less trade and other payables).

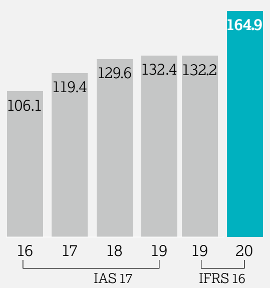
RAOC up to 45.4% from 36.9% in 2019 due to a higher return in the underlying business driven by an increase in adjusted operating profit and lower average operating capital.

These KPIs reflect our strategic priorities of developing the business through organic and acquisition led growth and improving the efficiency of our operations as well as other financial and environmental metrics.

Δ Alternative performance measure (see Note 3 on page 158).
† Included in the external auditors' limited assurance scope. See the data assurance statement on the Company's website, www.bunzl.com. The data for 2016, 2017, 2018 and 2019 was also assured.

Financial

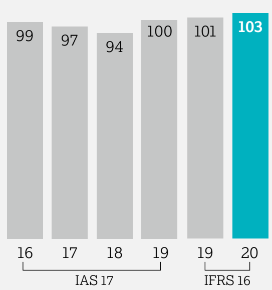
Adjusted earnings per share pΔ



Adjusted profit for the yearΔ divided by the weighted average number of ordinary shares in issue (see Note 8 on page 165).

At constant exchange rates, adjusted eps up 26.6% driven by a 20.9% increase in adjusted operating profitΔ and a reduction in net interest expense and a lower effective tax rate.

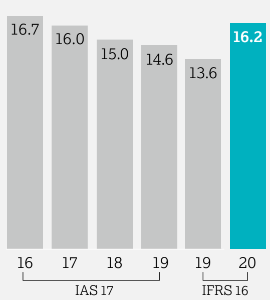
Cash conversion %Δ



Operating cash flowΔ as a percentage of lease adjusted operating profitΔ (see Consolidated cash flow statement on page 148).

Another strong year of cash generation with cash conversion of 103% in 2020 and an average of 98% since 2004.

Return on invested capital %Δ



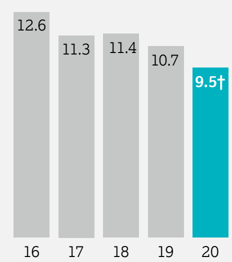
Ratio of adjusted operating profitΔ to the average of the month end invested capital (being equity after adding back net debt, net defined benefit pension scheme liabilities, cumulative customer relationships and brands amortisation, acquisition related items and amounts written off goodwill, net of the associated tax).

ROIC up to 16.2% due to a higher return in the underlying business driven by an increase in adjusted operating profit and lower average operating capital.

Non-financial

Scope 1 carbon emissions

Tonnes of CO_2e per £m revenue



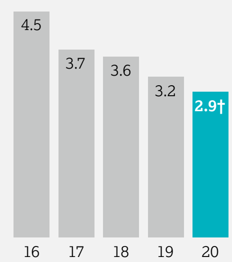
Measured in accordance with the Greenhouse Gas Protocol applying Defra conversion factors.

Scope 1 carbon emissions down 12% at constant exchange rates (down 11% at actual exchange rates) primarily due to unusual business circumstances, with activity in some businesses impacted by pandemic-related restrictions.

12 months to 30 September.

Scope 2 carbon emissions

Tonnes of CO_2e per £m revenue



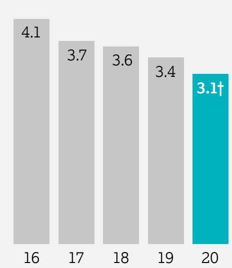
Measured in accordance with the Greenhouse Gas Protocol applying Defra UK conversion factors and IEA factors for overseas electricity.

Scope 2 carbon emissions down 11% at constant exchange rates (down 10% at actual exchange rates) driven by the continued implementation of energy efficiency improvements such as low energy lighting.

12 months to 30 September.

Fuel usage

Litres per £000 revenue



Diesel, petrol and LPG used in the Group's own vehicles.

Fuel usage down 9% at constant exchange rates (down 11% at actual exchange rates) primarily due to unusual business circumstances with activity in some businesses impacted by pandemic-related restrictions.

12 months to 30 September.

NORTH AMERICA

'Our global sourcing capabilities and strong supplier relationships allowed our category management teams to quickly react and source in-demand categories to our customers.'

Jim McCool
Chief Executive Officer, North America

MARKET SECTORS

FINANCIAL HIGHLIGHTS

Revenue

£5,843.8m

(2019: £5,473.2m)

7.2%† ↑

Adjusted operating profit*

£395.7m

(2019: £343.6m)

15.7%† ↑

Operating margin*

6.8%

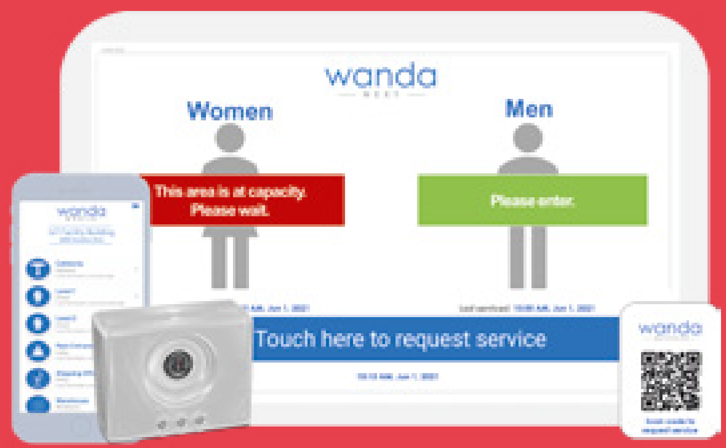
(2019: 6.3%)

† Growth at constant exchange rates.
* Alternative performance measure (see Note 3 on page 158).

In North America, revenue increased 7.2% to £5,843.8 million supported by the acquisition of Joshen Paper & Packaging in January, MCR Safety in September and Snelling in December. The business area saw organic revenue growth of 1.0% with significant growth in Covid-19 related products offset by a decline in revenue from other products resulting from the adverse effect of Covid-19, principally in the retail and foodservice sectors. The impact from previously announced lower sales to a large grocery customer as a result of account specific price and product specification changes during the first half of the year was partially reversed in the second half. The favourable mix to typically higher margin safety and cleaning & hygiene sectors, as well as some price inflation, supported margins over the year. This benefit more than offset the increased provisions relating to our credit exposure to customers in retail and foodservice. Further, with customers focused on navigating the pandemic, we saw a greater prevalence of contract extensions and lower tender activity. During 2020 North America delivered adjusted operating profit of £395.7 million with operating margin of 6.8%, up from 6.3% in 2019.

In our largest business serving the US grocery sector, revenue increased by 6%, supported by the acquisition of Joshen Paper & Packaging at the beginning of the year although the business has had a short term dilutive effect on the operating margin. We saw a significant surge in volumes in the early stages of the Covid-19 pandemic, which subsequently stabilised modestly below prior year levels, albeit with a shift in the mix of products. Although demand for freshly prepared food packaging declined significantly, this was largely offset by increases in sales of PPE and cleaning & hygiene products, resulting in a more favourable margin mix.

At the beginning of the year, our redistribution business was trading strongly above prior year levels, due to favourable organic growth as well as the impact of the acquisition of Joshen Paper & Packaging, but the



Wandanext

Bunzl is the exclusive distributor of Wandanext, a digital cleaning and management system which optimises cleaning activities and resources to improve hygiene in public spaces. The system has been developed with Bunzl Canada and provides real-time data and analytics on cleaning activities, consumption patterns and compliance with specific cleaning protocols for customers. This allows our customers to optimise their cleaning programmes, improve the user experience and reduce cost and waste.

foodservice sector experienced a significant decline in revenue from the second quarter as Covid-19 related shutdowns impacted demand. We experienced sequential improvement throughout the second half of 2020 as foodservice outlets reopened, only to slow once again as a new round of restrictions and closures hit the foodservice industry during the fourth quarter. Overall, during 2020 foodservice revenue declined despite significant growth in disposable gloves and demand related price inflation, as well as a shift towards takeaway packaging. A focus on enhanced cleaning protocols as well as some underlying demand fuelled overall growth in our business serving the cleaning & hygiene sector. Overall, our redistribution business grew 8%. Our category management programmes are well positioned to help our key customers adapt quickly to changes in product categories and demand, leveraging our broad inventories and providing enhanced liquidity through improved inventory management. As part of a wider network review prior to the pandemic, we reduced excess capacity and streamlined the operations by consolidating two facilities in the Chicago market and closing a facility in Indiana. The agility afforded by our national logistics platform, global sourcing and internal product category management teams provided increased value and allowed us to partner with our customers on bespoke solutions, matching the rapidly changing dynamics in the grocery and foodservice sectors.

Our retail supplies business was significantly impacted by Covid-19 related closures of department stores and clothing-based retailers, with sales volume declines and increased customer credit risk exposure. We were able to mitigate some of the impacts by providing our customers with packaging and supplies to support their rapid shift to online trading and also by sourcing Covid-19 related products to support their store reopening efforts, particularly in the home improvement sector. We continued plans for the optimisation and streamlining of our retail distribution facilities footprint, with the integration of two large facilities in Pennsylvania finalised during the third quarter.

Overall, our safety business grew strongly due to high demand for masks and disposable gloves and the impact of recent acquisitions, most notably MCR Safety. These gains were partly offset by the unfavourable impact of underlying declines in the industrial and oil & gas sectors.

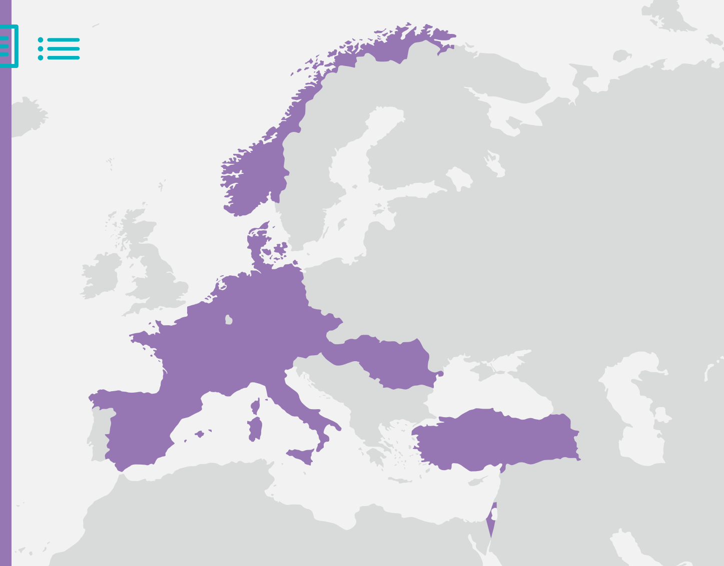
Our food processor business continued its history of strong organic growth and also benefited significantly from increased safety and cleaning & hygiene protocols in customer plants, mitigating declines associated with short term Covid-19 related plant closures. We leveraged our digital platforms and technologies to engage effectively with our customers with whom we have not been able to meet with in person.

Our business serving the agricultural sector enjoyed good growth, including the increased demand for prepacked food from consumers at grocery stores, and benefited from increased focus on sourcing and supply chain management. We continue to evolve our distribution footprint with the changing footprint of our customers to provide efficient and cost-effective value-added solutions as they migrate into new areas, principally in Mexico.

Our business serving the convenience store sector saw good growth despite the negative impact of Covid-19 related shutdowns and greatly reduced travel. The business continues to benefit from its category management programmes with large convenience store operators covering a broad range of food packaging, store supplies and cleaning & hygiene categories, in collaboration with its wholesale partners.

Finally, our business in Canada also experienced significant Covid-19 related growth, principally in the safety and cleaning & hygiene sectors as well as product price inflation, overcoming declines principally in the foodservice sector.

CONTINENTAL EUROPE



'Despite the challenges of 2020, we have continued to make progress on initiatives that we believe will support the business for the longer term. In particular, we have been working on enhancing our sustainability offering, providing responsible solutions and advice which is an important component of our differentiated value-added proposition for customers.'

Alberto Grau
Managing Director, Continental Europe

MARKET SECTORS

FINANCIAL HIGHLIGHTS

Revenue

£2,127.3m
(2019: £1,829.8m)

15.6%† ↑

Adjusted operating profit*

£238.1m
(2019: £182.1m)

30.8%† ↑

Operating margin*

11.2%
(2019: 10.0%)

Revenue in Continental Europe rose significantly, increasing by 15.6% to £2,127.3 million. Organic growth was 15.1% and was strongly supported by a number of significant government orders for masks and other Covid-19 related products which, together with a general increase in revenue from Covid-19 related products across a broad range of customers, more than offset the very challenging trading conditions, particularly in the foodservice sector. We benefited from delays to retendering activity and proactively extended existing contracts where possible. The acquisition of ICM at the end of October further supported growth. Despite an increase in provisions relating to our credit exposure from customers in the retail and foodservice sectors, margins grew strongly as a result of a mix change to higher margin sectors and own brand imported products, the meaningful operating leverage on larger Covid-19 related orders and price inflation on some Covid-19 related products. Adjusted operating profit rose by 30.8% to £238.1 million with operating margin improving to 11.2% from 10.0% in the prior year (up 130 basis points at constant exchange rates).

In France, both of our cleaning & hygiene businesses significantly benefited from increased sales of Covid-19 related products with strong growth in the public, healthcare, food processing and industrial sectors. Sales to contract cleaners were broadly flat as they saw lower levels of activity due to home working but cleaning requirements increased. Sales to the foodservice sector were significantly lower given the impact of lockdowns on our hotel, restaurant and contract caterer customers. These lockdowns also had a materially adverse impact on our two dedicated foodservice businesses. Our safety business benefited from a significant Covid-19 related order of masks from a government purchasing agency. Sales to other customers were slightly lower as several key customers, particularly in the aerospace sector, reduced their production capacity. Revenue overall in France, however, grew strongly, even

† Growth at constant exchange rates.
* Alternative performance measure (see Note 3 on page 158).

excluding the large government Covid-19 related orders.

In the Netherlands, we enjoyed strong growth in the healthcare, cleaning & hygiene and e-commerce fulfilment sectors. Our safety business benefited from a substantial order for masks from a governmental organisation which we were able to fulfil at short notice with the assistance of our Asia sourcing and auditing operation. We also delivered significant levels of Covid-19 related products to the Dutch police and sales of PPE to other customers also progressed well. Our grocery business recorded good growth after a slow start to the year during which some customers closed their fresh food stores and in-house bakeries during the first lockdown. Sales in our retail business were lower due to the lockdowns despite winning a significant order for hand sanitiser from an international retailer as it reopened its stores. Our foodservice business saw a significant fall in revenue as many of its customers were forced to close for part of the year. Coolpack, which was acquired in April 2019, continues to trade ahead of expectations. Total revenue in the Netherlands, excluding larger Covid-19 related orders, was broadly flat on the prior year.

In Belgium, our cleaning & hygiene businesses delivered significant revenue growth due to increased sales in the healthcare and facilities management sectors more than offsetting lower sales in the foodservice sector. We also provided Covid-19 related products to regional governments. Revenue at our grocery business declined mainly due to the loss of one larger account during the second half of 2019.

In Germany, significant sales growth in our cleaning & hygiene business did not offset the decline in sales at our foodservice and specialist safety workwear businesses due to the lockdowns. In Switzerland, however, growth in the medical and industrial sectors more than compensated for lower foodservice sales. In Austria, our food packaging business reported lower sales, mainly due to a reduction in sales of products used in packaging food for the foodservice and education sectors as well as a reduction of sales of industrial packaging products.

In Denmark, lower sales to the fitness and foodservice sectors were more than offset by growth in the cleaning & hygiene, safety, grocery and public sectors. In Norway, our catering equipment business saw significantly lower sales due largely to the impact of restrictions on hotels and restaurants and resulting lower investment in new equipment.

In Spain, our safety and medical businesses recorded strong growth which more than offset lower sales to the foodservice, contract cleaning and industrial packaging sectors. In Italy, our safety business suffered from lower industrial activity due to the lockdown in the first part of the year but recovered in the second half with full year sales only marginally behind 2019 levels, supported by sales of Covid-19 related products.

In Turkey, we saw significant growth in sales of disposable gloves to hospitals, food processors and grocery stores as increased demand and currency devaluation resulted in inflation. From the summer onwards we won a number of tenders to supply the Turkish government's purchasing agency with disposable gloves due to our ability to source these reliably from Asia. Sales of safety products also progressed extremely well. In Israel, sales were lower in the bakery sector and significantly lower in the foodservice sector due to lockdowns.

In Central Europe, sales grew well in all three countries in which we are present, namely Hungary, Romania and the Czech Republic, with strength in the cleaning & hygiene and safety sectors as well as the food processing sector. We also won a significant order for Covid-19 related products from the Hungarian government.

Government Covid-19 orders

During 2020 our Continental European teams helped various governmental agencies to source Covid-19 related products. We were selected for these contracts due to our ability to source large quantities of high quality products that met regulatory standards at competitive prices and which we were able to deliver quickly and reliably. We were trusted because of the strength of our reputation as an established and financially strong supply chain operator. We sourced most of these products through our Asia sourcing and auditing operations.

UK & IRELAND

'While some businesses have been harder hit by the pandemic than others all teams worked tirelessly to continue to support customers in new and innovative ways. By doing so, I believe we have strengthened many customer relationships over this period.'

Andrew Tedbury
Managing Director, UK & Ireland

MARKET SECTORS

FINANCIAL HIGHLIGHTS

Revenue

£1,287.7m

(2019: £1,242.1m)

3.5%† ↑

Adjusted operating profit*

£68.6m

(2019: £87.1m)

(21.2)%† ↓

Operating margin*

5.3%

(2019: 7.0%)

† Growth at constant exchange rates.
* Alternative performance measure (see Note 3 on page 158).

In UK & Ireland, revenue increased 3.5% to £1,287.7 million driven by organic growth of 2.6% as well as the acquisition of Bodyguard Workwear in February and Abco Kovex in September. Growth was similarly enhanced by the sale of Covid-19 related products, despite the heavy weighting to the adversely affected foodservice and retail sectors. Despite the increase in revenue, adjusted operating profit reduced to £68.6 million, down 21.2% compared to 2019, and operating margin declined to 5.3%. Operating margin was meaningfully impacted by the declines in the foodservice and retail sectors, with the operating businesses servicing these customers largely standalone with limited scope for fixed cost sharing, and also due to an increase in provisions relating to our credit exposure in these sectors.

Our portfolio of safety businesses saw strong growth during 2020. The demand for masks, gloves and eye protection increased significantly during the period as we provided a full range of quality assured products to our customers in government and industry. These sales helped to offset an underlying decline in the demand from manufacturing and construction customers who, in turn, suffered declines in production throughout the pandemic. Over the year, we continued to invest in digital solutions and further developed ways for our customers to control both quantity and quality of their products via our bespoke web offering. Towards the end of the year, we secured some new long term supply arrangements resulting from the UK government's investment in transport infrastructure and, in addition, extended our contractual arrangements with many of our larger customers.

In our cleaning & hygiene supplies business we saw increased demand for sanitisers and cleaning products as our customers sought to ensure the safety of their employees during the pandemic. However, with many of our customers' offices closed and with their staff working remotely, our supply of everyday consumables, such as hygiene

Sustainable packaging mandate in Ireland

During 2020, we helped one of our customers in Ireland to achieve their goal of removing all plastic packaging products that were at risk from future legislation in their market. We utilised our proprietary technology to assess their existing product range to determine what was at risk in order to provide alternative suggestions. We subsequently transitioned all of the identified products, which were largely single use plastics, to alternatives. Given our ability to source sustainable products we were able to achieve this within a month. In addition, to ensure a fully circular solution, we provided recommendations on waste procedures to support the switch to these sustainable solutions. Following the success of the project we are now working with the customer to source sustainable alternatives for other foodservice items.

paper and hand towels was negatively impacted. Despite this we continued to work with facilities management companies and local authorities to ensure customer sites could be supplied intelligently, with the correct volume of supplies prior to re-opening after lockdown. We improved our vehicle telematics system during the period, providing important carbon impact data for our customers together with up-to-date information on their orders.

Our grocery business experienced large increases in demand for Covid-19 related products. Working alongside our supermarket customers we sourced new products to help with the change in buying habits, including the move to more home deliveries. During the year we opened a brand-new purpose-built facility in Burton Latimer near Kettering to facilitate our growth and improve service levels, with efficiencies also achieved through the consolidation of one of our larger non-food retail packaging businesses into the site. Our non-food retail packaging businesses experienced mixed trading with e-commerce products, such as cardboard packaging and void fill growing rapidly on the back of an increase in lockdown influenced online consumer buying, although we saw a decline in high street packaging products such as branded bags.

The pandemic has caused a severe impact to our foodservice businesses, with a series of lockdowns and restrictions since March 2020 limiting business to pubs, restaurants and hotels. Reduced footfall to offices and the declines in leisure and sporting events limited the activities of contract caterers, whose business then focused on supplying educational and hospital facilities. Despite the impact of Covid-19 related restrictions, we continued to supply products and services to those sectors which remained open and experienced good growth in food takeaway packaging.

Conversely the pandemic has resulted in significant growth in all our healthcare related businesses. Although elective surgery in UK hospitals has been depressed by approximately 40% and our volumes of standard hospital consumables have been curtailed, the demand for masks, gowns, visors and gloves during the final nine months of 2020 grew considerably as healthcare institutions sought to build up inventory of essential products. Whether supplying the NHS directly, or supplying nursing and care homes, the need for reliable, certified and consistent supply, backed up by our team of product and technical experts and very strong supply chains, resulted in a major surge in orders. Looking ahead, the high level of inventory held by our customers could limit future demand.

Ireland was significantly impacted by the pandemic as our sizeable foodservice businesses saw material declines associated with lockdowns and restricted hospitality. Those supplying the health service, government institutions and facilities management customers, however, grew as a result of the large demand for Covid-19 related products. Despite the operational challenges provided by the pandemic, we moved into a larger purpose-built distribution facility close to Dublin airport, thereby improving our service to customers, and enhanced our digital offering with further investment in expertise. The flexible packaging distributor Abco Kovex based in Dublin, which we acquired in September, is integrating well and has enhanced our product offering and expanded our customer base in Ireland.

We also executed a number of pre-pandemic plans to consolidate other warehousing facilities, utilising technology to do so. In addition to the consolidation of two businesses into the new facility in Dublin, we also exited one catering warehouse in Durham by utilising our existing network of catering facilities. Furthermore, we have started to establish some shared service capabilities in finance and HR to drive back office synergies. We continued to develop our digital offerings with investment in finance AI tools and by allowing our customers to place orders with all their suppliers, including Bunzl, via our state-of-the-art marketplace technology. We have also strengthened our sustainability credentials by building a team of dedicated experts, a full range of sustainable product alternatives and a complete set of sophisticated tools to give our customers valuable insights into their current and future purchases, helping them to manage their supply chain in a more responsible manner going forward. Finally, although Brexit provided some operational complexity and required us to increase our stockholdings in certain products to protect supply to our customers, our businesses have continued to operate without any material disruption.

REST OF THE WORLD

'Digital capabilities enhance our customer offering and our investments continue to pay off with strong growth in the penetration of digital orders across Latin America over the year.'

Jonathan Taylor
Managing Director, Latin America

'Our sourcing and quality control operation in Shanghai has been a clear USP for the Group over the year. It has ensured that we could supply high levels of essential products that were quality assured and procured through an ethical supply chain.'

Kim Hetherington
Managing Director, Asia Pacific

MARKET SECTORS

FINANCIAL HIGHLIGHTS

Revenue

£852.3m

(2019: £781.6m)

21.6%† ↑

Adjusted operating profit*

£104.2m

(2019: £61.6m)

94.0%† ↑

Operating margin*

12.2%

(2019: 7.9%)

3,248 Employees

116 Locations

† Growth at constant exchange rates.
* Alternative performance measure (see Note 3 on page 158).

In Rest of the World, revenue increased 21.6% to £852.3 million driven by organic growth of 17.6% as well as the acquisition in Brazil of Medcorp in January 2020 and SP Equipamentos in November. FRSA in Australia, which was acquired in November 2019, further supported growth in 2020. Adjusted operating profit grew by 94.0% to £104.2 million with operating margin increasing from 7.9% to 12.2% from 7.9% in the prior year (up 450 basis points at constant exchange rates).

Our businesses in Latin America were positively impacted by the pandemic with strength in our safety businesses and the ability to source Covid-19 related products, particularly gloves, delivering significant growth. In addition, we continued accelerating our digital investments with the launch of 10 new digital platforms across all our countries in the region, which supported a meaningful increase in digital orders placed over the year compared to the prior year.

In Brazil, our safety businesses saw very strong growth which was supported by price inflation as the demand for PPE increased dramatically and as a result of currency devaluation. In our foodservice business, demand for our gloves from multiple sectors remained very high throughout the year, generating high growth in sales. Our hygiene business, on the other hand, saw more modest growth as several large foodservice and institutional customers reduced their purchases as a result of pandemic-related restrictions. Over the year the business used the opportunity to develop a sustainable range of cleaning chemicals designed to meet a higher post Covid-19 demand from its customers for sustainable cleaning and hygiene products. We also saw strong growth in sales in our healthcare business, led mainly by continued improvements in our medical business and bolstered by high demand for several Covid-19 related healthcare products. Our recent acquisition, Medcorp, produced a resilient first year performance broadly in line with expectations despite a reduction in routine hospital procedures during the pandemic.

In Chile, a good industrial recovery in the second half of the year, together with additional sales of Covid-19 related products led to strong growth in our safety businesses. Our safety footwear business, which had declined during 2019, successfully achieved a second half turnaround. In the foodservice sector, our catering supplies business deployed its supply chain and logistics expertise to meet high demand for PPE which successfully offset declines in its traditional foodservice customer base and led to good growth in sales. The business continued to focus on its sustainable packaging solutions by developing a range for the growing home-delivery market.

In Mexico, our safety business saw very strong growth as sales of Covid-19 related products more than offset declines in the industrial customer base. This growth, however, reduced as the year progressed due to the weaker underlying industrial demand in the country.

In Colombia, our Visca safety business benefited from strong PPE sales. In Argentina, our safety business also continued to deliver high sales growth due to both Covid-19 related sales and very high price inflation. Finally, in Peru, despite very weak underlying industrial demand throughout the year, sales grew strongly from the sale of PPE.

Asia Pacific, which is weighted to the healthcare and cleaning & hygiene sectors, performed strongly throughout the year. The business benefited from several large opportunities with state and federal government health departments as well as strong demand from the traditional customer base in aged, primary and community care. The increased volumes more than offset a downturn in our traditional hospitality customer base where customers were closed for extended periods or operating at reduced capacity due to pandemic-related restrictions in most states.

Our speciality Australian healthcare business had another good year and continued to build on the momentum seen in the first half of 2020. The existing customer base saw high demand for Covid-19 testing swabs, which offset reduced volumes in pathology and blood collection due to reduced patient visits to doctors' surgeries, and the increase in hygiene awareness positively impacted traditional winter flu season demand.

Our Australian safety businesses experienced good growth due to increased demand and ongoing improvements and initiatives implemented over the past few years. Some parts of the business were adversely impacted by customer closures but were able to offset this impact with strong sales of PPE and hygiene products across the wider customer base. The business is in the process of expanding our cleaning & hygiene programme and made enhancements to our range of PPE which will complement our market offering.

FRSA, our emergency services specialist distributor, finished the year strongly and has settled well into the Bunzl family. The business was initially impacted by reallocation of government budgets towards healthcare but was able to offset this by growth in other categories. These budgets are expected to return to previous levels to ensure sufficient funds are available to meet the ongoing requirement to maintain essential fire safety services. We also expanded our service capabilities following a number of large contract wins and successfully started to service customers in New Zealand.

In Asia, our domestic safety business in China had a stronger performance, due to the increased demand for Covid-19 related products. The domestic end-user business, however, continued to be subscale and in recent years had been loss making with limited opportunities to develop own brand products. As a result, the decision was made to close this business and its main operating facility at the end of 2020 and to focus our China-based business on our export operations and value-added distribution services for Bunzl customers globally. As a result of this restructuring in China, the Group has incurred impairment charges on goodwill and customer relationships intangible assets of £14.8 million.

Our safety business in Singapore had another good performance and was able to offset the slowdown in the oil & gas sector with an increase in the sales of PPE and cleaning & hygiene products. The business has benefited from work undertaken prior to the pandemic to expand their product and service offering across new and existing customers.

Success of FRSA integration

In November 2019, Bunzl acquired Fire Rescue Safety Australia (FRSA), a distributor focused on providing specialist safety and PPE products for fire, rescue and emergency response services. Integration during 2020 progressed according to plan, with the process being in-line with Bunzl's approach to all acquisitions. In the first 100 days we focused on ensuring financial controls and standardised reporting systems were in place, we communicated Bunzl policies to our new colleagues, including health and well-being, HR processes and corporate responsibility, and reviewed IT and systems infrastructure. Our integration plan further included a safety audit and safety training and we refined purchasing opportunities early in the process. Bunzl's formula allows businesses to maintain their local commercial autonomy while ensuring that they are appropriately integrated into the Group and given access to regional product, customer and supply chain support where desired. The integration has been a success with the business gaining new contracts over 2020 as well as entering New Zealand.

SUSTAINABILITY AT BUNZL: A VITAL PART OF THE EQUATION

Our goal is for Bunzl to be a responsible and resilient organisation that inspires and implements solutions that protect the environment, while being commercially successful for our stakeholders.

In early 2020 we launched our new sustainability framework which brings together all strands of our responsibilities in this area as a large international company. It is based on our business model and the major sustainability trends facing our business.

We have built on our approach this year by conducting our first materiality assessment to ensure our activities take account of the significant social and environmental topics that are of most interest to our stakeholders.

We have also aligned our approach with, and identified our contribution to, the United Nations Sustainable Development Goals ('UN SDGs'), (see page 56), developed a new climate change strategy and published our first report applying the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), (see our index on page 84).

Our approach to sustainability is broad and our framework has been designed to cover all of our responsibilities in this area; from working with our suppliers to developing innovative new solutions and reducing our impact on the environment, to the health and safety of our teams and supporting charities. Our reporting this year focuses on our most material sustainability themes, as guided by our materiality assessment, but more detail is given on our work to contribute to the other issues covered by our framework in the ESG Appendix.

Our framework contains a number of commitments our operating businesses are working to deliver and, using the results from our materiality assessment, we will now work to set specific goals in the areas where we can make the most meaningful impact and generate the biggest results.

OUR FRAMEWORK FOR SUSTAINABILITY

Our suppliers

- Making sustainability accessible
- **Responsible supply chains (key theme 1)**
- Working with our suppliers to deliver innovative solutions

Our business

- **Investing in a diverse workforce (key theme 2)**
- **Taking action on climate change (key theme 3)**
- Supporting charities and local communities

Our customers

- **Providing sustainable solutions (key theme 4)**
- Expert advice on emerging trends and products
- Partnerships to close the loop

Our values

Humility / Responsiveness / Creativity / Diversity / Customer-centricity / Reliability / Transparency

'Bunzl are more forward thinking than others in their marketplace and always demonstrate a collaborative approach to sustainability.'

Bunzl customer, materiality assessment feedback

KEY SUSTAINABILITY THEMES

To ensure we continue to prioritise and report on the environmental, social and governance topics that are most of interest to our stakeholders we conducted our first materiality assessment in 2020.

1
Respecting human rights and driving broad-based growth through responsible supply chains

Read more page 44 →

2
Investing in a diverse workforce and thriving communities

Read more page 46 →

3
Taking action on climate change by reducing emissions

Read more page 48 →

4
Providing sustainable solutions and supporting circular economy techniques that keep waste out of nature

Read more page 50 →

MATERIALITY ASSESSMENT

Read more page 54 →

UN SDGs

We have identified 5 priority SDGs:

1 RESPECTING HUMAN RIGHTS AND DRIVING BROAD-BASED GROWTH THROUGH RESPONSIBLE SUPPLY CHAINS

SDG ALIGNMENT

8 DECENT WORK AND ECONOMIC GROWTH

Read more on page 56

Why it matters

Global supply chains have expanded customer choice and lowered costs but this comes with a responsibility to ensure communities and workers' rights are respected in the process. International efforts to protect human rights and guarantee employee well-being have made significant progress but challenges persist in many parts of the world.

Our scale and industry-leading sourcing and auditing function based in Shanghai allows us to have a thorough level of oversight over our supply chain in the vital Asian sourcing market. This is a competitive advantage in our industry, with our 50-strong team regularly auditing direct suppliers in the region to ensure that the products they manufacture are of the highest quality and they are treating their employees fairly.

If we find instances of forced labour or overtime or wage violations, we quickly get them resolved through in-depth engagement with the supplier. If resolution is not possible within a reasonable time frame (usually six months) then we terminate the relationship.

We are committed to taking what we have learned and expanding our ethical sourcing principles across other sourcing areas in the Group, commissioning an independent review to benchmark our approach against best practice and extending the scope of our supplier audits to include 'downstream' environmental considerations, for example, raw material sourcing.

Our focus areas now

Auditing our supply chain – because we and our customers expect the highest quality and labour standards for the products we provide.

- 98% of our supply chain in Asia, where we have the largest proportion of suppliers situated in countries identified in international rankings (such as the Global Slavery Index) as high-risk for human rights issues is currently covered by direct auditing and assurance practices.
- During 2020, our team in Asia audited 680 suppliers; 619 had no critical issues, while 61 underwent remediation efforts to bring them up to the required standard. Following these remediation efforts, we terminated relationships with 15 suppliers who failed to make enough progress.

Product stewardship – we respect all legal requirements regarding raw materials and manufacturing processes that are relevant to our product ranges.

We provide thousands of customers all over the world with essential hygiene and health products and renewable wood fibre materials sourced from branded suppliers make up a substantial component of these.

- We seek only to purchase responsibly sourced wood fibre products and will not knowingly accept from our supply chain any paper-based products that may contain wood fibre harvested illegally or sourced from protected forest areas.
- 22% of our global revenue comes from paper-related products and we source a significant proportion of these from leading global suppliers who practice sustainable forestry techniques that regenerate forests and maintain productive capacity. Many of the products we source are made from post-consumer recycled (PCR) content and our largest suppliers exclusively use material from certified sources.
- For example, all the wood fibre products we source from our largest global tissue supplier come only from sources that are certified according to FSC® or PEFC™ standards.
- In Bunzl Australia, 85% of the paper products in our washroom category (facial tissue, hand towels etc) are FSC® accredited with full traceability back to source.

'All wood fibre products sourced from our largest global tissue supplier come only from sources that are certified according to FSC® or PEFC™ standards.'

Next priorities for action

- Continue to focus on enhancing our leading practices relating to supply chain oversight.
- During 2021 we will commission an independent review of our approach to responsible sourcing, including a benchmarking exercise of our current approach against best practice.

680
suppliers in Asia audited during 2020

In Australia
85%
of the paper products in our washroom category are FSC® accredited with full traceability back to source

2 INVESTING IN A DIVERSE WORKFORCE AND THRIVING COMMUNITIES

SDG ALIGNMENT

Read more on page 57

Why it matters

The cohesion and inclusivity of the world's workforces and communities are under the spotlight like never before, as businesses and societies grapple with persistent gender discrimination, systemic racism and local inequalities. Companies will not grow sustainably if they are unable to attract, retain and get the best out of diverse talent. Increasingly there is a greater focus of responsibility to the communities where they operate.

Bunzl is a large family of local businesses serving multiple sectors across a wide range of geographies. The companies in our Group have a track record locally of creating an inclusive working environment where people can bring their best wherever they come from. However, we know there is more we can do to build on this diversity of talent to create opportunities for progression into leadership roles from under-represented groups.

We are committed to improving the representation of women and those from minority ethnic backgrounds, particularly in the leadership population, and taking steps to ensure that we have a truly inclusive culture.

Our focus areas now

Accelerating diversity and inclusive employer practices – because our people are fundamental to our future success.

- We have doubled the number of women in our UK & Ireland management teams over the past 18 months.
- We have created a new role in North America: Senior Director of Diversity and Inclusion.
- Starting at the top of the organisation, we have increased the number of female members of the Board (appointing both Vin Murria and Maria Fernanda Mejía in 2020), moving us from 28.5% to 37.5% women on the Board. With Suzanne Jefferies added to our Executive Committee our female representation on the Committee has increased to 40% in 2020.
- For the first time, we have run our employee survey this year with the ability to analyse the data by ethnicity. This has started in North America and where we feel understanding how our people feel in different groups will benefit our people practices. The results told us that overall we have a highly engaged workforce with no significant differences reported for under-represented employee populations. We will look to collect and review all employee survey data by ethnicity where it is permitted to do so.

Investing in local communities – because we are deeply embedded in the places where we operate.

We are very proud to have supported our local communities with tailored and relevant assistance during the Covid-19 pandemic when it mattered most. Some examples include:

- donating PPE to hospitals in Spain at the height of the Covid-19 pandemic in March;
- providing over one million masks to organisations across North America, including schools, hospitals, non-profit organisations and first responders;
- donating packaging containers to deliver 15,000 lunchboxes in the UK for school children in need;
- supporting the Red Cross in New Zealand with their delivery of hot meals to those in need;
- using our sourcing strength to provide clear masks for those who lipread in Romania;
- donating disposable products to a local foodbank in Scotia, New York;
- working with OzHarvest, a food rescue organisation in Australia which collects quality excess food from local communities and gives it to those in need; and
- donating over £200,000 to support vaccine research, social justice programmes and food banks to support local communities in North America.

Excellent engagement scores

At the end of 2020 we moved to a new way of understanding the views of our people. Historically Bunzl has surveyed employees globally once every two years through a mixture of online and paper surveys. As an organisation we wanted to move to a more digital solution that could be completed quickly and easily by everyone online either through a phone or tablet. Equally important was to use a solution that enables us to analyse the data by different employee segments, such as gender, tenure or age, giving us invaluable insights into how inclusive our culture is.

We felt that during such a period of change with Covid-19, it was critical to give our employees the opportunity to share their views so we could listen to and better understand their perspectives and ideas. Our focus was to ensure that changes required to working practices were effective and that everyone felt safe while working for Bunzl during this difficult time.

In November 2020 we surveyed all our employees and we are incredibly proud of the results we received:

74%
responded during the survey period

82%
would recommend Bunzl to a friend or family member

88%
are proud of the service we give to our customers

90%
know what to do if they have a concern about health and safety

While the Board and leadership team have closely scrutinised the results, the real power of the insights is at a local level. Hundreds of conversations are taking place to ensure the results are understood, actions are identified and there is a plan in place to monitor progress. We plan to conduct a more comprehensive survey of our employees during 2021.

Next priorities for action

- Setting thoughtful targets on diversity and put the best monitoring framework for our organisation into place.
- Continuing to balance the global and local needs of our business through measurement and action. In 2021 we will start by surveying all our employees to measure their engagement levels and gain meaningful feedback that will allow us to develop effective local action plans.

A great place to work

Developing our people continues to be important for us and this year has given some opportunities for our leaders to stretch themselves by responding to the challenges created by the Covid-19 pandemic. We have made sure we support our people through this time and recognise the new skills they have had to develop and use. This support takes many forms, but includes formal coaching in all our business areas, the launch of a mentoring programme in Australia in 2020 and a new e-learning system in North America to enable easy access to core skills development.

Formal development continues to be a high priority and in 2020 we have been able to move our core programmes to virtual classrooms, including the OverDrive Programme for Senior Leaders in North America, the Bunzl Ignite Leadership Programme in Asia Pacific with 80 participants and the Global Senior Leadership Development Programme.

Growing our talent pipelines and increasing the diversity of people we recruit and promote within the business is recognised as critical to our future success. Using only our internal talents we have developed a Global Employer Brand campaign that features Bunzl ambassadors for the values that matter to us as an organisation. This will help us attract a wider range of applicants.

For our internal talent pipeline, in 2020, we have continued the work on developing those colleagues identified with high potential. In Continental Europe, the structured programme of assessment, quarterly review and tailored development plans continue for over 100 leaders. In Latin America we have launched a new High Potential scheme, including an in depth assessment to drive their development plans. In North America we have expanded our high potential employee mentoring programme and in the UK & Ireland we have continued to develop our senior leaders with a programme focused on personal leadership development.

3 TAKING ACTION ON CLIMATE CHANGE BY REDUCING EMISSIONS

SDG ALIGNMENT

Read more on page 57

Why it matters

The next decade will be decisive in the world's ability to tackle climate change. Its impacts are already with us, as extreme weather and biodiversity loss affects the communities least able to withstand it. Without concerted and ambitious action from companies and governments, climate change will have a devastating effect on our businesses and our daily lives.

Bunzl is a one-stop-shop for many of the products our customers need, which means we are able to aggregate their orders from a range of sources into a single delivery and reduce transport miles and, as a distributor rather than a manufacturer, we do not operate energy intensive or highly polluting facilities.

However, we recognise that our direct operations, distribution network and supply chains are all part of the challenge and we applaud the ambition being shown by our customers in setting science based carbon reduction targets. We acknowledge the need for Bunzl to be part of the solution, rather than part of the problem.

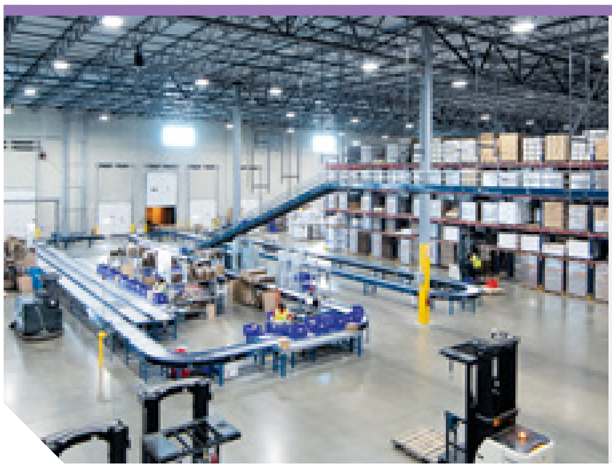
This is why Bunzl supports the recommendations of the TCFD. For the first time we are summarising our most material climate-related risks and opportunities, the potential impacts on our business and our strategy for assessing and managing these impacts. The full report is published on our website and our TCFD index is shown on page 84. We also report on our climate change performance through our annual response to the Carbon Disclosure Project ('CDP'). In 2020, we received a B for our response to the CDP climate change questionnaire which represented an improvement on our B minus score achieved in 2019.

The action we take to reduce the impacts of climate change on both ourselves and our stakeholders contributes strongly to the UN SDG number 13 (see page 57).

Our focus areas now

Cutting emissions across our business – because it is critical that we play our part in the global effort to limit warming.

- Since 2010 the total carbon emitted from Bunzl's operations has remained stable despite the business growing substantially and revenue doubling over the same period.
- Our carbon efficiency (carbon emissions relative to revenue) has improved by more than 50% over the last 10 years.
- Most of our businesses in the UK & Ireland have been procuring renewable electricity for several years. Combined with our procurement activity in other countries such as the US and Switzerland, the total amount of renewable electricity we buy across the Group has increased to 15% in 2020.



Efficient lighting technologies

Lighting is our highest contributor to our electricity consumption. With today's advanced lighting technologies, the energy associated with illuminating a warehouse can be reduced by as much as 70% when compared to traditional lighting. Across the Group we have energy efficiency programmes to ensure that whenever there is an opportunity at one of our locations, we upgrade the lighting to Light Emitting Diode ('LED') fittings and implement other energy saving measures, such as occupancy sensors. In 2020 we completed another 16 LED retrofit projects in North America which will result in savings of 5.5 million kWh every year. These savings represent 7% of our Group electricity usage.

Starting to consider how we can reduce the impact of our vehicle fleet – because we recognise low-carbon transport is the future for our sales teams and distribution networks.

- Bunzl Catering Supplies in the UK has been trialling the use of biofuel in its London fleet of vehicles. HVO (Hydrotreated Vegetable Oil) fuel is a second-generation biofuel made from 100% renewable raw materials that offers net greenhouse gas ('GHG') reductions of up to 90% in comparison to standard diesel fuel. After successful trials, the project will be launched in 2021.
- We seek to minimise the number of miles that our vehicles travel on the road. Automated vehicle routing systems help our businesses to ensure deliveries are planned to limit the number of journeys made by each vehicle in order to reduce fuel usage and carbon emissions. Bunzl North America, which has the largest fleet of commercial vehicles in the Group with over 700 vehicles, has continued to implement a new dynamic routing system. The system rearranges our shipments to take place on the most optimal days, resulting in an overall mileage reduction, while retaining high customer service levels. In the 13 locations where the dynamic routing system has been implemented, we have seen an 8% reduction of miles driven in 2020.
- Bunzl Australasia has commenced transitioning their company vehicle fleet to more fuel-efficient models, including hybrids. The change will result in a 24% reduction in overall fleet carbon emissions.

Next priorities for action

- In 2021 we will work to set a new long term carbon reduction target to further reduce carbon in our operations in line with climate science.
- Working to understand and then develop an approach to address the GHG impact of our supply chain and other scope 3 emissions during 2021.
- Continuing to report on our progress in line with the TCFD framework. See our TCFD index on page 84.

Impact and assessment

Assessing climate change scenarios and their impact on our business

In 2020, we undertook the Group's first risk assessment using climate-related scenarios to better understand the long term impacts that climate change may have on Bunzl in the future. We focused our assessment on three alternative scenarios up to 2050. Two of our scenarios align with a global warming trajectory of 2°C by 2100 but differ in the speed and extent of decarbonisation over the next 30 years (orderly and disorderly scenarios). Our final scenario assessed the potential impacts of a world in which global warming exceeds 3°C by 2100 (hot-house world scenario).

In each scenario, climate change could present a risk to Bunzl's future financial performance (when assessed against Bunzl's projected future profits). However, our assessment suggests that in no scenario do the climate-related risks assessed present a significant financial risk to the business (as defined by our risk management processes) and therefore we currently believe our business to be fundamentally resilient to the potential impacts of climate change. Moreover, the transition to a net zero economy will present good opportunities to the Group, specifically through the provision of environmentally friendly products and sustainability expertise to customers.

For more details on our climate change work see www.bunzl.com/sustainability

4
PROVIDING SUSTAINABLE SOLUTIONS AND SUPPORTING CIRCULAR ECONOMY TECHNIQUES THAT KEEP WASTE OUT OF NATURE

SDG ALIGNMENT

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Read more on page 57

Why it matters

Plastic pollution is one of the defining environmental challenges of our time. That is truer now than ever before, as the world steps up its use of hygiene products that keep us safe. When plastic is used only once or is not properly recycled, it damages our environment, pollutes our oceans and can enter the food chain.

The daily running of our customers' operations depends on the items we provide. In many cases no viable alternative to plastic exists today – especially when it comes to healthcare consumables like gloves and gowns and food packaging for the grocery and catering sectors.

At Bunzl we recognise our responsibility to be part of the solution on designing out waste and ensuring less plastic ends up in nature. That is why we are working with our customers and suppliers to lead the industry towards a sustainable approach to packaging and plastics.

Our scale and unique position at the centre of the distribution system means we are well placed to provide customers with trusted and objective advice on complex sustainability issues like the transition to a more circular economy, because the life of packaging does not end at the point of sale and neither does our ambition.

Our focus areas now

Providing sustainable product solutions and expert advice on emerging trends and product categories – because a number of our customers want to reduce their plastic footprint and we can make that a reality.

- We launched a Bunzl own brand range of sustainable products in Europe, Verive, for the foodservice, grocery and retail sectors. The new range not only provides solutions which comply with the EU Single Use Plastics Directive but also offers leading sustainability advice and training via a new digital web platform.
- In addition to our formal sustainability teams, we have also appointed and trained 49 sustainability ambassadors in a number of our European and North American operating businesses who will work closely with our regional customers to help them achieve the packaging targets they are setting.
- Bunzl Australia and New Zealand's Sustain and Revive own brand product ranges were designed to deliver positive sustainability outcomes. Sustain is made from paper and plant-based products produced using only renewable materials. Revive supports the circular economy with cold cups being made from recycled PET materials that are widely recyclable in Australia and New Zealand. In 2020, over 39 million Sustain products were sold into the Australia and New Zealand market (which includes some paper-based products) and 31 million existing single use plastic items were replaced.

Appointed and trained

49

sustainability ambassadors in a number of our European and North American operating businesses

In 2020, over

39m

Sustain products were sold into the Australia and New Zealand market

Next priorities for action

Supporting solutions across the supply chain to help close the loop – because we know that recycling systems are under strain and that it will take inventive cross-sector action to design out and better capture waste.

- Our Allshoes business in the Netherlands has created a Circular Footwear Alliance ('CFA') in collaboration with two of their competitors, a partnership designed to create a circular economy system for work and safety shoes. Used work shoes are collected and dismantled before the materials are sorted, crushed and recycled or reused in new products. Since its launch earlier this year, the CFA has collected over 3,500 pairs of shoes from customers for recycling.
- Bunzl plc is funding the development of new waste management infrastructure and the provision of improved social services for marginalised waste picker communities in Mangalore, India. We are working with Plastics for Change who have developed a franchise model to create and fortify plastics recycling businesses to pay waste pickers decent incomes, train them in techniques that boost their incomes and make investments that benefit entire communities. The project will also prevent c.200 tonnes plastic reaching the Indian coastline.

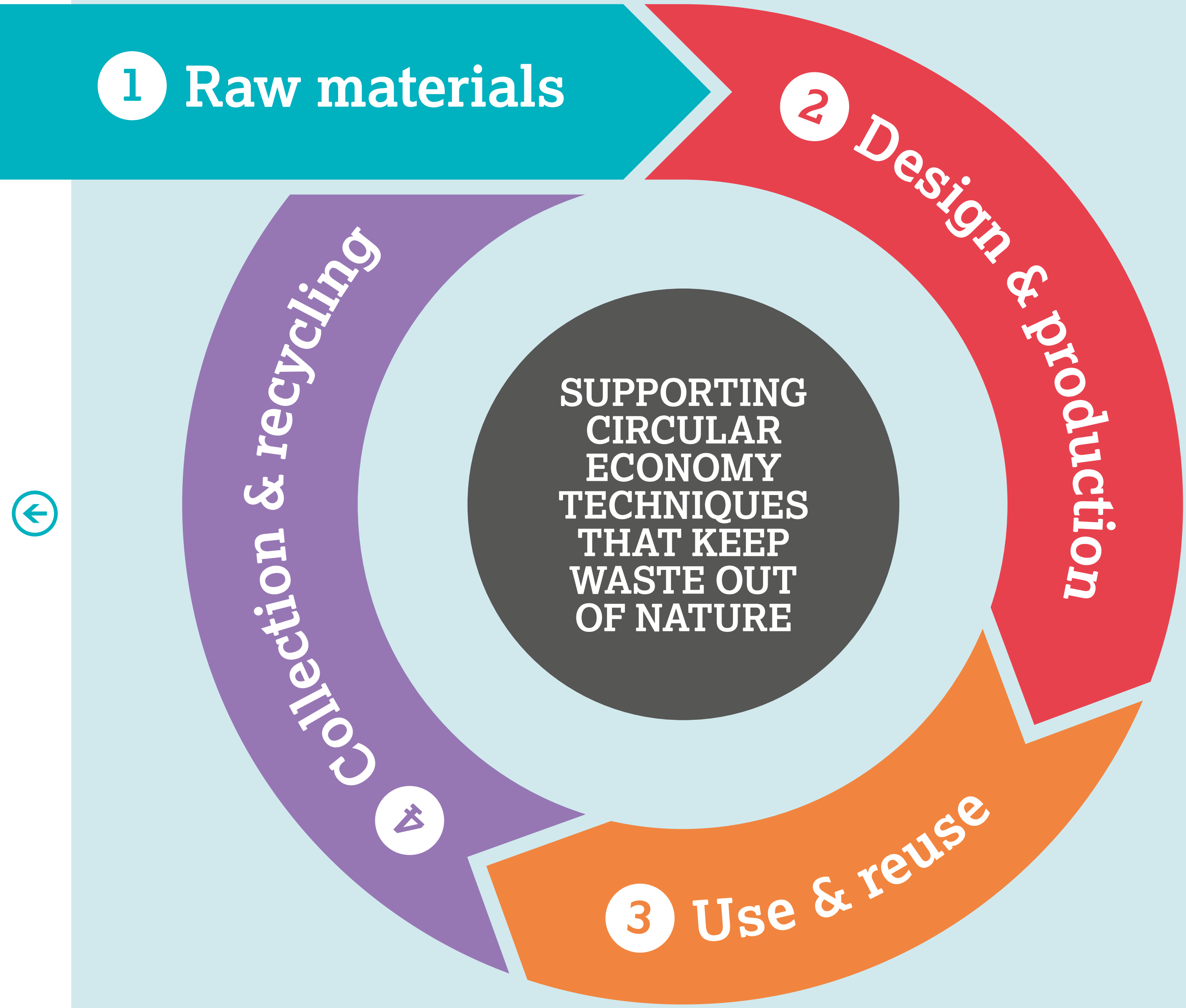
Bunzl's Circular Footwear Alliance has collected over

3,500

pairs of shoes from customers for recycling

- We are accelerating our progress in providing alternative sustainable products, supported by the setting of new commitments in our larger and most relevant retail, foodservice and grocery businesses in 2021.
- We are also looking to eliminate oxo-degradable plastic products from our ranges by 2025.
- Finally we are continuing to support the development of new waste management infrastructure and supporting waste picker communities in areas of the world where it is needed most.

SUPPORTING A MORE CIRCULAR ECONOMY



SOME OF THE MANY CASE STUDIES FROM ACROSS THE GROUP

1 Smart material choices

Expanded polystyrene is a material that will be banned by the EU Single Use Plastics Directive in 2021. In Europe we have supported customers to meet the requirements of this future legislation by launching a new range of expanded polypropylene products which use a mono-material with a substantially lower environmental impact that has proven to be easily and commercially recyclable through several trials.

Earthwise Bag Company in North America has launched a new reusable bag that is made from ocean-bound plastic. Made with up to 90% recycled ocean-bound plastics, the materials are collected from at-risk communities where they would otherwise end up in oceans and waterways. Each bag offers From Shore to Store™ traceability and is certified by OceanCycle, a social enterprise focused on providing a chain of custody for plastics that prevent ocean plastic pollution.

2 Designing for circularity and doing more with less

Bunzl North America has an exclusive agreement to supply a new reusable and infinitely recyclable aluminium cup to the on-premise/foodservice sector. The Ball Aluminum Cup™ is a new product launched to the US market that has been recognised in Fast Company's 2020 World Changing Ideas Awards with an honourable mention in the consumer products category.

In the UK, we are launching lightweight reusable stainless-steel cutlery for the catering and foodservice sectors that is both reusable and recyclable. This bridges the gap between customers who do not want to switch to wooden disposables but need an affordable, reusable option.

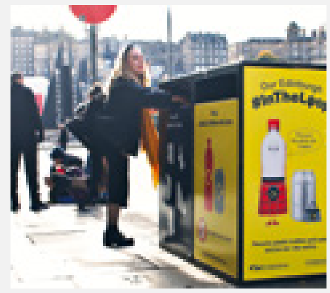
Bunzl Agriculture Group in North America has introduced new washable labels for plastic clamshell packaging made from a non-toxic film that is certified recyclable by the Association of Plastics Recycling.

3 Promoting responsible usage and reusable options

We have launched a new digital, reusable foodservice solution at a UK university. The university has been using Bunzl reusable packaging onsite for the past five years and this year they trialled a new digital platform that tracks the customers and their reusable packaging and encourages them to return it using an app.

They also introduced recyclable paper cutlery bags to minimise touch points when using reusable cutlery during the Covid-19 pandemic in onsite catering environments. This gives a hygienic option to customers who do not want to move to disposables.

The East region of our Distribution Division in the US has worked to roll out a reusable bag initiative as the east coast faces stricter restrictions on single use plastic carrier bags.



4 Partnering to support closed-loop solutions

Bunzl Catering Supplies has funded the behavioural change charity Hubbub's 'In the Loop' campaign, designed to install new recycling infrastructure for on-the-go packaging in UK city centres. Since the launch of the programme, 2.1 million packaging items have been collected for recycling across Leeds, Swansea and Edinburgh.

We are working with WasteAid who share waste management and recycling skills in some of the world's poorest places to fund new waste management infrastructure in two key locations in Bali, Indonesia to enable the collection, sorting and safe recycling of plastic waste. The projects will provide employment, protect children's health and prevent plastic reaching the environment in an area that suffers greatly from marine pollution.

HOW OUR KEY THEMES WERE IDENTIFIED: MATERIALITY ASSESSMENT

Our success as a specialist distribution and services Group is influenced by a constantly changing sustainability landscape that presents both risks and opportunities. It is critical that we keep abreast of the requirements of our stakeholders as new legislation is introduced, consumer habits and perceptions change and markets evolve.

To ensure we do this effectively and continue to prioritise and report on the ESG topics that are most of interest to our stakeholders, we conducted our first materiality assessment in 2020.

The purpose of this assessment was to:

- identify new trends on the horizon, that could impact Bunzl's ability to create value in the long term;
- enable our businesses to respond to the issues that are of most interest to our customers and be ready to take advantage of opportunities to develop new products or services;
- prioritise our resources for the sustainability issues that matter most to our business and stakeholders, so we can align commitments to the most important topics; and
- enable us to report effectively on the most material issues and identify our contribution to the UN SDGs.

Step one: Identification of material topics

The first step in our materiality assessment was to identify the material ESG topics that relate to our business. We have defined material topics as those that reflect the organisations significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders.

We based our approach on the Bunzl business model and our existing sustainability framework. To ensure we captured all the relevant material topics, we have:

- consulted the Sustainability Accounting Standards Board ('SASB') materiality map. The materiality map does not have a sector that directly represents Bunzl's operating model, so instead we reviewed all of the general issue categories that are most relevant to our customers' market sectors and ensured these were included;
- identified the UN SDGs we contribute to the most by working with the social enterprise Support the Goals (see page 56);
- included topics of interest that have arisen during conversations with key stakeholders over the past year (e.g. our customers); and
- benchmarked our process against FTSE 100 peers.

We identified 12 material ESG topics covering 32 ESG issues that link to our business model and Group sustainability framework (see page 85).

To assess the significance of these material topics to Bunzl we rated whether the topic was:

- a focus area for investors (e.g. ESG rating agencies, proprietary ESG assessments);
- on the radar screen of governments and regulators;
- representative of emerging trends in sustainability (including those resulting from the Covid-19 pandemic);
- critical to Bunzl's commercial and social licence to operate;
- an operational or financial risk to the organisation; and
- a pressure point for civil society, NGOs and think-tanks.

Step two:
Stakeholders interviewed

To assess the importance of these topics to our external stakeholders, we developed a materiality survey that we took to four key groups; our customers, suppliers, investors and other external partners, for example, charities we work with.

The survey introduced our sustainability framework, gave details of the material topics and their related issues and provided a quantitative scoring sheet together with some supplementary questions. For example, which of these issues do you believe are likely to emerge or increase in importance over the next few years?

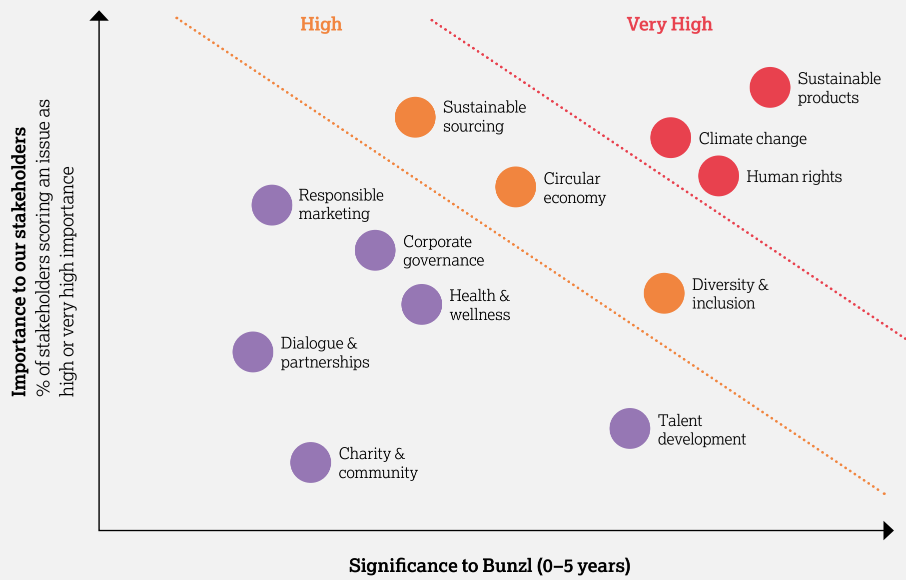
We asked our stakeholders to complete the scoring sheet and rate the importance of each topic using a 1-5 (low to high) score. Their rating was based on whether they perceived the topic to be a priority for Bunzl and whether their perception of our business was significantly influenced by our performance on that issue.

In total, 54 external stakeholders contributed to our assessment, including 37 of our customers and we held an interview with the majority of these to discuss their results. To see how we have been engaging our stakeholders across Bunzl on sustainability and other topics this year, see page 60.

Read more on page 60 →

Step three:
Plotting our materiality matrix and identifying our material ESG topics and key sustainability themes

OUR MATERIALITY MATRIX



The results from the materiality survey and stakeholder interviews showed the following ESG topics to be most important to our stakeholders: providing products and services with sustainable attributes; taking further action on climate change, supporting a more circular economy; sustainable raw material sourcing, and respecting human rights in our supply chain.

When these are aligned with the ESG topics that are most significant to Bunzl, the four key themes described in section 1 of this report emerge. Identifying these themes will help us prioritise the most important sustainability issues, inform our commitments in 2021 and beyond and provide a framework for us to report on our progress in the future.

Material ESG topic (very high or high score in matrix)	Link to our business model	Alignment with our sustainability framework	Key theme for Bunzl
Sustainable sourcing	Source	Our suppliers	Respecting human rights and driving broad-based growth through responsible supply chains (see pages 44 and 45)
Human rights			
Diversity & inclusion	Consolidate	Our business	Investing in people through diverse workforces and thriving communities (see pages 46 and 47)
Climate change			Taking action on climate change by reducing emissions (see pages 48 and 49)
Sustainable products	Deliver	Our customers	Providing sustainable solutions and supporting circular economy techniques that keep waste out of nature (see pages 50 to 53)
Circular economy			

Step four: Aligning our key themes to the UN Sustainable Development Goals and identifying Bunzl's contribution

The United Nations Sustainable Development Goals (SDGs) are a blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.

We recognise our role as a responsible business to help achieve the UN SDGs and see them as a powerful tool to galvanise action for a more sustainable future. By identifying the goals we contribute to the most and working on initiatives that help to deliver their aims, we can make a positive contribution to their success.

In 2020 we became a corporate member of the social enterprise initiative Support the Goals to demonstrate how we support the world's most important action plan. Support the Goals is an initiative to rate and recognise the businesses that support the UN SDGs.

We are delighted that our work this year has been recognised with a 4-star rating and we will continue to report on our progress and identify our contribution to the SDGs in our future reports.

Identifying our priority goals

We have worked this year to identify the five priority SDGs that are most relevant to Bunzl and our stakeholders.

We started by linking each of the material topics that formed the basis of our materiality assessment to their most relevant SDG and held an internal cross-functional workshop with TBL Services, a certified B-Corporation who help businesses understand how to support the Global Goals, to identify the priority SDGs that Bunzl contributes to.

Finally, we have used the results of our materiality assessment to understand which SDGs are most relevant to our stakeholders.

> 'We only have 10 years left to achieve the UN's SDGs, so it's vitally important every business gets behind these. It's fantastic to see that not only has Bunzl already made significant progress towards the goals, it has a clear plan in place that considers where their business can make the greatest contribution in the future.'

Colin Curtis, Founder and Director, Support the Goals

OUR PRIORITY UN SDGs

SDG 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

How we contribute

We expect all Bunzl suppliers to meet the same internationally recognised human rights, environmental and quality standards that we expect of our own businesses. These include meeting international requirements for workers' welfare and conditions of employment, such as those set by the International Labour Organization ('ILO') and the Ethical Trading Initiative.

Progress we have made

Through our industry-leading Asia sourcing and auditing function based in Shanghai, we have control and oversight over our supply chain in the vital Asian sourcing market. 98% of our suppliers in this region are covered by direct auditing and assurance practices and they are re-audited on a biennial basis. In 2020 we completed 680 audits.

Next steps we will take

Expanding our assessment programme into other high-risk sourcing regions outside of Asia.

SDG 13
Take urgent action to combat climate change and its impacts.

How we contribute
Our efficient one-stop-shop operating model allows our customers to benefit from both a lower cost and a lower environmental impact of doing business. Thanks to our extensive operations footprint, our products are never far from where they need to be, allowing us to meet our customers' needs quickly and easily, as well as reducing the number of deliveries, cutting fuel usage and carbon emissions.

Progress we have made
Operational efficiency forms part of a long-established and successful strategy to develop our business and the reduction of energy consumption is an integral part of this. These efforts mean our carbon footprint has remained stable over the last 10 years while our revenue has doubled over the same time period. See pages 86 to 88 for data on our carbon emissions and performance against our existing reduction target.

Next steps we will take
Setting a new carbon reduction target aligned to climate science for our global operations.

SDG 12
Ensure sustainable consumption and production patterns.

How we contribute
Because we are not tied to any particular raw materials, we can provide objective advice and expertise on sustainable products for our customers, work with them to find solutions for their sustainability challenges and collaborate with our suppliers and join the dots with end customer needs to bring innovative solutions to market.

Progress we have made
As well as working with customers to find sustainable solutions for the products they use, we are also supporting the creation of new waste management infrastructure. Working with a UK charity Sea-Changers, we have launched a new 'coastal fountain fund' for the provision of water bottle refill fountains at some of the UK's busiest beaches. The programme aims to tackle the increasing problem of plastic bottles left behind along the coasts as marine litter. It is anticipated that the provision of the water refill stations will significantly reduce the numbers of non-reusable plastic drinks bottles on the beaches.

Next steps we will take
Setting new sustainable packaging commitments in our most material retail, foodservice and grocery businesses.

SDG 5 and 10
Achieve gender equality and empower all women and girls, and reduce inequality within and among countries.

How we contribute
Increasing the diversity of our workforce strengthens our business and enables us to respond to changing environments. By further developing an inclusive environment that encourages new ideas and innovation, we will improve our offering to customers and enhance our processes and ways of working.

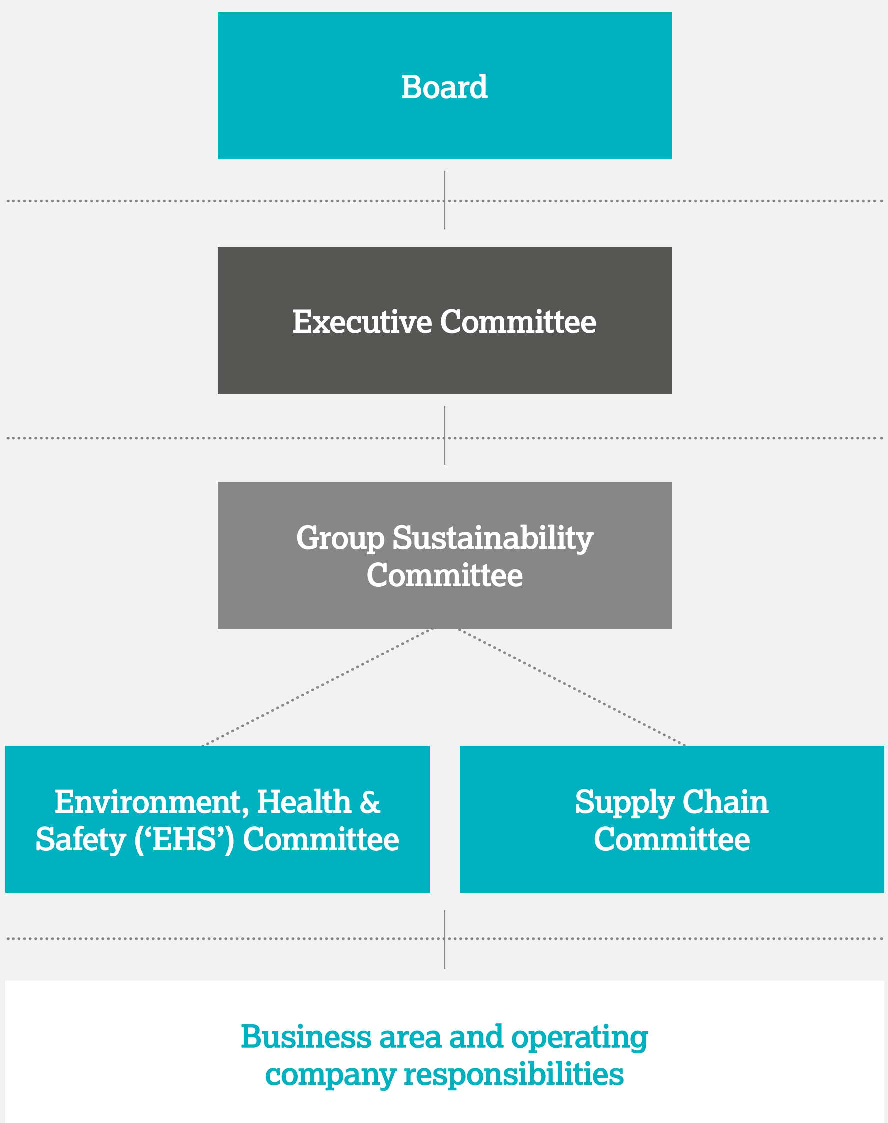
Progress we have made
We are taking action to address a common issue, the under-representation of women in senior roles. In the UK & Ireland we have created a network for a number of women with potential to advance into leadership roles within the Group. The 'Inspiring Women in Bunzl' network's goal is to create a supportive and empowering culture for women to achieve their goals. In North America we have held several listening sessions called 'Voices' with employees from under represented groups to listen and therefore understand their experiences as the first step to addressing any issues that arise as well as attracting more people from these groups to work for us.

Next steps we will take
We will replicate the Inspiring Women in Bunzl framework in other business areas through setting up their networks to achieve the same objectives. In the UK & Ireland we have turned our attention to creating a network of employees from different ethnic groups so they can inform and drive the actions to be taken to increase the numbers of employees we recruit, retain and promote from these groups. In North America we will combine our learning from the 'Voices' feedback with the results of the employee survey that can be analysed by different groups of employees to identify the key areas for focus.

HOW WE GOVERN SUSTAINABILITY

During 2020 we established a new governance structure to implement our sustainability strategy and manage the delivery of the programme across the Bunzl Group.

SUSTAINABILITY GOVERNANCE STRUCTURE



The Chief Executive Officer ('CEO') is the designated member of the Board of Bunzl plc responsible for sustainability matters. Our Business Area Heads are responsible for identifying key sustainability risks as part of the overall risk assessment process at Bunzl and are responsible to the CEO and the Board for the management of those risks.

Our Group Sustainability Committee is a cross-functional leadership committee that engages the management teams and operating companies across our business areas and provides oversight and strategic guidance for our programme.

Chaired by our CEO and attended by members of our executive team, the Committee meets quarterly to ensure Bunzl has an ambitious sustainability strategy, which is subject to effective governance. It will set targets and monitor progress while providing support for our business area sustainability teams.

The Environment, Health & Safety ('EHS') Committee is responsible to the Group Sustainability Committee for identifying suitable policies and procedures covering environmental and occupational health & safety management to support continuous improvement and regulatory compliance.

The Supply Chain Committee is responsible to the Group Sustainability Committee for developing processes and procedures to assess opportunities and mitigate risks within our global supply chains, ensuring regulatory compliance as a minimum.

We Believe

This year more than any other has demonstrated that the power of Bunzl is its people. We also know that even as an employer of over 19,000 people we are often not well known in the recruitment marketplace. We therefore wanted to find a way to showcase what we believe encapsulates the essence of Bunzl and we set out to create a campaign to bring this to life using our internal talents and capabilities.

Led by Jennifer Tiffin, the HR Director for the Asia Pacific region, we finessed the 'We Believe' statements based on our Bunzl Values of Transparency; Humility; Reliability; Customer-centricity; Diversity; Responsiveness and Creativity. Collaborating with regional colleagues, we identified 18 Bunzl ambassadors from 14 countries who demonstrated these values in their actions.

The video and the marketing material were created by 31 people across 18 locations. To design the creative materials, we asked our designers in Bunzl to submit concepts and chose the winning idea from Dylan Magri. Sam Vargas, from our digital marketing team in North America, then edited the 46 hours of video footage filmed entirely on smart phones during the global pandemic and we are very proud of the results.

The 'We Believe' campaign is used in our recruitment campaigns to share success stories on social media and internally to demonstrate the value of our people in Bunzl. Over the coming year, we will be tracking the effectiveness of the new brand through the success of recruitment campaigns and visits to our social media feeds and websites.

Read more on page 17 →

Watch our video at https://vimeo.com/467842212

Key sustainability topics discussed by the Board in 2020

The Board continues to provide strong, effective leadership and independent scrutiny and challenge while promoting the long term success of Bunzl for the benefit of all of its stakeholders as a whole.
In 2019 sustainability was identified as an accelerating priority for the Group and the subject was discussed at four Board meetings during 2020:

Meeting date	Discussion topics
15 January 2020	• Bunzl's new Group sustainability framework. • Programme of work for 2020, including embedding our new approach to sustainability across the business. • Realigning the focus of our Group charity work to support environmental activities.
17 June 2020	• The impact of Covid-19 on sustainability. • New sustainability trends emerging as a result of the pandemic.
13 October 2020	• Virtual leadership conference session on sustainability. • Materiality assessment and climate change strategy work.
8 December 2020	• Launch of Verive, a new own brand range of sustainable products in Europe. • Materiality assessment results and next steps.

A STRATEGY THAT BENEFITS ALL OUR STAKEHOLDERS

The following information describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duty to promote the success of the Company.

Bunzl has a global and diverse community of stakeholders and the Board has identified those that it considers key as being customers, employees, shareholders, the environment, suppliers as well as the communities in which we operate.

We believe that to maximise value and secure our long term success, we must engage proactively and constructively with our key stakeholders in order to establish a mutual understanding of both the Group's and stakeholders' views and objectives. By understanding our stakeholders, we can factor into Boardroom discussions and the Company's strategic decision making the potential impact of our decisions on each stakeholder group and consider their needs and concerns in accordance with section 172 of the Companies Act 2006. Like any business, there are occasions when we must take decisions that adversely affect one or more of these groups and, in such cases, we always seek to ensure that those impacted are treated fairly.

Through a range of engagement mechanisms, examples of which are referred to on the pages that follow, Bunzl is able to maintain meaningful dialogue with our key stakeholders. These engagement mechanisms are reviewed periodically and the Board will continue to monitor and adapt the methods used in order to ensure that they remain appropriate and effective.

The case studies on page 63 illustrate the typical matters considered in relation to some of our key stakeholders, how we have engaged with them and the impact of that engagement and consideration, including on principal decisions taken by the Company during the year. Further information about how the Company engages with its stakeholders can also be found in the Sustainability report on pages 42 to 59 and in the Corporate governance report on pages 95 and 96.

Customers

Colleagues

Environment

Shareholders

Suppliers

Communities

Customers

Why do we engage?

Our business and livelihood depend upon our customers. Building strong relationships with them, using the expertise of our commercial teams, ensures that we gain a deep understanding of their needs, allowing us to identify where we can support them.

How do we engage?

- Our businesses use 'hotlines' and seminars and host launch days to engage with customers and increase their awareness of our product and service solutions.
- We work with our customers in the development of new, redesigned, more sustainable or substantially improved products.
- Our 3,300 expert sales people supported by 2,600 locally based customer service specialists use their deep and detailed knowledge to work with customers to provide the best possible advice on all product and service related matters.
- We engaged 37 of our customers as part of our materiality assessment to gain their feedback on our approach to sustainability and allow different functions of the business to respond to the issues that are of most interest to them.

Relevance to strategy

A fundamental element of Bunzl's consistent and proven strategy involves growing the business organically, by expanding and developing our business with existing customers and by gaining new business with additional customers. We seek to achieve organic growth by continually redefining and deepening our commitment to our customers and we apply our resources, knowledge and expertise to offer an efficient and cost-effective one-stop-shop solution which is the very essence of our business model.

How do we monitor the impact of our actions?

- Successful renewal of customer contracts.
- Feedback from expert sales people and customer service specialists.
- Dialogue with customers.
- Expanding and developing our business with existing customers.
- Gaining new business with additional customers.

Colleagues

Our people underpin everything we do and are the focus of our business. We develop and implement action plans to address points raised in our employee engagement surveys and create an inclusive and collaborative environment that allows all of our people to make a broader contribution to our success.

- We use a range of methods to engage with our employees, including listening groups, regular team briefings, site visits, digital apps, newsletters, engagement surveys, video messaging and meetings with workforce representatives.
- The Board ensures that it understands the views of Bunzl's workforce through director attendance at, and participation in, employee consultation forums, senior leadership programmes and other employee-focused events.
- Board meetings are periodically held at or near Group locations where the directors meet with local management and employees. During what has been an exceptional year, meetings have been held virtually to ensure that the directors can continue to engage with employees despite the Covid-19 pandemic.
- We have accelerated our diversity and inclusive employer practices and established diversity and inclusion working groups throughout the business.

It is our people who continue to deliver the Group's strategy for the individual businesses and we will continue to invest in our people to ensure that we attract and retain the best talent.

- Feedback from employee forums.
- Frequent Board reporting of people matters.
- Ongoing monitoring of whistle blowing reports.
- Continuous monitoring of absence rates and health & safety scores.
- Ongoing monitoring of gender targets and diversity metrics.

Environment

Our goal is for Bunzl to be a responsible and resilient organisation that inspires and proactively implements solutions that protect the environment, while being commercially successful for our stakeholders.

- We seek to reduce both our and our customers' impacts on the environment by reducing carbon emissions, promoting the reduction of waste and providing innovative products and services to meet our customers' sustainability needs.
- We work in partnership with customers and suppliers to source and promote sustainable alternatives to single use plastics and to support the development of innovative products to increase compostability and recyclability.
- We aim to reduce our impact on the environment, including factors contributing to climate change, through a commitment to continual improvement, complying with environmental legislation and regulations in the jurisdictions where Group companies operate to ensure that our major impacts are addressed.

Positive actions with respect to the environment and an increased focus on more sustainable products are not only desirable in their own right but are also of potential economic and commercial benefit to Bunzl.

- Feedback from employees.
- Dialogue with environmental agencies.
- Dialogue with government and non-governmental agencies.
- Monitoring of results of CO_2 reporting.
- Analysis and monitoring of external auditors' EHS assurance report.

Shareholders

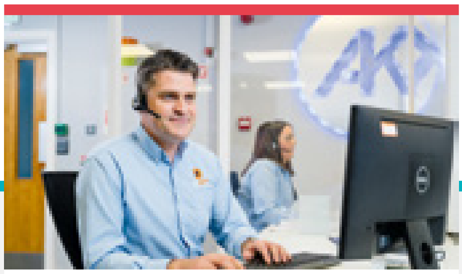
Engagement with shareholders helps us to understand their views and priorities. The feedback that we receive informs our decision making and influences the long term strategy of the Company.

- We report regularly to shareholders on trading performance.
- Executive directors meet regularly with major shareholders and report their views to the Board. Presentations of the half year and annual results with question and answer sessions are also given.
- The Chairman, Senior Independent Director and other non-executive directors are available to meet with major shareholders on request. The Board also reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's brokers and investor relations consultants.
- Shareholders are encouraged to participate in the AGM, are invited to ask questions at the meeting and are given the opportunity to meet all of the directors informally.
- We engaged several of our major shareholders as part of our materiality assessment to seek their opinions on our approach to sustainability.

Engagement is a key factor in building and maintaining shareholder trust and in ensuring that shareholder support continues in the long term.

- Feedback gathered at investor roadshows.
- Analysis of AGM voting results.
- Shareholder feedback.
- Analyst feedback.
- Analysis of results of major shareholder consultations.

	Suppliers	Communities
Why do we engage?	Bunzl regards suppliers as partners and works with them to help achieve our business and sustainability ambitions in the delivery of our products and services.	We believe that, in order to maintain their social licence to operate, companies must invest in and benefit the places and communities in which they work. It is clear to us that we can only deliver for our customers and grow our business when our employees, suppliers and communities succeed alongside us.
How do we engage?	• We actively work with our suppliers to build long term relationships, capability and trust, increase sustainability within our supply chain and provide products and solutions to customers that are sourced and delivered efficiently, safely and sustainably. • Supplier conferences are held to showcase examples of good practice and build awareness of social compliance issues. • We hosted several virtual events during 2020 to introduce Bunzl operating companies to some of our Asian suppliers. These events were used to interact with potential new suppliers and allow them to present their latest sustainable innovations to our businesses. • Our quality assurance/quality control team in Shanghai monitors and works with our key suppliers in Asia and elsewhere to ensure that they meet international standards. • A supplier code of conduct has been adopted and rolled out across our supplier base.	• We encourage and provide resources and opportunities for Bunzl people to get involved in local community projects and to contribute to social impact causes. • We align the focus of our charitable support with key environmental activities relevant to our business. • We have supported our local communities with tailored support during the Covid-19 pandemic, including donating PPE to hospitals and providing face masks to schools. • We support the communities where our employees live and work and encourage fundraising activities championed by our businesses and their employees locally.
Relevance to strategy	Our global sourcing capabilities, working with multinational and local suppliers, together with the benefits of our Shanghai sourcing office, allow us to provide a range of competitively priced and ethically sourced products. Such capabilities are intrinsic to our business model and a key source of competitive advantage.	Bunzl's operations are international but our strength lies in the local nature of our businesses and the communities in which they are based. Our CR strategy directly supports Bunzl's strategic vision by seeking to gain sustainable business success through building relationships with local stakeholders.
How do we monitor the impact of our actions?	• Results of audits performed by Bunzl's quality assurance/quality control team in Shanghai. • Monitoring of compliance with Bunzl's Supplier code of conduct. • Analysis of efficiency savings in procurement activities. • Successful renewal of procurement contracts. • Supplier feedback. • Monitoring of results of payment practices and performance reporting.	• Feedback from communities in which Bunzl operates. • Dialogue with other employees. • Feedback from local organisations and charities. • Customer feedback.

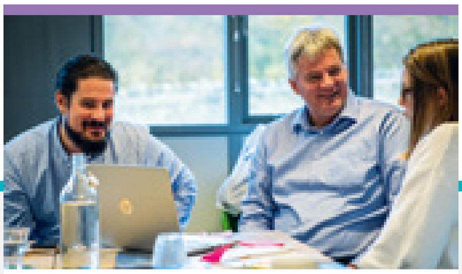


Bunzl plc dividend decision

Due to the heightened macroeconomic uncertainty caused by Covid-19, in April 2020 the Board took the difficult, yet prudent, decision to no longer propose a final dividend for the year ended 31 December 2019 at Bunzl's 2020 AGM. In making its decision, the Board considered the interests of the Company and its key stakeholders, principally its shareholders, employees, customers and suppliers. While the Board recognised the importance of dividends to shareholders, the directors were cognizant of the need to maintain a robust liquidity position to safeguard the Company's operations and ensure that it could continue to meet its financial obligations and pay and support its workforce, customers and suppliers. The Board also recognised the importance, for both the Company and its stakeholders, of ensuring that the Company was well-placed to absorb the effects of an extended period of uncertainty.

After the Company delivered a strong set of results for the first half of the year and in light of the outlook for the rest of the year, the Board considered it within the best interests of the Company and its shareholders to reinstate the withdrawn dividend at the same level as originally proposed as an additional interim dividend for the year ended 31 December 2019. In making its decision, the Board took account of the results of the rigorous modelling and stress testing that had been carried out, as well as to the feedback received from the Company's advisers and brokers. Regard was also given to the Company's reputation for high standards of responsible, sustainable business conduct and to the implications of the decision for the long term success of Bunzl and its stakeholders.

Read more page 5 →



Sustainability materiality assessment

During 2020, we conducted our first sustainability materiality assessment to ensure that Bunzl's activities take account of those significant social and environmental topics that are of greatest interest to our stakeholders. As a result of this exercise, a number of material ESG topics were identified. In order to assess the importance of these topics to our external stakeholders, a materiality survey was developed and subsequently presented to four key stakeholder groups, these being our investors, customers, suppliers and other external partners, such as charities. A total of 54 external stakeholders contributed to the assessment and a number of interviews were subsequently held in order to gather the stakeholders' feedback and discuss the survey results.

As detailed on pages 54 to 57 of the Sustainability report, the results of the materiality survey and stakeholder interviews demonstrated that four specific ESG topics were of greatest importance to our stakeholders. When these topics were aligned with the ESG topics that are most significant to Bunzl, a number of key themes subsequently emerged. Identifying these themes will help Bunzl to prioritise the most important sustainability issues, inform the Group's commitments in 2021 and beyond and provide a framework for Bunzl to report on progress against such commitments in the future. The stakeholder feedback received will also help develop and enhance further Bunzl's sustainability-based targets and sustainable product and service solutions.

Read more page 54 →

Acquisition of MCR Safety

As a result of the better than expected trading performance during the first half of 2020 and the outlook for the remainder of the year, the Company decided to resume its acquisition activity, having previously taken the prudent decision to pause all such activity in response to the uncertainty around the impact of Covid-19. One of the acquisitions considered by the Board, which had been paused, concerned MCR Safety ('MCR'), a US-based distributor of PPE and other safety products. In deciding whether to approve the proposed acquisition, the Board was cognisant of the trade-off between protecting liquidity and cashflow and using the money in furtherance of Bunzl's consistent and proven strategy of developing the business through, amongst other things, acquisition growth.

The Board considered how the proposed acquisition would affect the Company's stakeholders, including customers, employees, shareholders and suppliers. The Board was also mindful of the alignment of the transaction with the Company's purpose, strategy and high standards of business conduct, the cultural fit, the financial performance of MCR and the anticipated synergies. Further considerations included the risks associated with the acquisition, in particular the potential ongoing effect of the Covid-19 pandemic on MCR and ways of mitigating these risks, together with the results of the stringent due diligence processes undertaken by management, including anti-bribery and corruption checks and financial due diligence.

After careful consideration, the Board concluded that the acquisition of MCR would complement Bunzl's existing product offering and significantly strengthen Bunzl's safety operations, both in the US and elsewhere. The acquisition would also afford MCR and its employees the opportunity to develop further by being part of the Group. The Board therefore considered the acquisition to be in the best long term commercial interests of the Company and for the benefit of Bunzl's stakeholders as a whole.

Read more page 10 →

A ROBUST APPROACH TO RISK MANAGEMENT

Bunzl operates in six core market sectors across more than 30 countries which exposes it to many risks and uncertainties. The Group sees the management of risk, both positive and negative, as critical to achieving its strategic objectives.

RISK ASSESSMENT

RISK IDENTIFICATION

- Every business, business area, the Executive Committee and the Board consider, identify and document risks in a consistent way within the categories of strategic, operational and financial risks.
- This includes current risks as well as emerging risks which also need to be assessed and carefully monitored.

INHERENT RISK ASSESSMENT

- The inherent impact and probability of risks are evaluated before considering the effect of any mitigating activities:
  – impact is assessed based on a defined range of business continuity, health and safety, environmental, regulatory, reputational and financial criteria; and
  – probability is assessed as remote, unlikely, possible or probable.

RISK RESPONSE AND RESIDUAL RISK ASSESSMENT

- The relevant mitigating activities and controls are evaluated for each risk.
- The residual risk is assessed assuming that the mitigating actions and internal controls operate as intended in an effective way.
- If necessary, to bring the residual risk within Bunzl's risk appetite, enhancements to risk mitigation activities and controls are considered until the residual risk is reduced to an acceptable level.

Risk management process

To deliver the Group's strategic objectives successfully, and provide value for shareholders and other stakeholders, it is critical that Bunzl maintains an effective process for the management of risk. The Company has a risk management policy which ensures a consistent process is followed by every business and business area as well as the Executive Committee and ultimately the Board, firstly to assess and then subsequently to manage both current and emerging risks. These interrelated aspects of the Group's risk management policy are explained below*. Additional details are also provided on the key risk management activities undertaken during 2020.

RISK MANAGEMENT

The Board

Establishes the nature and extent of risk the Group is willing to accept (its 'risk appetite') in pursuit of Bunzl's strategic objectives.

Performs a robust assessment of the Group's risks through a biannual review of the Group's risk register, focusing on the evolving risk landscape, emerging risks and those risks considered to be significant by management and the Executive Committee.

Continuously monitors and oversees the Group's risk management and internal controls processes and procedures.

The Audit Committee

Reviews the process for the management of risk, including the risk assessment and risk response, and its effectiveness.

Directs and oversees internal audit's activities and reviews the results of assurance over controls and risk mitigation activities.

Executive Committee

Holds regular meetings with business area management to discuss strategic, operational and financial issues and ensures policies and procedures are in place to identify and manage the principal risks affecting each of the Group's businesses.

Considers the evolving risk landscape, including reviewing the results of the risk assessment process and assessing the sufficiency of risk mitigation activities for current risks as well as the threats and opportunities from emerging risks.

Business area management

The Group's decentralised management structure allows for the establishment of clear ownership of risk identification and management at the business area level within the framework of Bunzl's risk management policy.

Business management

Businesses, with the support of business area management, implement and monitor the effectiveness of controls, policies and procedures designed to manage risk.

* The 'Risk management and internal control' section of the Corporate governance report on pages 102 and 103 includes further information on the specific procedures designed to identify, manage and mitigate risks which could have a material impact on the Group's business, financial condition or results of operations and for monitoring the Company's risk management and internal control systems.

Principal risks and uncertainties

The Group operates in six core market sectors across more than 30 countries which exposes it to many risks and uncertainties, not all of which are necessarily within the Group's control. The risks summarised below represent the principal risks and uncertainties faced by the Group, being those which are material to the development, performance, position or future prospects of the Group, and the steps taken to mitigate such risks. However, these risks do not comprise all of the risks that the Group may face and accordingly this summary is not intended to be exhaustive.

In addition, the Group's financial performance is partially dependent on general global economic conditions, the deterioration of which could have an adverse effect on the Group's business and results of operations. Although this is not considered by the Board to be a specific principal risk in its own right, many of the risks referred to below could themselves be impacted by the economic environment prevailing in the Group's markets from time to time.

The risks are presented by category of risk (Strategic, Operational and Financial) and are not presented in order of probability or impact. The relevant component of the Group's strategy that each risk impacts is also noted:

- **Organic growth**
- **Acquisition growth**
- **Operating model improvements**
- **Sustainability**

Overall, the nature and type of the principal risks and uncertainties affecting the Group, and the likelihood and impact of each of the principal risks crystallising, are considered to be materially unchanged compared to the 2019 Annual Report, with one exception. As a result of the Covid-19 pandemic, the Group has now also included an additional principal risk relating to the financial collapse of either a large customer and/or a significant number of small customers within the retail and foodservice sectors.

Monitoring risks

The Board reviews each risk and assesses the gross impact, applying the hypothetical assumption there are no mitigating controls in place, net impact and probability to set the Group's mitigation priorities. The register of principal risks and uncertainties was updated following review by the Executive Committee and approval by the Board.

The Board is continuing to monitor risks associated with the UK having left the European Union ('Brexit'). Although Bunzl is a UK headquartered company, less than 10% of the Group's profit is generated in the UK. Bunzl is highly decentralised, with each business in the Group operating as a standalone company, largely focused on customers in the country in which it is incorporated. Within the UK, less than 30% of the products purchased are direct imports from overseas, of which most are from countries outside of the European Union ('EU'). Accordingly, Bunzl's ability to service its customers' needs, whether they are inside or outside the EU, is unlikely to be affected materially by Brexit.

The risks to Bunzl arising from the UK leaving the EU are:

- foreign exchange volatility on the Group's translated results which, as noted in risk 10, *Currency translation*, is not hedged. Therefore, a strengthening or weakening of sterling will result in a change in the Group's reported results;
- supply chain disruption as UK ports are unable to cope with additional border checks leading to inventory shortages. Selected UK warehouses have applied for simplified customs freight procedures authorisation ('CFSP') to attempt to minimise port delays. Additional stocks of certain items are held to minimise the risk of inventory shortages.

The Board is also monitoring the ongoing situation with respect to trade tariffs in the US. During 2020 the impact of trade tariffs levied on products imported into the US were mitigated through price increases or by identifying alternative sources of supply.

Based on these mitigations and recent developments, and the assessment of the potential risks associated with Brexit, the Group does not consider that its principal risks and uncertainties have changed as a result of the Brexit or US trade tariff related risks.

Emerging risks

Emerging risks are 'new' risks that have the potential to crystallise at some point in the future but are unlikely to impact the business during the next year. The outcome of such risks is often more uncertain. They may begin to evolve rapidly or simply not materialise.

The Board monitors the Group's business activities and external and internal environments for new, emerging and changing risks to ensure that these are managed appropriately. Annually, input from each business area is combined with external insight to scan the horizon for emerging risks. A summary of emerging risks is presented for assessment to the Audit Committee and the Board. Emerging risks continue to be monitored as part of the ongoing risk management processes. Climate change is the emerging risk that is currently being considered. Climate change is rapidly becoming a material issue, which may impact both Bunzl's direct operations and the value chain in which the Group operates. The Group is already facing increased pressure from some customers who expect Bunzl to contribute to their climate change commitments. In future, the Group may face increased business continuity risks from acute and chronic climatic events. To meet increasing demands for greater disclosure of and response to climate-related risks, an analysis has been undertaken to understand how Bunzl businesses may be impacted under different climate change scenarios. This work was carried out as part of revising the Group-level sustainability strategy. For more details on our climate change work see www.bunzl.com/sustainability and pages 48-49 of the sustainability section of this report.

The directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Covid-19 impact

During the Covid-19 pandemic, and as explained earlier in this report, we have seen diverging effects within our business. Increased sales of products related to Covid-19 have offset the weakness in the foodservice and retail sectors which have been impacted by pandemic-related restrictions. Further, we have seen significant disruption from impacted supply chains but have been able to minimise the impact given our wide-reaching supplier relationships across multiple jurisdictions and our internal supplier auditing capabilities in Asia that has been a source of strength over the year.
To date the net balance has been positive for Bunzl's performance. Going forward, while we envisage continued strength of demand for Covid-19 related products in the near-term, our net performance will depend on how these two diverging trends continue to play out and correlate with one another.

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Strategic risks			
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• The Group operates in highly competitive markets and faces price competition from international, national, regional and local companies in the countries and markets in which it operates. • Unforeseen changes in the competitive landscape could also occur, such as an existing competitor or new market entrant introducing disruptive technologies or changes in routes to market. • Customers, especially large or growing customers, could exert pressure on the Group's selling prices, thereby reducing its margins, switch to a competitor or ultimately choose to deal directly with suppliers. • Any of these competitive pressures could lead to a loss of market share and a reduction in the Group's revenue and profits.	• The Group's geographic and market sector diversification allow it to withstand shifts in demand, while this global scale across many markets also enables the Group to provide the broadest possible range of customer specific solutions to suit their exacting needs. • The Group maintains high service levels and close contact with its customers to ensure that their needs are being met satisfactorily. This includes continuing to invest in e-commerce and digital platforms to enhance further its service offering to customers. • The Group maintains strong relationships with a variety of different suppliers, thereby enabling the Group to offer a broad range of products to its customers, including own brand products, in a consolidated one-stop-shop offering at competitive prices.	• The Group's various sales forces connected with customers to help them understand the range of products available to meet their needs and continued to work with the customers to develop holistic sustainability solutions to help them achieve their sustainability goals. This is perceived by customers to be an important value creator.
2. Financial collapse of either a large customer and/or a significant number of small customers Revenue and profits are reduced as the Group loses customers **Risk owner:** CEO and Business Area Heads **Change to risk level:** New **Included in viability statement:** Yes	• An unexpected insolvency of either a large customer or a significant number of small customers, particularly within the retail and foodservice sectors, could lead to a sudden reduction in revenue and profits, including the cost of impairing any irrecoverable receivables balances, as well as operating margin erosion due to under-used capacity. • The Group's revenue and profits may be affected as well as receivables and inventory (if customer specific inventory is held).	• The Group monitors significant developments in relationships with key customers, including credit checks and limits set for each customer. • Delegation of authority limits mean that there is oversight of all material customer contracts at Business Area and Executive Committee level. At local level, customer relationships are managed closely by the business leaders.	• As a result of the Covid-19 pandemic, many customers across the world have been adversely impacted financially by the government imposed lockdowns and travel restrictions put in place to control the pandemic as they have been unable to operate at their normal levels. Therefore, there is a significant risk of a large customer and/or a large number of small customers, particularly within the retail and foodservice sectors, experiencing financial difficulties, as government support for businesses ceases or is significantly reduced. • In 2020, provisions were increased relating to the Group's credit exposure from customers in foodservice and retail businesses.

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020

Strategic risks continued

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
3. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• In the event of indexed or cost plus contracts, a reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper) or other price reductions, lower trade tariffs and/or foreign currency fluctuations, coupled with actions of competitors, may require the Group to pass on such cost reductions to customers, resulting in a reduction in the Group's revenue and profits. • Operating profits may also be lower due to the above factors if operating costs are not reduced commensurate with the reduction in revenue.	• The Group uses its considerable experience in sourcing and selling products to manage prices during periods of deflation in order to minimise the impact on profits. • Focus on the Group's own brand products, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.	• In 2020, significant changes in demand for products in certain categories created an unusual level of price volatility. In order to protect profitability, the Group focused even more than usual on maintaining sufficient but not excessive inventory levels to ensure no significant adverse impact of holding inventory in a time of declining prices. The Group also worked to move further away from cost plus pricing arrangements to fee per case with consumer price indexing to mitigate any risks relating to product cost deflation. • There have been a range of activities to reduce fuel and energy consumption, consolidation of facilities and minimising travel costs.
4. Cost inflation Profits are reduced from the Group's inability to pass on product or operating cost increases **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper) or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers. • Operating profits may also be lower due to the above factors if selling prices are not increased commensurate with the increases in operating costs.	• The Group sources its products from a number of different suppliers based in different countries so that it is not dependent on any one source of supply for any particular product, or overly exposed to a particular country changing trade tariffs, and can purchase products at the most competitive prices. • The majority of the Group's transactions are carried out in the functional currencies of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility. • If necessary, the Group will, where possible, pass on price increases from its suppliers to its customers. • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.	• In response to the Covid-19 pandemic, the Group increased use of its Shanghai global sourcing function to secure products supply quickly and of the right quality. Focus on own brand development also increased to improve gross margins. • Supply chains were continuously monitored to ensure that the business was able to compete effectively on price and maintain margins. • Significant exchange rate driven inflation has wherever possible been passed on to customers.

Strategic risks continued

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
5. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having made 172 acquisitions since 2004. • Insufficient acquisition opportunities, through a lack of availability of suitable companies to acquire or an unwillingness of business owners to sell their companies to Bunzl, could adversely impact future profit growth.	• The Group maintains a large acquisition database which continues to grow with targets identified by managers of current Bunzl businesses, research undertaken by the Group's dedicated and experienced in-house corporate development team and information received from banking and corporate finance contacts. • The Group has a strong track record of successfully making acquisitions. At the same time the Group maintains a decentralised management structure which facilitates a strong entrepreneurial culture and encourages former owners to remain within the Group after acquisition, which in turn encourages other companies to consider selling to Bunzl.	• The acquisition pipeline is closely monitored with continued research of any available opportunities for investment. • Despite challenging conditions, 2020 has been one of the highest years of committed spend (£445 million).
6. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• Inadequate pre-acquisition due diligence related to a target company and its market, or an economic decline shortly after an acquisition, could lead to the Group paying more for a company than its fair value. • Furthermore, the loss of key people or customers, exaggerated by inadequate post-acquisition integration of the business, could in turn result in underperformance of the acquired company compared to pre-acquisition expectations which could lead to lower profits as well as a need to record an impairment charge against any associated intangible assets.	• The Group has established processes and procedures for detailed pre-acquisition due diligence related to acquisition targets and the post-acquisition integration thereof. • The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. • The Group endeavours to maximise the performance of its acquisitions through the recruitment and retention of high quality and appropriately incentivised management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management.	• The Board reviews performance of recent acquisitions annually. In 2020 the Board reviewed the principal acquisitions made in 2018 and noted that performance was in line with expectations.

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020

Strategic risks continued

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
7. Sustainability driven market changes Revenue and profits are reduced from the Group's inability to offer sustainable products in response to changes in legislation, consumer preferences or the competitive environment **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• Regulations have been announced in the EU and UK that target reductions or prohibitions of certain plastic-based products and new legislation discouraging the use of certain single-use plastic products is being considered in other countries. • An increasing number of consumers are making changes to their behaviour in response to environmental and sustainability concerns, often in advance of changes in legislation. These changes are likely to lead to a reduction in demand for single-use plastic-based products that the Group sells while, at the same time, increase demand for sustainably sourced, recyclable or reusable alternatives. • The Group's revenue and profits could be reduced if it is unable to offer more sustainably sourced, recyclable, compostable, biodegradable or re-useable alternatives that replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences.	• Bunzl's scale and unique position as a distributor at the centre of the supply chain, supported by dedicated sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are sustainably sourced, recyclable, compostable, biodegradable or reusable, or a combination of these. • The Group maintains strong relationships with a variety of different suppliers enabling the Group to innovate, source and offer the broadest possible range of products that meet a variety of sustainability objectives, whether in response to legislative changes, consumer preference driven changes or a desire to offer market-leading products to the Group's customers. • The Group maintains high service levels and close contact with its customers. Data on customer product usage, coupled with the Group's detailed product knowledge, ensures that the Group is well-positioned to be able to support its customers in shaping and achieving their sustainability strategies (such as a reduction in single-use plastics).	• The Group strategically engaged customers to ensure Bunzl's sustainability strategy takes account of significant social and environmental topics – a detailed materiality assessment was performed to support this. • A new network of 49 sustainability ambassadors was created. • The Group is in the process of developing new solutions, including customer-facing 'consultancy' tools and consolidated ranges of own brand sustainable products. • New governance for sustainability across the Group's businesses was introduced, including CEO-led quarterly governance meetings and sustainability presentations at four Board meetings in 2020.

Operational risks

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
8. Cyber security failure Revenue and profits are reduced as the Group is unable to operate and serve its customers' needs due to being impacted by a cyber-attack **Risk owner:** CIO **Change to risk level:** ↗ **Included in viability statement:** Yes	• The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its connectivity with third parties and its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems. • Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers and/or a fine under applicable data protection legislation.	• Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats. • Cyber security awareness campaigns have been deployed across all regions to enhance the knowledge of Bunzl personnel and their resilience to phishing attacks. • IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. The Group Chief Information Officer and Group Head of Information Security coordinate activity in this area.	• The roll out of a range of cyber activities to meet the ever-changing landscape continued, including enhanced information security and privacy training and simulated phishing attacks for personnel across the Group with mandatory attendance for all information system users. • A global security scanning service was rolled out to ensure vulnerabilities are tracked, managed and remediated. • Email protection was enhanced to prevent the most common vector of attack. • Privacy enhancement programmes were undertaken in line with changing privacy regulations across the globe. • Security controls were adapted to address Covid-19 related risks and remote working.

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Financial risks			
9. Availability of funding Insufficient liquidity in financial markets leading to insolvency **Risk owner:** CFO **Change to risk level:** → **Included in viability statement:** Yes	• Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends.	• The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term.	• The Group established a Euro Medium Term Note Programme which allows the Group to access funds in a timely manner from the public markets. • The Group has issued £400 million debt under this Programme with a 2030 maturity and no covenant. These funds can be used to refinance near term maturities.
10. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants **Risk owner:** CFO **Change to risk level:** → **Included in viability statement:** No	• The majority of the Group's revenue and profits are earned in currencies other than sterling, the Group's presentation currency. • As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group's reported results and/or lead to a breach of net debt to EBITDA banking covenants.	• The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks. • Results are reported at constant exchange rates so that investors can observe the underlying performance of the Group excluding the translation impact on the Group's reported results. • The Group's borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group's EBITDA. This reduces the volatility of the ratio of net debt to EBITDA from foreign exchange movements. In addition, net debt for the purposes of covenant calculations in the Group's financing documents is calculated using average rather than closing exchange rates. Consequently, any significant movement in exchange rates towards the end of an accounting period should not materially affect the ratio of net debt to EBITDA. Both these factors minimise the risk that banking covenants will be breached as a result of foreign currency fluctuations.	• In 2020 currency translation had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 1% and 2%. • The Group's results are reviewed at constant exchange rates to show the underlying performance of the Group excluding the currency translation impact.

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Financial risks continued			
11. Increase in taxation Increases in Group tax rate and/or cash tax **Risk owner:** CFO **Change to risk level:** → **Included in viability statement:** Yes	• The resolution of uncertain prior year tax matters or the introduction of legislative changes could cause a higher tax expense and higher cash tax payments, thereby adversely affecting the Group's profits and cash flows. • In particular, changes could result from the legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions.	• Oversight of the Group's tax strategy is within the remit of the Board and tax risks are assessed by the Audit Committee. • The Group seeks to plan and manage its tax affairs efficiently but also responsibly with a view to ensuring that it complies fully with the relevant legal obligations in the countries in which the Group operates while endeavouring to manage its tax affairs to protect value for the Company's shareholders in line with the Board's broader fiduciary duties. • The Group manages and controls these risks through an internal tax department made up of experienced tax professionals who exercise judgement and seek appropriate advice from specialist professional firms. • At the same time the Group monitors international developments in tax law and practice, adapting its approach where necessary to do so.	• The Group responded to the several tax changes enacted in response to the Covid-19 pandemic, monitoring these centrally as well as reacting locally. All tax benefits taken were repaid where possible. • Short term reductions in taxation could be replaced by longer term increases to fund Covid-19 government support (e.g. a higher federal income tax rate of 28% (currently 21%) was proposed in the US). The financial implications of such changes have been modelled and any legislative proposals that are put forward will be monitored.

Assessment of the prospects of the Company and its viability statement

In accordance with provision 31 of the UK Corporate Governance Code, the directors set out below how they have assessed the prospects of the Company, over what period the prospects have been assessed and the Company's formal viability statement.

The context for and period over which the prospects of the Company have been assessed

To consider the prospects of the Company and determine an appropriate time frame for the purpose of making a statement on the Company's longer term viability, the directors have taken into account various factors including the nature of the Company's business, its business model and strategy and the existing planning periods. In particular:

- Bunzl has a geographically balanced and diversified business portfolio operating in more than 30 countries;
- the Company operates across six core, fragmented market sectors, many of which are growing and resilient to challenging economic conditions; and
- the business model and strategy minimise the volatility of the Company's results, enabling Bunzl to deliver consistently good results with high returns on capital and cash conversion.

With regard to the time frame specifically, the directors considered the above factors as well as the Group's strategic planning process. Comprehensive budgets are prepared annually by the business areas and approved by the Board. Strategic plans covering a period of two years beyond the forecast for the current year are also prepared annually and reviewed by the Board. While the directors have no reason to believe the Company will not be viable over a longer period, given the inherent uncertainty involved, the period over which the directors consider it possible to form a reasonable expectation as to the Group's longer term viability is the three year period to 31 December 2023.

How the prospects of the Company and its longer term viability have been assessed

In making a viability statement, the directors are required to consider the Company's ability to meet its liabilities as they fall due, taking into account the Company's current position and principal risks. The Company has significant financial resources including committed and uncommitted banking facilities, US private placement notes and senior bonds, further details of which are set out in Note 15 to the consolidated financial statements. As a result, the directors believe that the Company is well placed to manage its business risks successfully.

The resilience of the Group to a range of possible scenarios, in particular the impact on key financial ratios and its ongoing compliance with financial covenants, was factored into the directors' considerations through stress testing current financial projections. These stress tests, which took into account the risks associated with the continuing impact of the Covid-19 pandemic, particularly in the foodservice and retail sectors, on the results of the Group in the near term, included the following:

- the impact of the crystallisation of the principal strategic and operational risks to the Group's organic growth and a significant increase in working capital;
- the impact of the crystallisation of the principal strategic and operational risks to the Group's organic and acquisition growth and significant increases in both working capital and the effective tax rate, without mitigating actions; and
- a reverse stress test scenario which identified what would need to happen to cause the Company to suffer an unavoidable breach of financial covenants.

In all scenarios it has been assumed, based on past experience and all current indicators, that the Company will be able to refinance its banking facilities and US private placement notes as and when they mature. In the first two stress tests it was found that the Group was resilient and in particular it remained in compliance with the relevant financial covenants. The conditions required to create the reverse stress test scenario, were so severe that they were considered to be implausible.

The directors consider that the stress testing based assessment of the Company's prospects, building on the results of the robust assessment of the principal risks to the business and the financial implications of them materialising, confirms the resilience of the Group to severe but plausible scenarios and provides a reasonable basis on which to conclude on its longer term viability.

Confirmation of longer term viability

In accordance with the provisions of the UK Corporate Governance Code, the directors have taken account of the Group's current position and principal risks and uncertainties referred to above in assessing the prospects of the Company and they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2023.

Financial review

FINANCIAL REVIEW

‘Our businesses have reacted admirably to the unprecedented circumstances and this is reflected in the strength of our financial results. The Group’s robust balance sheet and continued strong cash generation have enabled the Group to maintain focus on key strategic priorities.’

Richard Howes
Chief Financial Officer

Revenue
Up 8.4% at actual exchange rates
£10,111.1m
(2019: £9,326.7m)
+9.4%†

Adjusted operating profit*
Up 19.1% at actual exchange rates
£778.4m
(2019: £653.3m)
+20.9%†

Adjusted earnings per share*
Up 24.7% at actual exchange rates
164.9p
(2019: 132.2p)
+26.6%†

Operating profit
Up 17.1% at actual exchange rates
£618.5m
(2019: £528.4m)
+18.7%†

Cash conversion*
Continued strong cash conversion
103%
(2019: 101%)

Dividend
Long track record of dividend growth continues
54.1p
(2019: 51.3p◊)
+5.5%

	2020 £m	2019 £m	Growth as reported	Growth at constant exchange
Financial results				
Revenue	**10,111.1**	9,326.7	8.4%	9.4%
Adjusted operating profit*	**778.4**	653.3	19.1%	20.9%
Adjusted profit before income tax*	**715.6**	578.2	23.8%	25.6%
Adjusted earnings per share*	**164.9p**	132.2p	24.7%	26.6%
Dividend for the year◊	**54.1p**	51.3p	5.5%	
Statutory results				
Operating profit	**618.5**	528.4	17.1%	18.7%
Profit before income tax	**555.7**	453.3	22.6%	24.4%
Basic earnings per share	**128.8p**	104.8p	22.9%	24.8%
Balance sheet and Cash flow				
Return on average operating capital %*	**45.4%**	36.9%		
Return on invested capital %*	**16.2%**	13.6%		
Cash conversion %*	**103%**	101%		

† At constant exchange rates.
* Alternative performance measure (see Note 3 on page 158).
◊ Including the reinstated 2019 final dividend, paid as an additional 2019 interim dividend.

As in previous years this review refers to a number of alternative performance measures which management uses to assess the performance of the Group. Details of the Group's alternative performance measures are set out in Note 3 to the consolidated financial statements on page 158.

Currency translation

Currency translation has had a small adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 1% and 2%. The adverse exchange rate impact was principally due to the effect on average exchange rates of the strengthening of sterling against certain currencies during the year, particularly the Canadian dollar, Brazilian real and Australian dollar, partly offset by the weakening of sterling against the euro.

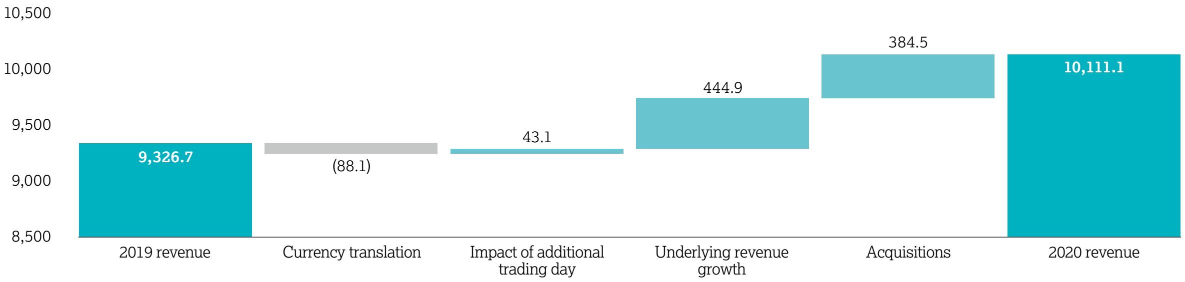
Average exchange rates	**2020**	2019
US$	**1.28**	1.28
Euro	**1.12**	1.14
Canadian$	**1.72**	1.69
Brazilian real	**6.61**	5.04
Australian$	**1.86**	1.84

Closing exchange rates	**2020**	2019
US$	**1.37**	1.32
Euro	**1.12**	1.18
Canadian$	**1.74**	1.72
Brazilian real	**7.08**	5.33
Australian$	**1.77**	1.88

Revenue

Revenue increased to £10,111.1 million (2019: £9,326.7 million), up 9.4% at constant exchange rates (up 8.4% at actual exchange rates), due to underlying growth of 4.8% (being organic growth adjusted for trading days), the benefit of acquisitions and an additional trading day compared to the previous year due to 2020 being a leap year.

Movement in revenue (£m)

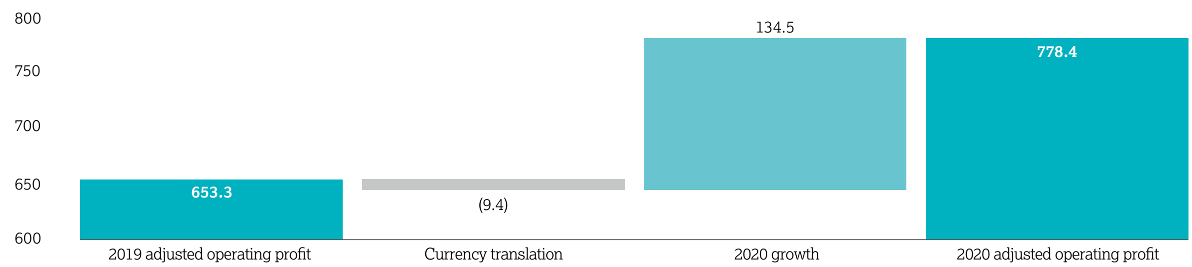


Operating profit

Adjusted operating profit increased to £778.4 million (2019: £653.3 million), an increase of 21% at constant exchange rates and 19% at actual exchange rates. Adjusted operating profit margin increased from 7.0% to 7.7% at both constant exchange rates and actual exchange rates. This improvement in operating margin was primarily driven by the strong demand for Covid-19 related products in the higher than average margin sectors of safety, healthcare and cleaning & hygiene and a reduction in demand in the lower than average margin sectors of foodservice and retail, partly offset by charges relating to trade receivables and inventory provisions.

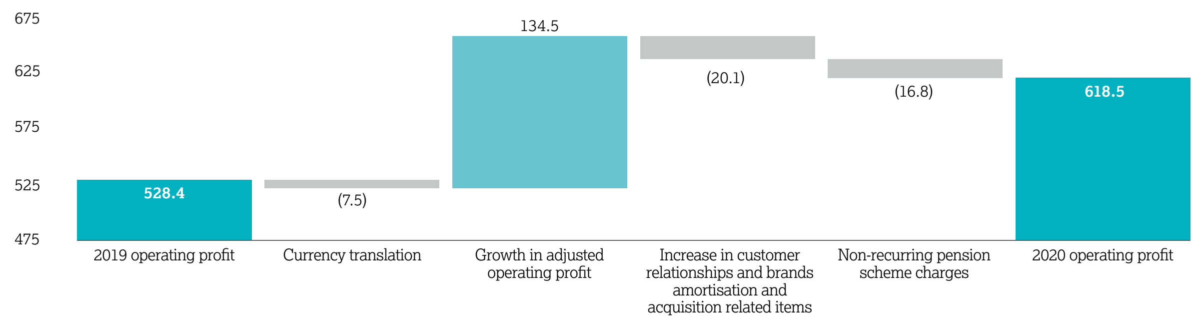
During 2020, the Group has seen a number of customers either entering insolvency processes or showing specific credit stress indicators that have impacted the recoverability of receivables and customer specific inventory particularly in the foodservice and retail sectors. This has resulted in a net charge of approximately £15 million being taken during the year to reflect the risks around recoverability. In addition, there is a heightened risk of further recoverability issues with customers, mainly in these same sectors, as government support is withdrawn and the trading uncertainty continues. Consequently, the Group has taken an additional net charge of approximately £10 million in the year relating to aged receivables and customer specific inventory for those customers identified as having a high or medium credit risk. The Group has also seen an increase in the level of slow moving inventory as the Covid-19 pandemic and the associated government imposed control measures have continued to impact customer demand across a range of market sectors. This has resulted in a net charge of approximately £15 million in the year to increase slow moving inventory provisions.

Movement in adjusted operating profit (£m)



Operating profit was £618.5 million, an increase of 19% at constant exchange rates (up 17% at actual exchange rates).

Movement in operating profit (£m)



Acquisition related items include £12.1 million for impairment of goodwill relating to the closure of a safety business in China within the Asia Pacific Cash Generating Unit and £9.1 million for impairment of customer relationships assets relating to a foodservice business in UK & Ireland, a safety business in Continental Europe and the closure of the safety business in China, as explained in Note 11. The non-recurring pension scheme charges of £16.8 million comprise £16.4 million relating to withdrawal liability charges for three multi-employer pension plans in North America, following the Group's decision to withdraw from these plans due to their critical funding status, and a £0.4 million GMP equalisation charge relating to the equalisation of guaranteed minimum pensions between male and female members on historical transfers out of the Group's defined benefit pension scheme following a High Court ruling on 20 November 2020 in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc.

Customer relationships and brands amortisation, acquisition related items and the non-recurring pension scheme charges in 2020 are excluded from the calculation of adjusted operating profit as they do not relate to the underlying operating performance and distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating adjusted operating profit and other alternative performance measures by which management assess the performance of the Group.

Net finance expense
The net finance expense for the year was £62.8 million, a decrease of £11.3 million at constant exchange rates (down £12.3 million at actual exchange rates), mainly from lower average interest rates and a lower average level of net debt in the year.

Profit before income tax
Adjusted profit before income tax was £715.6 million (2019: £578.2 million), up 26% at constant exchange rates (up 24% at actual exchange rates), due to the growth in adjusted operating profit and the reduction in net finance expense. Profit before income tax was £555.7 million (2019: £453.3 million), an increase of 24% at constant exchange rates (up 23% at actual exchange rates).

Taxation
The Group's tax strategy is to comply with tax laws in all countries in which it operates and to balance its responsibilities for controlling the tax costs with its responsibilities to pay the appropriate level of tax where it does business. No companies are established in tax havens or other countries for tax purposes where the Group does not have an operational presence and the Group's de-centralised operational structure means that the level of intragroup trading transactions is very low. The Group does not use intragroup transfer prices to shift profit into low tax jurisdictions. The Group's tax strategy has been approved by the Board and tax risks are reviewed by the Audit Committee. In accordance with UK legislation, the strategy is published on the Bunzl plc website within the Corporate governance section.

The effective tax rate (being the tax rate on adjusted profit before income tax) for the year was 23.1% (2019: 23.8%) and the reported tax rate on statutory profit was 22.6% (2019: 23.0%). Both the effective and reported tax rates for 2020 are lower than the prior year due to a higher credit for share-based payment expense and a larger benefit from reduced prior year tax exposures.

As explained in the Principal risks and uncertainties section on pages 64 to 74, the Group identifies an increase in taxation as a principal risk for the Group, and the tax rate could be affected by legislative changes or the resolution of prior year tax matters.

One of the tax risks affecting the Group is the European Commission's decision that part of the UK's tax regime amounts to State aid. Further details on this risk are given in Note 7 to the consolidated financial statements but it should be noted that tax plus interest of up to £37 million could be payable in the near future to HM Revenue & Customs as they are required to collect amounts they consider to be State aid in line with the Commission's decision. The Group, as well as HM Government and many other tax payers, have filed appeals to the EU General Court on this issue but no hearing date has been set. Any such amount paid to HM Revenue & Customs will be refunded in the event of a favourable EU General Court ruling. In addition, the Group made a cash payment during the year of BRL100.4 million (£15.2 million) for tax plus interest and penalties in relation to a tax dispute in Brazil. This had no effect on the tax charge for the year. The Group has appealed to the Federal Court against the BRL100.4 million assessment and expects litigation on the matter to take several years.

Earnings per share

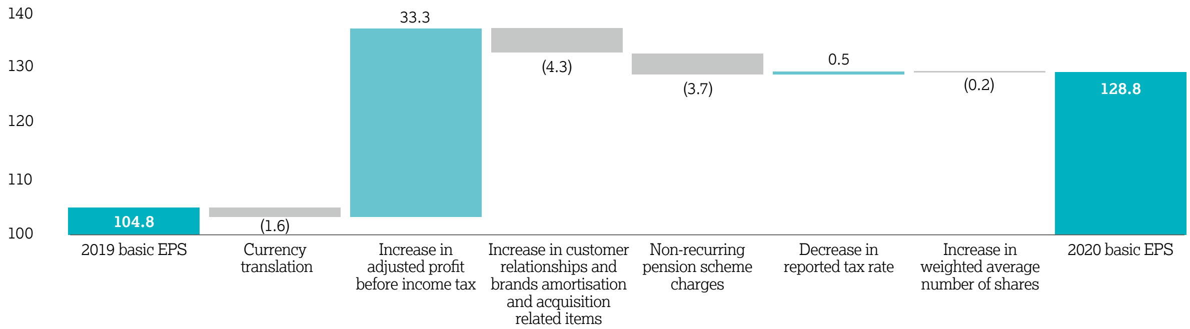
Profit after tax increased to £430.0 million (2019: £349.2 million), up 25% and an increase of £85.9 million at constant exchange rates (up 23% at actual exchange rates), due to a £108.9 million increase in profit before income tax, partly offset by a £23.0 million increase in the tax charge at constant exchange rates.

Adjusted profit after tax was £550.5 million (2019: £440.6 million), up 27% and an increase of £116.3 million at constant exchange rates (up 25% at actual exchange rates), due to a £145.8 million increase in adjusted profit before income tax, partly offset by a £29.5 million increase in the tax on adjusted profit before income tax at constant exchange rates.

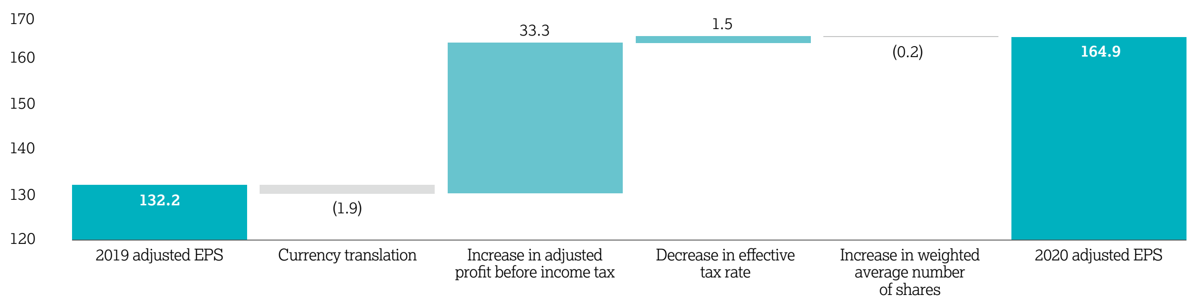
The weighted average number of shares increased to 333.8 million from 333.3 million in 2019 due to employee share option exercises, partly offset by share purchases into the employee benefit trust.

Basic earnings per share were 128.8p (2019: 104.8p), up 25% at constant exchange rates (up 23% at actual exchange rates). Adjusted earnings per share were 164.9p (2019: 132.2p), an increase of 27% at constant exchange rates (up 25% at actual exchange rates).

Movement in basic eps (p)



Movement in adjusted eps (p)



Dividends

An analysis of dividends per share for the years to which they relate is shown below:

	2020	2019	Growth
Interim dividend (p)	**15.8**	15.5	1.9%
Final dividend (p)*	**38.3**	35.8	7.0%
Total dividend (p)	**54.1**	51.3	5.5%
Dividend cover (times)	**3.0**	2.6	

* 2019 final dividend reinstated as an additional 2019 interim dividend.

The Company's practice in recent years has been to pay a progressive dividend, delivering year-on-year increases with the dividend usually growing at a similar rate to the growth in adjusted earnings per share. However, performance in 2020 has benefited significantly from larger Covid-19 related orders that are not expected to be repeated in 2021. The approach to setting the 2020 dividend therefore needs to reflect more closely a more normalised level of growth in adjusted earnings per share which might otherwise have been anticipated without the benefit of such orders. As a consequence, the Board is proposing a 2020 final dividend of 38.3p, an increase of 7% on the amount paid in relation to the 2019 final dividend. The 2020 total dividend of 54.1p is 5.5% higher than the 2019 total dividend.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA, the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Group's long term track record of strong cash generation, coupled with the Group's substantial borrowing facilities, provides the Company with the financial flexibility to fund a growing dividend. After the further growth in 2020, Bunzl has sustained a growing dividend to shareholders over the past 28 years.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in the Principal risks and uncertainties on pages 64 to 74. The Group has substantial distributable reserves within Bunzl plc and there is a robust process of distributing profits generated by subsidiary undertakings up through the Group to Bunzl plc. At 31 December 2020 Bunzl plc had sufficient distributable reserves to cover more than four years of dividends at the levels of those delivered in 2020, which is expected to be approximately £181 million.

Acquisitions

The Group completed nine acquisitions during the year ended 31 December 2020 with a total committed spend of £445.0 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the year were £602 million and £50 million respectively.

The acquisitions completed during the year include the acquisition of MCR Safety, which is considered to be individually significant due to its impact on intangible assets, adding £104.5 million to customer relationships, £13.7 million to brands and £71.8 million to goodwill. The committed spend on this acquisition was £276.5 million. For further details of this acquisition see Note 26 on pages 189 to 191.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	318.7
Goodwill	108.8
Consideration	427.5
Satisfied by:	
cash consideration	367.9
deferred consideration	59.6
	427.5
Contingent payments relating to retention of former owners	19.1
Net cash acquired	(8.9)
Transaction costs and expenses	7.3
Total committed spend in respect of acquisitions agreed and completed in the current year	**445.0**

The net cash outflow in the year in respect of acquisitions comprised:

	£m
Cash consideration	367.9
Net cash acquired	(8.9)
Deferred consideration payments	4.2
Net cash outflow in respect of acquisitions	363.2
Acquisition related items*	24.3
Total cash outflow in respect of acquisitions	**387.5**

* Acquisition related items comprise £7.1 million of transaction costs and expenses paid and £17.2 million of payments relating to retention of former owners.

Cash flow

A summary of the cash flow for the year is shown below:

	2020 £m	2019 £m
Cash generated from operations†	**968.3**	814.1
Payment of lease liabilities	**(159.6)**	(151.6)
Net capital expenditure	**(31.9)**	(28.8)
Operating cash flow†	**776.8**	633.7
Net interest excluding interest on lease liabilities	**(41.5)**	(51.2)
Income tax paid	**(153.8)**	(125.6)
Free cash flow	**581.5**	456.9
Dividends paid	**(171.5)**	(167.3)
Acquisitions◊	**(387.5)**	(162.8)
Net payments relating to employee share schemes	**(8.4)**	(27.7)
Net cash inflow	**14.1**	99.1

† Before acquisition related items.
◊ Including acquisition related items.

The Group's free cash flow of £581.5 million was £124.6 million higher than in 2019, primarily due to the increase in operating cash flow of £143.1 million, partly offset by a higher cash outflow relating to tax. The Group's free cash flow was primarily used to finance dividend payments of £171.5 million in respect of 2019 (2019: £167.3 million in respect of 2018) and an acquisition cash outflow of £387.5 million (2019: £162.8 million). Cash conversion (being the ratio of operating cash flow as a percentage of lease adjusted operating profit) was 103% (2019: 101%). This benefited from advance payments from customers net of upfront payments to suppliers of approximately £34 million. Excluding these net advanced payments, cash conversion was 99%.

	2020 £m	2019 £m
Operating cash flow	**776.8**	633.7
Adjusted operating profit	**778.4**	653.3
Add back depreciation of right-of-use assets	**134.8**	128.1
Deduct payment of lease liabilities	**(159.6)**	(151.6)
Lease adjusted operating profit	**753.6**	629.8
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**103%**	101%

Net debt

Net debt excluding lease liabilities increased by £8.0 million during the year to £1,255.0 million (2019: £1,247.0 million), due to a £22.1 million increase due to currency translation partly offset by the net cash inflow of £14.1 million. Net debt including lease liabilities was £1,752.5 million (2019: £1,727.0 million).

Net debt to EBITDA calculated at average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants, was 1.5 times (2019: 1.9 times). Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.8 times (2019: 2.1 times).

Balance sheet

Summary balance sheet at 31 December:

	2020 £m	2019 £m
Intangible assets	**2,441.9**	2,290.9
Right-of-use assets	**453.4**	432.9
Property, plant and equipment	**122.7**	118.3
Working capital	**1,021.4**	943.4
Other net liabilities	**(323.0)**	(278.2)
	3,716.4	3,507.3
Net pension deficit	**(44.8)**	(36.0)
Net debt excluding lease liabilities	**(1,255.0)**	(1,247.0)
Lease liabilities	**(497.5)**	(480.0)
Equity	**1,919.1**	1,744.3
Return on average operating capital	**45.4%**	36.9%
Return on invested capital	**16.2%**	13.6%

Return on average operating capital increased to 45.4% from 36.9% in 2019 and return on invested capital of 16.2% was up from 13.6% in 2019, both due to a higher return in the underlying business driven by an increase in adjusted operating profit and lower average operating capital.

Intangible assets increased by £151.0 million to £2,441.9 million due to intangible assets arising on acquisitions in the year of £296.7 million and software additions of £8.7 million, partly offset by an amortisation charge of £110.7 million, an impairment charge of £21.2 million, software disposals of £0.8 million and a decrease from currency translation of £21.7 million.

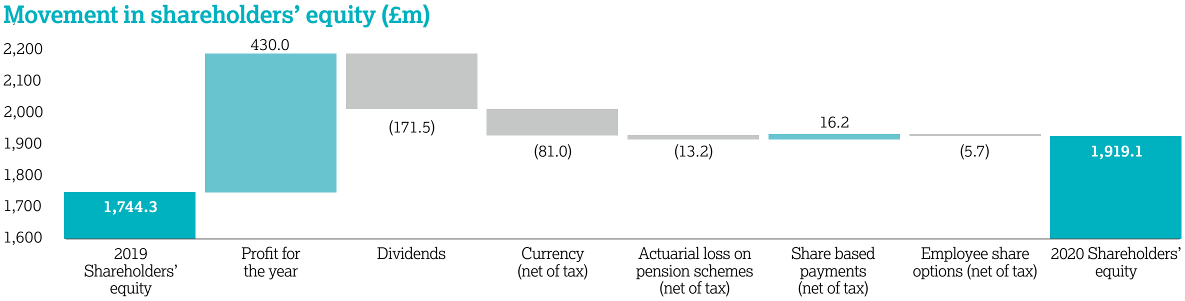
Right-of-use assets increased by £20.5 million to £453.4 million due to additional right-of-use assets from new leases during the year of £100.1 million, an increase from acquisitions of £35.2 million and an increase from remeasurement adjustments of £24.2 million, partly offset by a depreciation charge of £134.8 million and a decrease from currency translation of £4.2 million.

Working capital increased from the prior year end by £78.0 million to £1,021.4 million due to increases from acquisitions, partly offset by a decrease in the underlying business and a decrease from currency translation.

The Group's net pension deficit of £44.8 million at 31 December 2020 was £8.8 million higher than at 31 December 2019, principally due to an actuarial loss of £16.2 million, increases from service cost and net interest expense, partly offset by contributions of £14.6 million during the year. The actuarial loss principally arose from an increase in pension liabilities due to a decrease in discount rates, partly offset by higher than expected returns on pension scheme assets.

Shareholders' equity increased by £174.8 million during the year to £1,919.1 million.

Movement in shareholders' equity (£m)



Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. The Group's funding strategy is to maintain an investment grade credit rating and the Company's current credit rating with Standard & Poor's is BBB+. All borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the borrowings have a range of maturities, are competitively priced and meet the demands of the business over time. There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

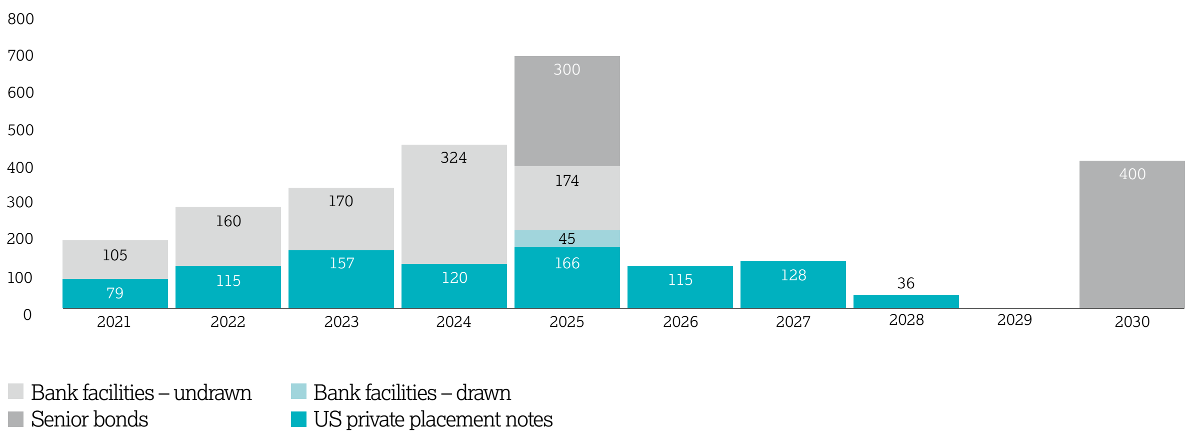
Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate, foreign currency and credit risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are periodically reviewed by the executive directors and the Board. Controls over exposure changes and transaction authenticity are in place.

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During the year ended 31 December 2020 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and senior bonds. During 2020, the Group issued a £400 million bond which matures in 2030 under the terms of its Euro Medium Term Note Programme. The bond issued extends the maturity profile of the Group's debt portfolio and diversifies its funding sources. In addition to this bond, the £300 million senior bond matures in 2025 and the Group's committed bank facilities mature between 2021 and 2025. At 31 December 2020 the nominal value of US private placement notes outstanding was £916.3 million (2019: £1,012.1 million) with maturities ranging from 2021 to 2028. At 31 December 2020 the available committed bank facilities totalled £978.0 million (2019: £1,062.4 million) of which £45.0 million (2019: £63.0 million) was drawn down, providing headroom of £933.0 million (2019: £999.4 million). The Group expects to make repayments in 2021 of approximately £79 million relating to maturing US private placement notes.

Committed facilities maturity profile by year (£m)



Further details of the Group's capital management and treasury policies and controls are set out in Note 15 on pages 171 to 178.

Going concern

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. In reaching this conclusion, the directors noted the Group's strong cash performance in the year, the substantial funding available to the Group as described above and the resilience of the Group to a range of possible downside scenarios including those relating to the potential impacts of the Covid-19 pandemic. Further details are set out in Note 1 on page 150.

Richard Howes
Chief Financial Officer
1 March 2021

TCFD INDEX

The Taskforce on Climate related Financial Disclosures (TCFD) has developed a voluntary climate related financial risk disclosure framework for companies to provide information to investors, lenders, insurers and other stakeholders. We support the TCFD recommendation and will follow the guidance on how to provide appropriate transparency of our most material climate related risks and opportunities, the potential impacts on our business and our strategy for assessing and managing these impacts. The table below provides a reference to where these key disclosures can be found.

Our first full TCFD statement can be found on our website www.bunzl.com/sustainability.

Topic	Disclosure summary	Disclosure	Bunzl response
Governance	Disclose the organisation's governance around climate related risks and opportunities.	a) Describe the Board's oversight of climate related risks and opportunities.	Sustainability: page 58. Principal risks: pages 65-67. TCFD statement.
		b) Describe management's role in assessing and managing climate related risks and opportunities.	Sustainability: page 58 Principal risks: pages 65-67. TCFD statement.
Strategy	Disclose the actual and potential impacts of climate related risks and opportunities on the organisation's businesses, strategy and financial planning.	a) Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.	Sustainability: page 49. TCFD statement.
		b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Principal risks: page 67. TCFD statement.
		c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios including a 2°C or lower temperature scenario.	Sustainability: pages 48-49. Principal risks: page 67. TCFD statement.
Risk management	Disclose how the organisation identifies, assesses and manages climate related risks.	a) Describe the organisation's processes for identifying and assessing climate related risks.	Principal risks: pages 64-67. TCFD statement.
		b) Describe the organisation's processes for managing climate related risks.	Principal risks: page 67. TCFD statement.
		c) Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.	Principal risks: pages 65-67. TCFD statement.
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities.	a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	ESG appendix: pages 86-88. TCFD statement.
		b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	ESG appendix: pages 86-88. TCFD statement.
		c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	ESG appendix: pages 86-87. Sustainability: page 49. TCFD statement.

Non-financial information

ESG APPENDIX

Material ESG issues mapped to our business model

Business model pillar	Source	Consolidate	Deliver
Sustainability framework pillar	Our suppliers	Our business	Our customers
The ESG issues relevant to Bunzl. Identified by aligning the issues and disclosure topics in the SASB materiality map to our business model.	• Managing environmental risks in supply chain. • Sustainable raw material sourcing. • Certification to relevant environmental standards. • Ethical supply chain practices. • Working to respect human rights and prevent incidences of modern slavery. • Supporting the safety and wellbeing of workers in our supply chain.	• Equal opportunities. • Gender, ethnic, LGBTQIA and disability diversity. • Employee health and well-being and occupational health & safety. • Attraction and retention of talent and learning and development programmes. • Reward and recognition and work life flexibility. • Long term targets for carbon reduction. • Renewable energy sourcing, energy efficiency and renewable energy projects. • Low and zero carbon logistics. • Good practices of corporate governance. • Compliance with laws and regulations. • Implementing appropriate company standards and policies. • Donations to local and international charities. • Supporting local communities where we operate. • Employee fundraising and volunteering. • Public policy and lobbying. • Partnerships with sustainability advocacy groups. • Trade association memberships.	• Products made from recycled content or renewable materials. • Reusable products. • Products that are recyclable or compostable. • Working to reduce environmental impacts of products through their lifecycle. • Developing circular systems for products supplied (back haul solutions). • Partnerships with waste management to offer onsite circular solutions for customers. • Transparent, independent expert product advice. • Product claims in accordance with legislation. • Avoiding misleading claims related to products.
Our most material ESG topics. Identified by assessing the significance to Bunzl. These formed the basis of our materiality assessment.	1. Supply chain management and stewardship. 2. Human rights and fair and safe labour.	3. Diversity and inclusion. 4. Employee safety, health and wellness. 5. Talent and development. 6. Climate change and GHG emissions. 7. Ethics and integrity. 8. Supporting charities and local communities. 9. Dialogue, transparency and partnerships.	10. Availability of products and services with sustainable attributes. 11. Supporting a circular economy. 12. Responsible marketing and product labelling.
Bunzl's material ESG themes. Identified by our materiality assessment.	• Protecting human rights and driving broad based growth through responsible supply chains (see pages 44 and 45).	• Investing in a diverse workforce and thriving communities (see pages 46 and 47). • Taking action on climate change by reducing emissions (see pages 48 and 49).	• Providing sustainable solutions and supporting circular economy techniques that keep waste out of nature (see pages 50 to 53).
Our priority UN SDGs. Identified by aligning our material ESG themes to the UN SDGs.	8 DECENT WORK AND ECONOMIC GROWTH	13 CLIMATE ACTION 5 GENDER EQUALITY 10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Key performance indicators

Code of conduct

The Group's business code of conduct is a guide for every employee explaining how they are expected to conduct themselves both from a corporate and individual perspective.

	2018	2019	2020	Comment
Material breaches of code of conduct	0	0	0	No material breaches of our code of conduct were recorded in 2020.
Speak up	10	8	43	In 2020, 43 calls or letters were received through our confidential whistle blowing process, 'Speak Up', none of which related to any issues of material concern. At the end of 2019 we introduced a new way to report concerns confidentially. This enabled employees to raise issues online or via a local telephone service and in their native language. We believe the increase in the number of cases in 2020 is positive, as previously we would not have known about these cases. Usually, the issues were easily resolved at a local level.

Suppliers

Bunzl's industry-leading sourcing and auditing function based in Shanghai works in partnership with our Asian suppliers to ensure the highest standards of product quality and to respect human rights and driving broad-based growth through responsible supply chains. Our Group Modern Slavery Statement gives further details on our approach which can be found on the Bunzl plc website.

	2018	2019	2020	Comment
Number of supplier audits and assessments covering environmental and social standards	539	707	680	The number of audits decreased due to travel restrictions in Asia. We have ceased our relationship with 15 suppliers that did not make sufficient progress to resolve non-acceptable non-conformities.

Greenhouse gas emissions data (Group)

Data for the period 1 October to 30 September	Base year 2010	2018	2019	2020
Scope 1				
Total emissions (tonnes of CO_2e)	95,249	99,848	99,193	90,568†
Emission intensity (tonnes of CO_2e/£m revenue	20.2	11.4	10.7	9.5†
Natural gas usage (m^3)	6,243,763	8,927,790	8,912,413	8,082,813
Fuel usage (ltr)	34,256,823	31,140,025	31,523,097	29,306,537
Scope 2				
Emissions (tonnes of CO_2e)	28,757	31,615	29,594	27,421†
Emission intensity (tonnes of CO_2e/£m revenue)	6.1	3.6	3.2	2.9†
Electricity usage (MWh)	58,875	83,423	83,062	80,276
Total gross emissions				
Emissions (tonnes of CO_2e)	124,006	131,463	128,787	117,989†
Emission intensity (tonnes of CO_2e/£m revenue)	26.3	15.0	13.9	12.4†
Total energy (MWh)	485,995	515,183	516,775	480,711

† Included in the external auditors' limited assurance scope. See Data Assurance statement which is available on our website, www.bunzl.com. The data for previous years was also assured as detailed in the respective Annual Reports.

Scope 1

Target for 2020: Reduce emission intensity by 1% against 2019 (target excludes any foreign exchange translation effect on revenue numbers).

The 2020 Scope 1 carbon emission intensity of 9.5 tonnes of CO_2e/£m revenue represents an 11% decrease versus 2019, including the effect of foreign exchange rate fluctuations. At constant exchange rates the emissions reduced by 12%.

Reduction of these emissions has been impacted by the unusual business circumstances due to the Covid-19 pandemic. The fuel consumption associated with company cars decreased sharply due to travel restrictions and the requirement for employees to work from home. Fuel for transportation remains our highest source of CO_2e emissions, contributing 81% of Scope 1. Of those emissions relating to transportation, 81% are generated by our fleet of commercial vehicles.

Natural gas is principally used for the heating of buildings. This depends strongly on weather conditions and therefore varies strongly by business area.

Target for 2021: Reduce emission intensity by 6% against 2019 (target excludes any foreign exchange translation effect on revenue).

Scope 2

Target for 2020: Reduce emission intensity by 2% against 2019 (target excludes any foreign exchange translation effect on revenue numbers).

The 2020 Scope 2 carbon emission intensity of 2.9 tonnes of CO_2e/£m revenue represents a 10% reduction versus 2019, including the effect of foreign exchange rate fluctuations. At constant exchange rates the reduction in emissions is 11%.

Our Scope 2 emission take into account changes to the average country specific emission factors but do not take into account low carbon electricity purchases (representing approximately 15% of electricity purchased). The remaining improvement in the Scope 2 emissions has been driven by the continued implementation of energy efficiency improvements such as low energy lighting.

Target for 2021: Reduce emission intensity by 10% against 2019 (target excludes any foreign exchange translation effect on revenue).

Scope 1 and 2

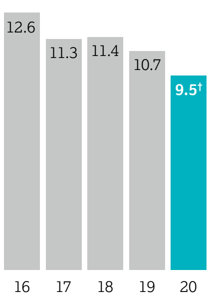
Target for 2020: Reduce emission intensity by 2% against 2019 (target excludes any foreign exchange translation effect on revenue).

The 2020 combined Scope 1 and 2 carbon emission intensity of 12.4 tonnes of CO_2e/£m revenue represents an 11% reduction versus 2019, including the effect of foreign exchange rate fluctuations. At constant exchange rates the reduction in emissions is 12%.

Target for 2021: Reduce emission intensity by 6% against 2019 (target excludes any foreign exchange translation effect on revenue numbers).

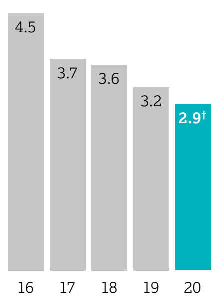
Scope 1 carbon emissions

(tonnes of CO_2 per £m revenue)
Measured in accordance with the Greenhouse Gas Protocol applying DEFRA conversion factors



Scope 2 carbon emissions

(tonnes of CO_2 per £m revenue)
Measured in accordance with the Greenhouse Gas Protocol applying DEFRA UK conversion factors & IEA factors for overseas electricity



† Included in the external auditors' limited assurance scope. See Data Assurance statement which is available on our website, www.bunzl.com. The data for previous years was also assured as detailed in the respective Annual Reports.

Greenhouse gas emissions data (UK) *

Data for the period 1 October to 30 September	2018	2019	2020
Scope 1			
Total emissions (tonnes of CO_2e)	17,606	17,211	15.261
Natural gas usage (m^3)	617,969	469,573	486,661
Fuel usage (ltr)	6,224,877	6,271,182	5,606,760
Scope 2			
Emissions (tonnes of CO_2e)	3,263	2,660	2,847
Electricity usage (MWh)	11,527	10,405	11,140
Total gross emissions			
Emissions (tonnes of CO_2e)	20,869	19,871	18,108
Total energy consumption (MWh)	84,415	82,084	75,812
Emission intensity (tonnes of CO_2e/£m revenue)	17.5	17.0	14.9

* Energy usage and carbon emissions disclosed separately to adopt to the requirements of the UK Streamlined Energy and Carbon Reporting ('SECR') policy.

Our reported environmental data includes all businesses that are subsidiaries of the Group for financial reporting purposes, except for recent acquisitions where there has been insufficient opportunity for the businesses to adopt our reporting guidelines. The revenue from these businesses is not included when calculating the indexed emissions. The reported data covers around 98% of the Group by revenue.

Bunzl has a Group wide approach to recording, measuring and reporting energy and climate change data. Business areas are responsible for data input and monitoring progress against targets and providing commentary on significant variances and on the implementation of projects aimed at improving environment, health & safety ('EHS') performance. All data is reported on the Bunzl Risk Management System ('BRMS'), the Group's EHS reporting and consolidation system. More details can be found in the Group reporting guidelines on our website (www.bunzl.com/sustainability/reports-and-progress.aspx).

Scope 3

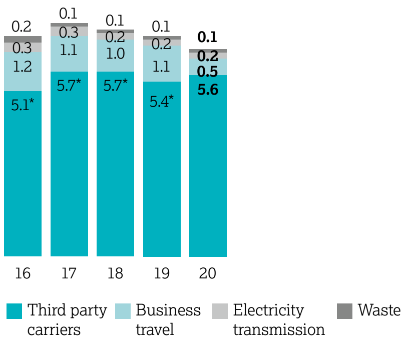
Our reporting comprises emissions from third party carriers, business flights, waste and electricity transmission losses.

The bar graph shows that third party carriers produce the largest proportion of our reported Scope 3 emissions.

These emissions arise due to some of our businesses not having their own fleet and, in addition, all our businesses, irrespective of whether they have their own fleet, will distribute a proportion of goods by third party carriers where it is more efficient and cost-effective to do so.

Scope 3 carbon emissions

(tonnes of CO_2 per £m revenue)



12 months to 30 September

* In 2020 we have improved our methodology to calculate third party carrier emissions. Previous years data have therefore been recalculated.

Waste

In 2020 we have continued our work to improve consistency and accuracy of waste measurement and reporting. We have introduced an internal waste reporting tool and implemented consistent waste conversion factors across the Group. Accurate waste measurement remains challenging in geographies with less advanced waste management infrastructures.

The amount of waste generated in our facilities in 2020 is approximately 22,900 tonnes which is similar to the amount of waste generated in previous years. The recycling rates strongly depend on the locally available waste recycling options. In 2020, approximately 50% of the generated waste was recycled, which is 13% lower than last year's recycling rate. This excludes any post-disposal waste treatment and recycling carried out by waste handlers. The decrease in the reported recycling rate in 2020 is a result of the improved waste measurement methods that we implemented in 2020.

The reported waste data covers approximately 94% of the Group by revenue.

Water

Direct water usage is not a significant environmental impact for our business as it is principally confined to staff hygiene and workplace cleaning. Our estimated water usage is 160,000m^3 of water per year. The usage is slightly lower than last year due to reduced operational hours at some of our sites due to Covid-19. As we do not manufacture any of the goods we sell, water discharges, apart from internal sanitation, are limited to rainwater run-off from the yards of our locations.

Environmental management system certification

A number of locations in UK & Ireland, Asia Pacific and Continental Europe have ISO 14001 certification. Approximately 24% of the Group's operations are certified to ISO 14001 (measured by revenue). Certification is based on processes and practices which are implemented Group wide through our EHS management programme. Some parts of the business have not elected to become formally certified.

Health & safety

Health & safety indicators	2016	2017	2018	2019	2020
Average number of incidents per month per 100,000 employees	101	81	95	96	85†
Average number of days lost per month per 100,000 employees	2,409	1,890	2,370	3,110	3,040†
Fatalities	1	0	1	0	0

12 months to 30 September
† Included in the external auditors' limited assurance scope. See Data Assurance statement which is available on our website, www.bunzl.com. The data for previous years was also assured as detailed in the respective Annual Reports.

Targets for 2020: Reduce the Group accident incidence rate by 5% from 2019. Reduce the Group accident severity rate by 5% from 2019.

The 2020 Group accident incidence rate of 85 represents an 11% improvement versus 2019. The 2020 Group accident severity rate of 3,040 represents a 2% improvement versus 2019.

The safety rates this year have been clearly impacted by the Covid-19 pandemic. The implementation of social distancing protocols has reduced the likelihood of incidents. Another impact was the lower business activity in some parts of our business.

Despite the challenging conditions due to the Covid-19 pandemic, we have continued the work to minimise our health & safety risks, particularly relating to the operation of our warehouses and vehicles, such as manual handling, falling, slipping and tripping and impact with equipment which remain the highest causes of accidents.

We have taken steps to embed a more proactive safety culture in Bunzl. In France, where we have the highest incidence and severity rates in the Group, we have completed the roll out of a comprehensive training programme for middle management. The training is aimed to help create a more proactive safety culture by developing the skills required to conduct effective safety observations and enabling discussions with employees about safe and unsafe work practices.

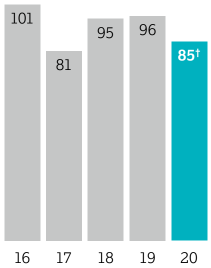
Across the Group we are working on the introduction of leading indicators such as near misses, safety meetings, safety observations and inspections. Consistent focus on, and reporting of, those indicators will prevent issues from becoming more serious and will engage the employees in building a proactive safety culture across the Group.

All our businesses are required to comply with local legislation and Group safety policies. The compliance with these regulations and policies is audited by a team of safety professionals.

Target for 2021: Reduce the Group accident incidence rate by 5% from 2019. Reduce the Group accident severity rate by 5% from 2019.

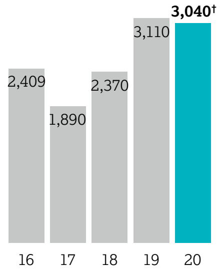
Incidence rate

Average number of incidents per month per 100,000 employees



Severity rate

Average number of days lost per month per 100,000 employees



12 months to 30 September
† Included in the external auditors' limited assurance scope. See Data Assurance statement which is available on our website, www.bunzl.com. The data for previous years was also assured as detailed in the respective Annual Reports.

People

Key performance indicators

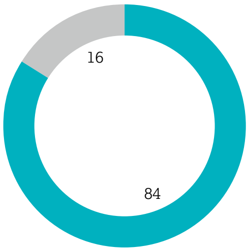
Employees

Engaging with our employees with clear communications and the provision of learning and development opportunities

	Performance			What we said we would do in 2020	What we did	What we plan to do in 2021
	2018	2019	2020			
Employee turnover: Voluntary	14.6%	15.4%	12.2%	Continue to conduct exit interviews and monitor voluntary turnover	Focussed on ensuring safe places of work during the Covid-19 period as well as continuing with exit interviews and understand reasons for turnover.	Reviewed quarterly at the Executive Committee to ensure we understand and where appropriate address reasons for unintended voluntary turnover.
Gender diversity: Women at senior management level	13%	14%	16%	Broaden networks for women in Bunzl. Provide focused development interventions for high potential women.	The networks for women for Bunzl grew in 2020 and links between regional networks were established including access to on-line development.	Monitor progress of high potential females in network groups to track career development.
Employee engagement index score	82%*	–	88%	Relaunch our employee engagement survey in 2020.	Ran a Pulse survey for all our employees to measure engagement and to understand the impact of working for Bunzl during Covid-19	Run a Global engagement survey and where necessary local surveys to better understand trends and drivers of engagement

* this figure has been recalculated from 74% as previously stated to be in line with the new methodology of measuring engagement through a new survey provider.

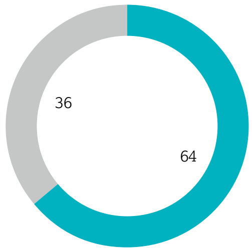
Senior management (%)



- Males
- Females

Source: HR from September 2020 (those employees eligible to receive grants of executive share options)

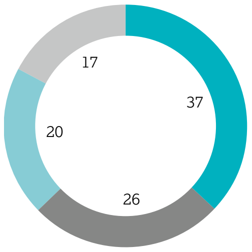
Total workforce (%)



- Males
- Females

Source: HR from BRMS

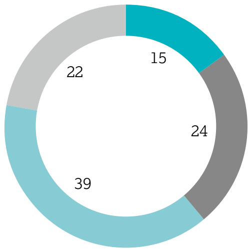
Average number of employees (%)



- North America
- Continental Europe
- UK & Ireland
- Rest of the World

Source: Note 23 on page 187

Total workforce age profile (%)



- Under 30
- 30–39
- 40–54
- Over 55

Source: HR from BRMS

Charitable contributions

	2018	2019	2020
Charity donations (£000s)	607	669	2,271

Bunzl's operations are international but our strength lies in the local nature of our businesses. We support the communities where our employees live and work and encourage fundraising activities championed by our businesses and their employees locally. During the Covid-19 pandemic, many of our businesses supported initiatives in our local communities when it mattered most, meaning our charitable donations were higher in 2020 when compared to previous years. See page 46 for examples from across the Group.

In 2019 we realigned our corporate charity programme to focus on environmental projects related to recycling, litter prevention, clean-up and waste management infrastructure. During 2020 we supported activities in three key areas:

- charitable projects that encourage packaging reuse and recycling, and work to educate consumers;
- litter clean-up and prevention initiatives operating in our markets, giving our employees the opportunity to get involved; and
- projects that build new waste management infrastructure and develop recycling skills in some of the world's poorest places, often in areas where plastic leakage to the natural environment is highest.

In addition to some of the projects referenced throughout this report (see pages 51 and 53) we have funded a number of other environmental initiatives:

- in January 2020, together with the UK-based charity Sea-Changers, Bunzl launched a new 'coastal fountain' fund for the provision of water bottle refill fountains at some of the UK's busiest beaches. Six fountains are currently being installed across the country;
- we have also worked with The 2 Minute Foundation who launched their #2minutebeachclean campaign in 2013 which encouraged people to make a difference by spending two minutes collecting litter from their local area. During 2020 Bunzl funded 14 litter collection boards that have been given to community groups and schools who would not otherwise be able to afford one; and
- lastly, we have supported the Marine Conservation Society's ('MCS') 2020 Beachwatch programme, a national beach cleaning and litter survey programme where people all around the UK can care for their coastline. We also funded MCS Cool Seas initiative, a virtual classroom project that has been teaching children about the marine environment and pollution issues across the UK.

Group wide, Bunzl donated a total of £2,271,000 to charitable causes during 2020. This does not include amounts donated by Bunzl in matching funds raised by employees for local charities.

THE RIGHT BALANCE OF SKILLS AND EXPERIENCE

Our experienced Board is committed to leading by example to demonstrate Bunzl's strong corporate values and culture and to promoting the long term sustainable success of the Company for the benefit of all of its stakeholders.

Peter Ventress
Chairman

Appointment
Chairman of the Board since April 2020, having been Chairman designate since June 2019. Chairman of the Nomination Committee.

Experience
He was formerly a non-executive director of Premier Farnell plc, Staples Solutions NV and Softcat plc and was Chief Executive Officer of Berendsen plc from 2010 to 2016. Prior to this he held several senior executive roles, including International President of Staples Inc and Chief Executive Officer of Corporate Express NV, a Dutch quoted company which was subsequently acquired by Staples. He is currently Chairman of Galliford Try Holdings plc and Senior Independent Director of Signature Aviation plc.

Frank van Zanten
Chief Executive Officer

Appointment
Executive director since February 2016 and Chief Executive Officer and member of the Nomination Committee from April 2016.

Experience
He joined Bunzl in 1994 when Bunzl acquired his family owned business in the Netherlands and he subsequently assumed responsibility for a number of businesses in other countries. In 2002 he became Chief Executive Officer of PontMeyer NV, before rejoining Bunzl in 2005 as Managing Director, Continental Europe. He is a member of the Supervisory Board of Koninklijke Ahold Delhaize N.V.

Richard Howes
Chief Financial Officer

Appointment
Appointed Chief Financial Officer designate in September 2019 and joined the Board and became Chief Financial Officer in January 2020.

Experience
He qualified as a Chartered Accountant with Ernst & Young before moving to the investment bank Dresdner Kleinwort Benson. During his career he has held a number of senior positions at Geest plc and Bakkavor Group plc, including that of Chief Financial Officer of Bakkavor Group. He was Chief Financial Officer of Coats Group plc between 2012 and 2016 and prior to joining Bunzl was Chief Financial Officer of Inchcape plc.

Vanda Murray OBE
Senior Independent Director

Appointment
Non-executive director since February 2015, Senior Independent Director and Chair of the Remuneration Committee.

Experience
Formerly Chief Executive Officer of Blick plc from 2001 to 2004, she subsequently became UK Managing Director of Ultraframe PLC from 2004 to 2006 and was appointed OBE in 2002 for Services to Industry and Export. She is currently Chair of Marshalls plc.

Committee membership
- Member of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee
- Independent director
- Denotes Chairman

Lloyd Pitchford
Non-executive director

Appointment
Non-executive director since March 2017 and Chairman of the Audit Committee.

Experience
Having previously held a number of senior finance positions with BG Group plc, including five years as Group Financial Controller, he subsequently joined Intertek Group plc where he was Chief Financial Officer from 2010 to 2014. Since 2014 he has been Chief Financial Officer of Experian plc.

Stephan Nanninga
Non-executive director

Appointment
Non-executive director since May 2017.

Experience
After holding a number of positions with Sonepar and Royal Dutch Shell, he subsequently became Managing Director, Distribution Europe of CRH plc in 1999. He then joined the Board of SHV Holdings NV in 2007, where he was initially responsible for the Makro and Dyas businesses, before becoming Chief Executive in 2014, a position he held until 2016. He is a member of the Supervisory Board of CM.com, a non-executive director of IMCD N.V. and an executive director of Dutch Star Companies TWO B.V.

Vin Murria OBE
Non-executive director

Appointment
Non-executive director since June 2020.

Experience
Formerly Chief Executive Officer of Computer Software Group plc from 2002 until 2007, she subsequently founded and was Chief Executive Officer of Advanced Computer Software Group plc from 2008 until 2015. She was appointed OBE in 2018 for services to the digital economy. She is a non-executive director of Softcat plc.

Maria Fernanda Mejía
Non-executive director

Appointment
Non-executive director since December 2020.

Experience
She previously held a number of internationally based positions at Colgate-Palmolive between 1989 and 2011. These included most recently Vice President and General Manager Global Personal Care and Fragrance Development and, prior to that, Vice President Marketing and Innovation, Europe and South Pacific. From 2011 until 2019 she was a Senior Vice President at the Kellogg Company and President of Kellogg Latin America during the same period. She is a non-executive director of Grocery Outlet Holding Corp.

CHAIRMAN'S INTRODUCTION

'Good decision making and robust governance are key to the delivery of strong, sustainable financial and operational performance and the Board is committed to ensuring that it promotes the highest standards of governance and that these standards are embedded throughout the Group.'

Peter Ventress
Chairman

Introduction from Peter Ventress, Chairman of the Board

I write to you for the first time as Chairman, having assumed the role in April 2020. As I mentioned in my statement on pages 4 and 5, the global outbreak of Covid-19 and its unprecedented effects have tested businesses around the world. The Board plays a vital role in ensuring the stability of the business, particularly during times of uncertainty, by delivering effective leadership which supports the creation and delivery of strong and sustainable financial and operational performance for the Group and long term value for our stakeholders. However, at Bunzl, we recognise that it is our people who are our greatest asset; they are key to our continued success and to the delivery of our established, consistent, proven and successful compounding strategy. I have been extremely impressed by the resilience and commitment of our people and their unwavering dedication to keeping our operations running safely and to providing the highest quality of service to our customers, despite the challenges faced this year. Further information about the Company's response to Covid-19 and the pivotal role played by our people can be found on pages 6 and 7.

The importance of good governance is never greater than in times of macroeconomic uncertainty. The Group's success depends on our continual commitment to high corporate governance standards, as well as a healthy and responsible culture, both in the Boardroom and across the Group. We do not view corporate governance as an exercise in compliance but as an evolving and core discipline which generates value for our stakeholders and underpins our success. In the current uncertain economic and political environment, effective oversight of strategy and risk is particularly important to promote the long term success of the Group. In performing this role, the Board seeks to be responsive to both the evolving regulatory environment and changing expectations about the role of business in society. In particular, the Board seeks to ensure that the Group's culture is aligned with its purpose and values and that the Company has the necessary financial and human resources to deliver its strategy successfully. As a Board, we are committed to ensuring that the Company's purpose, values and high standards are set from the top and, with the support of the executive directors and the executive management team, embedded throughout the Group. We are dedicated to leading by example to demonstrate Bunzl's strong corporate values and culture which promote the long term sustainable success of the Company for the benefit of all of our stakeholders. As detailed later in this report on page 97, the Board monitors adherence to the Group's corporate culture in a number of ways and we will continue to develop and adapt our methods of engagement further to ensure that the mechanisms in place to monitor culture remain appropriate.

Board changes

One of the key aspects of good governance by any Board is to plan for future management succession. As reported last year, following an extensive search and selection process, Richard Howes was appointed to succeed Brian May as Chief Financial Officer with effect from 1 January 2020 following Brian's retirement from the Board at the end of December 2019. In addition, my predecessor, Philip Rogerson, stepped down as Chairman and as a director at the conclusion of the Company's 2020 Annual General Meeting ('AGM') and, at the same time, Eugenia Ulasewicz retired as a non-executive director, having been on the Board since April 2011. After more than 30 years at Bunzl, Paul Hussey retired as Company Secretary on 1 October 2020 and was succeeded by Suzanne Jefferies as Interim Company Secretary. On behalf of the Board, I would like to express my sincere gratitude to Brian, Philip, Eugenia and Paul for their wise counsel and valuable contribution to the Group over the years and wish them well for the future.

Vin Murria OBE was appointed as a non-executive director with effect from 1 June 2020. In addition to Vin's experience working in entrepreneurial, decentralised businesses, she also has detailed and extensive knowledge of, and experience working in, the digital and technology sectors which will be invaluable as we look to expand and develop our digital and technological capabilities in the future and will complement the broad range of skills, knowledge and experience already possessed by the Board. On 23 December 2020, Maria Fernanda Mejía joined the Board as a non-executive director. Maria Fernanda has considerable knowledge and international experience of distribution and supply chain management, with a strong background in marketing and communications. Her experience will be of great benefit to the Group as we continue to develop and enhance our brand and customer propositions around the world.

Details of an interview with Vin Murria can be found on page 101. Further details concerning the Board changes that took place during the year can be found in the Nomination Committee report on pages 104 to 107.

Board evaluation

As mentioned in last year's Corporate governance report, following the publication in 2018 of the Financial Reporting Council's revised UK Corporate Governance Code (the 'Code') and the associated guidance, which indicates that questionnaire-based external evaluations are unlikely to be sufficiently broad, the Board took the decision to conduct a more comprehensive external performance evaluation for the year ended 31 December 2020 which involved one-on-one interviews with each of the directors. The Board considered that having a more comprehensive evaluation in 2020 would support its strategic thinking and develop its effectiveness further and I am pleased to report that, as a result of the evaluation, the Board concluded that both it and its Committees continue to operate effectively. The Board continues to work closely with the executive management team and offers support and robust challenge as appropriate. Further information concerning the evaluation can be found in the report that follows.

Environmental, social and governance ('ESG') matters and sustainability

In recent years we have seen an increased focus from stakeholders and regulators on ESG and sustainability matters. At Bunzl, sustainability is an important part of our culture and the way we do business. Our sustainability strategy is aligned to the Company's strategic framework and is fully supported by the Board and the Group as a whole. Through our sustainability strategy, we aim to deliver long term sustainability for our stakeholders, while impacting positively on society and protecting the environment. The Board believes that a socially and environmentally sustainable and responsible business and an inclusive and collaborative culture are critical to creating value and to making the Group more commercially successful in the long term, for the benefit of all our stakeholders. Bunzl's reputation for high standards of responsible and sustainable business conduct is something that we are extremely proud of and we will continue to pursue our sustainability ambitions to ensure that this reputation is upheld. Further information about the Company's approach to sustainability can be found in the Sustainability report on pages 42 to 59.

Stakeholder engagement

As a Group, we are more conscious than ever of the importance of stakeholder engagement and believe that effective communication and proactive engagement with stakeholders is paramount in establishing a mutual understanding of both the Group's and stakeholders' objectives. We understand the value of long term thinking and believe that effective stakeholder engagement is critical to fostering mutually beneficial relationships and securing our long term success.

While the majority of engagement with stakeholders is undertaken by our experienced and dedicated management teams, the Board is kept continually apprised of stakeholder matters. The directors are also ready whenever required to engage directly with stakeholders, as demonstrated by the directors' participation in employee forums and my attendance at occasional meetings with investors. The Board receives regular updates from the executive directors and senior management on insights and feedback from stakeholders which allows the directors to understand and consider the perspectives of key stakeholders in decision making. It also allows the Board to oversee and monitor effectively the work being done within the stakeholder environment and affords the directors the opportunity to appraise and challenge, where appropriate, the work being done by management and any associated decisions. In addition, the Company Secretary and I provide support and guidance at Board meetings to ensure that enough consideration is given to the impact of Board decisions on stakeholder groups. The Board is cognizant of the fact that the relevance of each stakeholder group may change depending on the matters being considered and it therefore seeks to understand the needs and priorities of the relevant stakeholders during the decision making process.

Being mindful of the interests of our stakeholders is something which is embedded in Bunzl's DNA and is inherent in the Group's decision making processes. Therefore, while decisions are frequently made at an operational level, the directors are confident that due consideration and regard is always given to how the decisions may impact its stakeholders and to the consequences of such decisions in the long term. Examples of how the Board and the wider business have had regard to stakeholder interests and the effect of that regard can be found on pages 60 to 63.

Workforce engagement

We have an experienced, diverse and dedicated workforce which we recognise as a key asset of our business. At Bunzl, we understand that the employee voice can increase collective learning and that, when employees feel safe to voice concerns and contribute honestly to decision making processes, the natural diversity within the Group can be better leveraged, which optimises decision making.

Throughout the year, we continued to invest time and resources in communicating with our people and ensuring that the employee voice is heard by the Board. While the directors were unable to visit many of the Group's locations in person during 2020 as a result of Covid-19, they were able to engage with employee representatives from across the Group by way of virtual employee forums and, in doing so, were able to hear their views and gain valuable insights into the matters affecting our people the most.

Bunzl is a global business with operations in multiple locations and our employees fulfil a broad range of roles with many different perspectives. It is therefore essential that our engagement methods suit the nature of our business and our workforce. We strongly believe that this holistic approach to engagement is the most effective method and allows the Board to understand, monitor and assess the culture of the business and its alignment with the Company's purpose, values and strategy. Further information concerning how the Board monitors culture can be found later in this report and details of the actions taken in respect of workforce engagement can be found on page 61 and in the Sustainability report on page 47.

The following reports set out how we have applied the principles of the Code during the year and how we have aligned these to our strategic plans and the interests of our stakeholders. The Board will continue to monitor the corporate governance agenda and seek to strengthen further and where necessary adapt our governance processes to ensure that we remain at the forefront of best practice.

Peter Ventress
Chairman
1 March 2021

UK Corporate Governance Code compliance statement

It is the Board's view that, for the year ended 31 December 2020, with the exception of provision 38 which states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce, the Company has been fully compliant with all of the relevant principles and provisions set out in the Code. As announced on 30 March 2020, the Company has agreed a programme of reductions which will bring the cash allowance in lieu of pension contributions for the Company's Chief Executive Officer in line with the wider workforce by the beginning of 2023. Further information concerning the Company's approach to pension contribution rates for executive directors can be found on page 122 of the Directors' remuneration report. The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the Financial Conduct Authority's Listing Rules and to report if it does not reflect such compliance. No such report has been made.

Employee engagement statement

Employee involvement in the Company's performance is encouraged through a variety of different means, including the operation of all employee share plans, bonus and commission schemes and other incentive arrangements. The Board regards employee engagement as a matter of the utmost importance and, during the year, the directors were involved in a number of different initiatives aimed at further enhancing their understanding of the views and interests of Bunzl's employees. More information about these initiatives and the relevance of such engagement in the context of the Company's strategy can be found on page 61 and in the Sustainability report on pages 42 to 59. Further information concerning the arrangements in place to communicate and consult with Bunzl's employees can also be found in the Sustainability report and in the Other statutory information section on page 142.

Engagement with suppliers, customers and other stakeholders

Understanding the views of the Company's stakeholders is a key priority for the Board and Bunzl as a whole. It helps to focus the Company's resources, engagement and reporting activities by addressing those issues that matter most to the Group's businesses and to the Company's wider stakeholders. Fostering strong business relationships is an intrinsic part of the Company's long established, consistent, proven and successful compounding strategy and a key consideration in all decision making. More information about Bunzl's engagement with its suppliers, customers and wider stakeholder groups can be found on pages 60 to 63 and in the Sustainability report on pages 42 to 59.

Board composition

As at 31 December 2020, the Board was made up of eight members comprising a Chairman, a Chief Executive Officer, a Chief Financial Officer and five non-executive directors.

Brief biographical details of the current directors are given on pages 92 and 93 and further information on the Nomination Committee's approach to succession planning can be found in its report on pages 104 to 107.

None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board and all of them are considered by both the Board and the criteria set out in the Code to be independent. Each of the non-executive directors is considered to have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses. In accordance with the terms of the Code, each of the directors in office at the date of this Annual Report will be subject to re-election at the forthcoming AGM.

Board activity in 2020

The high calibre of debate and the participation of all executive and non-executive directors in meetings allows the Board to utilise the experience and skills of the individual directors to their maximum potential and make decisions that are in the best interests of the Company, for the benefit of all stakeholders.

The Board meets formally at least seven times a year and normally at least two of these meetings are held at or near Group locations around the world where the directors have the opportunity to meet and interact with employees from different businesses within the Group's portfolio as well as observe the operations in situ. Due to Covid-19, most of the Board and Committee meetings that took place during 2020 were held virtually. While the directors always welcome the opportunity to visit and experience different parts of the business in person, the virtual meetings were highly effective and afforded the directors the opportunity to interact with employees from multiple locations across the Group.

Bunzl's overall strategy is reviewed and discussed both at a separate strategic planning meeting and during Board meetings held over the course of the year. As part of this strategic planning process, presentations are made by the Chief Executive Officer, the Chief Financial Officer and the heads of the business areas, together with the Director of Corporate Development. During 2020, in addition to the discussions relating to the Group's strategy that took place during the year, a number of the Group's executives made presentations to the Board about a variety of diverse topics. These included reviews of and updates on business performance, potential acquisition opportunities, the post-acquisition performance of businesses acquired in prior years, the Group's financing facilities and treasury policies, the Group insurance programmes, tax risks and strategy, the Group risk assessment, information security risks and controls, digital initiatives, supplier audits carried out, recent developments in sustainability matters, whistle blowing reports and health & safety performance metrics.

A key area of focus during the year was the global spread of Covid-19. In addition to the scheduled Board meetings, a number of adhoc meetings were held to consider further the effect of the pandemic on Bunzl's employees and other stakeholders and the impact on the Group's operating and financial performance. The Board also considered the implications of Covid-19 for the Group's liquidity arrangements and, in order to further diversify and strengthen the funding sources of the Group, approved the establishment by Bunzl Finance plc of a £1 billion Euro Medium Term Note Programme which is listed on the International Securities Market of the London Stock Exchange and which is guaranteed by Bunzl plc.

Due to the heightened macroeconomic uncertainty caused by Covid-19, the Board also took the decision not to propose a final dividend for the year ended 31 December

2019 at the Company's 2020 AGM. However, following a better than expected trading performance during the first half of the year, the Board decided to reinstate the final dividend as an additional interim dividend for the year ended 31 December 2019, to be paid in 2020, at the same level as originally proposed (35.8p). In addition, the Board, Executive Committee and business area managing directors also took a 20% reduction in fees/base salary during the second quarter of 2020 to help support the business. Further information concerning the Company's response to Covid-19 can be found in the Strategic report on pages 6 and 7.

Sustainability and the actions being taken in furtherance of the Group's sustainability ambitions were also key areas of focus for the Board and were a standing agenda item at its meetings. More information about the sustainability matters that were considered by the Board during the year can be found in the Sustainability report on pages 42 to 59.

In addition, following the results of the information technology ('IT') and information security ('IS') internal audits undertaken in 2019, during the year the Board approved an IS risk assessment and IS standard and policy. The Board's continued oversight of the enhancement of the Company's approach to IT and IS risks will be particularly important as the Group progresses further with its digital ambitions.

During the year, the Board considered and approved the Nomination Committee's recommendations that Vanda Murray and Stephan Nanninga be re-appointed for a further three-year term.

Formal Board sessions were also held to focus on talent management and succession plans in respect of the senior leadership team. These sessions also considered broader topics such as leadership talent within the business areas and operating companies, young talent initiatives and diversity. In addition, during 2020 Board members interacted with high potential leadership talent and actively supported diversity initiatives across the Group. Further details of these activities can be found in the Sustainability report on pages 46 and 47.

The Board calendar is planned to ensure that the directors discuss a wide range of topics throughout the year and the Board has formally adopted a schedule of matters which are required to be referred to it for decision. A non-exhaustive list of such matters can be found on page 98.

HOW WE MONITOR CULTURE

Meetings

The table below sets out directors' attendance at the seven scheduled Board meetings held during 2020. Additional meetings of the Board were also held as and when circumstances required it to meet at short notice.

	Meetings attended
Philip Rogerson[1]	3
Peter Ventress	7
Frank van Zanten	7
Richard Howes	7
Eugenia Ulasewicz[2]	3
Vanda Murray	7
Lloyd Pitchford	7
Stephan Nanninga	7
Vin Murria[3]	4
Maria Fernanda Mejía[4]	0

1. Philip Rogerson retired as a director on 15 April 2020 having attended all of the Board meetings held between 1 January 2020 and that date.
2. Eugenia Ulasewicz retired as a director on 15 April 2020 having attended all of the Board meetings held between 1 January 2020 and that date.
3. Vin Murria was appointed as a director on 1 June 2020 and attended all of the Board meetings held between that date and the end of the year.
4. Maria Fernanda Mejía was appointed as a director on 23 December 2020. No Board meetings were held between that date and the end of the year.

Governance structure

The Board has ultimate responsibility for the overall leadership of the Group. To ensure the directors maintain overall control over strategic, financial, operational and compliance issues, the Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for consideration. Further details of the matters reserved for the Board can be found below.

The Board has established three Committees, all of which comply with the provisions of the Code and play an important governance role through the detailed work they carry out to fulfil the responsibilities delegated to them. Briefing papers are prepared and circulated to Committee members in advance of each meeting. Further information relating to the Board Committees is set out below and in the Committee reports which follow this Corporate governance report.

Board

Nomination Committee

Chairman
Peter Ventress

Members
Frank van Zanten
Vanda Murray
Lloyd Pitchford
Stephan Nanninga
Vin Murria
Maria Fernanda Mejía

Key responsibilities
Reviews the structure, size and composition of the Board with regard to diversity and to ensuring a balance of skills, knowledge and experience.

For more information see pages 104 to 107 →

Audit Committee

Chairman
Lloyd Pitchford

Members
Vanda Murray
Stephan Nanninga
Vin Murria
Maria Fernanda Mejía

Key responsibilities
Reviews and monitors the integrity of the Company's financial reports, risk processes and internal controls and the effectiveness of the internal audit function and external auditors.

For more information see pages 108 to 113 →

Remuneration Committee

Chair
Vanda Murray

Members
Lloyd Pitchford
Stephan Nanninga
Vin Murria
Maria Fernanda Mejía

Key responsibilities
Determines the policy for executive director remuneration and sets all elements of the remuneration and benefits of the Chairman, executive directors and senior management.

For more information see pages 114 to 139 →

Matters reserved for the Board

The table below summarises some of the matters which are required to be brought to the Board for consideration:

Shareholders

- Matters requiring shareholder approval.
- Circulars and significant shareholder communications.

Capital allocation and structure

- Significant capital expenditure/disposals.
- Significant business acquisitions/disposals.
- Material changes to the Group's capital structure.
- Major property leases.
- Material increases in borrowing and loan facilities.

Policies and statements

- Material Group policies and statements and major changes thereto, for example:
  - tax strategy;
  - treasury policy;
  - modern slavery statement;
  - equality and diversity policy; and
  - risk appetite.

People and leadership

- Appointment/removal of directors and Company Secretary.
- Non-executive directors' remuneration.
- Board Committee constitution and terms of reference.

Strategy and management

- The Group's strategic aims and objectives.
- Annual budget and strategic plan.

Financial reporting, risk and controls

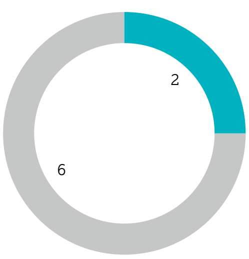
- Financial results and announcements relating thereto.
- Final and interim dividends.
- Auditor appointment/removal.
- Risk management and internal controls.

Board roles and responsibilities

The following table summarises the role and responsibilities of the different members of the Board:

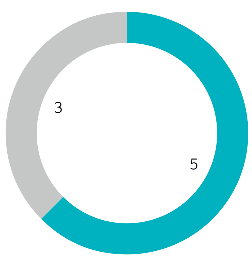
Role	Responsibilities	
Chairman	The primary job of the Chairman is to be responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman: • takes overall responsibility for the composition and capability of the Board and its Committees; • consults regularly with the Chief Executive Officer and is available on a flexible basis to provide advice, counsel and support to the Chief Executive Officer; and • ensures corporate governance is conducted in accordance with current best practice, as appropriate to the Group. The Chairman is also viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders.	There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which is set out in writing and has been agreed by the Board.
Chief Executive Officer	The Chief Executive Officer is responsible for the leadership and the operational and performance management of the Company within the strategy agreed by the Board. The Chief Executive Officer: • manages the executive directors and the Group's management and day-to-day activities; • prepares and presents to the Board the strategy for growth in shareholder value; • sets the operating plans and budgets required to deliver the agreed strategy; • ensures that the Group has in place appropriate risk management and control mechanisms; and • communicates with the Company's shareholders and analysts on a day-to-day basis as necessary. The Chief Executive Officer is also the designated member of the Board responsible for environmental, social and governance matters and reports to the Board in relation to such matters.	
Chief Financial Officer	The Chief Financial Officer supports the Chief Executive Officer and is responsible for managing the Group's funding strategy, financial reporting, risk management and internal controls, investor relations programme and the leadership of the finance function.	
Senior Independent Director	A key role of the Senior Independent Director is to be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate. The Senior Independent Director is also available to the other directors should they have any concerns which are not appropriate to raise with the Chairman or which have not been satisfactorily resolved by the Chairman.	
Independent non-executive directors	The non-executive directors play an important role in corporate governance and accountability through both their attendance at Board meetings and their membership of the various Board Committees. The non-executive directors bring a broad range of business and financial expertise and experience to the Board which complements and supplements the experience of the executive directors. This enables them to offer strategic guidance, evaluate information provided and constructively challenge management's viewpoints, assumptions and performance.	

Executive and non-executive directors



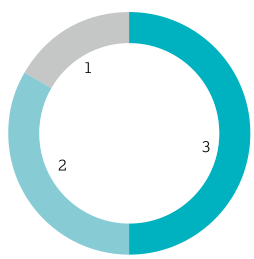
■ Executive
■ Non-executive (includes Chairman)

Board gender



■ Male
■ Female

Non-executive director tenure



■ 0 – 3 years
■ 3 – 6 years
■ 6+ years

Performance evaluation

A well-functioning Board of directors needs diversity of experience and perspectives and the Chairman is responsible, with support from the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, knowledge, experience and diversity and that directors have sufficient time available to discharge their duties effectively. In furtherance of this, the Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. In addition, any additional significant external appointments are subject to Board approval prior to such appointments being undertaken by a director.

The Code requires that the evaluation of the Board and its Committees be externally facilitated at least every three years. As mentioned at the start of this report, a comprehensive external evaluation was carried out for the year ended 31 December 2020. The facilitator of the external evaluation, Lintstock, does not provide any other services to, or have any other connection with, the Company.

During the evaluation process, interviews were conducted with every Board member and the Company Secretary, according to a set agenda tailored for the Board, which had been agreed with the Chairman and the Company Secretary. Following the evaluation, a report was prepared by Lintstock and the recommendations set out therein were considered by the Board and shared with each Committee. A number of key priorities to improve the Board's performance further were subsequently agreed and any progress in respect of such priorities will be reported on formally in next year's Annual Report. Details of the priorities identified as part of the evaluation that was carried out in 2020 can be found below.

Key priorities identified during 2019	Examples of action taken	Outcome
1. Managing the sustainability agenda which, while potentially a threat to the Company's business, is also seen as a potential opportunity.	Sustainability matters discussed regularly at Board meetings. Details of the sustainability topics discussed by the Board in 2020 include the launch of the new Group sustainability framework, the undertaking of Bunzl's first sustainability materiality assessment, the development of a new climate change strategy and the publication of the Company's first Task Force on Climate-related Financial Disclosures Index. Further information on the sustainability matters considered by the Board during the year can be found on page 59 of the Sustainability report.	The Board is satisfied that the priorities identified following the evaluation carried out in 2019 have been adequately addressed during 2020.
2. Continuing to focus on the threats and opportunities presented by digital and technological developments, including those relating to artificial intelligence.	Approval of an information security risk assessment and information security standard and policy. Presentations made to the Board concerning information technology and information security matters, including in relation to the use of technology to identify critical customer facing vulnerabilities. Regular updates provided to the Board in respect of the digital capabilities being employed by Group businesses and the initiatives being undertaken to accelerate digital transformation across the Group.	
3. Continuing to focus on talent management and development with a view to developing further the succession plans for the Company's senior management team.	Formal Board sessions held at least twice a year to focus on the topic of talent and leadership succession. Increasingly, these sessions review in detail the succession plans to the senior leadership team, as well as broader topics such as leadership talent within business areas and operating companies, young talent initiatives and diversity. More informal discussions on talent are held between Board meetings. Board members have regular opportunities to interact with high potential leadership talent, for example listening sessions with the participants of business area programmes, such as the 'Accelerate' programme in Australia. Board members have actively supported diversity initiatives across the Group, for example one of the Company's female non-executive directors held a virtual discussion and Q&A session with a group of high potential female managers in the UK.	

Key priorities identified during 2020	
1. Monitoring the progress being made in key strategic pillars, most notably sustainability, digitalisation, people and growth.	As a result of the performance evaluation process carried out in 2020, the Board concluded that both it and its Committees are operating effectively.
2. Focusing on longer term strategy and trends.	
3. The post Covid-19 transition, including returning to face-to-face meetings and site visits.	
4. Finalising non-executive recruitment, with a particular focus on diversity, experience in North America and expertise in the fields of sustainability and technology.	

Q&A

with Vin Murria Non-executive director

What do you think are the main challenges faced by company boards and how do you think such challenges can be overcome?

Balancing stakeholder interests is a challenge that affects most, if not all, boards. It is not always possible to achieve a positive outcome for everyone concerned, which means that, often, trade-offs must be made. I believe that one of the critical elements to dealing with such circumstances is for the board, as a whole, to consider the interests of all of the stakeholders that may be impacted by a particular decision and to ensure that the directors act fairly as between such groups.

How has the Board had to adapt over the past year?

The Board has adapted extremely well to holding virtual meetings and has acted collaboratively, quickly and decisively in response to evolving legislation and government guidance. Board discussions have also developed in reaction to the pandemic, with an enhanced focus on Bunzl's stakeholders, including increased engagement with our employees who have withstood the unprecedented challenges faced this year.

How important do you think culture is for a business?

A healthy corporate culture is essential for value creation and long term business success as it ensures that everyone is pulling in the right direction to achieve the Company's purpose. A strong corporate culture commands trust and confidence in the business, which can be key sources of competitive advantage and can help a company to navigate difficult periods, such as the pandemic we are currently experiencing. Monitoring the culture of a company is a continuous process which I believe has long term benefits for the business and its stakeholders.

What do you think you bring to the role?

I have considerable experience setting up and running companies and have also held and continue to hold non-executive positions outside of Bunzl. I therefore understand the position of the executives and management and the challenges they face, as well as the supervisory role that is required from a non-executive director. I believe that this allows me to provide the appropriate level of support and constructive challenge to management. In addition to my experience working in entrepreneurial, decentralised businesses, I also have considerable knowledge of, and experience working in, the digital and technology sectors which I believe will prove useful as Bunzl seeks to expand and develop its digital and technological capabilities in the future.

Led by the Senior Independent Director, the non-executive directors also meet without the Chairman present at least annually to appraise the Chairman's performance, including a review of his other commitments to ensure that he is able to allocate sufficient time to the Company to discharge his responsibilities effectively. The Chairman also periodically holds meetings with the non-executive directors without the executive directors present. All of these processes were carried out satisfactorily during the year.

Information and support

Board agendas are set by the Chairman in consultation with the Chief Executive Officer and with the assistance of the Company Secretary, who maintains a rolling programme of items for discussion by the Board to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time.
The Board is supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. To enable informed decision making, briefing papers are prepared and circulated to directors approximately one week before the scheduled Board meeting. All directors have access to the advice and services of the Company Secretary who is tasked with ensuring that Board procedures are complied with and the Board is fully briefed on relevant legislative, regulatory and corporate governance developments. Directors may also take independent professional advice at the Company's expense where they judge this to be necessary in the furtherance of their duties to discharge their responsibilities as directors.

Induction, training and development

Upon appointment, all new directors undertake an induction programme which is designed to facilitate their understanding and awareness of the Group's businesses, people and processes and of their roles and responsibilities as directors of the Company. The induction programme is tailored to each director's individual needs and normally includes meetings with senior management and visits to some of the Group's locations. New directors also receive a detailed information pack which includes details of directors' duties and responsibilities, procedures for dealing in Bunzl plc's shares and a number of other governance related issues.

Following their appointments to the Board on 1 June 2020 and 23 December 2020 respectively, Vin Murria and Maria Fernanda Mejía were provided with a comprehensive suite of resources containing detailed information about the Group and virtual meetings were arranged with a number of the executive management team. Although so far it has not been possible for them to visit Bunzl's Group locations in person as a result of Covid-19, Vin Murria has been able to interact with employees and senior managers from across the Group by way of virtual meetings and workshops and similar opportunities will be afforded to Maria Fernanda Mejía during 2021. This engagement will enable both Vin Murria and Maria Fernanda Mejía to gain a valuable and comprehensive understanding of the Group's operations and the strategic priorities of the different businesses. Site visits will be planned as soon as it is safe to do so and will provide the new directors with the opportunity to enhance further their understanding of the Group's businesses and the environments in which they operate and witness Bunzl's operations in situ.

The Board believes good decision making is enabled by a deep understanding of the Group's operations and people. During the course of the year, directors receive training and presentations to keep their knowledge current and enhance their experience. They are updated continually on the Group's businesses and their markets and the changes to the competitive and regulatory environments in which they operate. In addition, the Board is kept informed of relevant legal, regulatory and financial developments or changes by the Company Secretary and the Chief Financial Officer. The Company's legal advisers and auditors are also invited to give presentations and training to the Board on any specific topics of interest.

Training and development needs of the Board are kept under review and directors attend external courses where it is considered appropriate for them to do so.

Conflicts of interest

The directors are required to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit.

Directors are required to give notice of any potential situational and/or transactional conflicts which are then considered by the Board and, if deemed appropriate, authorised accordingly. A director is not however permitted to participate in such considerations or to vote in relation to their own conflicts.

The Board has considered and authorised a number of potential situational conflicts all of which relate to the holding of external directorships and have been entered on the Company's conflicts register. No actual conflicts have been identified during the year. The Board considers that these procedures operate effectively.

Financial and business reporting

The responsibilities of the directors in respect of the preparation of the Group and parent company financial statements are set out on page 201 and the auditors' report on pages 202 to 211 includes a statement by the external auditors about their reporting responsibilities. As set out on page 83, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The process of preparing the Annual Report has included the following:

- comprehensive reviews undertaken at different levels of the Group in order to ensure the accuracy, consistency and overall balance of the Annual Report; and
- procedures to verify the factual accuracy of the Annual Report.

The Board considered whether the 2020 Annual Report, taken as a whole, was fair, balanced and understandable and provided sufficient information to enable the reader to assess the Group's position and performance, business model and strategy. In carrying out its review, the Board considered the information and assurance provided by the ongoing work of the internal audit department, the reviews conducted by the external auditors in relation to both the half year and full year results, the Board's understanding of the Group's business and the information provided by the senior executive management team. The Board also took account of the preparation and verification processes that had been undertaken, including the review that had been carried out by one of the Company's senior executives who had not been involved in the Annual Report's preparation. As a result of its deliberations the Board concluded that, taken as a whole, the 2020 Annual Report is fair, balanced and understandable.

Risk management and internal control

The directors acknowledge that they have overall responsibility for identifying, evaluating, managing and mitigating the emerging and principal risks faced by the Group and for monitoring the Group's risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with the Code and the related guidance, the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives (its 'risk appetite'). The directors confirm that such procedures have been in place for the year ended 31 December 2020 and up to the date of approval of these financial statements and that the Group's risk management and internal control systems have been monitored during the year.

Further information about the Group's approach to risk management and the principal risks and uncertainties facing the Group can be found on pages 64 to 74. A summary of the principal control processes and procedures in place to manage such risks is set out below.

The Board has delegated to an Executive Committee, consisting of the Chief Executive Officer, Chief Financial Officer and other functional managers, the initial responsibility for identifying, evaluating, managing and mitigating the risks facing the Group and for deciding how these are best managed, as well as responsibility for establishing a system of internal control appropriate to the business environments in which the Group operates. The principal features of this system include:

- a procedure for monitoring the effectiveness of the internal control system through a tiered management structure with clearly defined lines of responsibility and delegation of authority;
- clearly defined authorisation procedures for capital investment and acquisitions;
- strategic plans and comprehensive budgets which are prepared annually by the business areas and approved by the Board;
- formal standards of business conduct (including code of conduct, anti-bribery and corruption and whistle blowing policies) based on honesty, integrity, fair dealing and compliance with the local laws and regulations of the countries in which the Group operates;
- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses;
- a well-established consolidation and reporting system for the statutory accounts and monthly management accounts; and
- detailed manuals covering Group accounting policies and policies and procedures for the Group's treasury operations supplemented by internal control procedures at a business area level.

Some of the procedures carried out in order to monitor the effectiveness of the internal control system and to identify, manage and mitigate business risk are listed below:

- central management holds regular meetings with business area management to discuss strategic, operational and financial issues including a review of the principal risks affecting each of the business areas and the policies and procedures by which these risks are managed;
- the Executive Committee reviews the outcome of the discussions held at business area meetings on internal control and risk management issues;
- the Board in turn reviews the outcome of the Executive Committee discussions on internal control and risk management issues, which ensures a documented and auditable trail of accountability;
- each business area, the Executive Committee and the Board carry out an annual fraud risk assessment;
- actual results are reviewed monthly against budget, forecasts and the previous year and explanations are obtained for all significant variances;
- all treasury activities, including in relation to the management of foreign exchange exposures and Group borrowings, are reported and reviewed monthly;
- the Group's bank balances around the world are monitored on a weekly basis and significant movements are reviewed centrally;
- the internal audit department periodically reviews individual businesses and procedures, makes recommendations to improve controls and follows up to ensure that management implements the recommendations made. The internal audit department's work is determined on a risk assessment basis and its findings are reported to Group and business area management as well as to the Audit Committee and the external auditors;
- an annual self-assessment of the status of internal controls measured against a prescribed list of minimum standards is performed by every business and action plans are agreed where remedial action is required;
- the Audit Committee, which comprises all of the independent non-executive directors of the Company, meets regularly throughout the year. Further details of the work of the Committee, which includes a review of the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system, are set out in the Audit Committee report on pages 108 to 113;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- management committees, known as the Group Sustainability Committee, the Environment, Health & Safety Committee and the Supply Chain Committee which oversee issues relating principally to environment, health & safety and business continuity planning matters, set relevant policies and practices and monitor their implementation;
- health & safety risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out; and
- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers.

The directors confirm that they have reviewed the effectiveness of the Company's risk management and internal control systems in operation during 2020.

The external auditors are engaged to express an opinion on the financial statements. The audit includes a review and evaluation of the system of internal financial control and the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

Assessment of the prospects of the Company and its viability statement

In accordance with provision 31 of the Code, details of how the directors have assessed the prospects of the Company, over what period the prospects have been assessed and the Company's formal viability statement are included in the Strategic report on page 74.

By order of the Board

Suzanne Jefferies
Secretary
1 March 2021

NOMINATION COMMITTEE REPORT

'The Committee is acutely aware of the benefits of diversity and inclusion in all its forms, at Board level and throughout the Group. We aim to have the right people focused on the things that really matter, in order to deliver our strategy and sustainable long term value for our stakeholders.'

Peter Ventress
Chairman and Chairman of the Nomination Committee

Principal responsibilities of the Committee

Board structure

- Reviewing the structure, size and composition of the Board with regard to maintaining a balance of skills, experience, knowledge and diversity.

Succession

- Considering succession planning, taking into account the challenges and opportunities facing the Company and the skills and expertise required by the Board and senior management in the future.
- Reviewing annually a succession planning presentation in relation to the Company's senior management.

Appointments

- Identifying and nominating appropriate individuals to fill Board vacancies as they arise.
- Approving the appointment of any senior executive who is to report directly to the Chief Executive Officer.
- Making recommendations to the Board as to the continuation in office and/or re-appointment of directors.

Evaluation

- Considering the commitment required of non-executive directors and reviewing their performance.

Meetings

The table below sets out directors' attendance at the four scheduled Committee meetings held during 2020.

	Meetings attended
Philip Rogerson[1]	2
Peter Ventress	4
Frank van Zanten	4
Eugenia Ulasewicz[2]	2
Vanda Murray	4
Lloyd Pitchford	4
Stephan Nanninga	4
Vin Murria[3]	2
Maria Fernanda Mejía[4]	0

1. Philip Rogerson retired as a director on 15 April 2020 having attended all of the Committee meetings held between 1 January 2020 and that date.
2. Eugenia Ulasewicz retired as a director on 15 April 2020 having attended all of the Committee meetings held between 1 January 2020 and that date.
3. Vin Murria was appointed as a director on 1 June 2020 and attended all of the Committee meetings held between that date and the end of the year.
4. Maria Fernanda Mejía was appointed as a director on 23 December 2020. No Committee meetings were held between that date and the end of the year.

Introduction from Peter Ventress

I am pleased to present the Committee's report for the financial year ended 31 December 2020 which highlights some of the key areas considered by the Committee during the year. This is my first report as Chairman of the Committee following my appointment at the conclusion of the Company's 2020 AGM.

The development and execution of an appropriate strategy, creation of a supporting culture and promotion of guiding behaviours to ensure responsible and measured decision making are all underpinned by balanced and effective leadership. As a Committee, one of our principal responsibilities is to ensure that this is in place in respect of the Board and senior management and that the Board has the necessary skills, experience and attributes to enable the Group to fulfil its purpose and deliver its current and future strategic objectives. It is also our responsibility to ensure that robust succession and development plans support this going forward, while at the same time ensuring that all relevant principles and provisions of the UK Corporate Governance Code (the 'Code') concerning Board composition and structure continue to be met.

Throughout the year, the Committee continued its efforts to strengthen the Board's composition further by seeking to recruit new non-executive directors. This process, further details of which can be found in the report that follows, led to the successful appointment of Vin Murria and Maria Fernanda Mejía as non-executive directors on 1 June 2020 and 23 December 2020 respectively. Further information concerning the new directors, including their skills and experience, as well as the other Board changes that took place during the year, can be found later in this report and in the Corporate governance report on page 94.

The need to refresh the Board but at the same time maintain a knowledgeable and experienced team of non-executive directors is essential and is something that we have continued to address in our succession planning discussions. As well as the new appointments to the Board, during the year the Committee also recommended to the Board the re-appointment of Vanda Murray and Stephan Nanninga as non-executive directors for further three year terms. Prior to making its recommendations to the Board, the Committee undertook a review of the directors' performance, independence and objectivity. The review process in respect of Vanda Murray was particularly rigorous in recognition of the fact that she had already served two three year terms on the Board.

As part of its deliberations, the Committee had regard to the composition of the Board and the skills, experience and expertise of its membership to ensure that it had the variety of perspectives and skills needed to help the Company achieve its strategic aims. The directors' performance and ability to contribute effectively to Board discussion and to challenge the performance of management were also considered, together with their other mandates and their ability to devote sufficient time to their duties at Bunzl. After careful consideration, the Committee concluded that both Vanda Murray's and Stephan Nanninga's contributions to Board and Committee discussions and debates remained both desirable and valuable and the Committee was unanimous in its decision to recommend their respective re-appointments to the Board.

Succession planning within Bunzl is a continuous and proactive process and arrangements are in place to ensure that changes to the membership of the Board are well managed. Throughout the year, the Committee has maintained its focus on Bunzl's executive talent pipeline and senior management succession plans, reflecting the Board's responsibility to ensure that appropriate plans have been implemented. Looking ahead, long term succession planning at Board and senior management level will remain a key priority of the Committee and diversity, in its widest sense, will continue to be an important factor in identifying candidates.

The Committee continues to monitor the evolving governance landscape and the Company's ability to meet the ambitions it has in promoting inclusion and diversity, in all its forms, throughout the business. We believe that a diverse workforce benefits from a breadth of perspective and debate which, in turn, aids decision making and all of the activities set out in this report were conducted within the context of our firm commitment to enhancing further inclusion and diversity across the Group. The Committee, alongside the Board, is also very aware of the benefits of diversity at Board level and in senior management, in terms of gender, ethnicity and more broadly, in order to avoid 'group think' and is pleased with the progress that has been made in this area during 2020 with the appointment of Vin Murria and Maria Fernanda Mejía to the Board and Suzanne Jefferies to the Executive Committee. The Board believes that a wide range of experience, background, perspective, skills and knowledge contribute towards a high performing, effective Board, which is better able to support and direct the business. We will continue to monitor the balance of the Board to ensure that broad and extensive expertise is continuously available so that the Company can continue to be led effectively both in the present and the future.

In order to ensure that the Committee remains effective, an evaluation of the performance of the Board and the Committees is undertaken every year. In accordance with the requirements of the Code and the associated guidance, an independent, externally facilitated review is undertaken at least every three years. The last evaluation, which was externally facilitated, was performed in 2020 and concluded that the Board members considered the Committee to be thorough and fully effective in fulfilling its responsibilities. Further information concerning the performance evaluation process and the key priorities identified following the review in 2020 can be found in the Corporate governance report on page 100.

By providing an overview of the Committee's role and a meaningful insight into its activities during the past year, this report demonstrates how the Committee has discharged its responsibilities effectively and I hope that you will find it useful in understanding the work that we have undertaken.

Peter Ventress
Chairman and Chairman of the Nomination Committee
1 March 2021

Composition

The Nomination Committee comprises the Chairman of the Company, who chairs the Committee (unless the Committee is dealing with the matter of succession of the Chairman of the Company), the Chief Executive Officer and all of the independent non-executive directors. In accordance with the provisions of the Code, the majority of the members are independent non-executive directors. The Secretary to the Committee is the Company Secretary.

Role

The Committee's principal role is to lead the process for appointments to the Board, whether to fill any vacancies that may arise or to change the number of Board members, ensure plans are in place for orderly succession to both the Board and senior management positions and oversee the development of a diverse pipeline for succession. The senior management succession plans take into account the views of all Board members to ensure the plans encompass the benefit of all their skills and experience.

It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness. The Committee meets as necessary throughout the year to discharge its responsibilities. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2020 but remain unchanged, are available on the Company's website, www.bunzl.com.

Activities

Recruitment

Following a rigorous recruitment process undertaken in 2019, Peter Ventress was appointed as a non-executive director and Chairman designate from 1 June 2019 and became Chairman following Philip Rogerson's retirement at the conclusion of the Company's AGM on 15 April 2020. In addition, Richard Howes joined the Company as Chief Financial Officer designate on 1 September 2019 and was appointed as Chief Financial Officer and an executive director on 1 January 2020 following Brian May's retirement from the Board on 31 December 2019. Full details of the recruitment processes undertaken were disclosed in the Company's Annual Report 2019 which is available on the Company's website, www.bunzl.com.

During the year, the Committee undertook, with the assistance of Russell Reynolds Associates, an extensive search and selection process to recruit two further non-executive directors. Russell Reynolds Associates does not provide any other services to, or have any connection with, the Company or individual directors. The Committee spent a considerable amount of time considering the required and desirable skills and experience that the new non-executive directors should have and subsequently agreeing the relevant search criteria. Through its Board succession planning, the Committee had identified the need to enhance further the digital, marketing and branding skills and experience on the Board to support the development of the Group's strategy and promote diversity of thought. The Board also focused on candidates with substantial experience in North America due to the scale of Bunzl's operations in this area. It was also deemed important that the behaviours and values of any prospective directors were aligned to the values and culture of the Group. A number of potential candidates were identified and, following further consideration of the candidates' individual attributes, skill sets, knowledge and experience in the areas that were being sought to enhance on the Board, the Committee concluded that recommendations to appoint Vin Murria and Maria Fernanda Mejía as non-executive directors should be put to the Board. Biographical details of all of the directors can be found on pages 92 and 93. An overview of an interview with Vin Murria can also be found on page 101.

On 1 October 2020, Paul Hussey retired as Company Secretary after more than 30 years at Bunzl and was succeeded by Suzanne Jefferies as Interim Company Secretary. A clear and detailed brief was developed for the position and an external search consultancy, Egon Zehnder, was appointed to assist in the recruitment process. In particular, the Committee was keen to identify potential candidates with the particular knowledge, capabilities and experience that were desired from the new Company Secretary. A shortlist of candidates was prepared and, following due consideration, a recommendation that Suzanne Jefferies, an internal candidate, be appointed as Interim Company Secretary was put to the Board. Egon Zehnder does not provide any other services to, or have any connection with, the Company or the individual directors.

Succession planning

The Committee recognises that having the right directors and senior management in place is fundamental to the Group's long term, sustainable success. In furtherance of this, a key responsibility of the Committee is to satisfy itself that a robust and rigorous succession planning process is in place, over both the medium and long term, to ensure that there is the right mix of skills and experience on the Board as the Company evolves.

In addition, the Committee continues to take an active interest in the quality and development of talent and capabilities below Board level and during the year the Chief Executive Officer presented his annual management succession plan to the Committee for its consideration. This process helps to ensure that high-performing individuals within senior management can be developed and nurtured in order to strengthen the succession pipeline further, while at the same time increasing diversity in senior roles across the Group.

The Committee embraces the importance of diversity and inclusion in all Board and senior management recruitment and challenges external search consultants where necessary to ensure that diversity of gender, social and ethnic backgrounds and cognitive and personal strengths is always considered in the selection of candidates. However, while taking these important considerations into account, the Committee will continue to recommend appointments to the Board based on merit and the individual skills and experience of each candidate.

Evaluation

During the year, the Committee reviewed and took account of the balance of skills, knowledge, experience and diversity of the Board, the time commitment expected of the non-executive directors and the conclusions of the formal performance evaluation process which was undertaken when considering and recommending the nomination of directors for re-election at the 2020 AGM. Further details concerning the Board evaluation process that was carried out during 2020, together with information on the key priorities identified as part of the review, can be found in the Corporate governance report on page 100.

Inclusion and diversity

The Board and the Committee's approach to inclusion and diversity in the composition of the Board and senior management is set out in the Board's diversity policy, which can be found below. The Board's diversity policy is reviewed regularly. Further information about the Company's approach to inclusion and diversity can be found on pages 46 and 47.

Diversity policy

Within the Group's businesses, the Board is committed to greater diversity, in its broadest sense, whether in terms of ideas, skills, knowledge, experience, education, gender, social and ethnic backgrounds, cognitive and personal strengths, or any other relevant measure.

When considering director appointments, one of the objectives is to maintain a diverse Board. While the Board will continue to follow a policy of ensuring that the best people are appointed for the relevant roles, based on merit by assessing candidates against objective criteria, the directors recognise the benefits of greater diversity and will take account of this when considering any particular appointment. However, the primary responsibility when making new appointments is to ensure the strength of the Board's composition. The overriding aim is to select and recommend the best candidate for the position, having regard to all of the different stakeholders that Bunzl has as a global organisation, while ensuring that the Board members are able to provide a range of perspectives, insights and challenge required to support effective decision making.

Looking beyond the Board to the Group's wider workforce, Bunzl is committed to treating people fairly and equally by accepting and embracing their diversity and ensuring there is an inclusive and positive working environment for all employees. For a number of years in the annual succession planning reviews, there has been a particular focus on diversity within the business areas and one of the key objectives is to ensure there are no barriers preventing talented people from succeeding. There is also a range of initiatives within the Group to help provide learning and development opportunities for female executives and to ensure unbiased career progression opportunities. The Board has formally approved an equality and diversity policy, which applies to the wider workforce of the Group. A copy of the policy can be found on the Company's website, www.bunzl.com.

Monitoring and reporting

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board, including the skills, knowledge, experience and diversity of the directors. It is also responsible for identifying and nominating appropriate individuals to fill Board vacancies as they arise. The Committee will report annually, in the Company's Annual Report, on the process followed in relation to any Board appointments made during the relevant period. The Board is responsible for keeping its diversity policy under review and making changes thereto when appropriate to do so.

AUDIT COMMITTEE REPORT

'Safeguarding stakeholder interests by ensuring the integrity of the Group's financial reporting, risk management and assurance processes continues to be one of the Committee's key priorities and providing appropriate oversight and challenge of the decisions and key judgements is a fundamental part of this.'

Lloyd Pitchford
Chairman of the Audit Committee

Principal responsibilities of the Committee

Financial reporting

- Monitoring and reviewing the integrity of the Group's financial results and the significant judgements contained therein.

Risk management and internal control

- Reviewing:
  - the Group's risk management processes, procedures and controls; and
  - the effectiveness of the Company's internal financial controls.

Internal audit

- Overseeing the Company's internal audit activities.
- Monitoring and reviewing the effectiveness of the internal audit function.

External audit

- Making recommendations to the Board in relation to the appointment/re-appointment/removal of the external auditors.
- Reviewing the Company's relationship with the external auditors and monitoring their independence and objectivity.
- Agreeing the scope, terms of engagement and fees for the statutory audit.
- Initiating and supervising a competitive tender process for the external audit as required from time to time.
- Developing and implementing a policy on the engagement of the external auditors to supply non-audit services.

Meetings

The table below sets out directors' attendance at the four scheduled Committee meetings held during 2020.

	Meetings attended
Lloyd Pitchford	4
Eugenia Ulasewicz[1]	1
Vanda Murray	4
Stephan Nanninga	4
Vin Murria[2]	3
Maria Fernanda Mejía[3]	0

1. Eugenia Ulasewicz retired as a director on 15 April 2020 having attended all of the Committee meetings held between 1 January 2020 and that date.
2. Vin Murria was appointed as a director on 1 June 2020 and attended all of the Committee meetings held between that date and the end of the year.
3. Maria Fernanda Mejía was appointed as a director on 23 December 2020. No Committee meetings were held between that date and the end of the year.

Introduction from Lloyd Pitchford

I am pleased to present the Audit Committee's report for the year ended 31 December 2020. This report is intended to provide an insight into the main activities and key areas of focus for the Committee during the year, together with an overview of how the Committee has discharged its responsibilities and provided assurance in respect of the integrity of the Company's Annual Report 2020.

Following the outbreak of Covid-19, the Group had to adapt certain business processes, including in respect of financial reporting, the completion of internal and external audits on a remote basis and a greater reliance on video technology for holding meetings. The Committee maintained regular dialogue with the management team throughout the year to ensure business processes and controls continued to operate effectively and the timely and accurate preparation of financial information. In addition, the Committee received an update from the external auditor in June 2020 as to how they were responding to the changes in business processes and the impact on the wider business environment.

The work of audit committees has never been more important, as stakeholders and regulators demand ever more informative and reliable reporting across a far broader spectrum of topics than just a company's results and financial position. During the year, a letter was received from the Conduct Committee of the Financial Reporting Council ('FRC') relating to its review of the Company's 2019 Annual Report and I am pleased to report that no questions or queries were raised. The letter included suggestions concerning areas where the FRC believes users of the accounts would benefit from minor improvements to the Company's existing disclosures. These suggestions have been considered in preparing this Annual Report. The Company recognises that the FRC's review was based on a review of its Annual Report for the year ended 31 December 2019 and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. The FRC's review provides no assurance that the Company's Annual Report is correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

The Audit Committee plays a prominent role in establishing and maintaining 'deserved confidence' in the Company. Its work is pivotal in ensuring the robustness of the Group's risk management activities and internal control environment, thereby safeguarding the integrity of the financial reporting process. During the year, we continued to discharge our duties effectively and to the highest standards, providing appropriate challenge and oversight of the decisions, assumptions and key judgements made by management to ensure that stakeholder interests are protected. I believe that this, together with the Board's efforts in harnessing and promoting a strong, risk focused culture, play an essential role in assuring the long term viability of the Company.

The significant accounting matters considered by the Committee in relation to the 2020 financial statements were the accounting for business combinations, the carrying value of goodwill and customer relationships intangible assets, defined benefit pension schemes, taxation and, in light of the Covid-19 pandemic, inventory and receivables provisions. As part of this work, the Committee undertook an in-depth review of the Weighted Average Cost of Capital to be applied across the Group, with input being received from management and external advisers. The above mentioned significant accounting matters are discussed in detail in the report that follows. The Committee is satisfied that these matters have been properly recorded in the Company's books and records and accounted for appropriately.

Areas of focus

A key area of focus throughout 2020 has been the impact of the Covid-19 pandemic across accounting, financial reporting and internal control related matters. As part of this, the Committee discussed the implications for the audit plans and audit procedures for the year ended 31 December 2020 with the Head of Internal Audit and Risk and separately the external auditors and were satisfied that they were appropriate.

During the year the Committee reviewed the process for the identification and mitigation of key business and emerging risks, including in relation to changes in the external regulatory and political environment, such as the possible impact of Brexit on the Group's risk management activities and the global spread of Covid-19. The Committee also continued its work in respect of monitoring and challenging, where appropriate, the Group's approach to information technology ('IT') and information security ('IS') risks and the work being undertaken by management to evolve and enhance further the Group's IT and IS controls. Further information on the Committee's activities in relation to risk management can be found later in this report.

In addition, the Committee considered the progress being made in addressing the points raised during the 2019 external quality assessment of the internal audit function.

Another area of focus for the Committee concerned management's use of Alternative Performance Measures ('APMs') which are designed to assist in the understanding of the Group's underlying financial performance. During the year the Committee considered the amendments made to the definitions of APMs and the disclosures included in the half yearly financial report and annual financial statements and concluded that the APMs were appropriate for monitoring the Group's underlying financial performance. Details of the Group's APMs are set out in Note 3 to the consolidated financial statements on page 158.

The Committee will continue to review its activities in the light of regulatory and best practice developments, particularly in the area of audit reform following the recent reviews by The Competition and Markets Authority, Sir Donald Brydon and Sir John Kingman and await further guidance from the FRC and the Department for Business, Energy & Industrial Strategy in relation to the implementation of changes proposed in these reviews.

Committee effectiveness

In order to ensure that the Committee remains effective, an evaluation of the performance of the Board and its Committees is undertaken every year. The last evaluation, which was externally facilitated, was performed in 2020 and concluded that the Board members considered the Committee to be thorough and effective in fulfilling its responsibilities. Further information concerning the performance evaluation process and the key priorities identified can be found in the Corporate governance report on page 100.

This report reflects the requirements placed on audit committees by the FRC's UK Corporate Governance Code (the 'Code') and applicable guidance, laws and regulations. The Code includes a number of provisions relating to the role and reporting requirements of audit committees and accordingly this report has been prepared in compliance with the relevant provisions of the 2018 edition of the Code which applied to the financial year ended 31 December 2020. In carrying out its duties, the Committee also operated in accordance with the recommendations set out in the FRC's Guidance on Audit Committees which was published in April 2016.

By providing an overview of the Committee's role and a meaningful insight into its activities during the past year, this report demonstrates how the Committee has discharged its responsibilities effectively. As Chairman of the Committee, I am committed to ensuring that the Committee's agenda is kept under review and remains abreast of relevant developments. I hope that you find this report informative and take assurance from the work that we have undertaken during the year.

Lloyd Pitchford
Chairman of the Audit Committee
1 March 2021

Composition

The Committee comprises all of the independent non-executive directors, who were appointed to the Committee by the Board following recommendations by the Nomination Committee. While the other directors, being the Chairman of the Company and the executive directors, are not members of the Committee, they normally attend Committee meetings by invitation together with the Head of Internal Audit and Risk, representatives from the external auditors and members of the Group finance team. The Secretary to the Committee is the Company Secretary.

All members contribute to the work of the Committee and bring an appropriate balance of financial and commercial acumen and experience in multinational organisations, combined with a good understanding of the Company's business and are therefore considered by the Board to be collectively competent in the sector in which the Company operates. Each Committee member brings valuable expertise to the role and has sufficient financial and risk management experience to enable them to identify and raise any concerns about internal controls, accounting judgements, reporting obligations and any other matter that is brought to the Committee's attention. As the serving Chief Financial Officer of Experian plc, the Chairman of the Committee, Lloyd Pitchford, is considered by the Board to have recent and relevant financial experience. The Committee members are of an independent mindset and bring a diversity of perspectives, knowledge and experience to the Committee's deliberations, which in turn ensures that the Committee is able to provide an appropriate amount of scrutiny, challenge and support to management. Independent thinking is an essential aspect of the Committee's role and is crucial in assessing the work of management and the assurance provided by the internal and external audit functions.

Role

The particular role of the Audit Committee is to act independently of management to ensure that the interests of shareholders are properly protected in relation to the Company's financial reporting and internal control arrangements and to provide appropriate oversight, review and challenge of the decisions and approach taken by management in respect of the content and disclosures within the Company's financial reports. There are a number of key aspects to this, including the use of appropriate accounting policies and practices and the implementation of a robust assurance framework. This framework comprises a number of important elements, including the Company's risk management and internal control systems, the internal and external audit functions and the regular reporting of the Company's performance against budgets, forecasts and prior year results.

The Committee ensures that the Company has effective governance over the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions and the management of the Group's systems of internal control and business risk management and related compliance activities. It also considers whether the disclosures made in the financial statements are set properly in context. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2020 but remain unchanged, are available on the Company's website, www.bunzl.com.

In the performance of its duties, the Committee has independent access to the services of the Company's internal audit function and to the external auditors and may obtain outside professional advice as necessary. Both the Head of Internal Audit and Risk and the external auditors have direct access to the Chairman of the Committee who held a number of meetings with each of them during the year outside formal Committee meetings. The Chairman of the Committee also liaises with the Chief Financial Officer as necessary to ensure robust oversight and challenge in relation to financial control and risk management.

The Committee's performance and effectiveness are reviewed annually by both the Committee and as part of the Board performance evaluation. The Chairman of the Committee also meets with each Committee member independently to ensure that their individual views about the operation of the Committee are taken into account.

Activities

The Committee has a structured rolling forward-looking planner, which is designed to ensure that its responsibilities are discharged in full during the year and to facilitate more in-depth reviews of those topics which are of particular importance or pertinence. This planner is developed with the Company Secretary and its content reviewed regularly with the executive directors, management and the external auditors and adapted, where necessary, to ensure that it meets the changing needs of the business as the year progresses. Items on the agenda are set with consideration of regulatory requirements, the Company's reporting timetable and after considering key issues identified by the Chief Financial Officer, management, the Head of Internal Audit and Risk and the external auditors. Committee meetings are generally scheduled close to Board meetings in order to facilitate an effective and timely reporting process.

The Chairman of the Committee holds preparatory discussions with the Company's senior management, the Head of Internal Audit and Risk and the external auditors prior to Committee meetings to discuss the items to be considered at the meetings. In addition, separate discussions are periodically held during Committee meetings between the Committee and the Head of Internal Audit and Risk and the external auditors without management present. Following each Committee meeting, any significant findings are reported to the Board and copies of the minutes of the Committee meetings are circulated to all of the directors and to the external auditors. The Chairman of the Committee also attends the Annual General Meeting ('AGM') to respond to any shareholder questions that might be raised on the Committee's activities.

The Committee's activities in 2020 included:

- receiving and, where appropriate, challenging reports from management and the external auditors in relation to the half yearly financial report and the annual financial statements;
- reviewing the half yearly financial report and the annual financial statements and the formal announcements relating thereto;
- reviewing the amendments made by management to the definitions of APMs and considering the appropriateness of disclosures made in the half yearly financial report and annual financial statements;
- considering the results of the FRC's Audit Quality Review ('AQR') of PricewaterhouseCoopers LLP ('PwC') in the UK;
- considering the results of the FRC's AQR team's review of PwC's audit of the Group for the year ended 31 December 2019;
- considering thematic reviews and guidance from the FRC concerning annual report disclosures;
- considering a letter from the FRC's Conduct Committee relating to its review of the Company's Annual Report 2019;
- reviewing the effectiveness of both the external auditors and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company;
- making recommendations to the Board concerning the re-appointment of the

external auditors and approving the remuneration and terms of engagement of the auditors, including the audit strategy;

- reviewing and approving changes to the policy for the provision of non-audit services by the external auditors;
- reviewing and approving the level and nature of non-audit work which the external auditors performed during the year, including the fees paid for such work; and planning process for the current financial year;
- reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to risk management systems, including receiving and considering a Risk and Assurance Map;
- reviewing the Company's annual controls self-assessment process and related controls framework;
- reviewing the effectiveness of the risk management process;
- reviewing the principal tax risks applicable to the Company and the steps taken to manage such risks;
- receiving training on changes in accounting standards and regulations;
- reviewing the Committee's effectiveness following an externally facilitated performance evaluation;
- reviewing the Committee's terms of reference;
- considering and approving the appointment of the new Head of Internal Audit and Risk;
- reviewing and approving the internal audit work programme for the coming year;
- receiving and considering reports from the Head of Internal Audit and Risk concerning the work undertaken by the internal audit function, including in relation to the function's ongoing quality assurance and improvement programme;
- receiving and considering a report concerning the progress being made in addressing the points raised during an external quality assessment of the internal audit function;
- reviewing the Company's internal audit charter; and
- considering a paper concerning the Chartered Institute of Internal Auditors' new Internal Audit Code of Practice and the implications thereof for the Company's internal audit charter.

The Committee will continue to keep its activities under review and focused on the audit, assurance and risk processes within the business. By doing so, the Committee will ensure that in the future it is able to maintain high standards of financial governance in line with the regulatory framework as well as market practice for audit committees.

Significant matters considered in relation to the financial statements

Issue	Review and conclusion
Accounting for business combinations	For business combinations, the Group has a long-standing process for the identification of the fair values of the assets acquired and liabilities assumed, including separate identification of intangible assets using external valuation specialists where required. The Committee reviewed this process and discussed with management and the external auditors the methodology and assumptions used to value the assets and liabilities of the acquisitions completed in 2020, noting that, following the acquisition of MCR Safety, the Group has also recognised a separate brand intangible asset. The Committee concluded that it was satisfied with management's valuations of these assets and liabilities, including the degree to which such valuations are supported by professional advice from external advisers. Details of the Company's approach to accounting for acquisitions are set out in Note 26 to the consolidated financial statements.
The carrying value of goodwill and customer relationships intangible assets	Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. During the year, the Committee reviewed an assessment prepared by management of the composition of the Group's CGUs, which were last formally reviewed in 2018. Having done so, the Committee was satisfied with the proposed revisions to the CGUs, to combine the five separate CGUs within the UK & Ireland business area into one UK & Ireland CGU, as this reflects more appropriately the way that the Group is now structured, including recent changes to management oversight and responsibility. The Committee critically reviewed and discussed management's report on the impairment testing of the carrying value of goodwill of each of the Group's CGUs, noting that the testing was conducted for each of the previous CGUs and also the revised CGUs. The Committee also critically reviewed and discussed management's consideration of the impairment risk on customer relationships intangible assets. In both regards, the Committee considered the sensitivity of the outcome of impairment testing to the use of different assumptions and considered the external auditors' testing thereof. The Committee noted that an impairment charge of £14.8 million had been recognised in the year in respect of goodwill and customer relationships intangible assets following the closure of a safety business in China within the Asia Pacific CGU. The Committee also noted that as a result of the impairment testing the Group had recognised a net impairment charge of £6.4 million relating to the customer relationships intangible assets of a foodservice business within the UK & Ireland CGU and a safety business within the Rest of Continental Europe CGU. After due challenge and debate, the Committee concluded that it was satisfied with the assumptions and judgements applied in relation to the impairment testing and agreed that there was no other impairment to goodwill based on either CGU allocation or on customer relationships intangible assets. Details of the key assumptions and judgements used are set out in Note 11 to the consolidated financial statements.
Defined benefit pension schemes	The Committee considered reports from management and the external auditors in relation to the valuation of the defined benefit pension schemes and reviewed the key actuarial assumptions used in calculating the defined benefit pension liabilities, especially in relation to discount rates, inflation rates and mortality/life expectancy. The Committee discussed the reasons for the increase in the net pension deficit and was satisfied that the assumptions used were appropriate and were supported by independent actuarial experts. The Committee considered the Company's decision to withdraw from three multi-employer pension plans ('MEPPs') in which the Group's US entities participate noting that a charge of £16.4 million had been booked in the year as a non-recurring pension charge to recognise a provision for the withdrawal liability on these plans. The Committee noted that no provision was held in relation to three other MEPPs to which the Group's US entities continue to contribute. The Committee also noted that the Group had recognised a non-recurring pension charge of £0.4 million relating to the equalisation of guaranteed minimum pension between male and female members on historical transfer values out of the Group's UK defined benefit pension schemes. Having considered these matters thoroughly and following discussions with the external auditors, the Committee concluded that it agreed with the accounting treatment and disclosures made in relation to these matters. Further details on these matters and the key assumptions used are given in Note 22 to the consolidated financial statements.

Issue	Review and conclusion
Taxation	The Committee reviewed a report and received a presentation from the Head of Tax highlighting the principal tax risks that the Group faces and a detailed risk assessment relating to the tax risks identified, including the judgements underpinning the provisions for potential tax liabilities. The Committee also reviewed the results of the external auditors' assessment of provisions for income taxes. One of the tax risks identified concerns the European Commission's decision that part of the UK's tax regime is contrary to European Union State aid provisions. Further details on this risk, and on other aspects of taxation, are given in Note 7 to the consolidated financial statements. In addition, and as detailed in the Financial review on page 78, the Group was required to make an additional cash tax payment in 2020 in connection with an ongoing tax dispute in Brazil. Following appropriate debate and challenge, the Committee was satisfied with the key judgements and proposed disclosures related to tax made by management.
Inventory and receivable provisions	The Committee noted that a net charge of approximately £15 million had been taken during the year relating to customers either entering insolvency processes or showing specific credit stress indicators that have impacted the recoverability of the Group's receivables and customer specific inventory particularly in the foodservice and retail sectors and that an additional net charge of approximately £10 million had been taken in the year relating to aged receivables and customer specific inventory for those customers identified as having a high or medium credit risk. The Committee also noted that a net charge of approximately £15 million had been booked in the year to increase slow moving inventory provisions as a result of the Covid-19 pandemic and the associated government imposed control measures having continued to impact customer demand across a range of market sectors.

Financial statements and significant accounting matters

During the year and prior to the publication of the Group's results for 2020, the Committee reviewed the 2020 half yearly financial report and related news release, the 2020 Annual Report (including the financial statements), the 2020 annual results news release and the reports from the external auditors on the outcomes of their half year review and their audit relating to 2020.

As part of its work, the Committee considered a number of significant accounting matters in relation to the Company's financial statements, together with the adequacy of the associated disclosures and challenged the judgements being made in relation thereto. These significant accounting matters were the accounting for business combinations, the carrying value of goodwill and customer relationships intangible assets, defined benefit pension schemes, taxation and, in light of the Covid-19 pandemic, inventory and receivables provisions. A summary of these matters is set out in the table on pages 111 and 112 and further information can be found in the relevant Notes to the consolidated financial statements.

The Committee believes that each of the above mentioned significant accounting matters have been properly recorded in the Company's books and records and accounted for appropriately, including relevant disclosure in the Annual Report.

Internal control and risk management

As mentioned above, the Committee is responsible for reviewing, on behalf of the Board, the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system. These controls and procedures are designed to manage, but not eliminate, the risk of failure of the Company to meet its business objectives and, as such, provide reasonable, but not absolute, assurance against material misstatement or loss. During the year, the Committee monitored the effectiveness of the internal financial controls framework through reports from the Chief Financial Officer, the Head of Internal Audit and Risk and the external auditors. In particular the Committee considered the scope and results of the work of the internal audit function, the findings of the external auditors in relation to the year end audit, the assessment of fraud risk carried out by management, the controls over the Company's financial consolidation and reporting system, the treasury controls, the tax risks and the process for monitoring the ongoing performance of the Company.

In relation to the risk management system, the Committee reviewed the process by which significant current and emerging risks had been identified by management and the Board, the key controls and other processes designed to manage and mitigate such risks and the assurance provided by the internal audit function, the external auditors and other oversight from management and the Board.

Internal audit

The Company has an internal audit function which comprises 10 in-house auditors, including the Head of Internal Audit and Risk. During the year, the Committee considered and approved the appointment of a new Head of Internal Audit and Risk who reports jointly to the Chairman of the Audit Committee and the Chief Financial Officer. The Committee also reviewed and approved plans to recruit specialist IT audit resource into the internal audit function.

The scope of work of the internal audit function covers all systems and activities of the Group. Work is prioritised according to the Company's risk profile with the annual audit plan being approved by the Committee each year. Internal audit reports are regularly provided to the Committee. These reports include details of the audit findings, and the relevant management actions required in order to address any issues arising, as well as updates on the progress made by management in addressing any outstanding recommendations from previously reported findings. In addition, the internal audit function reports on any significant issues relating to the processes for controlling the activities of the Group and the adequacy and effectiveness of such processes. Overall, the work of the internal audit function provides the Committee with a further means of monitoring the processes and actions to manage and mitigate those risks identified as posing the greatest threat to the Company. The effectiveness of the internal audit function's work is continually monitored using a variety of inputs and further information concerning the process undertaken to assess the effectiveness of both the internal audit function and the external auditors can be found in this report.

External auditors' independence

The Committee is responsible for ensuring that the three-way relationship between the Committee, the external auditors and the Company's management is appropriate and that the external auditors remain independent of the Company. In order to ensure the integrity of the auditing process and the Annual Report and financial statements, the external auditors must be independent of the Company and their staff must comply with their firm's own ethics and independence criteria, which must, in turn, be consistent with the FRC's Revised

Ethical Standard (2019) and other relevant regulatory and professional requirements. Written confirmation is received from the external auditors as to whether they consider themselves independent within the meaning of such criteria. Key members of the audit team are also required to rotate off the Company's audit after a specific period of time, as discussed further below.

In addition, in order to ensure that the objectivity and independence of the external auditors is not compromised, the Company has a detailed policy relating to the provision of non-audit services by the external auditors which is overseen by the Committee. This policy was updated during the year to reflect the FRC's Revised Ethical Standard (2019). It is the Company's policy to assess the non-audit services to be performed by the Company's auditors on a case-by-case basis to ensure adherence to the prevailing ethical standards and regulations. In the main, other firms are used by the Company to provide non-audit services. However, if the provision of a service by the Company's auditors is permitted and adequate safeguards are in place, it is sometimes appropriate for this additional work to be carried out by the Company's auditors. Details of the fees paid to the external auditors in 2020 in respect of the audit and for non-audit services are set out in Note 5 to the consolidated financial statements. The ratio of the fees relating to non-audit services to audit services in 2020 was 7.2%.

External auditors' re-appointment

In considering whether to recommend to the Board the appointment or re-appointment of the external auditors, the Committee takes into account the tenure of the auditors in addition to the results of its review of the effectiveness of the external auditors and considers whether there should be a full tender process, either as a result of that review or as may be required by the relevant regulations. There are no contractual obligations restricting the Committee's choice of external auditors.

As previously reported, following a detailed tender process, PwC were first appointed as the Company's external auditors in 2014. While the Company has no current retendering plans, in accordance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('CMA Order') the Company will be required to put the external audit contract out to tender by 2024. In addition, in accordance with the CMA Order, PwC are required to rotate the audit partner responsible for the Company's audit every five years. The current audit partner, Neil Grimes, took over the position as audit partner with effect from 1 January 2019. Accordingly, the Company confirms that it has complied with the provisions of the CMA Order for the 2020 financial year.

During 2020, the Committee considered the results of the FRC's AQR team's review of PwC's audit of the Group for the year ended 31 December 2019. The AQR team's review identified that there were no key review findings and that only 'limited improvements' were required in relation to the audit team's impairment assessment of goodwill and other intangible assets for the Latin America CGU, in particular, its assessment of short term cash flows. PwC's responses were discussed with management and with the Committee to ensure that the points raised by the FRC are addressed in future audits.

As a consequence of its satisfaction with the results of its review of the external auditors' activities during the year, the Committee has again recommended to the Board that a resolution proposing the re-appointment of PwC as external auditors for the year ending 31 December 2021 be put to shareholders at the forthcoming AGM.

Auditors' effectiveness reviews

During 2020 the Committee undertook reviews of the effectiveness of both the Company's external audit process for the 2019 financial statements and the Company's internal audit function. Each of the reviews followed a broadly similar process, as summarised below:

1. Detailed questionnaires of different aspects of external audit process/ internal audit function.
2. Questionnaires completed by:
   - directors; and
   - senior managers at Group and business area levels.
3. Results of questionnaires considered and discussed by the Committee.
4. Action plan and implementation timeframes agreed.

External audit process

The questionnaire covered a total of 24 different aspects of the external audit process, grouped under four separate headings: the robustness of the audit process; the quality of delivery; the quality of people and service; and the quality of reporting.

Internal audit function

The questionnaire covered a total of 36 different aspects of the internal audit function including: purpose, authority and responsibility; independence, objectivity and proficiency; quality assurance processes; adequacy of resources; auditors' skills and capabilities; and the quality of reporting.

Following these assessments, the Committee concluded that it was satisfied with the effectiveness of the external audit process relating to the 2019 financial statements and that the internal audit function continued to be effective, efficient and appropriately resourced.

The Committee will carry out similar effectiveness reviews in 2021 in respect of the audit of the 2020 financial statements and the internal audit function.

DIRECTORS' REMUNERATION REPORT

'In an extraordinary year, our diversified business model and entrepreneurial culture has generated exceptional performance and the remuneration of the executives for 2020 recognises this. Following extensive consultation with shareholders, the Committee is proposing some changes to our long term incentives to ensure that they drive the right actions from business leaders.'

Vanda Murray OBE
Chair of the Remuneration Committee

The responsibilities and operation of the Committee

Committee membership role and remit

The Committee comprises all of the independent non-executive directors of the Company. While neither the Chairman nor the Chief Executive Officer are members of the Committee, they normally attend meetings by invitation. The Director of Group Human Resources, who acts as secretary to the Committee, also attends meetings. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2020, but remain unchanged, are available on the Company's website, www.bunzl.com.

No director plays any part in determining his or her remuneration. During the year ended 31 December 2020, both the Chief Executive Officer and the Chairman were consulted and invited to attend meetings of the Committee but were not present during any part of the meeting when their own remuneration was under consideration.

The independent non-executive directors who were members of the Committee during 2020 are listed in the table below:

The primary role of the Committee is to determine the framework and broad policy for the remuneration of the Chairman, the executive directors of the Board and the senior management group directly below Board level. The Committee proposes the directors' remuneration policy for shareholder approval. It also governs the implementation of the policy, ensuring that the remuneration of the executive directors and senior management supports the sustainable performance of the business and that it is aligned with the Company's shareholders' interests. The Committee considers market practice, shareholders' views and the Group's broader remuneration arrangements when setting the Group's performance-related incentives and ensures compliance with UK corporate governance good practice.

The key responsibilities of the Committee include:

- ensuring that executive directors and senior executives are properly incentivised to attract, retain and fairly reward them for their individual contribution to the Company, having due regard to the policies and practices applied to the rest of the employees within the Group;
- determining the framework and broad policy for the remuneration of the Chairman and the executive directors of the Board;
- ensuring that remuneration is aligned with and supports the Company's strategy and performance, having due regard to the interests of the shareholders and to the financial and commercial health of the Company, while at the same time not encouraging undue risk taking;
- communicating and discussing any remuneration issues with the Company's stakeholders as and when appropriate;
- setting and reviewing the executive directors' remuneration and benefits including, but not limited to, base salary, bonus, long term incentive plans and retirement benefits;
- ensuring that all remuneration paid to the executive directors is in accordance with the Company's previously approved remuneration policy;
- ensuring all contractual terms on termination, and any payments made, are fair to the individual and the Company;
- monitoring the policies and practices applied in respect of the remuneration of senior executives directly below Board level and making recommendations as appropriate;
- overseeing the Company's long term incentive plans for all employees; and
- ensuring that provisions relating to disclosure of remuneration as set out in the relevant legislation, the Financial Conduct Authority's Listing Rules and the UK Corporate Governance Code (the 'Code') are fulfilled.

Committee membership

	Date of appointment to the Committee	Meetings eligible to attend	Meetings attended
Vanda Murray	1 February 2015	4	4
Lloyd Pitchford	1 March 2017	4	4
Stephan Nanninga	1 May 2017	4	4
Eugenia Ulasewicz*	20 April 2011	1	1
Vin Murria**	1 June 2020	3	3
Maria Fernanda Mejía***	23 December 2020	0	0

* Retired from the Board on 15 April 2020.
** Joined the Board on 1 June 2020.
*** Joined the Board on 23 December 2020.

Compliance statement

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'), the Code and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.

In accordance with the Regulations, at the 2021 Annual General Meeting ('AGM') the Company will be asking shareholders to vote on an advisory vote on the Annual report on directors' remuneration as set out on pages 128 to 139 which provides details of the remuneration earned by directors for performance in the year ended 31 December 2020. The directors' remuneration policy was approved by shareholders in a binding vote at the 2020 AGM and will be resubmitted to shareholders for a binding vote at the 2021 AGM because further changes are proposed this year, for the reasons explained in the Chair's introduction. There will also be a vote on the proposed amendments to the existing LTIP to facilitate the implementation of the new policy.

Introduction from Vanda Murray

I am pleased to present the Directors' remuneration report for the year ended 31 December 2020.

Context of remuneration

Shortly after the start of the 2020 financial year, the full force of the Covid-19 pandemic became apparent and, as has been well documented, this has had, and will continue to have, a significant impact on the global economy and on our six market sectors spanning over 30 countries. In these extraordinary circumstances, our front line colleagues went above and beyond to meet the needs of our customers in terms of essential products and services.

As the Covid-19 situation began to evolve, our key priority was the continued safety and well-being of our Bunzl colleagues, customers and suppliers and appropriate safeguards were implemented in a timely manner. Alongside this, given the uncertainty, the Board took prudent and swift action to protect the Company's financial position and this included a temporary freeze on acquisitions, stopping discretionary spend and, notwithstanding the Company's balance sheet strength, we initially took the decision not to pay the final year dividend for the year ended 31 December 2019. Furthermore, the Board and broader leadership team voluntarily took a 20% reduction in their fees and salaries during the second quarter of 2020.

Our ability to respond quickly and effectively to the crisis has been underpinned by the strength of our supply chain. The business was also able to resume acquisitions in the second half, reinstate the 2019 final dividend through an additional payment alongside the increased 2020 interim dividend and the proposed 2020 final dividend announced today (thereby making it a 28th year of consecutive dividend growth), repay employee-related government support packages and bring forward the settlement of tax deferrals where possible. We also significantly increased our charitable donations for the year, and ensured that our frontline colleagues were rewarded with additional bonuses in some critical businesses.

Bunzl has produced an exceptional set of results in 2020 against the background of a unique set of economic and market conditions. Clearly, some parts of our business, particularly those operating in the foodservice and non-food retail sectors faced real challenges, but the other areas, principally those serving the healthcare, safety and cleaning & hygiene sectors, were extremely successful in capturing opportunities to support the global response to the pandemic. The net Group result was an exceptional performance against all of our key financial and non-financial metrics due to the remarkable ability of the leadership team to navigate through the crisis and turn challenges into opportunities.

Performance and reward for 2020

Annual bonus

Annual bonus payments are based on a combination of key financial measures comprising adjusted earnings per share, return on average operating capital and operating cash flow, with a minority based on strategic objectives. In setting our incentive targets, we have regard to the performance potential of the different parts of the business and of the whole Group. The on-target performance level for the bonus for 2020 was set at, or close to, the budgeted level of performance. The Committee set a range around the target to incentivise the delivery of a stretching performance. An exceptional financial performance in 2020 as referred to above resulted in a maximum annual bonus for the Chief Executive Officer, which equates to 180% of salary. The annual bonus for the Chief Financial Officer was also at maximum which equates to 160% of his annual salary. No discretion was applied by the Committee to adjust the bonus outcomes and, in line with the remuneration policy, 50% of the annual bonuses will be delivered in shares, subject to a three year deferral period.

Long Term Incentive Plans ('LTIP')

The Committee assessed the performance for the LTIP awards with performance conditions linked to performance periods that ended during or at the end of the 2020 financial year. The share options were subject to adjusted earnings per share ('eps') growth targets and the performance shares were subject to both eps growth and relative total shareholder return ('TSR') targets. The strong eps growth of 40.9% over the three year performance period (adjusted to ensure that the relevant eps figures were comparable) will result in 100% of executive share options vesting for the performance period ended 31 December 2020. In addition, eps growth of 27.1% over the three years to 31 December 2019 (adjusted to exclude two disposals of businesses during the period) and stronger relative TSR performance resulted in 26.43% and 64.4% of performance shares vesting for performance periods that ended in April and October 2020, respectively. The Committee has not exercised discretion to amend the vesting outcomes for any of these share awards.

The 2020 remuneration policy allows maximum grants under the LTIP of 225% of base salary for share options and 175% of base salary for performance shares. However, in 2020 award levels were held below these maximum levels at 200% of base salary for share options and 150% for performance shares for the Chief Executive Officer and 120% for the Chief Financial Officer.

In light of the exceptional trading conditions of 2020, and of the unpredictable impact of Covid-19 on the business outlook, the Committee determined at the time of grant that a different set of eps target ranges should apply to the LTIP awards made in September and October 2020 than those made in March and April 2020. These revised ranges were deemed to be appropriately stretching given the exceptional circumstances facing the business at the time and these are detailed on page 133 of the report.

Reflecting the strong share price performance over the calendar year, the Committee determined that no adjustment was required to award levels.

New directors' remuneration policy

The 2020 directors' remuneration policy approved at last year's AGM was essentially a roll forward of the previous one but with changes to reflect emerging best practice (for example, pension equalisation and enhanced shareholding guidelines). In the normal course of events this policy would have applied through to the end of the 2022 financial year.

The significant shock created by Covid-19 resulted in the need for the Board and Remuneration Committee to consider whether the 2020 policy was appropriately aligned with the Group's strategy as it emerges into a period of transition and eventual normalisation against a backdrop of volatility in many of our markets.

The Committee concluded that a new policy should be put forward to shareholders in 2021 which seeks to replace the dual approach of share options and performance shares with restricted shares.

We have undertaken an extensive shareholder consultation exercise; I am grateful for the constructive input from our largest investors, and sincerely believe that the changes we are proposing will ensure that the leaders of the business can continue to focus on actions that deliver long term growth in this unprecedented market context. The proposals also create more simplicity, clarity and predictability of outcome, principles which are also important to shareholders. More details on the key reasons for the move to restricted shares are set out below.

- **Alignment with our strategy** – Our strategy is based on three key areas of focus: (i) profitable organic growth, (ii) operating model improvements and (iii) acquisition growth.

Organic growth and operating model improvements require steady investment in areas such as digitalisation, optimising our warehouse footprint and sustainability to maintain our competitive advantage. The return on this investment benefits the business in the medium to long term and we wish to discourage any actions that focus on short term impacts.

Prior to 2020, around three quarters of our recent revenue growth had been achieved via our self-funded acquisition strategy and growth through acquisitions remains a key element of our strategy. The timing and scale of future acquisition opportunities remains uncertain in the current market environment and our success will depend on maintaining a disciplined and controlled approach to making and integrating acquisitions that deliver financial benefit to the Group over the long term. Restricted shares encourage executives to pursue complementary acquisitions that will create long term value for Bunzl in contrast to the current LTIP with its focus on three year eps growth.

- **Significant simplification** – operating restricted shares as the sole long term incentive is much simpler, not only replacing two schemes with one for the most senior leaders, but also moving from bi-annual to annual grants. This makes it much easier for employees to understand, simplifies external messaging and streamlines the operation and administration.
- **Total shareholder alignment** – restricted shares, which are granted at a significantly lower level of quantum than share options and performance share awards, will accrue the value of the dividends that would have been payable on the award's vested shares during the award's vesting and holding periods. With dividends being such an important part of shareholders' total return, restricted shares provide better alignment between participants and investors than share options and performance shares under the current LTIP.
- **Challenge in medium and long term target setting** – Setting robust yet realistic longer term targets in the current environment is very difficult and the Committee wishes to avoid the prospect of significant swings in performance outcomes which can occur in a more volatile market.
- **Common North American practice** – Restricted shares are common in the US and in other jurisdictions in which we compete for talent and are an important recruitment and retention tool in those markets.

Restricted shares – the key terms

The main proposed change to the policy is the replacement of our existing share options (LTIP A) and performance shares (LTIP B) with a single restricted share award. This will apply to approximately 25 of the most senior leaders, with around a further 450 managers continuing to receive share options under the LTIP in 2021. The current LTIP will be amended to facilitate the award of restricted shares under Part B of the plan. As a reminder, currently share options and performance shares are granted on a bi-annual basis but, as a further step towards simplification, restricted shares will be granted on an annual basis typically after the announcement of the full year results. The full details of how restricted shares will operate are set out in the policy table on page 121 but the key headlines are as follows:

- restricted share awards will be granted at a significantly reduced quantum from the current awards which comprise both share options and performance shares. It is proposed that award levels are 125% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer. The 2020 policy provided the opportunity to grant 225% of salary in share options and 175% of salary in performance shares;
- the reduced quantum of awards recognises that there are no further specific performance measures. However, the vesting of the awards is contingent on the participant still being employed at the vesting date and the satisfaction of a performance underpin. In assessing performance, the

Committee will take into account a whole range of financial and non-financial metrics, as well as any material risk/regulatory failures identified. Performance will be assessed in the round, with a default to full vesting unless there has been identified material underperformance. The Committee may scale back the awards (including to zero) if it is not satisfied the underpin has been met;

- it is proposed that dividend equivalents will accrue on restricted share awards to the extent that they vest. This important scheme feature ensures complete shareholder alignment in contrast to our existing share options and performance share arrangements;
- a three year vesting period and a two year post-vesting holding period will apply so that the value of the awards cannot be realised until the fifth anniversary of the date;
- the same comprehensive malus and clawback provisions used in our current LTIP will be applied to the restricted share awards, thereby protecting the business from exceptional negative events; and
- all other terms, such as change of control, will be consistent with our current LTIP arrangements.

Post cessation shareholding guideline

We are also taking the opportunity to formalise our policy on post-cessation shareholding requirements. This will apply to the executive directors and will require them to hold restricted shares to the value of the shareholding guideline (i.e. the full in-employment shareholding guideline or, if less, the existing shareholding at the time) for a period of two years post-cessation. This will be implemented on a forward-looking basis from the date of approval of the policy.

Finally, the policy table on page 122 confirms a change that was made to the retirement arrangements for the Chief Executive Officer after the publication of last year's report. Frank van Zanten's cash allowance in lieu of pension contributions will be reduced to 5% of base salary by 1 January 2023, on a phased basis in order to bring it in line with the majority pension contribution rate of the wider workforce in the UK.

Chief Executive Officer pay ratio

As required by the Regulations we have again disclosed in this year's Directors' remuneration report the ratio between the Chief Executive Officer's remuneration and the medium, lower quartile and upper quartile of UK employees. The Committee considers the executive remuneration in the context of this and other internal and external reference points.

Implementing the policy for the 2021 financial year

Base salary

The base salaries for the executive directors, Frank van Zanten and Richard Howes, have been increased by 2.9% effective from 1 January 2021. This is broadly in line with that of the leadership populations across the business.

Annual Bonus

For the 2021 financial year, the maximum annual bonus opportunity will remain unchanged at 180% of base salary for the Chief Executive Officer and 160% for the Chief Financial Officer, with on-target bonus at 50% of the maximum.

The annual bonus performance measures continue to be a balanced scorecard of eps; return on average operating capital ('RAOC'); operating cash flow; and personal performance linked to certain specified strategic non-financial goals. The weighting of these metrics will be slightly adjusted and, for the first time, 10% of the opportunity for both directors will be dependent on the achievement of specific environmental, social and governance ('ESG') objectives in addition to the 20% for the achievement of personal non-financial strategic objectives. These metrics are all key to the successful implementation of the business strategy.

50% of any bonus awarded will be in shares and a three year vesting period will apply to the shares component.

When setting the target levels, the Committee conducts an analysis of the challenges and growth opportunities across the Group and sets targets that are stretching without encouraging inappropriate levels of risk. The range itself varies each year taking into account the risks and opportunities facing the business. The principles followed are that target setting, year by year, results in stretching ambition, while ensuring that the scale of reward on offer is proportionate and always linked to performance.

LTIP

Subject to the approval of the new policy and the amended LTIP rules by shareholders, we expect to grant restricted shares under the revised LTIP to both the executive directors and the other participants shortly after the AGM. These will be at the quantum levels outlined above, and will vest subject to continued employment and the assessment of the underpin. The Committee may scale back the awards (including to zero) if it is not satisfied that the underpin has been met.

Priorities for 2021

2021 is likely to be another challenging year from a market context point of view but I am confident that the changes we have proposed to our policy, if approved, will further incentivise the leadership team to respond to these challenges in the most effective way. Having had two consecutive years of policy review, I do not anticipate further changes in the course of 2021 once the changes we are proposing have been embedded. The Committee will monitor the effectiveness of the new revised LTIP, stay close to the performance of the business and ensure that reward outcomes for executives reflect the performance of Bunzl in the round.

Conclusions

2020 was an extraordinary year, and the reward outturns for the executive directors are appropriate given the very strong performance of the business in extremely challenging circumstances. However, I am confident that our proposed policy will further support our strategic direction, reflecting the uncertain market outlook and providing a stable basis for ensuring the long term focus of the most senior executives in Bunzl. I would like once again to thank shareholders for the time they have taken to review our proposals, and for their constructive input.

In the following pages you will find details of:

- the 'At a Glance' guide to executive directors' remuneration for 2020;
- the proposed directors' remuneration policy for 2021 to 2023;
- the annual report on remuneration for 2020; and
- our approach to the application of the remuneration policy in 2021.

I hope that you will find this report to be clear and helpful in understanding our remuneration policy and practices.

Vanda Murray OBE
Chair of the Remuneration Committee
1 March 2021

2020 remuneration at a glance

Remuneration principles

Materially differentiate reward according to performance

Reward competitively to attract and retain the best talent

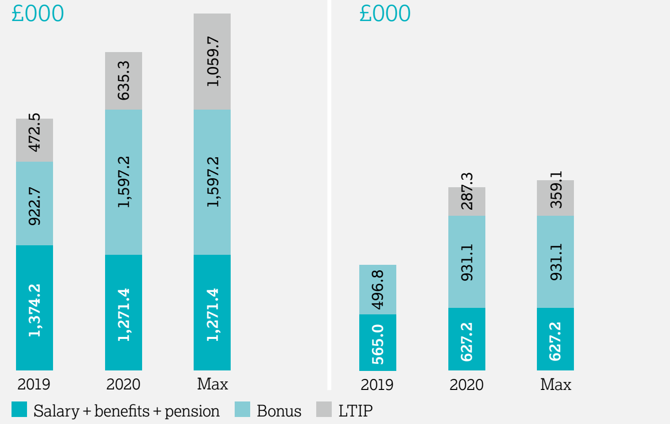
Breakdown of fixed and variable pay to be appropriate to each role

Framework to be transparent with clear line of sight from performance to individual outcomes

Summary of executive directors' remuneration for the year

Chief Executive Officer
Frank van Zanten
£000

Chief Financial Officer
Richard Howes
£000



Alignment of performance and remuneration 2020

Total opportunity / Result

Annual bonus To motivate and reward the achievement of the Company's strategic and operational objectives	**Eps** Linked financial KPI: eps	50%
	RAOC Linked financial KPI: RAOC and operating profit	15%
	Operating cash flow Linked financial KPI: cash conversion	15%
	Non-financial strategic goals Payable to the executive directors in relation to agreed non-financial strategic goals	20%
	Total bonus opportunity/result	100%
LTIP To motivate and reward performance linked to long term success	**Eps** Linked financial KPI: eps	LTIP A 100% LTIP B 50%
	TSR Linked financial KPI: dividend per share and share price	LTIP B 50%
	Total LTIP opportunity/result	100%

Proposed application of policy for 2021

Unchanged
- Annual bonus quantum
- Core benefits

Key changes
- 2.9% increase to base pay for Chief Executive Officer and Chief Financial Officer
- Reduction of Chief Executive Officer's pension allowance in line with the phasing approved at 2020 AGM
- Introduction of 10% of the maximum bonus opportunity on the basis of achievement of environmental, social and governance (ESG) targets
- Replacement of share option and performance share awards with restricted share awards
- Introduction of a formal post cessation shareholding requirement

Chief Executive Officer pay ratios

The full time equivalent salary for all Bunzl employees in the UK & Ireland has been calculated for the 2020 financial year. These employees were then ordered from highest to lowest paid and the median, 25th and 75th percentile employee identified. In order to compare the equivalent benefits details to those of the Chief Executive Officer, bonus and benefits details were added to the employee's salary details. Due to timings of calculation of bonus payments, those employees who receive an annual bonus have the 2020 payment (for 2019 performance) included and the Chief Executive Officer has the 2021 payment (for 2020 performance) included.

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	CEO single figure 2020 £000
Salary	44:1	38:1	27:1	887.3
Total remuneration	162:1	137:1	90:1	3,503.9

Directors' remuneration policy

Following its approval in 2020, the directors' remuneration policy has been further reviewed during the year and is submitted for approval at the 2021 Annual General Meeting ('AGM'). The overall approach to remuneration remains consistent and the changes proposed are designed to ensure that the policy continues to support the performance of the business and addresses the requirements of the UK Corporate Governance Code ('the Code').

Objectives of the policy

The proposed directors' remuneration policy, effective from the date of the 2021 AGM, continues to meet the following objectives:

- Clarity: maintain transparency, clear alignment with shareholder value and promotion of longer term, sustained performance. For example, the restricted share plan encourages a focus on the longer term success of the business;
- Predictability: continue to ensure that targets are stretching (but realistic), the quantum of reward reflects both Company and individual performance and there are appropriate award caps and Committee discretions in place. For example, the underpin is broad and encourages the Committee to focus on 'in the round' performance;
- Support for the Company's business strategy: for example, aligning the executive directors' and management's incentives with the Company's growth objectives;
- Simplicity: ensure that the remuneration structures avoid unnecessary complexity. For example, the restricted share plan has only a single annual grant of shares;
- Risk is appropriately managed: variable pay should drive performance within the Company's risk appetite and encourage a prudent and balanced approach to the business;
- Alignment to culture: the remuneration principles encourage the behaviour from the executive directors that the Committee expects to see throughout the business; and
- Proportionality: the link between individual awards, the delivery of strategy and long term performance of the Group is clear.

In setting the remuneration policy for the executive directors, the Committee also takes into consideration a number of different factors:

- the Committee applies the principles set out in the Code and also takes into account best practice guidance issued by the major UK institutional investor bodies, the Financial Conduct Authority (including the provisions of any applicable remuneration codes) and other relevant organisations;
- the Committee has overall responsibility for the remuneration policies and structures for employees of the Group as a whole and it reviews remuneration policy on a Group wide basis. When the Committee determines and reviews the remuneration policy for the executive directors it considers and compares it against the pay, policy and employment conditions of the rest of the Group to ensure that there is alignment between the two; and
- the Committee considers the external market in which the Group operates and uses comparator remuneration data from time to time to inform its decisions. However, the Committee recognises that such data should be used as a guide only (data can be volatile and may not be directly relevant) and that there is often a need to phase-in changes over a period of time.

The Committee's overall policy, having had due regard to the factors above, continues to be for a proportion of total remuneration to be based on variable pay. This is achieved by setting base pay and benefits by reference to mid-market levels, with annual bonus linked to the achievement of demanding performance targets and long term incentives which are designed to align the interests of the directors with those of shareholders and the long term sustainable success of the business.

Changes to policy

The key changes to the policy proposed to shareholders are:

- the replacement of bi-annual grants of share options and performance shares with annual grants of restricted shares under the LTIP; and
- the introduction of a formal post-cessation shareholding guideline.

Remuneration policy for executive directors

The following table summarises each element of the remuneration policy for the executive directors, explaining how each element operates and links to the corporate strategy.

Base salary

Purpose	• recognise knowledge, skills and experience as well as reflect the scope and size of the role • reward individual performance without encouraging undue risk
Operation	• paid in 12 equal monthly instalments during the year • normally reviewed annually in December (with any changes usually effective from January). An out-of-cycle review may be conducted if the Committee determines that it is appropriate • takes into consideration a number of factors including (but not limited to) individual and Group performance, the size and scope of the individual's responsibilities, salary increases across the Group, typical salary levels for comparable roles using appropriate comparator groups, for example similarly sized companies with a large international presence • pensionable
Maximum potential value	• while there is no maximum salary level, salary increases are normally considered in relation to the salary increases of other employees in the Group and performance of the individual. Higher salary increases may be made under certain circumstances, such as when there has been a change in role or responsibility, a major market movement or when a director has been appointed to the Board at a lower than typical salary initially. The annual salaries for the executive directors for 2020 and 2021 are set out on pages 129 and 137 respectively
Performance metrics	• while there are no performance conditions attached to the payment of base salary, individual performance in the role, as well as the performance of the Group and achievements related to environmental, social and governance issues, are all taken into consideration

Annual bonus

Purpose	• incentivise the attainment of annual corporate targets • retain and reward high performing employees • align with shareholders' and wider stakeholders' interests
Operation	• bonus awards are based on performance targets and objectives set by the Committee for the financial year • at the end of the performance period, the Committee assesses the extent to which the performance measures have been achieved. The level of bonus for each measure is determined by reference to the actual performance against the relevant performance targets • up to half the bonus is paid in cash and the remainder in shares relevant (with the shares normally deferred for three years under the Deferred Annual Share Bonus Scheme ('DASBS') in respect of which dividend equivalents may apply to the extent that such deferred awards vest. If a director resigns during the period of deferral any outstanding DASBS awards would normally lapse • malus and clawback provisions apply to the cash element of the bonus and awards made under DASBS to allow the recoupment of bonus for three years from the end of the relevant performance year. They would be enforced in the event of material misstatement, significant failure of risk control, serious misconduct, corporate failure (entailing the appointment of an administrator or liquidator) or serious reputational damage, when it is clear that the issue has been caused by a management failure to which the relevant individual has made a direct and material contribution • bonus awards are non-pensionable and are payable at the Committee's discretion
Maximum potential value	• the annual bonus policy maximum is 180% of base salary • the annual target bonus opportunity is normally set at 50% of the maximum • the level of annual bonus for threshold performance is up to 25% of the maximum
Performance metrics	Metrics will be set each year by the Committee taking into account the Company's key strategic objectives for the year. For example, bonus metrics may include: • financial measures chosen to align bonus outcomes with the underlying financial performance of the business, such as profit, return on average operating capital ('RAOC') and cash flow; • non-financial measures are linked to the achievement of personal goals or certain specified strategic goals, including environmental, social and governance matters; • the performance metrics and targets are reviewed each year to ensure that they remain appropriate. The Committee retains the discretion to set alternative metrics as appropriate; and • the specific targets will be disclosed on a retrospective basis following the end of the financial year unless they are deemed to be commercially sensitive. The Committee sets targets that are appropriately stretching in the context of the business outlook and taking into account internal and external factors. Targets are set to ensure that there is appropriate alignment between stakeholder outcomes and to ensure that they do not drive inappropriate behaviours or unacceptable levels of risk taking.

Long term incentives	
Purpose	• incentivise long term decision making as the basis for sustainable growth • align with shareholders' interests • recruit and retain senior employees across the Group
Operation	Subject to the approval of the remuneration policy (and for the related updates to the rules of the LTIP) at the 2021 AGM, executive directors may receive restricted share awards as the long term variable element of remuneration: • restricted share awards are discretionary and will normally vest subject to continued employment after no less than three years; • a holding period will apply which means that restricted shares may not ordinarily be sold until at least five years after the grant date (other than to pay relevant taxes due on vested awards); • malus and clawback provisions apply under which part or the full amount of a vested award may be recovered, by a reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment for a period of three years from the relevant performance period. They would be enforced in the event of material misstatement, significant failure of risk control, serious misconduct, corporate failure (entailing the appointment of an administrator or liquidator) or serious reputational damage, when it is clear that the issue has been caused by a management failure to which the relevant individual has made a direct and material contribution; • dividend equivalents shall accrue in respect of restricted share awards to the extent that they vest, including in relation to any holding periods; and • all awards are subject to the discretions contained in the relevant plan rules.
Maximum potential value	• the individual restricted share limit per financial year is 125% of base salary • the Chief Executive Officer may receive restricted shares per financial year with a face value of up to 125% of salary • the Chief Financial Officer may receive restricted shares per financial year with a face value of up to 100% of salary
Performance metrics	• restricted share awards are not subject to performance measures but vesting is subject to the achievement of an underpin normally reviewed over the three financial years commencing with the financial year in which awards are granted • in assessing the underpin, in normal circumstances the Committee may consider the Group's overall performance, including financial and non-financial performance over the course of the vesting period and any material risk/regulatory failures identified. Financial performance may include elements like revenue, profitability, cash generation, and return on capital. Non-financial performance relates to strategic priority areas focused on delivering long term success of the Company and implementing the Group's long term strategy. These include, for instance, making operating model improvements, own brand development, acquisition growth, building on our competitive advantage, digital and technology improvements, focus on ESG, including sustainability, employee satisfaction and managing risk in the business • when considering these factors, the Committee will assess performance in the round, with the expectation of full vesting unless there has been identified material underperformance over the period. The Committee may scale back the awards (including to zero) if it is not satisfied the underpin has been met

Long term incentives – previous policy applied for awards up to and including October 2020	
Purpose	• Subject to the approval of the remuneration policy, awards issued under the previous policy with respect to long term incentives will continue to vest until October 2023 and therefore the policy described below will continue to apply, including the performance metrics described
Operation	• discretionary biannual grants of executive share option awards and performance share awards which vest subject to performance conditions measured over three years and subject to continuous service. Subject to the approval of the new policy, no further grants will be awarded to the executive directors • a malus and clawback facility is in operation under which part or the full amount of a vested award may be recovered, by a reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment, for a period of three years from the relevant performance year, to the extent that the value of a vested award is subsequently found to have been overstated as a result of a material misstatement of performance or there has been a significant failure of risk control or serious misconduct • two year post-vesting holding requirement for shares that vest, net of sales to settle tax or other withholding due on vesting or exercise of awards • if any executive resigns during the period before vesting, awards would normally lapse • all awards are subject to the discretions contained in the relevant plan rules
Maximum potential value	**Executive share options** • maximum annual award of 225% of base salary • annual grant levels for executive directors will not normally exceed 200% of base salary • for 2020, grants did not exceed 200% of base salary for the incumbent executive directors **Performance shares** • maximum annual award of 175% of base salary • for 2020, awards did not exceed 150% of base salary for the Chief Executive Officer and 120% for the Chief Financial Officer

Long term incentives – previous policy applied for awards up to and including October 2020 continued	
Performance metrics	Performance and service conditions must be met over a three year performance period. Metrics and targets are set each year by the Committee. The current metrics are as follows: **Executive share options** • the eps performance measure relates to the absolute growth in the Company's eps against the targets set for the performance period • the vesting is scaled as follows: – no vesting for performance below the threshold target – 25% of an award will vest for achieving the threshold target – 100% of an award will vest for achieving or exceeding the maximum target – for performance between these targets, the level of vesting will vary on a straight line sliding scale • the Committee annually reviews the performance conditions outlined above and, in line with the rules of the LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment **Performance shares** • the TSR performance measure (50% of the total award) compares a combination of both the Company's share price and dividend performance during the performance period against a comparator group of the constituents of the FTSE 11–100. It aligns the rewards received by executives with the returns received by shareholders • the other 50% of the award is subject to an eps performance measure which relates to the absolute growth in the Company's eps against the targets set for the performance period • the vesting for both performance measures is scaled as follows: – no vesting for performance below median performance (TSR) or below the threshold target (eps) – 25% of an award will vest for achieving median performance (TSR) or the threshold target (eps) – 100% of an award will vest for achieving or exceeding upper quartile performance (TSR) or the maximum target (eps) – for performance between these targets, the level of vesting will vary on a straight line sliding scale • the Committee annually reviews the performance conditions outlined above and, in line with the rules of the LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment

All employee share plans	
Purpose	• encourage employees, including the executive directors, to build a shareholding through the operation of all employee share plans such as the HM Revenue & Customs ('HMRC') tax advantaged Sharesave Scheme and the Internal Revenue Service ('IRS') approved Employee Stock Purchase Plan (US) ('ESPP') in the US
Operation	• executive directors may participate in all employee schemes on the same basis as other eligible employees • the Sharesave Scheme has standard terms under which participants can normally enter into a savings contract, over a period of either three or five years, in return for which they are granted options to acquire shares at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted • new plan rules will be proposed for the approval of shareholders at the 2021 AGM
Maximum potential value	• in the UK, the Sharesave Scheme is linked to a contract for monthly savings within the HMRC limits over a period of either three or five years (currently £500 per month)
Performance metrics	• service conditions apply

Retirement benefits	
Purpose	• provision of retirement benefits • retain executive directors
Operation	• all defined benefit pension plans in the Group have been closed to new entrants since 2003 with any new recruits being offered defined contribution retirement arrangements and/or a pension allowance • legacy arrangements exist for the Chief Executive Officer as detailed below • pension contributions and allowances are normally paid monthly
Maximum potential value	• company pension contributions to defined contribution retirement arrangements or cash allowances are capped at 5% of base salary for new executive directors and the current Chief Financial Officer • the current Chief Executive Officer's pension contribution has been reduced from 23.75% of base salary to 20% of base salary with effect from 1 January 2021 and will reduce to 14% from 1 January 2022 and to 5% from 1 January 2023
Performance metrics	• not applicable

Other benefits	
Purpose	• provision of competitive benefits which helps to recruit and retain executive directors
Operation	• benefits may include a car allowance or a car which may be fully expensed, various insurances such as life, disability and medical and, in some jurisdictions, club expenses and other benefits provided from time to time • some benefits may only be provided in the case of relocation, such as removal expenses, and in the case of an international relocation might also include fees for accommodation, children's schooling, home leave, tax equalisation and professional advice etc
Maximum potential value	• the value of benefits is based on the cost to the Company and varies according to individual circumstances. For example, the cost of medical insurance varies according to family circumstances and the jurisdiction in which the family is based
Performance metrics	• not applicable

Shareholding requirement	
Purpose	• strengthen the alignment between the interests of the executive directors and those of shareholders
Operation	• in employment guideline: executive directors will normally be expected to retain shares, net of sales to settle tax, through the exercise of awards under the DASBS and the LTIP until they attain the required holding. Three years is the typical expectation for executives who are promoted from within the Company to achieve the required shareholding. It is recognised that a longer time period may be required for externally recruited executives to achieve the expected shareholding. Unvested deferred shares held under the DASBS will count towards the guideline (net of the expected sales for tax that would apply on vesting) • post-cessation guideline: from the approval of this policy, upon cessation of employment, executive directors should maintain a shareholding for two years thereafter at a level equal to the lower of the in-employment guideline and the number of shares vested as at cessation (net of tax) under restricted share awards granted after the approval of this policy
Maximum potential value	• the Chief Executive Officer's in-employment shareholding requirement is 300% of base salary. The in-employment requirement for other executive directors is 200% of base salary.
Performance metrics	• not applicable

Fees policy for Chairman and non-executive directors (the 'NEDs')

The following table summarises the fees policy for the Chairman and the NEDs.

Fees	
Purpose	• provision of a competitive fee to attract NEDs who have a broad range of experience and skills to oversee the implementation of the Company's strategy
Operation	• determined in light of market practice and with reference to time commitment and responsibilities associated with the roles • annual fees are paid in 12 equal monthly instalments during the year • the Senior Independent Director and Chairman of the Audit and Remuneration Committees are paid an extra fee to reflect their additional responsibilities • the NEDs and the Chairman are not eligible to receive benefits and do not participate in pension or incentive plans. Expenses incurred in respect of their duties as directors of the Company are reimbursed • the NEDs' fees are reviewed annually in January each year and the Chairman's fee is reviewed biennially, the latest review being with effect from January 2020 • the Board as a whole considers the policy and structure for the NEDs' fees on the recommendation of the Chairman and the Chief Executive Officer. The NEDs do not participate in discussions on their specific levels of remuneration; the Chairman's fees are set by the Committee
Maximum potential value	• determined within the overall aggregate annual limit of £1,000,000 authorised by shareholders with reference to the Company's Articles of Association which limit will be increased to £1,500,000 if the proposed new Articles of Associate are approved by shareholders at the 2021 AGM.
Performance metrics	• not eligible to participate in any performance related elements of remuneration
Taxable benefits and expenses	• taxable expenses incurred in the course of carrying out NED duties are reimbursed and grossed up to include tax payable

Selection of performance measures and targets

The Committee determines the performance measures applying to the annual bonus based on the strategic priorities of the Group at the time. The measures and their weightings may change from year to year. The bonus measures in place for the first financial year under the policy include the use of eps, RAOC and operating cash flow measures. Each of these are aligned with the Group's key performance indicators ('KPIs'). The management of capital employed together with profitability and cash flow ensures the focus on cash generation, enabling the Group to pay dividends and to support the growth strategy by making acquisitions and reinvesting in the underlying business. Strategic non-financial goals reward individual contribution to the success of the Group and allow a focus each year on important operational goals and strategic milestones. This combination of performance measures provides a balance relevant to the Group's business and market conditions as well as providing a common goal for the executive directors, senior managers and shareholders. They have been chosen as, although growing the profitability of the business is a key objective, equally important is the focus on cash and effective investment in capital.

Statement of consideration of shareholder views

The Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. In addition the Committee consults proactively with its major shareholders prior to making significant changes to its policy. The Committee consulted with major shareholders and proxy voting groups on the remuneration policy changes to the LTIP for executive directors in 2020. Two letters were sent to each of the major shareholders, and the proposals were adjusted accordingly based on the feedback received.

Discretions retained by the Committee in operating the incentive plans

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC and IRS rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table above);
- determining the extent of vesting based on the assessment of performance, including the vesting of restricted share awards;
- determining 'good leaver' status and the extent of vesting in the case of the share based plans;
- determining the extent of vesting of awards under share based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- determining the appropriate choice of measures, weightings and targets for the annual bonus plan from year to year including discretion to amend the bonus outcome, as appropriate; and
- varying the performance conditions applying to share based awards if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Legacy arrangements

The directors' remuneration policy approved by shareholders at the 2020 AGM gave authority to the Company to honour any commitments entered into with current or former directors (that have been disclosed to shareholders in previous remuneration reports) or internally promoted future directors (in each case, such as the payment of a pension or the unwind of legacy share plans). Details of any payments to former directors will be set out in the relevant remuneration report as they arise.

Executive directors' external appointments

With the specific approval of the Board in each case, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

Recruitment of executive directors – approach to remuneration

Executive directors

For the ongoing stability and growth of the Group, it is important to secure, as necessary, the appointment of high calibre executives to the Board by either external recruitment or internal promotion. The overarching principles applied by the Committee in developing the remuneration package will be to set an appropriate base salary together with retirement and other benefits and short and long term incentives taking into consideration the skills and experience of the individual, the complexity and breadth of the role, the particular needs and situation of the Group, internal relativities, the marketplace in which the executive will operate and an individual's current remuneration package and location. In addition, the Committee recognises that it may need to meet certain relocation expenses or expatriate benefits as appropriate.

Any fixed or variable pay awards for new executive directors will not exceed the maximum limits set out in the policy table above. However, in addition, for external appointments the Committee may consider offering additional cash and/or share based elements to replace deferred remuneration forfeited by the individual on leaving their existing employment when it considers these to be in the best interests of the Company and its shareholders. Such elements, as appropriate, may be made under section 9.4.2 of the Listing Rules and would normally take account of the nature, time horizons and performance requirements attached to the awards forfeited.

Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for the first performance year of appointment. A long term incentive award can be made shortly following an appointment (or as soon as is practical if the Company is in a close period).

Non-executive directors

On appointment of a new Chairman of the Board or non-executive director, the fees will be set taking into account the experience and calibre of the individual and the prevailing rates of the other non-executive directors at the time.

Executive directors' service contracts

The service contracts for Frank van Zanten and Richard Howes provide for an equal notice period from the Company and the executive of a maximum 12 months' notice and any contracts for newly appointed executive directors will provide for equal notice in the future. The date of each service contract is noted in the table below:

	Date of service contract
Frank van Zanten	13 January 2016
Richard Howes	10 May 2019

Non-executive directors' terms of appointment

The non-executive directors do not have service contracts with the Company but instead have letters of appointment. The date of appointment and the most recent re-appointment and the length of service for each non-executive director are shown in the table below:

	Date of appointment	Date of last re-appointment at AGM	Length of service as at 2021 AGM
Peter Ventress*	1 June 2019	15 April 2020	1 year 10 months
Eugenia Ulasewicz	1 April 2011		n/a
Vanda Murray	1 February 2015	15 April 2020	6 years 2 months
Lloyd Pitchford	1 March 2017	15 April 2020	4 years 1 month
Stephan Nanninga	1 May 2017	15 April 2020	3 years 11 months
Vin Murria	1 June 2020		10 months
Maria Fernanda Mejía	23 December 2020	n/a	3 months

* Appointed to the Board on 1 June 2019 and took up role as Chairman on 15 April 2020.

On termination, at any time, a non-executive director is entitled to any accrued but unpaid director's fees but not to any other compensation.

Policy on payment for departure from office

On termination of an executive director's service contract, the Committee will take into account the departing director's duty to mitigate his loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive directors leaving the Group is described below and is designed to support a smooth transition from the Company taking into account the interests of shareholders:

Component of pay	Voluntary resignation or termination for cause	Departure as a 'good leaver' or in other specific circumstances including on agreed terms
Base salary, pension and benefits	Paid for the proportion of the notice period worked and any untaken holidays pro-rated to the leaving date	Paid up to the date of departure or death, including any untaken holidays pro-rated to such date. In the case of ill health, a payment in lieu of notice may be made and, according to the circumstances, may be subject to mitigation. In such circumstances some benefits, such as company car or medical insurance may be retained until the end of the notice period.
Annual bonus cash	Cessation of employment during a bonus year will normally result in no cash bonus being paid	Cessation of employment during a bonus year or after the year end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and pro-rated for the relevant portion of the financial year worked and performance achieved.
Annual bonus deferred shares	Unvested deferred shares will lapse	In the case of the death of an executive, all deferred shares will be transferred to the estate as soon as possible after death. In all other cases, subject to the discretion of the Committee, unvested deferred shares will be transferred to the individual on a date determined by the Committee.
Executive share options	Unvested executive share options will lapse	Tax advantaged options will vest in full on the cessation of employment and be exercisable for the following 12 months after which any unexercised options will lapse. Subject to the discretion of the Committee, unvested non-tax advantaged share options will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions. Holding period terms will ordinarily continue to run until (or be set to expire no later than) the second anniversary of departure, commensurate with the post-cessation shareholding requirement. However in the case of the death of an executive, the Committee will determine the extent to which the unvested options may be exercised within 12 months of the date of death.
Performance shares	Unvested performance shares will lapse	Subject to the discretion of the Committee, unvested performance share awards will normally be retained by the individual for the remainder of the vesting period, remain subject to the performance conditions and will ordinarily be subject to time proration. Holding period terms will ordinarily continue to run until (or be set to expire on no later than) the second anniversary of departure from employment, commensurate with the post-cessation shareholding requirement. However in the case of the death of an executive, the Committee will determine the extent to which the unvested restricted shares may be exercised within 12 months of the date of death.
Restricted shares	Unvested restricted share awards will lapse	Subject to the discretion of the Committee, unvested restricted share awards will normally be retained by the individual for the remainder of the vesting period, remain subject to the underpin conditions and will ordinarily be subject to time proration. Holding period terms will ordinarily continue to run until (or be set to expire on or no later than) the second anniversary of departure from employment, commensurate with the post-cessation shareholding requirement. However in the case of the death of an executive, the Committee will determine the extent to which the unvested shares may be exercised within 12 months of the date of death.
Options under Sharesave	As per HMRC regulations	As per HMRC regulations.
Other	None	Disbursements such as legal costs and outplacement fees may be paid.

Note
The Committee will have the authority to settle any legal claims against the Company, e.g. for unfair dismissal etc, that might arise on termination.

Differences in remuneration policy for executive directors and employees in general

The main difference in remuneration policy between the executive directors and employees in general is the split of fixed and performance related pay, such as bonus and long term incentives. Overall the percentage of performance related pay, in particular longer term incentive pay, is greater for the executive directors. This reflects that executive directors have more freedom to act and the consequences of their decisions are likely to have a broader and more far reaching time span of effect than those decisions made by employees with more limited responsibility. As a consequence only executive directors, Executive Committee members and other key employees (currently around 30 people) are granted both executive share options and performance share awards (which will be replaced by restricted share awards if the proposed policy is approved). Approximately 460 senior managers are granted executive share option awards on an annual basis, which helps to provide a common focus for management in the Company's decentralised organisation structure. In most cases, the annual bonuses are related to the performance of individual operating units.

Bonus arrangements vary throughout the Group and are related to the specific role and the country in which the employee operates. The majority of bonus plans have quantitative targets, but the performance measures and targets vary according to each specific role. Sales representatives often have annual bonus payments which may be commission based.

When there is a critical mass of employees within a country to make it cost-effective to do so, to encourage wider employee share ownership, an all employee share plan may be offered. Currently plans are offered to all employees based in Australia, Canada, Germany, Ireland, the Netherlands, the US and the UK. In France, employees take part in profit sharing arrangements in accordance with local regulations.

Retirement and other benefits offered to employees across the Group differ according to the country in which the job is based and the function and seniority of the relevant role.

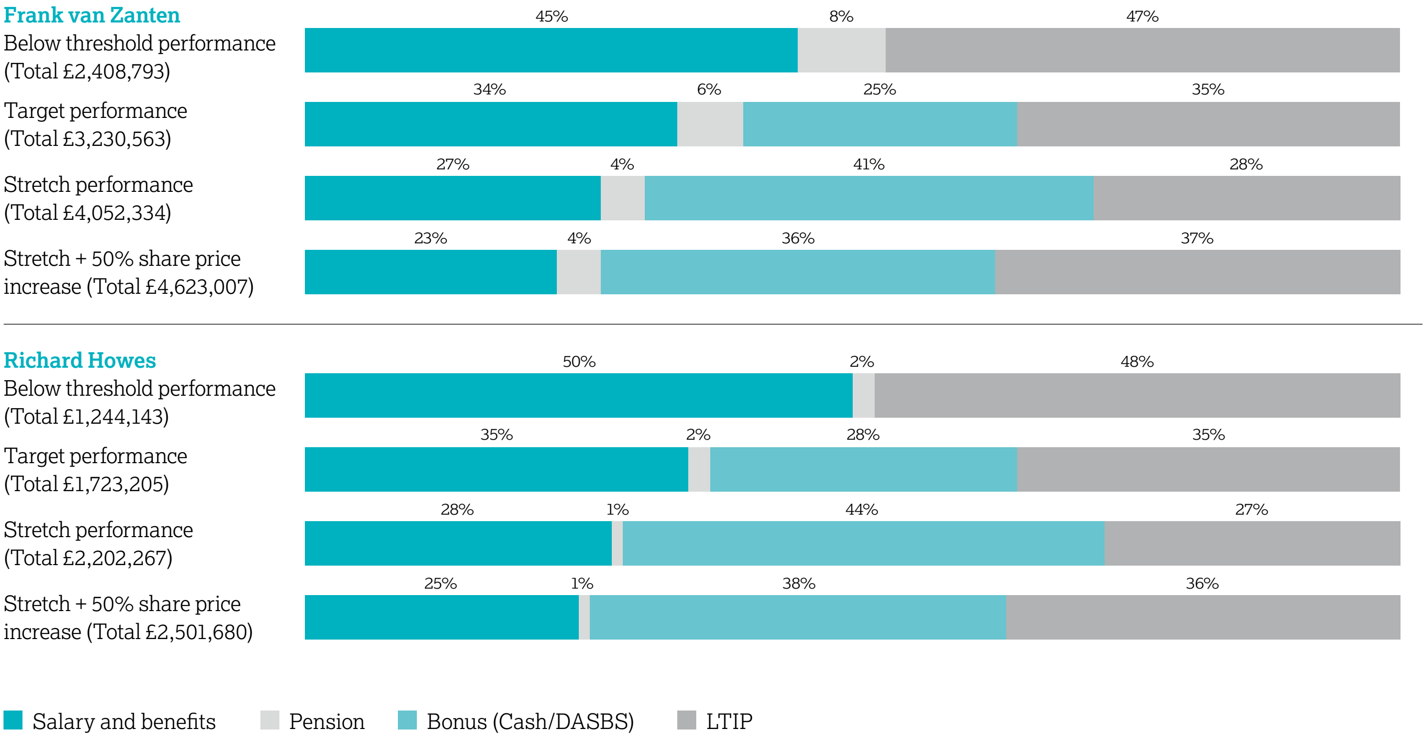
Statement of consideration of employment conditions elsewhere in the Group

The Committee is provided annually with information on the salaries and proposed increases for the Executive Committee members and other senior direct reports of the Chief Executive Officer, as well as data on the average salary increases for leadership teams in each region within the Group. In addition the Committee reviews and agrees all grants of executive share options, performance share awards and restricted share awards.

The Committee considers the general basic salary increase within the geographical regions for the broader employee population when determining the annual salary increases for the executive directors and is cognisant of the Group's overall employment arrangements when reviewing and implementing the executive directors' remuneration policy. Although the Committee did not consult with employees with regard to the remuneration policy of the executive directors, the Company does monitor employees' views through regular employee surveys.

Remuneration scenarios

The remuneration package comprises both core fixed elements (base salary, pension and other benefits) and performance based variable elements (cash bonus, the DASBS and the LTIP). The structure of the remuneration packages for on-target and stretch performance for each of the two executive directors for 2021, in line with the proposed new remuneration policy, is illustrated in the bar charts below.



Notes

a) Salary represents annual salary for 2021. Benefits such as a car or car allowance and private medical insurance have been included based on 2020 figures. In the case of Frank van Zanten benefits also include school fees and international health insurance.

b) Stretch performance plus 50% share price increase shows the effect of a 50% growth in the Company share price on the value of the restricted share awards.

c) Pension represents the value of the annual pension allowance for 2021 for Frank van Zanten and Richard Howes.

d) Below threshold performance comprises salary, benefits, pension with no bonus award and for restricted share awards an assumption that 100% will vest.

e) Target performance comprises annual bonus awarded at target level (i.e. for 2021 at 90% of salary for Frank van Zanten and 80% of salary for Richard Howes comprised of half cash and half deferred shares under the DASBS) and for restricted share awards an assumption that 100% will vest.

f) Stretch performance comprises annual bonus awarded at stretch level (i.e. for 2021 at 180% of salary for Frank van Zanten and 160% of salary for Richard Howes comprised of half cash and half deferred shares under the DASBS) and for restricted share awards an assumption that 100% will vest.

Annual report on directors' remuneration for 2020

This report sets out the elements of remuneration paid to, or earned by, the directors in respect of the financial year 2020.

Single total figure of remuneration 2020 (audited information)

Executive directors

	Salary £000		Taxable benefits £000		Bonus £000		LTIP £000		Pension £000		Total £000		Sub-total of fixed pay £000	Sub-total of variable pay £000
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	**2020**
Frank van Zanten	**887.3**	861.5	**173.4**	297.3	**1,597.2**	922.7	**635.3**	472.5	**210.7**	215.4	**3,503.9**	2,769.4	**1,271.4**	**2,232.5**
Richard Howes	**582.0**	–	**16.1**	–	**931.1**	–	**287.3**	–	**29.1**	–	**1,845.6**	–	**627.2**	**1,218.4**
Total	**1,469.3**	861.5	**189.5**	297.3	**2,528.3**	922.7	**922.6**	472.5	**239.8**	215.4	**5,349.5**	2,769.4	**1,898.6**	**3,450.9**

Notes

a) The figures above represent remuneration earned as directors during the relevant financial year including the bonus of which the cash element, 50% of the bonus, is paid in the year following that in which it is earned. The other 50% of the bonus shown above is deferred and conditionally awarded as shares under the rules of the Deferred Annual Share Bonus Scheme ('DASBS'). Shares relating to the 2019 deferred bonus were awarded in 2020 as shown in the table on page 137 and the shares relating to the 2020 deferred bonus will be awarded in 2021.

b) The executive directors waived 20% of their salary for the three month period from April to June 2020. Due to the Group's stronger than expected performance, the Company subsequently made donations of the amount of salary waived, to charities nominated by the directors. This amount is included within the salary figures above.

c) The annual bonus for 2020 was determined according to a formulaic calculation in respect of eps, RAOC and operating cash flow measures, while the Committee used its judgement to assess performance of individual objectives (20% of the bonus).

d) Benefits provided for all executive directors are a car or car allowance and medical insurance coverage for them and their families. Frank van Zanten's benefits are lower in 2020 and include school fees, tax advice and international health insurance.

e) The long term incentives are in the form of awards under the LTIP granted in April and October 2017 and March and August 2018. The performance metrics for LTIP A were eps growth and for LTIP B were eps growth and TSR, further details of which are on page 131. The portion of total LTIP figures (2020:£922,600 2019:£472,500) for Frank van Zanten that are attributable to share price growth are £219,460 for 2020 and £40,209 for 2019. For Richard Howes £0 is attributable to share price growth.

f) The figures shown in relation to 2019 for the LTIP have been restated from those figures shown in the 2019 Annual Report to reflect the difference between the relevant grant price and the value of the LTIP share option awards on the actual date of vesting on 2 March 2020 and 1 September 2020 at the closing mid-market share price of 1,910p and 2,420p respectively.

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Taxable payments/ expenses £000		Total £000	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Peter Ventress – Chairman	**277.9**	41.9	**–**	–	**–**	–	**277.9**	41.9
Philip Rogerson	**122.7**	357.0	**–**	**–**	**0.1**	1.2	**122.8**	358.2
Eugenia Ulasewicz	**23.9**	71.8	**–**	–	**20.7**	73.0	**44.6**	144.8
Vanda Murray	**71.8**	71.8	**38.0**	37.0	**–**	4.9	**109.8**	113.7
Lloyd Pitchford	**71.8**	71.8	**20.0**	19.0	**–**	0.4	**91.8**	91.2
Stephan Nanninga	**71.8**	71.8	**–**	–	**3.7**	10.4	**75.5**	82.2
Vin Murria	**41.9**	–	**–**	–	**–**	–	**41.9**	–
Maria Fernanda Mejía	**1.9**	–	**–**	–	**–**	–	**1.9**	–
Total	**683.7**	686.1	**58.0**	56.0	**24.5**	89.9	**766.2**	832.0

Notes

a) Peter Ventress was appointed Chairman on 15 April 2020 and prior to this date received fees relevant for a non-executive director.

b) Philip Rogerson and Eugenia Ulasewicz retired from the Board on 15 April 2020.

c) Vin Murria was appointed with effect from 1 June 2020.

d) Maria Fernanda Mejía was appointed from 23 December 2020.

e) Taxable payments/expenses for non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings. These costs which were lower in 2020 than in 2019 due to the impact of the Covid-19 pandemic, have been grossed up to include the tax payable.

Payments for loss of office (audited information)

No payments were or are to be made to former directors in respect of loss of office.

Payments to past directors (audited information)

As disclosed in the 2019 Annual Report and accounts Brian May received the following payments: a bonus payment in March 2020 for 2019 performance at a value of £532,826; all Deferred Shares vested in full on 1 March 2020 and the value on the vesting date was £657,899; LTIP A share options which vested on 2 September 2019 and 2 March 2020 resulted in a gain of £143,706 upon exercise on 14 October 2020; LTIP B performance shares vested on 10 April 2020 and 9 October 2020 and the total value on exercise dates of 21 April 2020 and 15 October 2020 respectively was £203,613.

Executive directors' annual salary (audited information)

As disclosed last year, executive directors' salaries were reviewed with effect from 1 January 2020 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	Salary from 1 January 2020	Salary from 1 January 2019	Increase in salary 2019 to 2020
Frank van Zanten	**£887,345**	£861,500	3%
Richard Howes	**£581,950**	£565,000	3%

Executive directors' salaries were also reviewed with effect from 1 January 2021 and the increases awarded are shown on page 137.

Executive directors' external appointments

During 2020 Frank van Zanten served as a non-executive director of Grafton Group plc until 29 April 2020 and of Ahold Delhaize NV from 8 April 2020. During the year, he retained fees of €22,292 from Grafton Group plc and €83,125 from Ahold Delhaize NV were received.

Non-executive directors' fees (audited information)

The Chairman's fee is reviewed every two years with the most recent review having taken place with effect from 1 January 2020. The fees for the non-executive directors were reviewed with effect from 1 January 2020 in accordance with the normal fees policy.

	With effect from January 2020	Fees paid in 2019	Increase in fees 2019 to 2020
Chairman's fee	**£368,000**	£357,000	3.1%
Non-executive director fee	**£71,800**	£71,800	–
Supplements:			
Senior Independent Director	**£18,000**	£18,000	–
Audit Committee Chairman	**£20,000**	£19,000	5.3%
Remuneration Committee Chair	**£20,000**	£19,000	5.3%

The non-executive directors' fees were reviewed again with effect from 1 January 2021 and the increases awarded are shown on page 137.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS currently operate as set out in the policy section on page 120. All of Frank van Zanten's and Richard Howes' awards related to the Group's eps, RAOC, operating cash flow performance and personal performance on individual objectives. The maximum bonus achievable is 180% of salary for Frank van Zanten and 160% for Richard Howes. The results for 2020 against the targets set were as follows and the Committee did not exercise any discretion over these formulaic outturns:

Group performance

Weighting	Scorecard performance metric	Threshold	Target	Stretch	Actual outturn calculated at constant exchange rates	% of maximum
50%	eps (p)	125.4	132.0	145.2	168.1	
	% of target	95%	100%	110%	127.3%	100%
15%	RAOC %	33.3%	35.3%	37.3%	45.4%	
	% of target	96%	100%	104%	128.6%	100%
15%	Operating cash flow (£m)	540.0	568.4	596.8	783.1	
	% of target	95%	100%	105%	137.8%	100%
20%	Non-financial strategic goals		see details below			

Notes
a) The actual outturn calculated at constant exchange rates is the actual result of the relevant measures retranslated at the exchange rates used in setting the target for that measure.
b) There was an eps underpin to retain focus on eps growth such that if an eps threshold of 125.4p was not met there would be no pay-out under any element of the scorecard.

Non-financial strategic goals

Following a review of performance against specific personal objectives for 2020, the Committee determined the bonus percentages payable to the executive directors in relation to the non-financial strategic goals. Performance was considered in the context of the market environment and leadership displayed by the executive directors in successfully navigating through the Covid-19 pandemic. The specific objectives, and the related evaluation of performance, are shown in the table below.

Frank van Zanten – Chief Executive Officer

Objective	Evaluation
• Continue to drive the Sustainability agenda in 2020 – focusing on the implementation of the new strategy and framework.	• Significant progress has been made on driving the sustainability agenda including conducting a materiality assessment as the basis for setting and communicating clear commitments.
• Drive forward the talent agenda – building development plans for the leadership team and integrating external high calibre recruits.	• The Leadership Team have individual development plans and changes to the senior team have enabled the commencement of external recruitment campaigns for some key roles.
• Further development of the Group's digital programmes, tools and capabilities including increasing the average % of digital transactions with customers and suppliers versus 2019.	• Global digital sales order % increased from 62% in 2019 to 66% in December 2020.
% of base salary awarded	**36%**
% of maximum	**100%**

Richard Howes – Chief Financial Officer

Objective	Evaluation
• Improve the average working capital/sales % performance compared to 2019.	• The average working capital as a % of sales performance has improved significantly in 2020 despite the challenging market conditions.
• Recruit and onboard a new Head of Investor Relations and identify a list of key prospect investors that fit the Company's equity story.	• A new Head of Investor Relations has been appointed which has resulted in a proactive Investor Relations programme.
• Agree and deliver 2020 milestones for an updated data privacy programme.	• The key 2020 milestones for the data privacy programme have been achieved through significant personal focus from Richard Howes.
% of base salary awarded	**32%**
% of maximum	**100%**

When assessing performance and outcomes the Committee was mindful of the Company's broader achievements and stakeholder experience. The outcomes are considered appropriate in light of the Company's exceptional financial and operational performance delivered in the most challenging of conditions. Accordingly the total payments under the annual bonus plans were:

	Total bonus payment (cash and deferred shares) as a % of salary				
	2020 %	2019 %	2018 %	2017 %	2016 %
Frank van Zanten	**180**	107.1	126.7	109.2	75.3
Richard Howes	**160**	–	–	–	–

The monetary values of the bonus payments for 2020 and 2019 are included in the table on page 128. The deferred shares portion of the bonus is required to be held under the DASBS rules for a period of three years and is subject to continued employment.

LTIP grants/awards with performance periods ending in 2020 (audited information)

Executive share options – LTIP Part A

Executive share option awards, granted three years previously, vested on 1 March 2021 and are due to vest on 31 August 2021. The Committee assessed the performance of the Company against the relevant performance condition and no discretion was exercised to override the formulaic outcomes including as a result of the share price movement over the performance period:

LTIP Part A – 1 March 2018 and 31 August 2018 grants

Performance measure	Vesting schedule	Threshold target (5% p.a. compounded)	Maximum target (8% p.a. compounded)	Actual eps growth	% vesting (max 100%)
Eps growth (over three year period to 31 December 2020)	25% vesting for threshold performance, 100% vesting for maximum performance	15.8%	26.0%	40.9%*	100%

	Date of grant	Number of shares granted	Vesting outcome	Estimated value of award vesting
Frank van Zanten	1 March 2018	42,782	100%	£209,204
	31 August 2018	35,010	100%	£19,256
Richard Howes	1 March 2018	–	–	–
	31 August 2018	–	–	–

Note

The estimated values of grants vesting are based on the difference between the exercise price and the average of the Company's closing mid-market share price for the three month period ended 31 December 2020 (2,444p) and are the same as the figures included in the single total remuneration table on page 128.

* The eps growth for the three years to 31 December 2020 has been calculated by (i) restating the eps for the year ended 31 December 2020 on a proforma basis under IAS 17 in order to allow a direct comparison with the eps for the year ended 31 December 2017 and (ii) adjusting the eps growth to exclude two businesses, one in France and one in the UK, that were disposed of during the period of calculation. The Committee approved the adjustment relating to the disposals on the basis that the directors and the other share option recipients should not be penalised for the decision to dispose of non-core businesses.

Performance shares – LTIP Part B

Awards of performance shares were made to Frank van Zanten on 10 April 2017 and 09 October 2017 under the 2014 LTIP and vested during 2020. The Committee assessed the performance of the Company against the relevant performance conditions and no discretion was exercised to override the formulaic outcomes including as a result of the share price movement over the vesting period:

LTIP Part B – 10 April and 9 October 2017 awards

Performance measure	Vesting schedule	Threshold target (6% p.a. compounded)	Maximum target (12% p.a. compounded)	Actual eps growth	% vesting (max 50%)
Eps growth (over three year period to 31 December 2019)	25% vesting for threshold performance, 100% vesting for maximum performance	19.1%	40.5%	27.1%*	26.43%

Performance measure	Performance period	Vesting schedule	Threshold target (median)	Maximum target (upper quartile)	Actual TSR	% vesting (max 50%)
TSR relative to comparator group of bespoke peer companies	1 April 2017 to 31 March 2020	25% vesting for threshold performance,	9.7% 14 out of 27	40.0% 7.25 out of 27	(8.8%) 20.63 out of 27	0%
	1 October 2017 to 30 September 2020	100% vesting for maximum performance	(3.5%) 17 out of 33	15.5% 8.75 out of 33	8.6% 11.4 out of 33	37.95%

	Date of grant	Number of shares granted	Vesting outcome – eps	Vesting outcome – TSR	Value of award vesting
Frank van Zanten	10 April 2017	19,565	26.43%	0%	£89,338
	9 October 2017	19,887	26.43%	37.95%	£317,490

Note

a) Included in the single total figure of remuneration on page 128 is the value of these vested awards for Frank van Zanten at the closing mid-market share price on the dates of vesting, 14 April 2020 (being the closest dealing day three years after the grant date of 10 April 2017) and 9 October 2020, which were 1,728p and 2,480p respectively and for Richard Howes at the closing mid-market share price on the day of vesting, 26 May 2020, which was 1,817p.

* The eps growth for the three years to 31 December 2019 has been calculated by (i) restating the eps for the year ended 31 December 2019 on a proforma basis under IAS 17 in order to allow a direct comparison with the eps for the year ended 31 December 2016 and (ii) adjusting the eps growth to exclude two businesses, one in France and one in the UK, that were disposed of during the period of calculation. The Committee approved the adjustment relating to the disposals on the basis that the directors and the other share option recipients should not be penalised for the decision to dispose of non-core businesses.

Compensating award – 11 September 2019

As detailed on Page 109 of 2019 Annual Report and Accounts Richard Howes received the following award to compensate him for unvested awards under his previous employer's long term incentive scheme with performance conditions based on eps growth and the three year average ROCE of his previous employer.

	Date of grant	Number of shares granted	Number of shares vesting	Value of award vesting
Richard Howes	11 September 2019	39,538	15,815	£287,279

Note
a) Included in the single total figure of remuneration on page 128 is the value of these vested awards for Frank van Zanten at the closing mid-market share price on the dates of vesting, 14 April 2020 (being the closest dealing day three years after the grant date of 10 April 2017) and 9 October 2020, which were 1,728p and 2,480p respectively and for Richard Howes at the closing mid-market share price on the day of vesting, 26 May 2020, which was 1,817p.

Total pension entitlements (audited information)

	Value of cash allowance including any company Defined Contribution in 2020	**Total pension 2020**
Frank van Zanten	£210,745	**£210,745**
Richard Howes	£29,098	**£29,098**

Note
Chief Executive Officer Frank van Zanten received a pension allowance of 23.75% of base salary in 2020. In 2021 this has been reduced to 20% and will continue to reduce as outlined in the policy table. As Chief Financial Officer Richard Howes receives a pension allowance of 5% of base salary.

LTIP grant policy

Conditional awards of executive share options and performance shares have historically been granted twice a year to executive directors and other senior executives. Executive share option awards have normally been granted in February or March and August or September dependent on the date of announcement of the Company's results. Performance share awards have normally been granted in April and October each year. Executive share options were granted in March and September 2020 and performance share awards were granted in April and October 2020 under the LTIP in accordance with the policy and performance conditions as approved at the 2020 AGM.

LTIP interests awarded during the financial year (audited information)

	Plan	Date of grant	Basis of award	Face value £000	Number of shares	Performance period end date
Frank van Zanten	LTIP Part A	10.03.20	100% of salary	887.3	48,225	31.12.22
	LTIP Part B	06.04.20	75% of salary	665.5	42,936	31.03.23
	LTIP Part A	09.09.20	100% of salary	887.3	37,096	31.12.22
	LTIP Part B	05.10.20	75% of salary	665.5	26,377	30.09.23
Richard Howes	LTIP Part A	10.03.20	100% of salary	582.0	31,627	31.12.22
	LTIP Part B	06.04.20	60% of salary	349.2	22,527	31.03.23
	LTIP Part A	09.09.20	100% of salary	582.0	24,329	31.12.22
	LTIP Part B	05.10.20	60% of salary	349.2	13,839	30.09.23

Note
The face value of the awards is calculated using the closing mid-market share price on the day prior to the grant of the award. Options were awarded under the LTIP Part A on 10 March 2020 and on 9 September 2020 at a value of 1,840p and 2,392p per share respectively. Performance shares were awarded under the LTIP Part B on 6 April 2020 and 5 October 2020 at a value of 1,550p and 2,523p per share respectively.

Performance conditions for 2020 awards

The performance conditions for the executive share options and performance shares awarded under the LTIP to the Company's executive directors, Executive Committee members and selected key employees in 2020 were as detailed below.

Executive share options – LTIP Part A March 2020

Executive share options may vest based solely on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of share option awards exercisable
Below 5%	Nil
5%	25%
Between 5% and 8%	Pro rata between 25% and 100%
8% or above	100%

Performance shares – LTIP Part B April 2020
The extent to which half of the awards may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of performance share awards exercisable
Below 6%	Nil
6%	25%
Between 6% and 12%	Pro rata between 25% and 100%
12% or above	100%

Performance shares – LTIP Part B April and October 2020
The extent to which half of the performance share awards may vest is subject to the Company's TSR performance, a combination of both the Company's share price and dividend performance during the three year performance period, relative to the TSR performance of a specified comparator group of similarly sized companies with large international presence. These performance share awards may vest based on the following sliding scale:

TSR	Proportion of performance share awards exercisable
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata between 25% and 100%
Upper quartile or above	100%

The applicable comparator group for the 2020 awards were those companies in the FTSE 11 – 100 with significant international operations.

Executive share options – LTIP Part A September 2020 and performance shares LTIP Part B October 2020
Executive share options granted in September 2020 may vest based solely on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years. The extent to which half of the performance shares awards granted in October 2020 may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years. As referenced on page 116 in the Chair's Statement, granting on a bi-annual basis provided the Committee with the opportunity to revisit and consider the performance ranges for the September and October awards so that they reflected the post-pandemic market conditions and performance expectations at the time. The Committee considers that these are stretching performance targets in the context of internal forecasts and external consensus at the time of award. For both share options and performance shares the following sliding scale of growth targets will apply:

Absolute annual growth in the Company's eps over a three year period	Proportion of share option awards exercisable
Below 0.5%	Nil
0.5%	25%
Between 0.5% and 3.5%	Pro rata between 25% and 100%
3.5% or above	100%

Shareholder dilution
In accordance with The Investment Association Principles of Remuneration, the Company can satisfy awards to employees under all its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital (adjusted for share issuance and cancellation) in a rolling 10 year period. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury), 5% of its issued share capital (adjusted for share issuance and cancellation) to satisfy awards under executive (discretionary) plans.

As well as the LTIP, the Company operates various all employee share schemes as described on page 122. Newly issued shares are currently used to satisfy the exercise of options under the Sharesave Scheme and the International and Irish Sharesave Plans. Awards under the LTIP of executive options and performance shares are principally satisfied by shares delivered from the Employee Benefit Trust which buys shares on the market, unless security laws in relevant jurisdictions prevent this.

Limit on awards	Cumulative options and performance shares granted as a percentage of issued share capital as at 31 December 2020
10% in any rolling 10 year period	1.0%
5% in any rolling 10 year period (executive (discretionary) plans)	0.2%

Statement of directors' shareholding and share interests (audited information)

As at 31 December 2020, each of the executive directors and their connected persons have a shareholding as follows:

	Requirement for share ownership as a percentage of salary (31 December 2020)	Actual share ownership as a percentage of salary at 31 December 2020 at the closing mid-market price (2,443p)
Frank van Zanten	300%	435%
Richard Howes	200%	57%

Note
The shareholding requirement for the Chief Executive Officer, Frank van Zanten increased to 300% of salary under the remuneration policy approved at the 2020 AGM. Shares contributing to the share ownership % include deferred shares held under the DASBS (net of tax) but not any unvested or vested but unexercised LTIP awards.

Interests in shares and share options (audited disclosure)

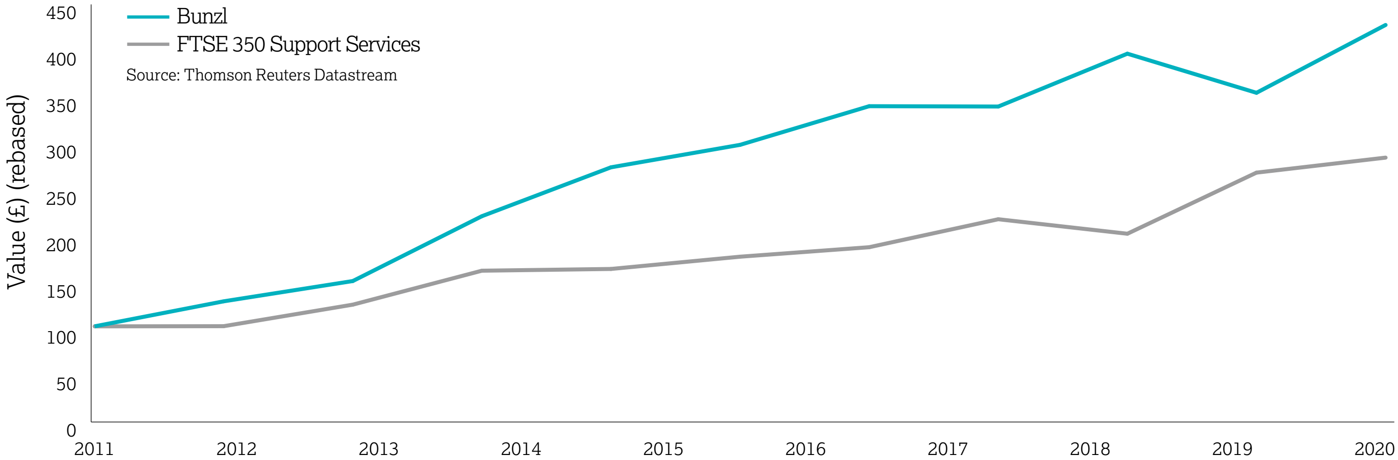
The interests of the directors, and their connected persons, in the Company's ordinary shares and share options at 31 December 2020 were:

	Shares			Options (LTIP Part A and Sharesave)			Total interests held
	Owned outright	Unvested and subject to holding period (DASBS)	Unvested and subject to performance conditions (LTIP Part B)	Unvested and subject to performance conditions	Unvested subject to continued employment	Vested but not exercised	
Frank van Zanten	**122,428**	69,787	162,176	240,273	1,923	77,582	674,169
Richard Howes	**8,363**	9,774	142,302	55,956	–	–	216,395
Peter Ventress	**2,608**	–	–	–	–	–	2,608
Vin Murria	**–**	–	–	–	–	–	–
Vanda Murray	**3,000**	–	–	–	–	–	3,000
Lloyd Pitchford	**4,000**	–	–	–	–	–	4,000
Stephan Nanninga	**–**	–	–	–	–	–	–
Maria Fernanda Mejía	**–**	–	–	–	–	–	–

Note
No changes to the directors' ordinary share interests shown in this remuneration report have taken place between 31 December 2020 and 1 March 2021.

Performance graph and table

Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that the Company must provide a graph comparing the TSR performance of a hypothetical holding of shares in the Company with a broad equity market index over a 10 year period. The Company's TSR performance against the FTSE 350 Support Services Sector, considered to be the most appropriate comparator group, over a 10 year period commencing on 4 January 2011 is shown below.



Chief Executive Officer's pay in last 10 years

The table below summarises the Chief Executive Officer's single total figure of remuneration, annual bonus and long term incentive pay out as a percentage of maximum opportunity for 2020 and the previous nine years.

		2011	2012	2013	2014	2015	2016 MR	2016 FvZ	2017	2018	2019	**2020**
Single total figure of remuneration £000		3,394.1	3,502.9	4,387,6	4,766.8	3,937.9	2,353.3	1,492.0	2,812.0	2,828.8	2,769.4	**3,503.9**
Annual variable element award rates against maximum opportunity		99%	67%	91%	85%	64%	0%	67%	73%	70%	60%	**100%**
Long term incentive vesting rates against maximum opportunity	LTIP Part A (options)	100%	100%	100%	100%	100%	100%	0%	100%	100%	100%	**100%**
	LTIP Part B (performance shares)	29%	45%	62%	89%	69%	82%	0%	69%	54%	63%	**45%**

Notes
a) The data for 2016 includes the amounts relating to Michael Roney ('MR') from 1 January 2016 to 19 April 2016 and also includes the LTIP awards made to him that vested in the period from 20 April to 31 December 2016. There was no bonus award for Michael Roney in relation to 2016.
b) The data for 2016 also includes the amounts relating to Frank van Zanten ('FvZ') from 20 April to 31 December 2016 including the bonus award for that period and the international relocation package with accommodation benefit support, but excludes the LTIP awards made to him in his previous role that vested during the period from 20 April to 31 December 2016.
c) All years prior to 2016 relate to Michael Roney.
d) The single total figure of remuneration in relation to 2019 has been restated from the figure shown in the 2019 Annual Report to reflect the difference between the grant price and the value of the relevant LTIP awards on the actual date of vesting as detailed in Note f to the table of the single total figure of remuneration 2020 on page 128.

Percentage change in each director's remuneration

The table below sets out the change between 2019 and 2020 in the salary, benefits, and bonus of all directors and employees of the legal entity which employs the Chief Executive Officer, Bunzl plc. Where it is not possible to compare employees from Bunzl plc between 2019 and 2020 due to certain employees joining or leaving the Company, these employees have been removed from the data to prevent distortion.

	Salary/Fees	Benefits	Bonus
Chief Executive Officer – Frank van Zanten	3.0%	(42%)	73%
Chief Financial Officer – Richard Howes	3.0%	n/a	n/a
Chairman – Philip Rogerson/Peter Ventress	3.1%	n/a	n/a
Non-executive director – Chair Remuneration Committee – Vanda Murray	0.9%	(100%)	n/a
Non-executive director – Eugenia Ulasewicz	–	(72%)	n/a
Non-executive director – Chair Audit Committee – Lloyd Pitchford	1.1%	(100%)	n/a
Non-executive director – Stephan Nanninga	–	(64%)	n/a
Non-executive director – Vin Murria	n/a	n/a	n/a
Non-executive director – Maria Fernanda Mejía	n/a	n/a	n/a
Average of employees in Bunzl plc	3.2%	(25%)	162%

Notes
a) Benefits are annualised.
b) Bunzl plc employees exclude any increases due to a change of role that occurred during either year.
c) Premiums for private medical insurance decreased for employees in 2020 so there was a corresponding decrease in costs for the same level of cover for employees.
d) Benefits for the non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings in London and therefore have decreased in 2020 compared to 2019 due to Covid-19 travel restrictions.

Chief Executive Officer pay ratios

The table below sets out the comparisons between the 25th, median, and 75th percentile employees in the UK, with reference to 31 December 2020, and the Chief Executive Officer's salary and total remuneration as detailed in the single figure table. To calculate these ratios, the Company has used Option A and determined full time equivalent total remuneration as this is the most statistically robust method. This includes scaling up salary for part time employees. Each employee's pay and benefits are calculated using each element of employee remuneration consistent with the Chief Executive Officer and no element of pay has been omitted.

Adjustments have been made to include the bonuses paid to employees in 2020, compared to the Chief Executive Officer's bonus due to be paid in 2021, in respect to performance in 2020. Due to the strong performance of the overall Group in 2020 and the heavier weighting of the Chief Executive Officer's pay towards variable pay compared to the wider workforce, there is an increase in the ratios for total remuneration in 2020 but as expected ratios for salary remain static. The median ratio is consistent with pay policies within the organisation. The Committee will continue to monitor movements in pay ratios.

	CEO single figure	Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Salary	£887,345	2020	Option A	44:1	38:1	27:1
Total remuneration	£3,503,900	2020	Option A	162:1	137:1	90:1
Salary	£861,500	2019	Option A	44:1	38:1	27:1
Total remuneration	£2,769,400	2019	Option A	133:1	111:1	75:1

	Salary	Total remuneration
Chief Executive Officer	£887,345	£3,503,900
25th percentile employee	£20,385	£21,696
Median employee	£23,272	£25,517
75th percentile employee	£33,119	£38,917

Relative importance of spend on pay

The table below shows a comparison between the overall expenditure on pay and dividends paid to shareholders as well as the adjusted earnings per share for 2020 and 2019 (as stated in Note 23, Note 19 and Note 3 to the consolidated financial statements on pages 187, 182 and 159 respectively).

£m	**2020**	2019	Percentage change
Overall expenditure on pay	**844.3**	785.8	7.4%
Dividends paid in the year	**171.5**	167.3	2.5%
Adjusted earnings per share (p)	**164.9**	132.2	24.7%

Notes
a) Overall expenditure on pay excludes employer's social security costs.
b) Dividends paid in the year relate to the previous financial year's interim and final dividends including in 2020 the additional interim dividend paid in relation to 2019 in lieu of the final dividend.
c) The percentage change in overall expenditure on pay includes the impact of changes in exchange rates from 2019 to 2020, details of which are referred to in the Chief Executive Officer's review on page 8 and in the Financial review on page 75.

Remuneration arrangements for 2021

Salary (audited information)

The salary increases for the executive directors for 2021, which are in line with increases that have been implemented for other employees in the Group as discussed on page 127, are as follows:

	Salary from 1 January 2021	Salary from 1 January 2020	Increase in salary 2020 to 2021
Frank van Zanten	£913,078	£887,345	2.9%
Richard Howes	£598,827	£581,950	2.9%

2021 bonus targets

The structure for Frank van Zanten and Richard Howes' annual bonus for 2021 is a balanced scorecard of performance measures, based on eps, RAOC, operating cash flow and specified strategic goals. The weighting of these measures has been slightly adjusted (financial measures 70% and non financial strategic goals 20%) and 10% of the opportunity for both directors will depend on the achievement of specific Environmental, Social and Governance objectives. The relevant performance points are: threshold; target; and maximum amount (the level at which the bonus for that measure is capped). These performance points are determined at the start of the year. No elements of the bonus are guaranteed. As in previous years, financial performance measures, including profit targets, are commercially sensitive and therefore are not disclosed until the following year.

Performance measures and pricing basis for long term incentives to be awarded in 2021

Grants of restricted share awards to be made to executive directors and senior executives will not be subject to performance measures but vesting will be subject to the achievement of an underpin normally reviewed over the three financial years commencing with the financial year in which awards are granted. Details of the underpin are set out in the policy table. In 2021 Frank van Zanten will be granted a restricted share award to the value of 125% of his salary and Richard Howes will be granted a restricted share award to the value of 100% of his salary. In respect of the award to be granted in 2021, the market value at the time of grant shall be used to set the number of shares under award and in respect of subsequent grants the 60-day average share price preceding the grant date will be used for such purposes.

Chairman's and non-executive directors' fees for 2021

The Chairman's fee is reviewed every two years with the most recent review taking effect from 1 January 2020. The non-executive directors' fees are reviewed annually and were most recently reviewed with effect from 1 January 2021. The current fee structure for the Chairman and the non-executive directors is shown below:

	With effect from 1 January 2021	Fees paid in 2020	Increase in fees 2020 to 2021
Chairman's fee	£368,000	£368,000	–
Non-executive director basic fee	£73,240	£71,800	2.0%
Supplements:			
Senior Independent Director	£19,000	£18,000	5.6%
Audit Committee Chairman	£20,000	£20,000	–
Remuneration Committee Chairman	£20,000	£20,000	–

Additional information on directors' interests

Details of the executive directors' interests in outstanding share awards under the DASBS, LTIP and all employee share plans are set out below.

Deferred share awards as at 31 December 2020

The awards granted to each director of the Company and any director with an interest in the Company under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 120.

	Awards (shares) held at 1 January 2020	Shares awarded during 2020	Shares vested during 2020	**Total number of awards (shares) at 31 December 2020**	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested awards £000
Frank van Zanten	11,504		11,504	**–**	01.03.20	2,255	1,910	220
	22,789			**22,789**	01.03.21	1,955		
	22,328			**22,328**	01.03.22	2,373		
		24,670		**24,670**	02.03.23	1,870		
Richard Howes		9,774		**9,774**	02.03.23	1,870		

Notes

a) The normal vesting date in March 2020 fell on a non-working day and therefore the mid-market closing share price on 2 March 2020 has been used.

b) The deferred element of the 2020 annual bonus plan as shown on page 130 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year.

c) The shares awarded during 2020 relate to 50% of the bonus for 2019 and are a conditional award with the number of shares being determined by reference to the mid market closing share price on the day preceding the grant date.

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP during 2020.

Executive share options – LTIP Part A

	Options held at 1 January 2020	Grant date	Exercise price p	Options exercisable between	**Options held at 31 December 2020**
Frank van Zanten	42,636	02.09.16	2,336	02.09.19-01.09.26	**42,636**
	34,946	02.03.17	2,335	02.03.20-01.03.27	**34,946**
	35,324	01.09.17	2,310	01.09.20-31.08.27	**–**
	42,782	01.03.18	1,955	01.03.21-29.02.28	**42,782**
	35,010	31.08.18	2,389	31.08.21-30.08.28	**35,010**
	36,273	28.02.19	2,375	28.02.22-27.02.29	**36,273**
	40,887	11.09.19	2,107	11.09.22-10.09.29	**40,887**
	–	10.03.20	1,840	10.03.23-09.03.30	**48,225**
	–	09.09.20	2,392	09.09.23-08.09.30	**37,096**
Total	**267,858**				**317,855**
Richard Howes	–	10.03.20	1,840	10.03.23-09.03.30	**31,627**
	–	09.09.20	2,392	09.09.23-08.09.30	**24,329**
Total	**–**				**55,956**

Notes

a) Executive share options were exercised during 2020 by Frank van Zanten on 14 October 2020 in respect of 35,324 ordinary shares at an exercise price of 2,310p and at a market price of 2,654p, resulting in a gain of £121,603.

b) The mid-market price of a share on 31 December 2020 was 2,443p and the range during 2020 was 1,277p to 2,603p.

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2020	Conditional shares awarded during 2020	Award date	Market price per share at award p	Lapsed awards (shares) during 2020	Exercised awards (shares) during 2020	Market price per share at exercise p	Value at exercise £000	**Awards (shares) held at 31 December 2020**
Frank van Zanten	19,565	–	10.04.17	2,346	14,395	5,170	1,688	87	**–**
	19,887	–	09.10.17	2,308	7,085	12,802	2,628	336	**–**
	22,510	–	09.04.18	2,090	–	–	–	–	**22,510**
	20,464	–	08.10.18	2,299	–	–	–	–	**20,464**
	22,072	–	08.04.19	2,537	–	–	–	–	**22,072**
	27,817	–	07.10.19	2,013	–	–	–	–	**27,817**
	–	42,936	06.04.20	1,550	–	–	–	–	**42,936**
	–	26,377	05.10.20	2,523	–	–	–	–	**26,377**
Total	**132,315**	**69,313**			**21,480**	**17,972**			**162,176**
Richard Howes	39,538	–	11.09.19	2,059	23,723	15,815	2,145	339	**–**
	46,824	–	11.09.19	2,059		–	–	–	**46,824**
	59,112	–	11.09.19	2,059		–	–	–	**59,112**
	–	22,527	06.04.20	1,550		–	–	–	**22,527**
	–	13,839	05.10.20	2,523		–	–	–	**13,839**
Total	**145,474**	**36,366**			**23,723**	**15,815**			**142,302**

All employees share scheme
The table below shows the number of share options granted to the executive directors under the Sharesave Schemes. Details of the Sharesave Schemes are set out on page 122.

Sharesave Schemes

	Options at 1 January 2020	Grant date	Exercise price p	Options exercisable between	**Options at 31 December 2020**
Frank van Zanten	964	29.03.16	1,556	01.05.21-31.10.21	**964**
	959	27.03.18	1,564	01.05.23-31.10.23	**959**
Richard Howes	–	–	–	–	**–**

Advisers to the Remuneration Committee
In carrying out their responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from Willis Towers Watson ('WTW'), Aon Hewitt and Remuneration Consultants LLP ('FIT'). WTW provided external survey data on directors' remuneration and benefit levels. A tender exercise was carried out and as a result FIT took over from Aon Hewitt in July 2020 and provided information to determine whether, and if so to what extent, the performance conditions attached to existing share option and performance share awards under the LTIP had been satisfied and in addition advised the Committee on the proposed changes to the remuneration policy. The fees payable to each adviser, based on hourly rates, were: £15,600 (WTW), £44,988 (Aon Hewitt) and £65,967 (FIT) respectively for such work undertaken in 2020. Advisers are appointed by the Committee and reviewed periodically. The Committee conducts regular reviews of the effectiveness of the advisers and is satisfied that they remain objective and independent.

Statement of voting at the 2020 AGM for the remuneration report and the remuneration policy
The remuneration report and remuneration policy received the following shareholder votes in 2020 being the year that they were last voted on by shareholders:

	Votes cast	Votes for	% of shares voted	Votes against	% of shares voted	Votes withheld
Remuneration report	270,025,816	255,867,135	94.76%	14,158,681	5.24%	2,230,971
Remuneration policy	271,680,264	258,786,824	95.25%	12,893,440	4.75%	576,522

Notes
a) The votes 'For' include votes given at the Company Chairman's discretion.
b) A vote 'Withheld' is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution. Votes 'For' and 'Against' are expressed as a percentage of the votes cast.

Vanda Murray OBE
Chair of the Remuneration Committee
1 March 2021

OTHER STATUTORY INFORMATION

Annual General Meeting
The Notice convening the Company's Annual General Meeting ('AGM'), to be held at York House, 45 Seymour Street, London, W1H 7JT on Wednesday 21 April 2021 at 2.00 pm, is set out in a separate letter from the Chairman to shareholders.

Dividends
The 2020 interim dividend of 15.8p was paid on 7 January 2021 and the directors are recommending a final dividend of 38.3p, making a total for the year of 54.1p per share (2019: 51.3p). Dividend details are given in Note 19 to the consolidated financial statements. Subject to shareholder approval at the 2021 AGM, the final dividend will be paid on 1 July 2021 to those shareholders on the register at the close of business on 21 May 2021.

Share capital
The Company has a single class of share capital which is divided into ordinary shares of 32$^{1}/_{7}$p each which rank pari passu in respect of participation and voting rights. The shares are in registered form, are fully paid up and are quoted on the London Stock Exchange. In addition, the Company operates a Level 1 American Depositary Receipt programme with Citibank N.A. under which the Company's shares are traded on the over-the-counter market in the form of American Depositary Receipts.

Details of changes to the issued share capital during the year are set out in Note 18 to the consolidated financial statements.

Bunzl Group General Employee Benefit Trust
The trustee of the Bunzl Group General Employee Benefit Trust (the 'EBT') holds shares in respect of employee share options and awards that have not been exercised or vested. The EBT abstains from voting in respect of these shares. The trustee has agreed to waive the right to dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 18 to the consolidated financial statements.

Rights and obligations attaching to shares
Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares, the Company may resolve by ordinary resolution to issue shares with such rights and restrictions as set out in such resolution or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Subject to the provisions of the Companies Act 2006 and of any resolution of the Company passed pursuant thereto and without prejudice to any rights attached to existing shares, the Board is duly authorised to issue and allot, grant options over or otherwise dispose of the Company's shares on such terms and conditions and at such times as it thinks fit. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated by special resolution passed at a separate general meeting of such holders. Subject to the rights attached to any existing shares, rights attached to shares will be deemed to be varied by the reduction of capital paid up on the shares and by the allotment of further shares ranking in priority in respect of dividend or capital or which confer on the holders more favourable voting rights than the first-mentioned shares, but will not otherwise be deemed to be varied by the creation or issue of further shares.

Power to issue and allot shares
The directors are generally and unconditionally authorised under the authorities granted at the 2020 AGM to allot shares in the Company up to approximately one third of the Company's issued share capital or two thirds in respect of a rights issue. The directors were also given the power to allot ordinary shares for cash up to a limit representing approximately 10% of the Company's issued share capital as at 9 March 2020, without regard to the pre-emption provisions of the Companies Act 2006 (however, more than 5% can only be used in connection with an acquisition or specified capital investment).

No such shares were issued or allotted under these authorities in 2020, nor is there any current intention to do so, other than to satisfy share options under the Company's share option schemes and, if necessary, to satisfy the consideration payable for businesses to be acquired.

These authorities are valid until the conclusion of the forthcoming AGM and the directors again propose to seek equivalent authorities at such AGM.

Restrictions on transfer of shares
Dealings in the Company's ordinary shares by its directors, persons discharging managerial responsibilities, certain employees of the Company and, in each case, any persons closely associated with them, are subject to the Company's Share Dealing Code.

Certain restrictions, which are customary for a listed company, apply to transfers of shares in the Company. The Board may refuse to register an instrument of transfer of any share which is not a fully paid share and of a certificated share at its discretion unless it is:

- lodged, duly stamped or duly certified, at the offices of the Company's registrar or such other place as the Board may specify and is accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- in respect of only one class of share; and
- in favour of not more than four transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

In addition, no instrument of transfer for certificated shares shall be registered if the transferor has been served with a restriction notice (as defined in the Company's Articles of Association (the 'Articles') after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arm's length sale. The Board has the power to procure that uncertificated shares are converted into certificated shares and kept in certificated form for as long as the Board requires.

The Company is not aware of any agreements between shareholders that may result in any restriction of the transfer of shares or voting rights.

Restrictions on voting rights

A member shall not be entitled to vote, unless the Board otherwise decides, at any general meeting or class meeting in respect of any shares held by them if any call or other sums payable remain unpaid. Currently, all issued shares are fully paid. In addition, no member shall be entitled to vote if they have been served with a restriction notice after failing to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006. Votes may be exercised in person or by proxy. The Articles currently provide a deadline for submission of proxy forms of 48 hours before the relevant meeting, 24 hours before a poll is taken if such poll is taken more than 48 hours after it was demanded or during the meeting at which the poll was demanded if the poll is not taken straight away but is taken not more than 48 hours after it was demanded.

Purchase of own shares

At the 2020 AGM, shareholders gave the Company authority to purchase up to a maximum amount equivalent to approximately 10% of its issued share capital. During the year ended 31 December 2020, the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2019 AGM and no shares have been purchased between 31 December 2020 and 1 March 2021. As a result, directors again propose to seek the equivalent authority at the 2021 AGM.

Directors

Directors may be elected by ordinary resolution at a duly convened general meeting or appointed by the Board. Under the Articles, the minimum number of directors shall be two and the maximum shall be 15. In accordance with the Articles, each director is required to retire at the AGM held in the third calendar year after which he or she was appointed or last appointed and any director who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the AGM is subject to annual re-appointment. The Board may also appoint a person willing to act as a director during the year either to fill a vacancy or as an additional director but so that the total number of directors shall not at any time exceed 15. However, such appointee shall only hold office until the next AGM of the Company.

In addition to any power to remove a director from office conferred by company law, the Company may also by special resolution remove a director from office before the expiration of his or her period of office under the Articles.

The office of a director shall also be vacated pursuant to the Articles if the director:

- resigns by giving notice to the Company or is asked to resign by all of the other directors who are not less than three in number; or
- is or has been suffering from mental or physical ill health and the Board resolves that his or her office be vacated; or
- is absent without permission from Board meetings for six consecutive months and the Board resolves that his or her office be vacated; or
- becomes bankrupt or compounds with his or her creditors generally; or
- is prohibited by law from being a director; or
- ceases to be a director by virtue of any provisions of company law or is removed from office pursuant to the Articles.

Biographical details of all of the current directors are set out on pages 92 and 93. Notwithstanding the retirement by rotation provisions in the Articles, each of the directors will retire and offer themselves for re-election at the forthcoming AGM in accordance with the UK Corporate Governance Code.

Directors' interests in the Company's ordinary shares are shown in Note 21 to the consolidated financial statements. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 2020. Information relating to the directors' service agreements and their remuneration for the year and details of the directors' share options under the Company's share option schemes and awards under the Long Term Incentive Plan and Deferred Annual Share Bonus Scheme are set out in the Directors' remuneration report on pages 114 to 139.

Powers of the directors

Subject to the Articles, the Companies Act 2006 and any directions given by the Company by special resolution, the business of the Company is managed by the Board who may exercise all powers of the Company. The Board may, by power of attorney or otherwise, appoint any person or persons to be the agent or agents of the Company for such purposes and on such conditions as the Board determines.

Directors' indemnities

Indemnities were in force throughout 2020 and remain in force as at the date of this report under which the Company has agreed to indemnify the directors and the Company Secretary, in addition to other senior executives who are directors of subsidiaries of the Company, to the extent permitted by law and the Articles in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as a director or officer of the Company or any of its subsidiaries.

Amendment of articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the Company's shareholders at a general meeting.

Environmental and social responsibility

The directors recognise that the Company is part of a wider community and that it has a responsibility to act in a way that respects the environment and social and community issues. Further information relating to the Company's approach to these matters is set out in the Sustainability report on pages 42 to 59.

Substantial shareholdings

As at 31 December 2020, the Company had been notified of the following significant interests in the issued share capital of the Company, in accordance with rule 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Shareholder	Date of notification	Number of shares	% of issued share capital
BlackRock, Inc.	30.06.20	17,120,005	5.08
Mawer Investment Management Ltd.	18.07.19	16,961,895	5.04

No other notifications have been received between 31 December 2020 and 1 March 2021.

Greenhouse gas emissions, energy consumption and energy efficiency action

Information relating to greenhouse gas emissions has been set out in the ESG appendix on pages 85 to 91. Information relating to energy consumption and the actions taken by the Company to increase energy efficiency can be found in the ESG appendix on pages 85 to 91 and the Sustainability report on pages 42 to 59.

Employment policies

The employment policies of the Group have been developed to meet the needs of its different business areas and the locations in which they operate worldwide, embodying the principles of equal opportunity. The Group has standards of business conduct with which it expects all its employees to comply. Bunzl encourages the involvement of its employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment. In addition to a regular magazine and the Company's intranet, which provide a variety of information on activities and developments within the Group and incorporate half year and annual financial reports, announcements and video communications from the Chief Executive Officer are periodically circulated to give details of corporate and employee matters. A number of subsidiary or business area publications dealing with activities in specific parts of the Group are also provided.

It is the Group's policy that applicants with a disability should be considered for employment and career development on the basis of their aptitudes and abilities. Employees who develop a disability during their working life will be retained in employment wherever possible and given help with rehabilitation and training.

Further information relating to the Group's employees can be found in the Sustainability report on pages 42 to 59.

Significant agreements

The Company's wholly owned subsidiary, Bunzl Finance plc, has a number of bilateral loan facilities with a range of different counterparties, all of which are guaranteed by the Company, are in substantially the same form and are repayable at the option of the lender in the event of a change of control of the Company. Similar change of control provisions in relation to the Company are included in the US dollar, sterling and euro US private placement notes and the senior unsecured bonds (which are listed on either the Main Market or the International Securities Market of the London Stock Exchange), all of which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

Political donations

During 2020, no contributions were made for political purposes.

Use of financial instruments

Information on the use of financial instruments can be found in the Financial review on pages 75 to 83 and in the Notes to the financial statements on pages 150 to 200.

Disclosures required under UK Listing Rule 9.8.4

Apart from the dividend waiver which has been issued in respect of shares held by the EBT referred to in Note 18 to the consolidated financial statements on page 180, there are no disclosures required to be made under UK Listing Rule 9.8.4.

External auditors

Each of the directors in office at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group and the Company's auditors are unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make the director aware of any relevant audit information and to establish that the Group and the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Resolutions are to be proposed at the forthcoming AGM for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company, at a rate of remuneration to be determined by the directors.

Future developments within the Group

An indication of likely future developments in the Group's business can be found in the Strategic report on pages 1 to 91.

Strategic report and Directors' report

Pages 1 to 91 inclusive consist of the Strategic report and pages 92 to 142 inclusive consist of the Directors' report. These reports have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report. These matters are referred to above and are explained in more detail in the Strategic report on pages 1 to 91.

Under the Companies Act 2006, a safe harbour limits the liability of directors in respect of statements in and omissions from a strategic report and a directors' report. Under English law, the directors would be liable to the Company, but not to any third party, if the Strategic report or the Directors' report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

The Strategic report and the Directors' report were approved by the Board on 1 March 2021.

By order of the Board

Suzanne Jefferies
Secretary
1 March 2021

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Revenue	4	**10,111.1**	9,326.7
Operating profit	4	**618.5**	528.4
Finance income	6	**10.4**	12.4
Finance expense	6	**(73.2)**	(87.5)
Profit before income tax		**555.7**	453.3
Income tax	7	**(125.7)**	(104.1)
Profit for the year attributable to the Company's equity holders		**430.0**	349.2
Earnings per share attributable to the Company's equity holders			
Basic	8	**128.8p**	104.8p
Diluted	8	**128.3p**	104.5p

Alternative performance measures†			
Operating profit	4	**618.5**	528.4
Adjusted for:			
Customer relationships and brands amortisation	4	**100.4**	107.3
Acquisition related items	4	**42.7**	17.6
Non-recurring pension scheme charges	4	**16.8**	–
Adjusted operating profit		**778.4**	653.3
Finance income	6	**10.4**	12.4
Finance expense	6	**(73.2)**	(87.5)
Adjusted profit before income tax		**715.6**	578.2
Tax on adjusted profit	7	**(165.1)**	(137.6)
Adjusted profit for the year		**550.5**	440.6
Adjusted earnings per share	8	**164.9p**	132.2p

† See Note 3 on page 158 for further details of the alternative performance measures.

The Accounting policies and other Notes on pages 150 to 192 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Profit for the year		**430.0**	349.2
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension schemes	22	**(16.2)**	(8.3)
Loss recognised in cash flow hedge reserve†		**(8.5)**	–
Tax on items that will not be reclassified to profit or loss	7	**4.6**	2.2
Total items that will not be reclassified to profit or loss		**(20.1)**	(6.1)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		**(63.5)**	(104.1)
(Loss)/gain taken to equity as a result of effective net investment hedges		**(15.9)**	16.9
Loss recognised in cash flow hedge reserve†		**–**	(0.5)
Movement from cash flow hedge reserve to inventory/income statement†		**–**	(4.3)
Tax on items that may be reclassified to profit or loss	7	**0.3**	0.8
Total items that may be reclassified subsequently to profit or loss		**(79.1)**	(91.2)
Other comprehensive expense for the year		**(99.2)**	(97.3)
Total comprehensive income attributable to the Company's equity holders		**330.8**	251.9

† The presentation of the movements relating to the cash flow hedge reserve has been amended in the current year to more appropriately reflect the requirements of IFRS 9. Given the immaterial amounts involved the prior year numbers have not been reclassified.

CONSOLIDATED BALANCE SHEET
at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Property, plant and equipment	9	**122.7**	118.3
Right-of-use assets	10	**453.4**	432.9
Intangible assets	11	**2,441.9**	2,290.9
Defined benefit pension assets	22	**0.4**	10.8
Derivative financial assets		**17.0**	11.5
Deferred tax assets	17	**2.5**	3.7
Total non-current assets		**3,037.9**	2,868.1
Inventories	12	**1,432.2**	1,177.2
Trade and other receivables	13	**1,395.8**	1,254.1
Income tax receivable		**6.6**	6.7
Derivative financial assets		**12.6**	3.4
Cash at bank and in hand	25	**944.3**	610.5
Total current assets		**3,791.5**	3,051.9
Total assets		**6,829.4**	5,920.0
Equity			
Share capital	18	**108.3**	108.3
Share premium		**187.7**	184.0
Translation reserve		**(190.9)**	(111.8)
Other reserves		**14.3**	16.2
Retained earnings		**1,799.7**	1,547.6
Total equity attributable to the Company's equity holders		**1,919.1**	1,744.3
Liabilities			
Interest bearing loans and borrowings	25	**1,615.2**	1,314.2
Defined benefit pension liabilities	22	**45.2**	46.8
Other payables		**50.2**	19.5
Income tax payable		**2.0**	2.4
Provisions	16	**55.7**	33.9
Lease liabilities	24	**368.4**	358.2
Derivative financial liabilities		**0.8**	–
Deferred tax liabilities	17	**105.1**	127.5
Total non-current liabilities		**2,242.6**	1,902.5
Bank overdrafts	25	**514.6**	469.7
Interest bearing loans and borrowings	25	**79.9**	83.7
Trade and other payables	14	**1,836.3**	1,502.8
Income tax payable		**75.7**	81.0
Provisions	16	**8.5**	6.5
Lease liabilities	24	**129.1**	121.8
Derivative financial liabilities		**23.6**	7.7
Total current liabilities		**2,667.7**	2,273.2
Total liabilities		**4,910.3**	4,175.7
Total equity and liabilities		**6,829.4**	5,920.0

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 1 March 2021 and signed on its behalf by Frank van Zanten, Chief Executive Officer and Richard Howes, Chief Financial Officer.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves: Merger £m	Other reserves: Capital redemption £m	Other reserves: Cash flow hedge £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 1 January 2020	**108.3**	**184.0**	**(111.8)**	**2.5**	**16.1**	**(2.4)**	**(69.9)**	**1,617.5**	**1,744.3**
Profit for the year								**430.0**	**430.0**
Actuarial loss on defined benefit pension schemes								**(16.2)**	**(16.2)**
Foreign currency translation differences on foreign operations			**(63.5)**						**(63.5)**
Loss taken to equity as a result of effective net investment hedges			**(15.9)**						**(15.9)**
Loss recognised in cash flow hedge reserve						**(8.5)**			**(8.5)**
Income tax credit on other comprehensive expense			**0.3**			**1.6**		**3.0**	**4.9**
Total comprehensive income			**(79.1)**			**(6.9)**		**416.8**	**330.8**
2019 interim dividend								**(51.7)**	**(51.7)**
2019 additional interim dividend								**(119.8)**	**(119.8)**
Movement from cash flow hedge reserve to inventory†						**5.0**			**5.0**
Issue of share capital	**–**	**3.7**							**3.7**
Employee trust shares							**(9.4)**		**(9.4)**
Movement on own share reserves							**5.9**	**(5.9)**	**–**
Share based payments								**16.2**	**16.2**
At 31 December 2020	**108.3**	**187.7**	**(190.9)**	**2.5**	**16.1**	**(4.3)**	**(73.4)**	**1,873.1**	**1,919.1**

† The presentation of the movements relating to the cash flow hedge reserve has been amended in the current year to more appropriately reflect the requirements of IFRS 9. Given the immaterial amounts involved the prior year numbers have not been reclassified.

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves: Merger £m	Other reserves: Capital redemption £m	Other reserves: Cash flow hedge £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 31 December 2018	108.1	178.5	(24.6)	2.5	16.1	1.6	(63.9)	1,476.2	1,694.5
Impact of transition to IFRS 16								(23.9)	(23.9)
Restated equity at 1 January 2019	108.1	178.5	(24.6)	2.5	16.1	1.6	(63.9)	1,452.3	1,670.6
Profit for the year								349.2	349.2
Actuarial loss on defined benefit pension schemes								(8.3)	(8.3)
Foreign currency translation differences on foreign operations			(104.1)						(104.1)
Gain taken to equity as a result of effective net investment hedges			16.9						16.9
Loss recognised in cash flow hedge reserve						(0.5)			(0.5)
Movement from cash flow hedge reserve to inventory/income statement						(4.3)			(4.3)
Income tax credit on other comprehensive expense			–			0.8		2.2	3.0
Total comprehensive income			(87.2)			(4.0)		343.1	251.9
2018 interim dividend								(50.7)	(50.7)
2018 final dividend								(116.6)	(116.6)
Issue of share capital	0.2	5.5							5.7
Employee trust shares							(30.4)		(30.4)
Movement on own share reserves							24.4	(24.4)	–
Share based payments								13.8	13.8
At 31 December 2019	108.3	184.0	(111.8)	2.5	16.1	(2.4)	(69.9)	1,617.5	1,744.3

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Cash flow from operating activities			
Profit before income tax		**555.7**	453.3
Adjusted for:			
net finance expense	6	**62.8**	75.1
customer relationships and brands amortisation	11	**100.4**	107.3
acquisition related items	4	**42.7**	17.6
non-recurring pension scheme charges	4	**16.8**	–
Adjusted operating profit		**778.4**	653.3
Adjustments:			
depreciation and software amortisation	27	**171.7**	160.0
other non-cash items	27	**13.2**	(3.5)
working capital movement	27	**5.0**	4.3
Cash generated from operations before acquisition related items		**968.3**	814.1
Cash outflow from acquisition related items	26	**(24.3)**	(19.2)
Income tax paid		**(153.8)**	(125.6)
Cash inflow from operating activities		**790.2**	669.3
Cash flow from investing activities			
Interest received		**15.1**	9.8
Purchase of property, plant and equipment and software	9,11	**(33.1)**	(36.9)
Sale of property, plant and equipment		**1.2**	8.1
Purchase of businesses	26	**(363.2)**	(143.6)
Cash outflow from investing activities		**(380.0)**	(162.6)
Cash flow from financing activities			
Interest paid excluding interest on lease liabilities		**(56.6)**	(61.0)
Dividends paid	19	**(171.5)**	(167.3)
Increase in borrowings		**444.5**	75.5
Repayment of borrowings		**(133.5)**	(173.7)
Realised (losses)/gains on foreign exchange contracts		**(37.1)**	13.6
Payment of lease liabilities – principal	24	**(137.1)**	(128.3)
Payment of lease liabilities – interest	24	**(22.5)**	(23.3)
Proceeds from issue of ordinary shares to settle share options		**3.7**	5.7
Proceeds from exercise of market purchase share options		**37.0**	15.8
Purchase of employee trust shares		**(49.1)**	(49.2)
Cash outflow from financing activities		**(122.2)**	(492.2)
Increase in cash and cash equivalents		**288.0**	14.5
Cash and cash equivalents at start of year		**140.8**	144.2
Increase in cash and cash equivalents		**288.0**	14.5
Currency translation		**0.9**	(17.9)
Cash and cash equivalents at end of year	25	**429.7**	140.8

CONSOLIDATED CASH FLOW STATEMENT CONTINUED

for the year ended 31 December 2020

Alternative performance measures†	Notes	2020 £m	2019 £m
Cash generated from operations before acquisition related items		**968.3**	814.1
Purchase of property, plant and equipment and software		**(33.1)**	(36.9)
Sale of property, plant and equipment		**1.2**	8.1
Payment of lease liabilities	24	**(159.6)**	(151.6)
Operating cash flow		**776.8**	633.7
Adjusted operating profit		**778.4**	653.3
Add back depreciation of right-of-use assets	10	**134.8**	128.1
Deduct payment of lease liabilities	24	**(159.6)**	(151.6)
Lease adjusted operating profit		**753.6**	629.8
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)		**103%**	101%

† See Note 3 on page 158 for further details of the alternative performance measures.

NOTES

1 Basis of preparation

Bunzl plc (the 'Company') is a public company, which is limited by shares and is listed on the London Stock Exchange. The Company is incorporated and domiciled in the United Kingdom and is registered in England and Wales.

a. Basis of accounting

The consolidated financial statements for the year ended 31 December 2020 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with International Accounting Standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The consolidated financial statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). They are prepared under the historical cost convention with the exception of certain items which are measured at fair value as described in the accounting policies below.

(i) Going concern

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

In reaching this conclusion, the directors noted the Group's strong cash performance in the year and the substantial funding available to the Group as described in the Financial review. The directors also considered a range of different forecast scenarios for the 12 month period to the end of 28 February 2022 starting with a base case projection excluding any non-committed acquisition spend or changes in funding. The resilience of the Group to a range of possible downside scenarios was factored into the directors' considerations through two different levels of stress testing against the base case projections. This included sensitising for the potential impacts of the Covid-19 pandemic; firstly reflecting lower trading activity in the foodservice and retail sectors for a period of six months; and secondly the possibility of the impact from the pandemic lasting for the remainder of the year, both resulting in lower profit and higher working capital. In all scenarios modelled the Group maintains sufficient funding headroom and is in compliance with its debt covenants throughout the period of assessment. The directors are therefore satisfied that the Group's forecasts, which take into account reasonably possible changes in trading performance, show that there are no material uncertainties over going concern, including no anticipated breach of covenants, and therefore the going concern basis of preparation continues to be appropriate.

(ii) Impact of Covid-19 on the financial statements at 31 December 2020

The impact of the Covid-19 pandemic on the financial results for the Group for the year ended 31 December 2020 are detailed elsewhere in this report, notably in the Chief Executive Officer's review and the Financial review.

The Group's accounting policies for inventories and trade and other receivables remain unchanged from those set out in the Company's 2019 statutory accounts. However, the Covid-19 pandemic has significantly increased the potential risks from credit losses on trade receivables and inventory, particularly in the businesses within the Group adversely affected by lockdown restrictions, notably in the foodservice and retail sectors.

During 2020, the Group has seen a number of customers either entering insolvency processes or showing specific credit stress indicators that have impacted the recoverability of receivables and customer specific inventory particularly in the foodservice and retail sectors. This has resulted in a net charge of approximately £15m being taken during the year to reflect the risks around recoverability. In addition, there is a heightened risk of further recoverability issues with customers, mainly in these same sectors, as government support is withdrawn and the trading uncertainty continues. Consequently, the Group has taken an additional net charge of approximately £10m in the year relating to aged receivables and customer specific inventory for those customers identified as having a high or medium credit risk. The Group has also seen an increase in the level of slow moving inventory as the Covid-19 pandemic and the associated government imposed control measures have continued to impact customer demand across a range of market sectors. This has resulted in a net charge of approximately £15m in the year to increase slow moving inventory provisions. The resultant level of receivables and inventory provisions relative to the relevant total balances at the end of December 2020 are marginally below the levels seen in the global financial crisis in 2008.

Impairment reviews of goodwill and customer relationships assets were completed towards the end of the year using cash flow projections which took into account the latest expectations about the recovery of businesses in the market sectors impacted by the pandemic. Further details of the impairment testing carried out are shown in Note 11.

b. Newly adopted accounting policies

There are no new standards or amendments to existing standards that are effective that have had a material impact on the Group, nor does the Group anticipate any new or revised standards and interpretations that are effective from 1 January 2021 and beyond to have a material impact on its consolidated results or financial position.

2 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the consolidated financial statements.

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is either exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A list of all of the Company's subsidiary undertakings is included in the Related undertakings note in the Shareholder information section on pages 212 to 217 and is subject to audit. The results of all of the subsidiary undertakings are included in full in these consolidated financial statements.

(ii) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The consideration paid or payable in respect of acquisitions comprises amounts paid on completion and deferred consideration, excluding payments which are contingent on the continued employment of former owners of businesses acquired. The excess of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill. Payments that are contingent on future employment and transaction costs and expenses such as professional fees are charged to the income statement.

When less than 100% of the issued share capital of a subsidiary is acquired and the acquisition includes an option to purchase the remaining share capital of the subsidiary, the anticipated acquisition method is applied, where judged appropriate to do so based on the risks and rewards associated with the option to purchase, meaning that no non-controlling interest is recognised. A liability is carried on the balance sheet equal to the fair value of the option and this is revised to fair value at each reporting date with differences being recorded in acquisition related items in the income statement.

(iii) Disposal of businesses

Where a subsidiary undertaking is sold, the profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the carrying amount of the assets and liabilities of the subsidiary on the date of disposal less any transaction costs relating to the disposal. On the disposal of a subsidiary with assets and liabilities denominated in foreign currency, the cumulative translation difference associated with that subsidiary in the translation reserve is credited or debited to the profit or loss on disposal recognised in the income statement. Cash received on disposal of businesses is shown within investing activities in the Consolidated cash flow statement, net of cash and cash equivalents disposed of and transaction costs.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

b. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement, unless they qualify for cash flow or net investment hedge accounting treatment, in which case the effective portion is recognised directly in other comprehensive income.

Assets and liabilities of foreign operations are translated at the exchange rate prevailing at the balance sheet date. Income and expenses of foreign operations are translated at average exchange rates. All resulting exchange differences, including exchange differences arising from the translation of borrowings and other financial instruments designated as hedges of such balances, are recognised directly in other comprehensive income and accumulated in the translation reserve. Differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented in this separate component of equity.

c. Revenue

The Group is principally engaged in the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. Revenue related to the provision of services is recognised when the service is provided, which for the majority of the Group's service revenue represents a single performance obligation. Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

Revenue is valued at invoiced amounts, excluding sales taxes and including estimates for variable consideration where relevant, such as returns and discounts, for which a liability is recognised as required. Returns and early settlement discount liabilities are based on experience over an appropriate period whereas volume discount liabilities are based on agreements with customers and expected volumes.

d. Cost of goods sold

Cost of goods sold consists of the cost of the inventories sold or disposed of in the period where the cost of inventories is net of supplier rebate income related to those inventories.

2 Accounting policies continued

e. Supplier rebates

The Group has various rebate arrangements with a number of suppliers. Some of these arrangements are based on the volume of products purchased and others are based on the volume of products sold. Supplier rebate income is recognised in cost of goods sold concurrent with the sale of the inventories to which it relates and is calculated by reference to the expected consideration receivable from each rebate arrangement. Substantially all supplier rebate income is unconditional and non-judgemental. Supplier rebate income is not recognised if there is significant uncertainty regarding recovery of the amount due. Supplier rebate income accrued but not yet received is included in other receivables.

f. Share based payments

The Group operates a number of equity settled share based payment compensation plans. Details of these plans are outlined in Note 18 and the Directors' remuneration report. The total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity.

g. Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot readily be determined, as is the case in the vast majority of the leasing activities of the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index/rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Judgements are involved in determining the lease term, particularly because termination options are included in a number of property leases across the Group to facilitate operational flexibility. The majority of termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Periods after the date of a termination option are only included in the lease term if it is reasonably certain that the lease will not be terminated. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the Group.

Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are assets with a value of less than £5,000 when new, typically small items of IT equipment, office equipment and office furniture.

h. Income tax

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years. Current tax payable is recognised when it is probable that the Group will be required to settle the obligation. The Group's policy for accounting for current tax payable or receivable where it is uncertain is described in more detail in Note 2y – Sources of estimation uncertainty part (v) – Taxation.

Deferred tax is provided using the balance sheet liability method providing for temporary differences arising between tax bases and carrying amounts in the consolidated financial statements. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and where the Company controls the timing of the reversal. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

i. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. The carrying values of property, plant and equipment are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

2 Accounting policies continued

j. Depreciation

Depreciation is charged to the income statement on a straight line basis to write off cost less estimated residual value over the assets' estimated remaining useful lives. The estimated useful lives are as follows:

Buildings	50 years (or depreciated over life of lease if shorter than 50 years)
Plant and machinery	3 to 12 years
Fixtures, fittings and equipment	3 to 12 years
Freehold land	Not depreciated

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

k. Intangible assets

(i) Goodwill

Acquisitions are accounted for using the acquisition method. As permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards', the Group chose to apply IFRS 3 'Business Combinations' from 1 January 2004 and elected not to restate previous business combinations. For acquisitions made before 1 January 2004, goodwill represents the amount previously recorded under UK Generally Accepted Accounting Practice ('UK GAAP'). For acquisitions that occurred between 1 January 2004 and 31 December 2009, goodwill represents the cost of the business combination in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. For acquisitions that have occurred on or after 1 January 2010, goodwill represents the cost of the business combination (excluding payments contingent on future employment and transaction costs and expenses) in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. Negative goodwill arising on acquisition is recognised immediately in the income statement.

(ii) Customer relationships and brands

Customer relationships and brands intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. Subsequent to initial recognition, customer relationships and brands intangible assets are stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives which range from 10 to 19 years.

(iii) Software

Software is stated at historical cost less accumulated amortisation and any impairment losses. The carrying values of software are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives which range from 3 to 10 years.

l. Impairment

The carrying amounts of the Group's assets are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts of assets carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at appropriate pre-tax discount rates. The recoverable amounts of other assets are the greater of their fair value less the costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. Impairment losses are recognised when the carrying amount of an asset or CGU exceeds its recoverable amount, with impairment losses being recognised in the income statement.

m. Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and comprises the purchase price, net of any related supplier volume rebates, plus import duties and other taxes, inbound freight and haulage costs and other related costs incurred to bring the product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated cost necessary to make the sale. Provision is made for obsolete, slow moving or defective items where appropriate.

n. Trade and other receivables

Trade and other receivables are initially measured at fair value, which for trade receivables is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses including expected credit losses. In accordance with IFRS 9 'Financial Instruments' the Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics such as the ageing of the debt and the credit risk of the customers. An historical credit loss rate is then calculated for each group and adjusted to reflect expectations about future credit losses. Inputs and assumptions used for expected credit loss provisions are based on local operating company historical experience and expectations about future credit losses. The Group does not have any significant contract assets.

2 Accounting policies continued

o. Trade and other payables

Trade and other payables are initially measured at fair value including any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost. The Group has contract liabilities in the form of deferred income which arises from consideration received in advance of the satisfaction of performance obligations.

p. Financial instruments

Classification and measurement

Under IFRS 9, financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument. IFRS 13 'Fair Value Measurement' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All non-derivative financial assets and liabilities are subsequently held at amortised cost unless they are in a fair value hedge relationship. Financial assets and liabilities held in a fair value hedge relationship are held at amortised cost with a fair value adjustment with subsequent changes in this fair value adjustment recorded in the income statement.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- a hedge of the fair value of recognised assets or liabilities or a firm commitment ('fair value hedge');
- a hedge of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions ('cash flow hedge'); or
- a hedge of a net investment in a foreign operation ('net investment hedge').

The Group documents its risk management objectives and strategy for undertaking its hedge transactions. At inception of hedge relationships, the Group documents the economic relationship between the hedging instruments and the hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is 12 months or less.

(i) Fair value hedge

Where a derivative instrument is designated and qualifies as a hedge of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the income statement within finance expense. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged with changes recognised in the income statement, also within finance expense. The gain or loss relating to any ineffective portion of the hedging arrangement is recognised immediately in the income statement.

If the hedge relationship is de-designated, then from the point of de-designation there is no further fair valuing of the hedged item. Any previous adjustment to the carrying amount of the hedged item is amortised over the remaining maturity of the hedged item.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Where a derivative instrument is designated and qualifies as a hedge of a forecast transaction, only the change in fair value of the forward contract related to the spot component is designated as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contract are initially recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised in the income statement.

Gains or losses accumulated in equity are reclassified to the income statement when the hedged item affects profit or loss or to the non-financial asset when the hedged item results in the recognition of a non-financial asset with the deferred gains or losses ultimately being recognised in the income statement as the non-financial asset affects profit or loss.

When a hedging instrument expires, any cumulative deferred gain/loss in equity relating to that instrument remains in equity until the forecast transaction occurs at which point it is reclassified to the income statement. When the forecast transaction is no longer expected to occur, the cumulative deferred gain/loss recorded in equity is immediately reclassified to the income statement.

(iii) Net investment hedge

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity to the extent the hedge is effective and are accumulated in a separate reserve within equity. To the extent that the hedge is ineffective such differences are recognised in the income statement.

2 Accounting policies continued

(iv) Other derivative instruments

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the income statement.

q. Cash and cash equivalents

Cash and cash equivalents, as reported in the cash flow statement, comprises cash at bank and in hand and bank overdrafts. Cash at bank and in hand includes cash balances and short term deposits with maturities of three months or less from the date the deposit is made.

r. Net debt

Net debt is defined as interest bearing loans and borrowings adjusted for the fair value of interest rate swaps on fixed interest rate borrowings and other derivatives managing the interest rate risk and currency profile less cash and cash equivalents.

s. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

t. Investment in own shares

The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised in retained earnings.

At each reporting date the Group remeasures the value of the shares held in the employee benefit trust to present them in the own shares reserve at the market value of those shares at the reporting date. This is done through a reclassification from retained earnings to the own shares reserve. This movement has no effect on the actual numbers of shares held by the employee benefit trust.

u. Retirement benefits

(i) Defined contribution pension schemes

A defined contribution pension scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement in the periods during which services are rendered by employees.

(ii) Defined benefit pension schemes

A defined benefit pension scheme is a post-employment benefit plan other than a defined contribution pension scheme. Defined benefit pension schemes are recognised on the balance sheet as a defined benefit pension asset or a defined benefit pension liability based on the difference between the fair value of pension scheme assets and the present value of pension scheme liabilities.

The present value of pension scheme liabilities is calculated by a qualified actuary using the projected unit method by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted using the rate applicable to AA rated corporate bonds that have a similar maturity and currency to the pension scheme liabilities. The fair value of any pension scheme assets (at bid price) is deducted from the present value of pension scheme liabilities to determine the net deficit or surplus of each scheme. Remeasurements arising from defined benefit pension schemes comprise actuarial gains and losses on pension scheme liabilities and the actual return on pension scheme assets excluding amounts already included in net interest. The net actuarial gain or loss for the year is recorded in full in the statement of comprehensive income.

Current service cost, past service cost or gain and gains and losses on any settlements and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested. Net interest on the net defined benefit pension liability or asset is calculated by applying the discount rate used to measure the defined benefit pension scheme deficit or surplus at the beginning of the year to the net defined benefit pension liability or asset at the beginning of the year. Net interest is recorded within finance expense or finance income in the income statement.

When the valuation of a defined benefit pension scheme results in a surplus, the recognised defined benefit pension asset is limited to the present value of benefits available in the form of any future refunds from the pension scheme or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

v. Dividends

The interim dividend is recognised in the statement of changes in equity in the period in which it is paid and the final dividend in the period in which it is approved by shareholders at the Annual General Meeting.

2 Accounting policies continued

w. Hyperinflationary economies

Where the Group has operations in countries to which hyperinflation accounting applies, the financial statements of the business concerned are accounted for under IAS 29 'Financial Reporting in Hyperinflationary Economies'.

x. Judgements made in applying the Group's accounting policies

In the course of preparing the financial statements, other than judgements involved in determining lease terms under the application of IFRS 16 'Leases' and in determining estimates and assumptions (see Note 2y below), no other judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

In measuring its right-of-use assets and lease liabilities, management is required to make judgements, particularly in relation to lease termination options. Periods after the date of a termination option are only included in the lease term if it is reasonably certain that the lease will not be terminated. While management determine lease terms across the Group on a case-by-case basis, if different judgements were applied relating to a number of leases, it could have a significant effect on the overall amounts recognised in the financial statements.

y. Sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. As at 31 December 2020, sources of estimation uncertainty where there was a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year were limited to the following items:

(i) Accounting for business combinations

Part of the Company's strategy is to grow through acquisitions. Acquisitions are accounted for using the acquisition method as described in the business combinations accounting policy, Note 2a(ii), and the goodwill accounting policy, Note 2k(i). This includes the determination of fair values for assets and liabilities acquired, including the separate identification of intangible assets, which use assumptions and estimates and are therefore subjective. The Group has developed a process to meet the requirements of IFRS 3 including the separate identification of customer relationships and brands intangible assets based on estimated future performance and customer attrition rates. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. The process applied is described in Note 26.

(ii) Recoverability of goodwill, customer relationships and brands intangible assets

As noted above, part of the Company's strategy is to grow through acquisitions which has led to material goodwill, customer relationships and brands intangible assets being recognised on the balance sheet. Goodwill, which is allocated across CGUs, is tested annually to determine if there is any indication of impairment by comparing the carrying amount of the goodwill to the recoverable amount of the CGU to which it has been allocated. Assumptions and estimates are used to determine the recoverable amount of each CGU, principally based on the present value of estimated future cash flows. Actual performance may differ from management's expectations. The estimates and assumptions used in performing impairment testing are described in Note 11. Customer relationships and brands intangible assets are also reviewed annually for indicators of impairment and if an indicator of impairment exists then similar recoverability testing, involving the use of estimates and assumptions, is performed for the business to which the customer relationships and brands intangible assets relate. The useful economic lives of customer relationships and brands intangible assets are also reviewed at least annually, with any revisions to the original estimated useful economic lives accounted for prospectively. As at 31 December 2020 the goodwill balance was £1,494.6m (2019: £1,403.6m), the amount of customer relationships intangible assets was £912.7m (2019: £864.9m) and the amount of brands intangible assets was £12.5m (2019: £nil).

(iii) Defined benefit pension schemes

The measurement of the present value of defined benefit pension scheme liabilities involves the use of various actuarial assumptions. The Group uses independent actuarial experts to assist with the estimation of the discount rates, inflation rates and longevity assumptions used for the measurement of defined benefit pension scheme liabilities but the actual liabilities could be materially different. The main risks to which the Group is exposed in relation to the valuation of the defined benefit pension schemes are described in Note 22. The Group's net pension deficit balance as at 31 December 2020 was £44.8m (2019: £36.0m).

(iv) Trade receivables and inventory provisions

Due to the uncertainty created by the Covid-19 pandemic, trade receivables and inventory provisions are considered to be a source of estimation uncertainty. The Group has seen a number of customers either entering insolvency processes or illustrating specific credit stress indicators that impact the recoverability of receivables and customer specific inventory in the foodservice and retail sectors and there is a heightened risk of further recoverability issues with customers, mainly in the foodservice and retail sectors, as government support is withdrawn and the trading uncertainty continues. The Group has also seen an increase in the level of slow moving inventory as the Covid-19 pandemic and the associated government imposed control measures have continued to impact customer demand across a range of market sectors. As at 31 December 2020, the Group carried trade receivables provisions of £35.2m (2019: £23.9m) and provisions for slow moving, obsolete or defective inventories of £132.5m (2019: £80.3m).

2 Accounting policies continued

(v) Taxation

The Group operates in many countries and is therefore subject to tax laws in a number of different tax jurisdictions. The amount of tax payable or receivable on profits or losses for any period is subject to the agreement of the tax authority in each respective jurisdiction and the tax liability or asset position is open to review for several years after the relevant accounting period ends. In determining the provisions for income taxes, management is required to make assumptions based on interpretations of tax statute and case law, which it does after taking account of professional advice and prior experience.

The majority of the Group's tax payable balance of £77.7m (2019: £83.4m) relates to provisions for uncertain tax matters. Uncertainties in respect of enquiries and additional tax assessments raised by tax authorities are measured by management according to the guidance provided by IFRIC 23 'Uncertainty over Income Tax Treatments' but the amounts ultimately payable or receivable may differ from the amounts of any provisions recognised in the consolidated financial statements as a result of the estimates and assumptions used.

The principal uncertainty relates to the legal arguments between the European Commission ('the Commission') and HM Government over whether part of the UK's tax regime is contrary to European Union State aid provisions. The Group, as well as HM Government and many other tax payers, have filed appeals to the EU General Court ('EU Court') on this issue but no hearing date has yet been set. A payment of up to £37m could be payable to HM Revenue & Customs ('HMRC') in 2021, but any such amount paid will be refunded in the event of a favourable EU Court ruling on this matter. The Group considers it to be more likely than not that the EU Court decision will find the UK tax regime did not amount to State aid and on that basis has not provided for any liability. It is, however, possible that a decision will be received within the next year and that the decision will favour the Commission. In that case a material liability would arise of an amount estimated to be up to £37m.

Other than the risk noted above, management does not consider there to be any additional significant risks of material adjustment within the next financial year because tax provisions cover a range of matters across multiple tax jurisdictions with a variety of timescales before such matters are expected to be concluded.

3 Alternative performance measures

In addition to the various performance measures defined under IFRS, the Group reports a number of other measures that are designed to assist with the understanding of the underlying performance of the Group and its businesses. These measures are not defined under IFRS and, as a result, do not comply with Generally Accepted Accounting Practice ('GAAP') and are therefore known as 'alternative performance measures'. Accordingly, these measures, which are not designed to be a substitute for any of the IFRS measures of performance, may not be directly comparable with other companies' alternative performance measures. The principal alternative performance measures used within the consolidated financial statements and the location of the reconciliation to equivalent IFRS measures are shown and defined in the table below:

Adjusted operating profit	Operating profit before customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables)
Adjusted profit for the year	Profit for the year before customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and the associated tax (reconciled in the following tables)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 7)
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares in issue (reconciled in the following tables and in Note 8)
Adjusted diluted earnings per share	Adjusted profit for the year divided by the diluted weighted average number of ordinary shares (reconciled in Note 8)
Operating cash flow	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Free cash flow	Operating cash flow after deducting payments for tax and net interest excluding interest on lease liabilities
Lease adjusted operating profit	Adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Cash conversion	Operating cash flow as a percentage of lease adjusted operating profit (as shown in the Consolidated cash flow statement)
Return on average operating capital	The ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, right-of-use assets, software, inventories and trade and other receivables less trade and other payables)
Return on invested capital	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships and brands amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
EBITDA	Adjusted operating profit on a historical GAAP basis, before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's debt covenants, principally to exclude share option charges and to annualise for the effect of acquisitions and disposal of businesses
Net debt excluding lease liabilities	Net debt excluding the carrying value of lease liabilities (reconciled in Note 25)
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for the year ended 31 December 2019 at the average rates for the year ended 31 December 2020 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2020 and 2019 can be found in the Financial review on page 76

These alternative performance measures exclude the charge for customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and any associated tax, where relevant.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs, customer relationships asset impairment charges, goodwill impairment charges and interest on acquisition related income tax. Customer relationships and brands amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. The non-recurring pension scheme charges relate to non-recurring charges arising from the Group's participation in a number of defined benefit pension schemes. In the year ended 31 December 2020, these non-recurring pension scheme charges comprise

3 Alternative performance measures continued

the costs relating to the Group's decision to withdraw from three multi-employer pension plans in North America and a charge relating to the equalisation of guaranteed minimum pensions between male and female members on historical transfer values out of the Group's UK defined benefit pension scheme following the outcome of the High Court judgment in November 2020 in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assesses the performance of the Group.

Other alternative performance measures, including the Group's key performance indicators which are set out and defined on pages 32 and 33, are used to monitor the performance of the Group and a number of these are based on, or derived from, the alternative performance measures noted above. All alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2019.

Reconciliation of alternative performance measures to IFRS measures

The principal profit related alternative performance measures, being adjusted operating profit, adjusted profit before income tax, adjusted profit for the year and adjusted earnings per share, are reconciled to the most directly reconcilable statutory measures in the tables below.

Year ended 31 December 2020

		Adjusting items				
	Alternative performance measures £m	Customer relationships and brands amortisation £m	Acquisition related items £m	Non-recurring pension scheme charges £m	Statutory measures £m	
Adjusted operating profit	**778.4**	**(100.4)**	**(42.7)**	**(16.8)**	**618.5**	**Operating profit**
Finance income	**10.4**				**10.4**	Finance income
Finance expense	**(73.2)**				**(73.2)**	Finance expense
Adjusted profit before income tax	**715.6**	**(100.4)**	**(42.7)**	**(16.8)**	**555.7**	**Profit before income tax**
Tax on adjusted profit	**(165.1)**	**24.5**	**10.7**	**4.2**	**(125.7)**	Income tax
Adjusted profit for the year	**550.5**	**(75.9)**	**(32.0)**	**(12.6)**	**430.0**	**Profit for the year**
Adjusted earnings per share	**164.9p**	**(22.7)p**	**(9.6)p**	**(3.8)p**	**128.8p**	**Basic earnings per share**

Year ended 31 December 2019

		Adjusting items				
	Alternative performance measures £m	Customer relationships and brands amortisation £m	Acquisition related items £m	Non-recurring pension scheme charges £m	Statutory measures £m	
Adjusted operating profit	653.3	(107.3)	(17.6)	–	528.4	Operating profit
Finance income	12.4				12.4	Finance income
Finance expense	(87.5)				(87.5)	Finance expense
Adjusted profit before income tax	578.2	(107.3)	(17.6)	–	453.3	Profit before income tax
Tax on adjusted profit	(137.6)	29.1	4.4	–	(104.1)	Income tax
Adjusted profit for the year	440.6	(78.2)	(13.2)	–	349.2	Profit for the year
Adjusted earnings per share	132.2p	(23.4)p	(4.0)p	–	104.8p	Basic earnings per share

4 Segment analysis

The Group results are reported as four business areas based on geographical regions which are reviewed regularly by the Company's chief operating decision maker, the Board of directors. The principal results reviewed for each business area are revenue and adjusted operating profit.

Year ended 31 December 2020

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	**5,843.8**	**2,127.3**	**1,287.7**	**852.3**		**10,111.1**
Adjusted operating profit/(loss)	**395.7**	**238.1**	**68.6**	**104.2**	**(28.2)**	**778.4**
Customer relationships and brands amortisation	**(39.8)**	**(35.6)**	**(8.8)**	**(16.2)**		**(100.4)**
Acquisition related items	**(8.4)**	**(8.1)**	**(7.2)**	**(19.0)**		**(42.7)**
Non-recurring pensions scheme charges	**(16.4)**				**(0.4)**	**(16.8)**
Operating profit/(loss)	**331.1**	**194.4**	**52.6**	**69.0**	**(28.6)**	**618.5**
Finance income						**10.4**
Finance expense						**(73.2)**
Profit before income tax						**555.7**
Adjusted profit before income tax						**715.6**
Income tax						**(125.7)**
Profit for the year						**430.0**

Purchase of property, plant and equipment	**6.3**	**7.1**	**6.1**	**4.6**	**0.3**	**24.4**
Depreciation of property, plant and equipment	**9.7**	**8.7**	**4.8**	**3.3**	**0.1**	**26.6**
Additions to right-of-use assets	**31.1**	**20.7**	**34.4**	**13.9**	**–**	**100.1**
Depreciation of right-of-use assets	**66.3**	**31.0**	**21.3**	**15.7**	**0.5**	**134.8**
Purchase of software	**3.7**	**2.1**	**1.7**	**1.0**	**0.2**	**8.7**
Software amortisation	**3.2**	**4.8**	**0.8**	**1.3**	**0.2**	**10.3**

Year ended 31 December 2019

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,473.2	1,829.8	1,242.1	781.6		9,326.7
Adjusted operating profit/(loss)	343.6	182.1	87.1	61.6	(21.1)	653.3
Customer relationships and brands amortisation	(36.8)	(40.9)	(8.2)	(21.4)		(107.3)
Acquisition related items	(6.6)	(5.9)	(2.0)	(3.1)		(17.6)
Operating profit/(loss)	300.2	135.3	76.9	37.1	(21.1)	528.4
Finance income						12.4
Finance expense						(87.5)
Profit before income tax						453.3
Adjusted profit before income tax						578.2
Income tax						(104.1)
Profit for the year						349.2

Purchase of property, plant and equipment	8.8	8.8	5.7	3.7	0.1	27.1
Depreciation of property, plant and equipment	8.8	8.2	4.1	3.3	0.1	24.5
Additions to right-of-use assets	56.6	29.2	12.4	7.0	–	105.2
Depreciation of right-of-use assets	61.8	29.9	20.4	15.5	0.5	128.1
Purchase of software	4.8	2.1	1.4	1.5	–	9.8
Software amortisation	2.4	2.6	0.9	1.3	0.2	7.4

4 Segment analysis continued

Acquisition related items	2020 £m	2019 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**13.2**	13.3
Transaction costs and expenses	**7.3**	4.1
Adjustments to previously estimated earn outs	**1.0**	(0.3)
Interest on acquisition related income tax	**–**	0.5
	21.5	17.6
Goodwill impairment charges (Note 11)	**12.1**	–
Customer relationships impairment charges (Note 11)	**9.1**	–
	42.7	17.6

Reportable segments are determined based on quantitative thresholds in accordance with IFRS 8 'Operating Segments'. The three business areas of North America, Continental Europe and UK & Ireland are operating segments that meet the quantitative thresholds for reportable segments and are therefore disclosed separately above. The Rest of the World business area contains businesses in Latin America and Asia Pacific which individually do not meet the quantitative thresholds for separate disclosure as reportable segments. Rest of the World is therefore an 'other' segment that is disclosed above as a reportable segment as this information is considered to be useful to users of the financial statements and it also helps to reconcile the results of the reportable segments to the Group's consolidated results.

The revenue presented relates to external customers. Sales between the business areas are not material. Each of the business areas supplies a range of products to customers operating primarily in the grocery, foodservice, safety, cleaning & hygiene, retail and healthcare market sectors but results are not monitored on this basis. The performance of the four business areas is assessed by reference to adjusted operating profit and this measure also represents the segment results for the purposes of reporting in accordance with IFRS 8. Debt and associated interest is managed at a Group level and therefore has not been allocated across the business areas.

In the year ended 31 December 2020 the Group had no customer that represented 10% or more of total Group revenue (2019: no customers).

As noted above, the businesses within each operating segment operate in a number of different countries and sell products across a range of market sectors, with the vast majority of revenue generated from the delivery of goods to customers. The following table provides a breakdown of revenue by market sector. The other category covers a wide range of market sectors, none of which is sufficiently material to warrant separate disclosure.

Revenue by market sector	2020 £m	2019 £m
Grocery	**2,590.3**	2,399.8
Foodservice	**2,500.2**	2,710.9
Safety	**1,426.1**	1,208.7
Cleaning & hygiene	**1,320.3**	1,110.9
Retail	**1,021.1**	1,036.3
Healthcare	**1,008.7**	618.6
Other	**244.4**	241.5
	10,111.1	9,326.7

Revenue attributable to the UK, the parent company's country of domicile, for the year ended 31 December 2020 was £1,192.6m, representing 12% of the Group's total (2019: £1,143.5m, representing 12% of the Group's total). Revenue attributable to foreign countries in total was £8,918.5m, representing 88% of the Group's total (2019: £8,183.2m, representing 88% of the Group's total). Six foreign countries account for the majority of the revenue attributable to foreign countries, these being USA, Canada, France, the Netherlands, Australia and Brazil. These six foreign countries account for 75% of the Group's revenue (2019: 74%).

Non-current assets attributable to the UK, the parent company's country of domicile, for the year ended 31 December 2020 was £441.2m, representing 15% of the Group's total (2019: £418.8m, representing 15% of the Group's total). Non-current assets attributable to foreign countries in total was £2,596.7m, representing 85% of the Group's total (2019: £2,449.3m, representing 85% of the Group's total). Six foreign countries account for the majority of the non-current assets attributable to foreign countries, these being USA, Canada, France, the Netherlands, Australia and Brazil. These six foreign countries account for 66% of the Group's total non-current assets (2019: 65%).

4 Segment analysis continued

The table below reconciles segment assets and liabilities to the Group's total assets and total liabilities. Unallocated assets and liabilities include corporate assets and liabilities, tax assets and liabilities, cash at bank and in hand, bank overdrafts, interest bearing loans and borrowings, derivative financial assets and liabilities and defined benefit pension assets and liabilities.

At 31 December 2020

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	**2,597.2**	**1,669.9**	**930.1**	**640.3**		**5,837.5**
Unallocated assets					**991.9**	**991.9**
Total assets	**2,597.2**	**1,669.9**	**930.1**	**640.3**	**991.9**	**6,829.4**
Segment liabilities	**1,063.1**	**599.7**	**524.8**	**206.3**		**2,393.9**
Unallocated liabilities					**2,516.4**	**2,516.4**
Total liabilities	**1,063.1**	**599.7**	**524.8**	**206.3**	**2,516.4**	**4,910.3**

At 31 December 2019

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	2,246.2	1,567.6	809.8	640.0		5,263.6
Unallocated assets					656.4	656.4
Total assets	2,246.2	1,567.6	809.8	640.0	656.4	5,920.0
Segment liabilities	880.0	522.8	421.3	173.4		1,997.5
Unallocated liabilities					2,178.2	2,178.2
Total liabilities	880.0	522.8	421.3	173.4	2,178.2	4,175.7

5 Analysis of operating income and expenses

	2020 £m	2019 £m
Cost of goods sold	**7,526.3**	7,033.2
Employee costs (Note 23)	**935.1**	873.8
Depreciation of property, plant and equipment (Note 9)	**26.6**	24.5
Depreciation of right-of-use assets (Note 10)	**134.8**	128.1
Amortisation of intangible assets (Note 11)	**110.7**	114.7
Acquisition related items (Note 4)	**42.7**	17.6
Non-recurring pension scheme charges (Note 22)	**16.8**	–
Net impairment losses on trade receivables (Note 13)	**15.9**	6.0
Loss/(profit) on disposal of property, plant and equipment	**0.8**	(4.7)
Expense relating to short term leases and low value assets	**8.0**	7.1
Lease and sublease income	**(2.1)**	(2.6)
Other operating expenses	**677.0**	600.6
Net operating expenses	**9,492.6**	8,798.3

Cost of goods sold consists of the cost of the inventories sold or disposed of in the period where the cost of inventories is net of supplier rebate income related to those inventories.

Non-recurring pension scheme charges for the year ended 31 December 2020 of £16.8m (2019: £nil) comprise a £16.4m charge relating to the cost of the Group's withdrawal from three multi-employer pension plans in North America and a £0.4m charge relating to the equalisation of guaranteed minimum pension between male and female members on historical transfer values out of the Group's UK defined benefit pension schemes following the outcome of the High Court judgment in November 2020 in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc. Further details on these charges are shown in Note 22.

5 Analysis of operating income and expenses continued

Auditors' remuneration	UK 2020 £m	Overseas 2020 £m	Total 2020 £m	UK 2019 £m	Overseas 2019 £m	Total 2019 £m
Audit of these financial statements	**0.5**	**–**	**0.5**	0.5	–	0.5
Amounts receivable by the Company's auditors* in respect of:						
audit of financial statements of subsidiaries of the Company	**0.4**	**3.0**	**3.4**	0.4	2.6	3.0
audit related assurance services	**0.1**	**–**	**0.1**	0.1	–	0.1
all other services	**0.1**	**–**	**0.1**	0.1	–	0.1
Total auditors' remuneration	**1.1**	**3.0**	**4.1**	1.1	2.6	3.7

* Including their associates.

Audit related assurance services comprise the review of the half yearly financial report for the six months ended 30 June. All other services comprise other non-audit work which was permissible in accordance with the Company's policy and the prevailing regulations concerning the provision of non-audit services by the Company's external auditors. It is the Company's policy to assess the non-audit services to be performed by the Company's auditors on a case-by-case basis to ensure adherence to the prevailing ethical standards and regulations. Other firms are normally used by the Company to provide non-audit services. However, if the provision of a service by the Company's auditors is permitted and adequate safeguards are in place, it is sometimes appropriate for this additional work to be carried out by the Company's auditors.

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the external auditors perform, including the fees paid for such work, to ensure that the auditors' objectivity and independence are not compromised. Further information is set out in the Audit Committee's report on pages 108 to 113.

6 Finance income/(expense)

	2020 £m	2019 £m
Interest on cash and cash equivalents	**2.6**	4.4
Interest income from foreign exchange contracts	**5.3**	7.2
Net interest income on defined benefit pension schemes in surplus	**0.3**	0.2
Interest related to income tax	**0.1**	–
Other finance income	**2.1**	0.6
Finance income	**10.4**	12.4
Interest on loans and overdrafts	**(44.2)**	(56.6)
Lease interest expense	**(22.5)**	(23.3)
Interest expense from foreign exchange contracts	**(2.4)**	(3.9)
Net interest expense on defined benefit pension schemes in deficit	**(1.0)**	(1.3)
Fair value loss on US private placement notes and senior bond in a hedge relationship	**(15.2)**	(10.7)
Fair value gain on interest rate swaps in a hedge relationship	**15.4**	10.8
Foreign exchange gain/(loss) on intercompany funding	**3.5**	(42.6)
Foreign exchange (loss)/gain on external debt and foreign exchange forward contracts	**(4.0)**	42.7
Interest related to income tax	**(1.1)**	(1.5)
Other finance expense	**(1.7)**	(1.1)
Finance expense	**(73.2)**	(87.5)
Net finance expense	**(62.8)**	(75.1)

The foreign exchange gain on intercompany funding arises as a result of the retranslation of foreign currency intercompany loans. This gain on intercompany funding is substantially matched by the foreign exchange loss on external debt and foreign exchange forward contracts not in a hedge relationship which minimises the foreign currency exposure in the income statement.

7 Income tax

	2020 £m	2019 £m
Current tax on profit		
current year	**161.1**	122.8
adjustments in respect of prior years	**(12.5)**	(7.8)
	148.6	115.0
Deferred tax on profit		
current year	**(19.7)**	(11.3)
adjustments in respect of prior years	**(3.2)**	0.4
	(22.9)	(10.9)
Income tax on profit	**125.7**	104.1

In assessing the underlying performance of the Group, management uses adjusted profit before income tax. The tax effect of the adjusting items (see Note 3) is excluded in monitoring the effective tax rate (being the tax rate on adjusted profit before income tax) which is shown in the table below.

	2020 £m	2019 £m
Income tax on profit	**125.7**	104.1
Tax associated with adjusting items	**39.4**	33.5
Tax on adjusted profit	**165.1**	137.6
Profit before income tax	**555.7**	453.3
Adjusting items	**159.9**	124.9
Adjusted profit before income tax	**715.6**	578.2
Reported tax rate	**22.6%**	23.0%
Effective tax rate	**23.1%**	23.8%

	2020			2019		
Tax on other comprehensive income/(expense) and equity	Gross £m	Tax credit £m	Net £m	Gross £m	Tax credit £m	Net £m
Actuarial loss on defined benefit pension schemes	**(16.2)**	**3.0**	**(13.2)**	(8.3)	2.2	(6.1)
Foreign currency translation differences on foreign operations	**(63.5)**	**0.3**	**(63.2)**	(104.1)	–	(104.1)
(Loss)/gain taken to equity as a result of effective net investment hedges	**(15.9)**	**–**	**(15.9)**	16.9	–	16.9
(Loss)/gain recognised in cash flow hedge reserve	**(8.5)**	**1.6**	**(6.9)**	(0.5)	0.1	(0.4)
Movement from cash flow hedge reserve to inventory/ income statement	**–**	**–**	**–**	(4.3)	0.7	(3.6)
Other comprehensive expense	**(104.1)**	**4.9**	**(99.2)**	(100.3)	3.0	(97.3)
Dividends	**(171.5)**	**–**	**(171.5)**	(167.3)	–	(167.3)
Movement from cash flow hedge reserve to inventory	**6.1**	**(1.1)**	**5.0**	–	–	–
Issue of share capital	**3.7**	**–**	**3.7**	5.7	–	5.7
Employee trust shares	**(9.4)**	**–**	**(9.4)**	(30.4)	–	(30.4)
Share based payments	**14.9**	**1.3**	**16.2**	13.5	0.3	13.8
Other comprehensive expense and equity	**(260.3)**	**5.1**	**(255.2)**	(278.8)	3.3	(275.5)

7 Income tax continued

Factors affecting the tax charge for the year

The Group operates in many countries and is subject to different rates of income tax in those countries. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, most of which are higher than the UK statutory rate for the year of 19.0% (2019: 19.0%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2020 £m	2019 £m
Profit before income tax	**555.7**	453.3
Tax charge at weighted average rate (2020: 24.7%; 2019: 23.3%)	**137.4**	105.6
Effects of:		
non-deductible expenditure	**5.8**	6.4
impact of intercompany finance	**(2.1)**	(0.4)
change in tax rates	**(0.3)**	(1.0)
prior year adjustments from acquisitions	**(5.1)**	–
other prior year adjustments	**(10.6)**	(7.4)
other current year items	**0.6**	0.9
Income tax on profit	**125.7**	104.1

Deferred tax in the income statement	2020 £m	2019 £m
Property, plant and equipment	**(0.1)**	0.4
Defined benefit pension schemes	**(2.6)**	1.7
Goodwill and customer relationships	**(16.7)**	(13.6)
Provisions and accruals	**(4.4)**	1.0
Inventories	**1.7**	(0.4)
Leases	**0.2**	(0.2)
Other	**(1.0)**	0.2
Deferred tax on profit	**(22.9)**	(10.9)

Future tax liabilities may be affected by the Commission's decision that part of the UK's tax regime is contrary to European Union State aid provisions. The Group, as well as HM Government and many other tax payers, have filed appeals to the EU Court on this issue but no hearing date has yet been set. The potential liability for this risk is estimated to be between £nil and £37m as at 31 December 2020 and its resolution will depend on the decision of the EU Court and any further appeals. Based on the current legal challenge the Group does not consider any provision is required for this risk. However, the Group notes that HM Government has recently passed legislation to facilitate collection of those amounts which HMRC considers represent State aid according to the Commission's decision. It is possible that tax will be payable to HMRC in 2021 of up to £37m and that a refund of the full amount would be made in the event of a favourable EU Court ruling on this matter.

In addition and as expected, the Group made a cash payment during the year of BRL100.4m (£15.2m) for tax plus interest and penalties in relation to a tax dispute in Brazil. This had no effect on the tax charge for the year.

8 Earnings per share

	2020 £m	2019 £m
Profit for the year	**430.0**	349.2
Adjusted for:		
customer relationships and brands amortisation	**100.4**	107.3
acquisition related items	**42.7**	17.6
non-recurring pension scheme charges	**16.8**	–
tax credit on adjusting items	**(39.4)**	(33.5)
Adjusted profit for the year	**550.5**	440.6

8 Earnings per share continued

	2020	2019
Basic weighted average number of ordinary shares in issue (million)	**333.8**	333.3
Dilutive effect of employee share plans (million)	**1.3**	1.0
Diluted weighted average number of ordinary shares (million)	**335.1**	334.3

Basic earnings per share	**128.8p**	104.8p
Adjustment	**36.1p**	27.4p
Adjusted earnings per share	**164.9p**	132.2p

Diluted basic earnings per share	**128.3p**	104.5p
Adjustment	**36.0p**	27.3p
Adjusted diluted earnings per share	**164.3p**	131.8p

9 Property, plant and equipment

2020	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	**83.2**	**151.4**	**100.6**	**335.2**
Acquisitions (Note 26)	**2.7**	**4.7**	**1.2**	**8.6**
Additions	**4.1**	**9.4**	**10.9**	**24.4**
Disposals	**(0.8)**	**(4.6)**	**(6.1)**	**(11.5)**
Currency translation	**4.7**	**(1.3)**	**0.5**	**3.9**
End of year	**93.9**	**159.6**	**107.1**	**360.6**
Accumulated depreciation				
Beginning of year	**41.6**	**102.1**	**73.2**	**216.9**
Charge in year	**4.5**	**12.8**	**9.3**	**26.6**
Disposals	**(0.7)**	**(4.0)**	**(5.6)**	**(10.3)**
Currency translation	**3.6**	**(0.5)**	**1.6**	**4.7**
End of year	**49.0**	**110.4**	**78.5**	**237.9**
Net book value at 31 December 2020	**44.9**	**49.2**	**28.6**	**122.7**

2019	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	90.1	157.0	105.1	352.2
Acquisitions (Note 26)	0.1	0.3	0.8	1.2
Additions	4.3	11.9	10.9	27.1
Disposals	(8.2)	(11.9)	(12.3)	(32.4)
Currency translation	(3.1)	(5.9)	(3.9)	(12.9)
End of year	83.2	151.4	100.6	335.2
Accumulated depreciation				
Beginning of year	45.2	105.4	79.2	229.8
Charge in year	3.7	11.9	8.9	24.5
Disposals	(5.8)	(10.8)	(12.4)	(29.0)
Currency translation	(1.5)	(4.4)	(2.5)	(8.4)
End of year	41.6	102.1	73.2	216.9
Net book value at 31 December 2019	41.6	49.3	27.4	118.3

10 Right-of-use assets

2020	Property £m	Motor vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	**341.5**	**66.4**	**25.0**	**432.9**
Acquisitions (Note 26)	**30.8**	**3.9**	**0.5**	**35.2**
Additions	**62.4**	**24.7**	**13.0**	**100.1**
Depreciation charge in the year	**(95.2)**	**(29.4)**	**(10.2)**	**(134.8)**
Remeasurement adjustments	**22.7**	**0.5**	**1.0**	**24.2**
Currency translation	**(3.9)**	**0.3**	**(0.6)**	**(4.2)**
Net book value at 31 December 2020	**358.3**	**66.4**	**28.7**	**453.4**

2019	Property £m	Motor vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	–	–	–	–
Right-of-use assets on transition to IFRS 16	359.4	65.4	24.6	449.4
Acquisitions (Note 26)	5.7	0.2	0.6	6.5
Additions	65.3	30.4	9.5	105.2
Depreciation charge in the year	(91.4)	(27.8)	(8.9)	(128.1)
Remeasurement adjustments	13.8	0.6	–	14.4
Currency translation	(11.3)	(2.4)	(0.8)	(14.5)
Net book value at 31 December 2019	341.5	66.4	25.0	432.9

11 Intangible assets

2020	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Total £m
Cost					
Beginning of year	**1,403.6**	**1,710.9**	**–**	**74.7**	**3,189.2**
Acquisitions (Note 26)	**108.8**	**172.2**	**13.7**	**2.0**	**296.7**
Additions				**8.7**	**8.7**
Disposals		**–**	**–**	**(1.7)**	**(1.7)**
Currency translation	**(5.7)**	**(8.9)**	**(0.9)**	**1.8**	**(13.7)**
End of year	**1,506.7**	**1,874.2**	**12.8**	**85.5**	**3,479.2**
Accumulated amortisation and impairment					
Beginning of year	**–**	**846.0**	**–**	**52.3**	**898.3**
Amortisation charge in year		**100.1**	**0.3**	**10.3**	**110.7**
Impairment charge in year	**12.1**	**9.1**	**–**	**–**	**21.2**
Disposals		**–**	**–**	**(0.9)**	**(0.9)**
Currency translation	**–**	**6.3**	**–**	**1.7**	**8.0**
End of year	**12.1**	**961.5**	**0.3**	**63.4**	**1,037.3**
Net book value at 31 December 2020	**1,494.6**	**912.7**	**12.5**	**22.1**	**2,441.9**

11 Intangible assets continued

2019	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Total £m
Cost					
Beginning of year	1,420.4	1,719.2	–	72.5	3,212.1
Acquisitions (note 26)	39.8	71.7	–	–	111.5
Additions				9.8	9.8
Disposals		–	–	(4.6)	(4.6)
Currency translation	(56.6)	(80.0)	–	(3.0)	(139.6)
End of year	1,403.6	1,710.9	–	74.7	3,189.2
Accumulated amortisation					
Beginning of year		778.0	–	51.6	829.6
Charge in year		107.3	–	7.4	114.7
Disposals		–	–	(4.6)	(4.6)
Currency translation		(39.3)	–	(2.1)	(41.4)
End of year		846.0	–	52.3	898.3
Net book value at 31 December 2019	1,403.6	864.9	–	22.4	2,290.9

Goodwill, customer relationships and brands intangible assets have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 26.

Customer relationships include two businesses with individually significant customer relationships assets, MCR Safety acquired in September 2020 and based in North America and Hedis acquired in 2017 and based in France. The net book value of customer relationships in MCR Safety as at 31 December 2020 was £95.5m with a remaining useful economic life of 14.7 years. The net book value of customer relationships in Hedis as at 31 December 2020 was £105.4m (2019: £108.4m) with a remaining useful economic life of 12.9 years (2019: 13.9 years).

Following a review of the Group's operations within the Asia Pacific CGU, the Group announced the closure of a safety business in China with effect from 31 December 2020 and, as a result, recognised impairment charges of £14.8m during the year, comprising £12.1m relating to goodwill and £2.7m relating to customer relationships.

Impairment testing

The carrying amount of goodwill is allocated across CGUs and is tested annually for impairment by comparing the recoverable amount of each CGU with its carrying value.

A description of the Group's principal activities is set out in the Chief Executive Officer's review. There is no significant difference in the nature of activities across different geographies. The identification of CGUs reflects the way the business is managed and monitored on a geographical basis, taking into account the generation of cash flows and the sharing of synergies. Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts. The recoverable amount is the higher of the value in use and the fair value less the costs of disposal. The value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value. The projection period is the time period over which future cash flows are predicted. The Group's methodology is to use a projection period of five years consisting of detailed cash flow forecasts for the first two years and CGU specific growth assumptions for years three, four and five. For periods after this five year period, the methodology applies a long term growth rate specific to the CGU to derive a terminal value. Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period.

The value in use calculations are principally sensitive to revenue growth, including any significant changes to the customer base, achievability of future profit margins and the discount rates used in the present value calculation. The information used for valuation purposes takes into consideration past experience and the current economic environment with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience in controlling the underlying cost base. This information is used to determine a long term growth rate which is consistent with the geographic segments in which the Group operates and management's assessment of future operating performance and market share movements. Given the unprecedented challenges presented by the Covid-19 pandemic and the global economic impact, a particular focus has been to consider the potential ongoing impacts of the Covid-19 pandemic on the performance of each CGU during the projection period in preparing the value in use calculations, with specific consideration given to the potential impacts on the foodservice and retail sectors. The discount rates used are determined with assistance provided by external valuation specialists.

11 Intangible assets continued

The Group last reviewed the composition of the Group's CGUs in 2018. To reflect more appropriately the way that the Group is now structured, including recent changes to management oversight and responsibility, the allocation of goodwill to CGUs for impairment testing purposes was updated for the 2020 impairment testing exercise, with goodwill allocated across seven CGUs in 2020 (2019: eleven). The change in the number of CGUs is driven by the consolidation of five CGUs across UK & Ireland into one combined UK & Ireland CGU for goodwill impairment testing purposes, reflecting changes in management responsibility and a move to greater centralisation of services and sharing of resources to drive synergies across the business area. Impairment testing was also performed in 2020 based on the previous CGUs to ensure that no potential impairments were avoided as a result of the change to the composition of the CGUs. Based on impairment testing using both the previous and updated CGUs no impairments were identified to the carrying value of goodwill within the Group other than the £12.1m goodwill impairment charge specifically related to the closure of a safety business in China as noted above.

As at 31 December 2020 North America, UK & Ireland, France and Rest of Continental Europe carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. At 31 December 2020 the carrying value of goodwill in respect of North America was £490.9m (2019: £428.9m), UK & Ireland was £282.4m (2019: £265.6m), France was £260.3m (2019: £247.1m) and Rest of Continental Europe was £195.6m (2019: £183.6m). As at 31 December 2020 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, UK & Ireland, France and Rest of Continental Europe, was £265.4m (2019: £278.4m), none of which is individually significant.

For North America, UK & Ireland, France and Rest of Continental Europe, the weighted average long term growth rate used in 2020 was in the range of 2.5%–3.5% (2019: 2.5%–3.5%) reflecting anticipated revenue and profit growth. A pre-tax discount rate in the range of 7%–10% (2019: 7%–10%) has been applied to the value in use calculations reflecting market assessments of the time value of money at the balance sheet date. Similar assumptions have been applied to the other CGUs but where appropriate the directors have considered alternative market risk assumptions to reflect the specific conditions arising in individual CGUs with long term growth rates ranging from 2.5%–5.9% (2019: 2.5%–6.5%) and discount rates ranging from 7%–14% (2019: 7%–16%).

As part of the annual impairment testing for goodwill, the Group also considered whether there were any indicators that individual customer relationships assets were impaired, focusing on businesses impacted adversely by the Covid-19 pandemic, including those in the foodservice and retail sectors. As for the impairment testing for the Group's CGUs noted above, value in use calculations were prepared based on management's latest expectations of the performance of the relevant business over a five year projection period and appropriate long term growth and discount rates. As a result of this impairment testing, in addition to the impairment charge of £2.7m recognised due to the closure of a safety business in China noted above, the Group has recognised a further impairment charge of £6.4m relating to the customer relationships intangible asset of a foodservice business within the UK & Ireland CGU and a safety business within the Rest of Continental Europe CGU.

The Group has also considered whether climate change would have a significant impact on the approach taken to the annual impairment testing. For this the Group modelled the potential impacts of three alternative climate change scenarios, and concluded that, while it is an emerging risk the Group does not expect it to have a material financial impact and is sufficiently far into the future not to warrant any amendment to the assumptions used in the impairment testing.

Sensitivity to changes in key assumptions

Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, expected long term growth rates and the discount rates selected. Key assumptions on which value in use calculations are dependent relate to the discount rates used and revenue growth including the impact of changes to the underlying customer base from customer attrition and the rate at which new customer relationships are introduced and established.

As part of the annual impairment testing, management performed sensitivity analysis by modelling the impact of higher discount rates, and reviewing the combination of discount rates and long term growth rates which would bring the value in use to the net book value or below. From this sensitivity testing management has concluded that no reasonably possible change in key assumptions would result in a material change to the carrying amounts of any of the Group's intangible assets in the next 12 months.

12 Inventories

	2020 £m	2019 £m
Goods for resale	**1,432.2**	1,177.2

During the year £10.1m (2019: £5.5m) was written off from inventories due to obsolescence or damage. The provision for slow moving, obsolete or defective inventories at 31 December 2020 was £132.5m (2019: £80.3m). During the year the Group has seen a heightened risk of recoverability issues on customer specific inventory and an increase in the level of slow moving inventory as the Covid-19 pandemic and the associated government imposed control measures have continued to impact customer demand across a range of market sectors. This has resulted in an increase in the level of provisions required.

13 Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**1,138.0**	1,020.2
Prepayments	**96.1**	70.3
Other receivables	**161.7**	163.6
	1,395.8	1,254.1

The Group does not have any significant contract assets.

The ageing of trade receivables at 31 December was:

	2020		2019	
	Gross £m	Provision £m	Gross £m	Provision £m
Current	**936.1**	**6.6**	832.9	3.8
0–30 days overdue	**163.0**	**1.8**	146.2	1.4
31–90 days overdue	**43.2**	**2.7**	42.9	1.5
Over 90 days overdue	**30.9**	**24.1**	22.1	17.2
	1,173.2	**35.2**	1,044.1	23.9

The trade receivables provision includes provisions for expected credit losses and credit notes to be issued. The movement in the provision during the year was as follows:

	2020 £m	2019 £m
Beginning of year	**23.9**	25.6
Acquisitions	**4.1**	0.1
Charge	**16.9**	6.9
Released	**(4.3)**	(0.9)
Utilised	**(4.4)**	(6.7)
Currency translation	**(1.0)**	(1.1)
End of year	**35.2**	23.9

The movement in the year includes a net charge of £12.6m (2019: £6.0m) reflecting the increased risk of credit losses as a result of the impact of the Covid-19 pandemic. The total net impairment losses on trade receivables during the year were £15.9m comprising the net charge of £12.6m relating to the trade receivables provision and a £3.3m charge relating to the write-off of gross trade receivable balances not previously provided for.

14 Trade and other payables – current

	2020 £m	2019 £m
Trade payables	**1,080.4**	1,067.9
Other tax and social security contributions	**34.0**	23.7
Other payables	**235.8**	151.2
Accruals and contract liabilities	**486.1**	260.0
	1,836.3	1,502.8

The Group's contract liabilities are limited to deferred income of £82.9m (2019: £4.4m). This arises from contracts with customers in the form of consideration that has been received in advance of the satisfaction of performance obligations.

15 Risk management and financial instruments

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on average operating capital employed and the return on invested capital (as defined on page 158) as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders.

The principal covenant limits are net debt to EBITDA, calculated at average exchange rates and in accordance with the Group's external debt covenants, of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. During 2020 all covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. All of the borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the borrowings have a range of maturities, are competitively priced and meet the demands of the business over time and, in order to do so, the Group arranges a mixture of borrowings from different sources with a variety of maturity dates.

The Group's businesses provide a high and consistent level of cash generation which helps fund future development and growth. The Group seeks to maintain an appropriate balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate, foreign currency and credit risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are periodically reviewed by the executive directors and the Board. Controls over exposure changes and transaction authenticity are in place.

Derivatives and hedge accounting

The Group designates derivatives which qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The accounting treatment for hedges and derivatives is set out in the financial instruments' accounting policy in Note 2p. The Group tests the effectiveness of hedges on a prospective basis to ensure compliance with IFRS 9. Information about the methods and assumptions used in determining the fair value of derivatives is provided under the 'Financial instruments' section on page 177.

Hedge effectiveness

For hedges of foreign currency purchases and sales, the Group enters into cash flow hedge relationships where the critical terms of the hedging instrument are similar to those of the hedged item, such as notional amount, expected maturity date and currency. Hedge ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated. The Group therefore performs a quantitative hedge effectiveness assessment to calculate any ineffectiveness during the period.

Part of the Group's fixed rate debt portfolio is swapped to floating rates using interest rate swaps where the hedged items are individual tranches of fixed rate debt. These interest rate swaps are held in fair value hedges with critical terms exactly matching those of the underlying hedged items, such as notional amounts, payment dates, reset dates, maturity dates and currencies. As all critical terms matched during the year, the economic relationship was 100% effective. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group will perform a quantitative assessment of effectiveness. Hedge ineffectiveness may arise due to a change in credit risk of the counterparty or if there is a change in timings or amounts of the hedged cash flows.

There was no material ineffectiveness during 2020 in relation to the interest rate swaps or the forward currency contracts.

Risk management

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources.

15 Risk management and financial instruments continued

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and senior bonds. During 2020, the Group issued a £400m bond which matures in 2030 under the terms of its Euro Medium Term Note (EMTN) Programme. The bond issued extends the maturity profile of the Group's debt portfolio and diversifies its funding sources.

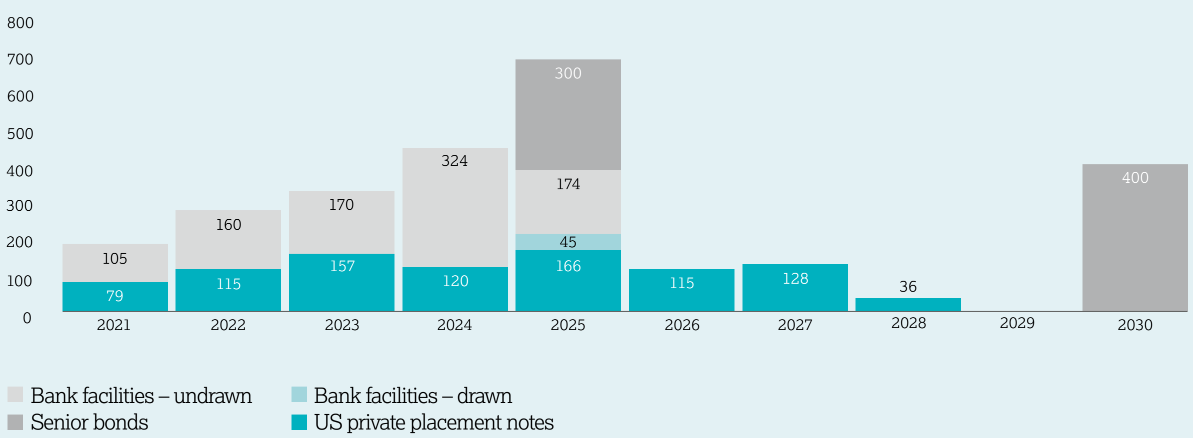
Loans, borrowings and net debt

	2020 £m	2019 £m
Bank overdrafts	**(514.6)**	(469.7)
Bank loans	**(0.5)**	(0.4)
US private placement notes	**(79.4)**	(83.3)
Borrowings due within one year	**(594.5)**	(553.4)
Bank loans	**(45.1)**	(63.1)
US private placement notes	**(874.8)**	(953.1)
Senior bonds	**(695.3)**	(298.0)
Borrowings due after one year	**(1,615.2)**	(1,314.2)
Derivatives managing the interest rate risk and currency profile of the debt	**10.4**	10.1
Gross debt	**(2,199.3)**	(1,857.5)
Cash at bank and in hand	**944.3**	610.5
Net debt excluding lease liabilities	**(1,255.0)**	(1,247.0)
Lease liabilities	**(497.5)**	(480.0)
Net debt including lease liabilities	**(1,752.5)**	(1,727.0)

Further information on the movement in net debt and lease liabilities is shown in Note 25.

The total available committed funding at 31 December 2020 was £2,594.3m (2019: £2,374.5m). The committed funding maturity profile at 31 December 2020 is set out in the chart below.

Committed funding maturity profile by year (£m)



The undrawn committed bank facilities available at 31 December were as follows:

	2020 £m	2019 £m
Expiring within one year	**105.0**	–
Expiring after one year but within two years	**160.0**	243.1
Expiring after two years	**668.0**	756.3
	933.0	999.4

In addition, the Group maintains overdraft and uncommitted facilities to provide short term flexibility. As at 31 December 2020 there were no loans secured by fixed charges on property (2019: none).

15 Risk management and financial instruments continued

Contractual maturity profile

The contractual maturity profile of the Group's financial liabilities at 31 December is set out in the tables below. The amounts disclosed are the contractual undiscounted cash flows and therefore include interest cash flows (forecast using LIBOR and SONIA interest rates at 31 December in the case of floating rate financial assets and liabilities). Derivative assets and liabilities have been included within the tables since they predominantly relate to derivatives which are used to manage the interest cash flows on the Group's debt. Bank loans have been drawn under committed facilities and can be refinanced on maturity from these same facilities. Accordingly, they have been aged based on the maturity dates of the underlying facilities. Foreign currency cash flows have been translated using spot rates as at 31 December.

	Contractual cash (outflows)/inflows				
2020	**Total contractual cash flows £m**	**Within one year £m**	**After one year but within two years £m**	**After two years but within five years £m**	**After five years £m**
Financial liabilities					
Bank overdrafts	**(514.6)**	**(514.6)**	**–**	**–**	**–**
Bank loans	**(46.6)**	**(0.6)**	**(0.3)**	**(45.7)**	**–**
US private placement notes	**(1,050.7)**	**(109.8)**	**(142.6)**	**(501.6)**	**(296.7)**
Senior bonds	**(793.9)**	**(12.8)**	**(12.8)**	**(338.3)**	**(430.0)**
Lease payments	**(583.9)**	**(146.3)**	**(122.4)**	**(184.6)**	**(130.6)**
Trade and other payables	**(1,852.5)**	**(1,802.3)**	**(50.2)**	**–**	**–**
	(4,842.2)	**(2,586.4)**	**(328.3)**	**(1,070.2)**	**(857.3)**
Derivative financial instruments					
Net settled:					
Interest rate swaps	**21.8**	**2.9**	**2.9**	**8.9**	**7.1**
Gross settled:					
Foreign exchange inflows	**1,803.9**	**1,803.9**	**–**	**–**	**–**
Foreign exchange outflows	**(1,809.6)**	**(1,809.6)**	**–**	**–**	**–**
	16.1	**(2.8)**	**2.9**	**8.9**	**7.1**
Total	**(4,826.1)**	**(2,589.2)**	**(325.4)**	**(1,061.3)**	**(850.2)**

	Contractual cash (outflows)/inflows				
2019	Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After five years £m
Financial liabilities					
Bank overdrafts	(469.7)	(469.7)	–	–	–
Bank loans	(67.1)	(1.2)	(1.0)	(64.9)	–
US private placement notes	(1,184.1)	(117.1)	(110.8)	(464.4)	(491.8)
Senior bond	(340.7)	(6.8)	(6.8)	(20.3)	(306.8)
Lease payments	(570.7)	(138.8)	(118.5)	(198.1)	(115.3)
Trade and other payables	(1,498.6)	(1,479.1)	(19.5)	–	–
	(4,130.9)	(2,212.7)	(256.6)	(747.7)	(913.9)
Derivative financial instruments					
Net settled:					
Interest rate swaps	12.3	1.6	1.6	4.8	4.3
Gross settled:					
Foreign exchange inflows	1,089.3	1,089.3	–	–	–
Foreign exchange outflows	(1,091.6)	(1,091.6)	–	–	–
	10.0	(0.7)	1.6	4.8	4.3
Total	(4,120.9)	(2,213.4)	(255.0)	(742.9)	(909.6)

15 Risk management and financial instruments continued

(b) Interest rate risk

The Group is funded by a mixture of fixed and floating rate debt with the Group's main interest rate risk arising on its floating rate debt. Interest rate swaps and interest rate caps are used to manage the interest rate risk profile.

The table below shows the fixed/floating rate debt mix after interest rate swaps. Of the US private placement notes of £954.2m (2019: £1,036.4m), there are US dollar denominated amounts totalling £100.4m (2019: £235.7m), with maturities ranging from 2026 to 2028, which have been swapped to floating rates using interest rate swaps which reprice every three or six months. Of the senior bonds of £695.3m (2019: £298.0m), an amount totalling £396.9m (2019: £nil), with a maturity of 2030, has been swapped to floating rates using interest rate swaps which reprice daily.

During 2020, £127.7m (2019: £137.9m) of interest rate swaps were terminated in line with the Group's interest rate risk management policy. This resulted in de-designation of a number of fair value hedge relationships. At the date of de-designation, there was a fair value adjustment on the US private placement notes which will be amortised to the income statement across the remaining life of the debt. At 31 December 2020 this remaining fair value adjustment on the US private placement notes was a credit of £25.1m (2019: £12.2m). In the consolidated cash flow statement the cash inflow of £15.1m (2019: £12.2m) from the cancellation of the interest rate swap is shown within increase in borrowings.

The interest rate risk on the floating rate liability is managed using interest rate options. Hedge accounting is not applied to the interest rate caps since the majority of their value is related to time value. The strike rates of these options are based on LIBOR and are repriced every three months.

Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR.

Fixed vs floating interest rate table

	2020 £m	2019 £m
Fixed rate debt		
US private placement notes	**(954.2)**	(1,036.4)
Senior bonds	**(695.3)**	(298.0)
Total fixed rate debt	**(1,649.5)**	(1,334.4)
Interest rate swaps (fixed leg)	**497.3**	235.7
Fixed rate liability	**(1,152.2)**	(1,098.7)
Floating rate debt		
Bank overdrafts	**(514.6)**	(469.7)
Bank loans	**(45.6)**	(63.5)
Total floating rate debt	**(560.2)**	(533.2)
Interest rate swaps (floating leg)	**(497.3)**	(235.7)
Floating rate liability	**(1,057.5)**	(768.9)
Derivatives managing the interest rate risk and currency profile of the debt	**10.4**	10.1
Gross debt	**(2,199.3)**	(1,857.5)

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2020	2019
Interest rate swaps		
Net carrying amount (asset) (£m)	**11.8**	11.5
Notional amount (£m)	**487.6**	223.5
Maturity date range	**2026–2030**	2026–2028
Hedge ratio	**1:1**	1:1
Fair value loss on US private placement notes and senior bond in a hedge relationship (£m)	**(15.2)**	(10.7)
Fair value gain on interest rate swaps in a hedge relationship (£m)	**15.4**	10.8

15 Risk management and financial instruments continued

Sensitivity to movements in interest rates

After taking account of hedge relationships, a change of 1% in the interest rate forward curves on 31 December would have affected profit before income tax for the year and equity as at the year end as a result of changes in the fair values of derivative assets and liabilities at that date by the amounts shown below:

	Impact on profit before tax		Impact on equity	
	+1% £m	–1% £m	+1% £m	–1% £m
2020	**0.6**	**–**	**0.6**	**–**
2019	0.6	–	0.6	–

(c) Foreign currency risk

The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2020	2019	2020	2019
US dollar	**1.28**	1.28	**1.37**	1.32
Euro	**1.12**	1.14	**1.12**	1.18

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are usually relatively limited. Where they do occur the Group's policy is to hedge exposures of highly probable forecast transactions using forward foreign exchange contracts and these are designated as cash flow hedges. During the year the Group hedged highly probable forecast transactions for periods of up to 12 months. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing the resulting price increases on to customers.

For the year ended 31 December 2020, all foreign exchange cash flow hedges were effective with a cumulative pre-tax loss of £5.3m (2019 cumulative pre-tax loss of £2.9m) recognised in equity at the end of the year and this will affect the income statement during 2021.

Effects of hedge accounting on the financial position and performance

	2020	2019
Forward foreign currency hedges in relation to inventory purchases		
Net carrying amount (liability) (£m)	**(5.3)**	(2.9)
Notional amount at 31 December 2020 (£m)	**143.9**	131.5
Maturity date range	**2021**	2020
Hedge ratio	**1:1**	1:1
Change in value of hedged items since 1 January (£m)	**2.4**	4.8
Change in fair value of outstanding foreign currency forward contracts since 1 January (£m)	**(2.4)**	(4.8)

The majority of the Group's borrowings are effectively denominated in US dollars, sterling and euros, aligning them to the respective functional currencies of the component parts of the Group's EBITDA. This currency profile is achieved using short term foreign exchange contracts and foreign currency debt which are designated as hedging instruments to achieve net investment hedge accounting at a Group level. This currency composition minimises the impact of movements in foreign exchange rates on the ratio of net debt to EBITDA. No ineffectiveness was recorded from net investments in foreign entity hedges.

The currency profile of the Group's net debt excluding lease liabilities at 31 December is set out in the table below:

	2020 £m	2019 £m
US dollar	**458.0**	485.3
Sterling	**308.5**	426.7
Euro	**398.4**	295.9
Other	**90.1**	39.1
	1,255.0	1,247.0

The Group also enters into foreign currency derivatives to hedge intercompany loans economically although these do not qualify for hedge accounting and therefore gains and losses are recorded in the income statement. These currency derivatives are subject to the same risk management policies as all other derivative contracts.

15 Risk management and financial instruments continued

Sensitivity to movements in foreign exchange rates

For the year ended 31 December 2020, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before income tax by £2.0m and £1.2m respectively (2019: £1.7m and £0.8m) and adjusted profit before income tax by £2.5m and £1.5m respectively (2019: £2.0m and £1.2m).

If a 10% strengthening or weakening of sterling had taken place on 31 December it would have increased/(decreased) profit before income tax and (decreased)/increased equity for the year by the amounts shown below. The impact of this translation is much greater on equity than it is on profit before income tax since equity is translated using the closing exchange rates at the year end and profit before income tax is translated using the average exchange rates for the year. As a result, the value of equity is more sensitive than the value of profit before income tax to a movement in exchange rates on 31 December and the resulting movement in profit before income tax is due solely to the translation effect on monetary items. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit before tax		Impact on equity	
	+10% £m	–10% £m	+10% £m	–10% £m
2020	**0.4**	**(0.5)**	**(192.7)**	**200.9**
2019	1.7	(2.1)	(174.1)	205.0

(d) Credit risk

Credit risk is the risk of loss in relation to a financial asset due to non-payment by the relevant counterparty. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of financial assets.

The Group's financial assets are cash at bank and in hand, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash at bank and in hand, derivative financial assets (see page 178) and trade and other receivables (see Note 13) is their respective carrying amounts.

Dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty.

For trade and other receivables, the amounts represented in the balance sheet are net of any impairment losses measured using the expected credit loss model. Note 13 sets out an analysis of trade and other receivables and the provision for doubtful debts in respect of trade receivables.

At the balance sheet date there were no significant concentrations of credit risk (2019: none).

15 Risk management and financial instruments continued
Financial instruments
Financial assets and liabilities

	2020 £m	2019 £m
Financial assets held at amortised cost		
Cash at bank and in hand	**944.3**	610.5
Trade and other receivables	**1,299.7**	1,183.8
Financial assets held at fair value		
Interest rate derivatives in fair value hedges	**12.6**	11.5
Foreign exchange derivatives in cash flow hedges	**–**	0.3
Foreign exchange derivatives in net investment hedges	**4.6**	0.3
Other foreign exchange and interest rate derivatives	**12.4**	2.8
Total financial assets	**2,273.6**	1,809.2

Financial liabilities held at amortised cost		
Bank overdrafts	**(514.6)**	(469.7)
Bank loans	**(45.6)**	(63.5)
US private placement notes	**(954.2)**	(1,036.4)
Senior bonds	**(695.3)**	(298.0)
Lease liability	**(497.5)**	(480.0)
Trade and other payables	**(1,793.6)**	(1,495.4)
Financial liabilities held at fair value		
Interest rate derivatives in fair value hedges	**(0.8)**	–
Foreign exchange derivatives in cash flow hedges	**(5.3)**	(3.2)
Foreign exchange derivatives in net investment hedges	**(16.3)**	(3.8)
Other foreign exchange derivatives	**(2.0)**	(0.7)
Other payables	**(58.9)**	(3.2)
Total financial liabilities	**(4,584.1)**	(3,853.9)

Financial assets and liabilities stated as being measured at fair value in the tables above (including all derivative financial instruments), with the exception of other payables, have carrying amounts where the fair value is, and has been throughout the year, a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The fair values of financial assets and liabilities stated at level two fair value have been determined by discounting expected future cash flows, translated at the appropriate balance sheet date exchange rates and adjusted for counterparty or own credit risk as applicable. Other payables measured at fair value relate to earn outs on businesses acquired. This is a level three fair value which is initially measured based on the expected future profitability of the businesses acquired at the acquisition date and subsequently reassessed at each reporting date based on the most recent data available on the expected profitability of the businesses acquired. There were no transfers between levels for recurring fair value measurements during the year.

As at 31 December 2020 the fair values, based on unadjusted market data, of the US private placement notes was £991.9m (2019: £1,069.4m) and of the senior bonds was £731.6m (2019: £306.7m).

For other financial assets and financial liabilities not measured at fair value, including cash at bank and in hand, bank loans and overdrafts, trade and other receivables and trade and other payables, their carrying amount is a reasonable approximation of fair value due to their short term nature. Bank loans are priced based on floating interest rates and the credit spread has not changed since the inception of the loan.

15 Risk management and financial instruments continued

Offsetting of financial assets and liabilities

The following table sets out the Group's derivative financial assets and liabilities that are subject to counterparty offsetting or master netting agreements.

2020	Gross amounts £m	Gross amounts offset in the balance sheet £m	Net amounts recognised in the balance sheet £m	Amounts not offset in the balance sheet £m	Net amounts £m
Derivative financial assets	**29.6**	**–**	**29.6**	**(19.4)**	**10.2**
Derivative financial liabilities	**(24.4)**	**–**	**(24.4)**	**19.4**	**(5.0)**
2019					
Derivative financial assets	14.9	–	14.9	(1.9)	13.0
Derivative financial liabilities	(7.7)	–	(7.7)	1.9	(5.8)

16 Provisions

	2020 £m	2019 £m
Current	**8.5**	6.5
Non-current	**55.7**	33.9
	64.2	40.4

	2020				2019			
	Properties £m	MEPP withdrawal £m	Other £m	Total £m	Properties £m	MEPP withdrawal £m	Other £m	Total £m
Beginning of year	**18.7**	**–**	**21.7**	**40.4**	18.7	–	28.7	47.4
Charge	**5.9**	**16.4**	**2.6**	**24.9**	0.6	–	1.1	1.7
Acquisitions	**1.0**	**–**	**3.4**	**4.4**	0.3	–	1.1	1.4
Utilised or released	**(1.7)**	**–**	**(2.5)**	**(4.2)**	(0.2)	–	(8.4)	(8.6)
Currency translation	**0.4**	**(1.1)**	**(0.6)**	**(1.3)**	(0.7)	–	(0.8)	(1.5)
End of year	**24.3**	**15.3**	**24.6**	**64.2**	18.7	–	21.7	40.4

The Properties provision includes provisions for repairs and dilapidations. These provisions cover the relevant periods of the lease agreements, which typically extend from one to 10 years, up to the expected termination date.

The MEPP withdrawal provision relates to the withdrawal liability on multi-employer pension plans in North America. See Note 22 for further details.

Group companies are, from time to time, subject to certain claims and litigation incidental to their operations and arising in the ordinary course of business including, but not limited to, those relating to the products and services that they supply, contractual and commercial disputes, environmental claims and employment related disputes. Other provisions include management's best estimate of the liabilities for such claims and litigation at the balance sheet date, determined by reference to known factors and past experience of similar items. Provision is made if, on the basis of current information and professional advice, liabilities are considered likely to arise. Management expects these matters to be settled within the next one to five years. While any dispute has an element of uncertainty, management does not expect that the actual outcome of any such claims and litigation, either individually or in the aggregate, will be materially different to the amounts provided. In the case of unfavourable outcomes, the Group may benefit from applicable insurance protection.

17 Deferred tax

	2020 Asset £m	2020 Liability £m	2020 Net £m	2019 Asset £m	2019 Liability £m	2019 Net £m
Property, plant and equipment	**1.2**	**(10.6)**	**(9.4)**	1.2	(10.8)	(9.6)
Defined benefit pension schemes	**11.4**	**(0.1)**	**11.3**	7.6	(1.9)	5.7
Goodwill and customer relationships	**3.2**	**(160.4)**	**(157.2)**	3.9	(166.5)	(162.6)
Share based payments	**7.1**	**–**	**7.1**	5.4	–	5.4
Leases	**7.1**	**(0.1)**	**7.0**	7.4	–	7.4
Provisions and accruals	**33.2**	**(2.0)**	**31.2**	25.3	(0.5)	24.8
Inventories	**10.5**	**(10.4)**	**0.1**	7.0	(8.6)	(1.6)
Other	**10.7**	**(3.4)**	**7.3**	8.7	(2.0)	6.7
Deferred tax asset/(liability)	**84.4**	**(187.0)**	**(102.6)**	66.5	(190.3)	(123.8)
Set-off of tax	**(81.9)**	**81.9**	**–**	(62.8)	62.8	–
Net deferred tax asset/(liability)	**2.5**	**(105.1)**	**(102.6)**	3.7	(127.5)	(123.8)

Except as noted below, deferred tax is calculated in full on temporary differences under the liability method using the tax rate of the country of operation.

The Company is able to control the dividend policy of its subsidiaries and, therefore, the timing of the remittance of the undistributed earnings of overseas subsidiaries. In general, the Company has determined either that such earnings will not be distributed in the foreseeable future or, where there are plans to remit those earnings, no tax liability is expected to arise except for a liability of £0.6m which has been provided for.

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised. No deferred tax asset has been recognised in respect of unutilised tax losses of £6.2m (2019: £14.6m).

No deferred tax has been recognised in respect of unutilised capital losses of £94.6m (2019: £94.7m) as it is not considered probable that there will be suitable future taxable profits against which they can be utilised.

The movement in the net deferred tax liability is shown below:

	2020 £m	2019 £m
Beginning of year	**123.8**	149.7
Impact of transition to IFRS 16	**–**	(7.6)
Restated net deferred tax liability at beginning of year	**123.8**	142.1
Acquisitions	**6.6**	1.2
Credit to income statement	**(22.9)**	(10.9)
Recognised in other comprehensive income and equity	**(4.3)**	(2.5)
Reclassified to current tax	**0.9**	0.3
Currency translation	**(1.5)**	(6.4)
End of year	**102.6**	123.8

18 Share capital and share based payments

	2020 £m	2019 £m
Issued and fully paid ordinary shares of 32¹⁄₇p each	**108.3**	108.3

Number of ordinary shares in issue and fully paid	2020	2019
Beginning of year	**336,792,607**	336,425,304
Issued – option exercises	**206,354**	367,303
End of year	**336,998,961**	336,792,607

The Company operates a number of share plans for the benefit of employees of the Company and its subsidiaries. Further details of the share plans as they relate to the directors of the Company are set out in the Directors' remuneration report.

Sharesave Scheme, International Sharesave Plan and Irish Sharesave Plan

For many years, the Company has operated all employee savings related share option schemes. The existing scheme in the UK, the Sharesave Scheme (2011), was approved by shareholders at the 2011 Annual General Meeting. It is an HMRC tax advantaged scheme and is open to all UK employees, including UK based executive directors.

The Irish Sharesave Plan, which is approved by the Irish Revenue Commissioners, and the International Sharesave Plan, were first introduced in 2006 and have since been extended, most recently following the approval of the Sharesave Scheme (2011).

The Sharesave Scheme, International Sharesave Plan and Irish Sharesave Plan operate on a similar basis with options granted to participating employees who have completed at least three months of continuous service at a discount of up to 20% of the market price prevailing shortly before the invitation to apply for the options. Depending on the scheme, options are normally exercisable either three or five years after they have been granted with employees saving up to £500 (2019: £500) per month (or the equivalent value in other currencies under the International Sharesave Plan) or €500 (2019: €500) per month under the Irish Sharesave Plan.

Long Term Incentive Plan 2004 ('2004 LTIP') and 2014 ('2014 LTIP')

The 2004 LTIP was approved by shareholders at the 2004 Annual General Meeting and expired in May 2014. No further share options or performance share awards have been granted under the 2004 LTIP since that date. The 2014 LTIP was approved by shareholders at the 2014 Annual General Meeting and replaced the 2004 LTIP. The operation of both LTIPs is overseen by the Remuneration Committee of the Board and each is divided into two parts.

Part A of the LTIP relates to the grant of market priced executive share options. In normal circumstances options granted under Part A are only exercisable if the relevant performance condition has been satisfied. The performance condition is based on the Company's adjusted earnings per share growth exceeding UK RPI inflation over three financial years by a specified margin (for the 2004 LTIP) or meeting certain specified targets (for the 2014 LTIP).

Part B of the LTIP relates to the grant of performance share awards which are conditional rights to receive shares in the Company for nil consideration. A performance share award will usually vest (i.e. become exercisable) on the third anniversary of its grant. The extent to which a performance share award will vest is usually subject to the extent to which the applicable performance conditions have been satisfied, based partly on the Company's total shareholder return performance, relative to a comparator group of companies over a three year period, and partly subject to the Company's adjusted earnings per share growth exceeding UK RPI inflation over three years by a specified margin (for the 2004 LTIP) or meeting certain specified targets (for the 2014 LTIP).

Investment in own shares

The Company holds a number of its ordinary shares in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors in relation to options granted and awards made under the LTIPs and the Deferred Annual Share Bonus Scheme ('DASBS') over market purchase shares. Details of these plans are set out above and in the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance expenses and administration charges are included in the income statement on an accruals basis. As at 31 December 2020 the trust held 3,006,186 (2019: 3,383,452) shares, upon which dividends have been waived, with an aggregate nominal value of £1.0m (2019: £1.1m) and market value of £73.4m (2019: £69.9m).

18 Share capital and share based payments continued

IFRS 2 disclosures

Options granted during the year have been valued using a stochastic model. The fair value per option granted during the year and the assumptions used in the calculations are as follows:

	2020	2019
Grant date	**10.03.20–30.10.20**	28.02.19–07.10.19
Share price at grant date (£)	**15.55–25.21**	20.19–25.51
Exercise price (£)	**nil–23.92**	nil–24.41
Number of options granted during the year (shares)	**3,418,392**	3,457,106
Vesting period (years)	**3–5.2**	1–5
Expected volatility (%)	**18–24**	17–19
Option life (years)	**3.0–10**	0.7–10
Expected life (years)	**3.0–6.7**	0.7–6.3
Risk free rate of return (%)	**0.0–0.2**	0.3–1.0
Expected dividends expressed as a dividend yield (%)	**2.1–3.3**	2.0–2.5
Fair value per option (£)	**1.34–22.34**	1.95–23.84

The expected volatility is based on historical volatility over the last three to seven years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £24.29 (2019: £23.76). The total charge for the year relating to share based payments was £14.9m (2019: £13.5m). After tax the total charge was £11.2m (2019: £13.5m).

Details of share options and awards which have been granted and exercised, those which have lapsed during 2020 and those outstanding and available to exercise at 31 December 2020, whether over new issue or market purchase shares, under the Sharesave Scheme (2011), International Sharesave Plan, Irish Sharesave Plan, the 2004 LTIP Part A and Part B and 2014 LTIP Part A and Part B, are set out in the following table:

	Options outstanding at 01.01.2020	Grants/awards 2020		Exercises 2020		Lapses* 2020	Options outstanding at 31.12.20		Options available to exercise at 31.12.20
	Number	Number	Price (£)	Number	Price (£)	Number	Number	Price (£)	Number
Sharesave Scheme (2011)	675,527	238,761	15.28	101,349	15.28-19.16	163,411	649,528	15.28–19.16	9,816
International Sharesave Plan	266,497	91,392	15.28	41,099	15.64-19.16	49,297	267,493	15.28-19.16	–
Irish Sharesave Plan	42,309	9,518	15.28	2,594	15.64-18.68	9,878	39,355	15.28-19.16	182
2004 LTIP Part A	1,119,025			556,690	6.77-15.66		562,335	8.13-15.66	562,335
2004 LTIP Part B	4,441			4,441	nil			nil	
2014 LTIP Part A	9,781,485	2,442,954	18.40-23.92	1,553,494	16.38-24.01	556,879	10,114,066	16.38-24.41	3,377,098
2014 LTIP Part B	1,281,682	635,767	nil	191,722	nil	246,637	1,479,090	nil	51,662
	13,170,966	**3,418,392**		**2,451,389**		**1,026,102**	**13,111,867**		**4,001,093**

* Share option lapses relate to those which have either been forfeited or have expired during the year.

For the options outstanding at 31 December 2020, the weighted average fair values and the weighted average remaining contractual lives (being the time period from 31 December 2020 until the lapse date of each share option) are set out below:

	Weighted average fair value of options outstanding (£)	Weighted average remaining contractual life (years)
Sharesave Scheme (2011)	3.92	2.06
International Sharesave Plan	4.14	1.77
Irish Sharesave Plan	4.44	1.55
2004 LTIP and 2014 LTIP Part A	2.78	7.40
2004 LTIP and 2014 LTIP Part B	13.14	4.61

The outstanding share options and performance share awards are exercisable at various dates up to September 2030.

19 Dividends

	2020 £m	2019 £m
2018 interim		50.7
2018 final		116.6
2019 interim	**51.7**	
2019 additional interim*	**119.8**	
Total	**171.5**	167.3

Total dividends per share for the year to which they relate are:

	Per share	
	2020	2019
Interim	**15.8p**	15.5p
Final*	**38.3p**	35.8p
Total	**54.1p**	51.3p

The 2020 interim dividend of 15.8p per share was paid on 7 January 2021 and comprised £52.8m of cash. The 2020 final dividend of 38.3p per share will be paid on 1 July 2021 to shareholders on the register at the close of business on 21 May 2021. The 2020 final dividend will comprise approximately £128m of cash.

* The 2019 final dividend of 35.8p per share recommended by the Board of directors of the Company in the 2019 Annual results announcement on 24 February 2020 was subsequently not proposed at the Annual General Meeting on 15 April 2020 as a result of the heightened uncertainty created by the Covid-19 pandemic. As a result of the better than expected trading performance during the first half of the year, the Board of directors of the Company decided to reinstate the final dividend for the year ended 31 December 2019 at the same level as originally proposed (35.8p per share) as an additional interim dividend for the year ended 31 December 2019. This was paid on 16 November 2020 and comprised £119.8m of cash.

20 Contingent liabilities

	2020 £m	2019 £m
Bank guarantees	**1.3**	2.2

In addition see Note 7 on page 165 for details of the separate contingent liability relating to the Commission's decision that part of the UK's tax regime is contrary to European State aid provisions.

21 Directors' ordinary share interests

The interests of the directors, and their connected persons, in the share capital of the Company at 31 December were:

	2020	2019
Peter Ventress	**2,608**	–
Frank van Zanten	**122,428**	104,438
Richard Howes	**8,363**	–
Vanda Murray	**3,000**	3,000
Lloyd Pitchford	**4,000**	4,000
Stephan Nanninga	**–**	–
Vinodka Murria*	**–**	–
Maria Fernanda Mejía◊	**–**	–
	140,399	111,438

* Vinodka Murria was appointed as a director of the Company on 1 June 2020.
◊ Maria Fernanda Mejía was appointed as a director of the Company on 23 December 2020.

Details of the directors' options and awards over ordinary shares made under the 2014 LTIP, Sharesave Scheme (2011) and DASBS are set out in the Directors' remuneration report. No changes to the directors' ordinary share interests shown in this Note and the Directors' remuneration report have taken place between 31 December 2020 and 1 March 2021.

22 Retirement benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes in the US, the UK and elsewhere in Europe (including France, the Netherlands and the Republic of Ireland). The funds of the principal defined benefit schemes are administered by trustees and are held independently from the Group. Pension costs of defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Contributions to all schemes are determined in line with actuarial advice and local conditions and practices. Scheme assets for the purpose of IAS 19 'Employee Benefits' are stated at their bid value.

Characteristics of defined benefit pension schemes

UK

The UK defined benefit scheme is a contributory defined benefit pension scheme providing benefits based on final pensionable pay. The scheme has been closed to new members since 2003. The valuation of the UK defined benefit pension scheme has been updated to 31 December 2020 by the Group's actuaries.

The UK scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the scheme is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension scheme has a corporate trustee. Although the Company bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustee, which has a duty to act in the best interest of members at all times. The assets of the scheme are held in trust by the trustee who consults with the Company on investment strategy decisions.

The trustee, in agreement with the Company, has hedging in place to reduce the impact of inflation and interest rate movements on the funding of the plan.

The last full triennial valuation on the UK defined benefit pension scheme was carried out by a qualified actuary as at 5 April 2018 and showed that there was a deficit on the agreed funding basis. To address the deficit, the Company has agreed to contribute an additional £5.5m per year from April 2016 to 30 June 2022.

US

The principal US defined benefit pension scheme is a non-contributory defined benefit pension scheme providing benefits based on final pensionable pay. The scheme has been closed to new members since 2003. The valuation of the US defined benefit pension scheme has been updated to 31 December 2020 by the Group's actuaries.

The US scheme is a qualified pension scheme and is subject to standard regulations under the Employee Retirement Income Security Act of 1974, the Pension Protection Act of 2006 and the Department of Labor and Internal Revenue reporting requirements. The scheme pays annual premiums to the Pension Benefit Guaranty Corporation to insure the benefits of the scheme.

The assets of the scheme are held in trust by an independent custodian. The Company has established a Retirement Scheme Investment Committee. The members of the Committee are the scheme fiduciaries and, as such, are ultimately responsible for the management of the scheme assets. The Committee performs the oversight function and delegates the day-to-day management process to appropriate staff. A registered investment adviser advises the Committee regarding the investment of scheme assets.

A de-risking strategy has been agreed for the scheme to reduce the mismatch between the assets and liabilities, whereby investments are switched from return seeking assets to liability matching assets as the funding improves, based on pre-agreed triggers.

Annual actuarial valuations are performed on the US defined benefit pension scheme. The last annual review was carried out by a qualified actuary as at 1 January 2020 and showed that there was a required annual contribution of $7.1m. In 2021, the Group plans to contribute $8.0m for the 2020 plan year to cover prudently this required contribution and anticipate future funding needs. In 2020, the Group also paid a contribution of $8.0m for the 2019 plan year. The annual review as at 1 January 2021 is ongoing.

Risks

The main risks to which the Group is exposed in relation to the defined benefit pension schemes are described below:

- Inflation risk – the majority of the UK scheme's liabilities increase in line with inflation and, as a result, if inflation is greater than expected the liabilities will increase. The impact of high inflation is capped each year for the UK scheme's benefits. The US scheme's liabilities are not directly tied to inflationary increases.
- Interest rate risk – a fall in bond yields will increase the value of the schemes' liabilities. A proportion of both the UK and US schemes' assets are invested in liability matching assets to mitigate the interest rate and also the inflation risk.
- Mortality risk – the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the schemes and consequently increases in the schemes' liabilities. The mortality assumptions are reviewed on a regular basis to minimise the risk of using an inappropriate assumption.

22 Retirement benefits continued

- Investment risk – the schemes invest in a diversified range of asset classes to mitigate the risk of falls in any one area of the investments. In the UK, the trustee implements partial currency hedging on the overseas assets to mitigate currency risk.

The risks mentioned above could lead to a material change to the deficit or surplus of the pension schemes. Given the long term time horizon of the schemes' cash flows, the assumptions used can lead to volatility in the scheme valuations from year to year. The Company and the trustee seek to mitigate actively the risks associated with the schemes.

A higher defined benefit obligation could lead to additional funding requirements in future years. Any deficit measured on a funding valuation basis, which may differ from the actuarial valuation under IAS 19, will generally be financed over a period that ensures the contributions are appropriate to the Group and in line with the relevant regulations.

Financial information

The amounts included in the consolidated financial statements at 31 December were:

Amounts included in the income statement	2020 £m	2019 £m
Defined contribution pension schemes	**22.0**	25.1
Defined benefit pension schemes current service cost (net of contributions by employees)	**6.2**	5.2
Total included in employee costs excluding past service cost	**28.2**	30.3
Defined benefit pension schemes past service cost	**0.4**	–
Total included in employee costs	**28.6**	30.3
Amounts included in finance (income)/expense		
Net interest income on defined benefit pension schemes in surplus	**(0.3)**	(0.2)
Net interest expense on defined benefit pension schemes in deficit	**1.0**	1.3
Total charge to the income statement	**29.3**	31.4

Amounts recognised in the statement of comprehensive income	2020 £m	2019 £m
Actual return less expected return on pension scheme assets	**57.9**	68.9
Experience gain on pension scheme liabilities	**2.0**	1.3
Impact of changes in financial assumptions relating to the present value of pension scheme liabilities	**(77.4)**	(79.1)
Impact of changes in demographic assumptions relating to the present value of pension scheme liabilities	**1.3**	0.6
Actuarial loss on defined benefit pension schemes	**(16.2)**	(8.3)

The cumulative amount of net actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2020 was £116.0m (2019: £99.8m).

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 were:

UK	2020	2019
Longevity at age 65 for current pensioners (years)	**22.0**	22.0
Longevity at age 65 for future pensioners (years)	**23.4**	23.4
US		
Longevity at age 65 for current and future pensioners (years)	**21.4**	21.6

	UK			US		
	2020	2019	2018	2020	2019	2018
Rate of increase in salaries	**3.4%**	3.4%	3.6%	**3.0%**	3.0%	3.0%
Rate of increase in pensions	**2.4%**	2.2%	2.2%	**–**	–	–
Discount rate	**1.4%**	2.1%	2.9%	**2.3%**	3.1%	4.2%
Inflation rate	**2.4%**	2.2%	2.2%	**2.3%**	2.3%	2.3%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

22 Retirement benefits continued

The (increase)/decrease that would arise on the overall net pension deficit as at 31 December 2020 as a result of reasonably possible changes to key assumptions was:

	Impact of change in longevity		Impact of change in inflation rate		Impact of change in discount rate	
	+1 year £m	–1 year £m	+0.25% £m	–0.25% £m	+0.25% £m	–0.25% £m
UK	**(16.2)**	**16.5**	**(11.6)**	**10.8**	**20.5**	**(21.9)**
US	**(4.8)**	**4.9**	**(0.1)**	**0.1**	**4.3**	**(4.5)**

The market value of pension scheme assets and the present value of retirement benefit obligations at 31 December were:

2020	UK £m	US £m	Other £m	Total £m
Equities	**143.3**	**58.0**	**4.1**	**205.4**
Bonds	**293.9**	**54.0**	**8.6**	**356.5**
Other	**1.1**	**13.7**	**15.6**	**30.4**
Total market value of pension scheme assets	**438.3**	**125.7**	**28.3**	**592.3**
Present value of funded obligations	**(437.9)**	**(142.9)**	**(31.1)**	**(611.9)**
Present value of unfunded obligations	**–**	**(11.6)**	**(13.6)**	**(25.2)**
Present value of funded and unfunded obligations	**(437.9)**	**(154.5)**	**(44.7)**	**(637.1)**
Defined benefit pension schemes in deficit	**–**	**(28.8)**	**(16.4)**	**(45.2)**
Defined benefit pension schemes in surplus	**0.4**	**–**	**–**	**0.4**
Total surplus/(deficit) before tax	**0.4**	**(28.8)**	**(16.4)**	**(44.8)**
Deferred tax	**(0.1)**	**6.8**	**4.6**	**11.3**
Total surplus/(deficit) after tax	**0.3**	**(22.0)**	**(11.8)**	**(33.5)**

2019	UK £m	US £m	Other £m	Total £m
Equities	129.9	57.2	5.8	192.9
Bonds	259.6	50.9	6.0	316.5
Other	0.5	13.4	13.3	27.2
Total market value of pension scheme assets	390.0	121.5	25.1	536.6
Present value of funded obligations	(379.2)	(140.2)	(28.9)	(548.3)
Present value of unfunded obligations	–	(11.9)	(12.4)	(24.3)
Present value of funded and unfunded obligations	(379.2)	(152.1)	(41.3)	(572.6)
Defined benefit pension schemes in deficit	–	(30.6)	(16.2)	(46.8)
Defined benefit pension schemes in surplus	10.8	–	–	10.8
Total surplus/(deficit) before tax	10.8	(30.6)	(16.2)	(36.0)
Deferred tax	(1.9)	3.1	4.5	5.7
Total surplus/(deficit) after tax	8.9	(27.5)	(11.7)	(30.3)

Of the pension scheme assets, £566.6m (2019: £512.3m) are valued based on a quoted market prices.

Movement in net deficit	2020 £m	2019 £m
Beginning of year	**(36.0)**	(38.5)
Current service cost	**(6.2)**	(5.2)
Past service cost	**(0.4)**	–
Contributions	**14.6**	14.9
Net interest expense	**(0.7)**	(1.1)
Actuarial loss	**(16.2)**	(8.3)
Currency translation	**0.1**	2.2
End of year	**(44.8)**	(36.0)

22 Retirement benefits continued

Changes in the present value of defined benefit pension scheme liabilities	2020 £m	2019 £m
Beginning of year	**572.6**	507.7
Current service cost	**6.2**	5.2
Past service cost	**0.4**	–
Interest expense	**12.9**	15.8
Contributions by employees	**0.6**	0.7
Actuarial loss	**74.1**	77.2
Benefits paid	**(26.1)**	(25.7)
Currency translation	**(3.6)**	(8.3)
End of year	**637.1**	572.6

Changes in the fair value of defined benefit pension scheme assets	2020 £m	2019 £m
Beginning of year	**536.6**	469.2
Interest income	**12.2**	14.7
Actuarial gain	**57.9**	68.9
Contributions by employer	**14.6**	14.9
Contributions by employees	**0.6**	0.7
Benefits paid	**(26.1)**	(25.7)
Currency translation	**(3.5)**	(6.1)
End of year	**592.3**	536.6

The actual return on pension scheme assets was a gain of £70.1m (2019: gain of £83.6m).

The Group expects to pay approximately £15.3m in contributions to the defined benefit pension schemes in the year ending 31 December 2021 (expected as at 31 December 2019 for the year ending 31 December 2020: £15.3m) including £7.0m for the UK (expected as at 31 December 2019 for the year ending 31 December 2020: £7.0m).

The weighted average duration of the defined benefit pension scheme liabilities at 31 December 2020 was approximately 19.4 years (2019: 19.1 years) for the UK and 11.7 years (2019: 11.7 years) for the US.

The total defined benefit pension scheme liabilities are divided between active members (£206.8m (2019: (£193.0m)), deferred members (£204.2m (2019: £174.9m)) and pensioners (£226.1m (2019: £204.7m)).

Multi-employer pension plans

The Group participates in six multi-employer pensions plans ('MEPPs') in North America. Although these plans are defined benefit plans the Group does not have sufficient information to account for them as defined benefit plans and, therefore, in accordance with IAS 19, accounts for them as defined contribution plans.

For MEPPs, US law requires payment of a withdrawal liability when employers cease contributing to underfunded MEPPs. The liability for withdrawal payments is shared by all members of the group of companies in any particular plan and solvent entities must cover the unfunded liabilities of employers who are unable to pay due to insolvency or bankruptcy. On withdrawal from a plan, an employer's withdrawal liability amount is calculated by reference to the employer's proportionate share of the MEPP's unfunded vested benefits based on the employer's share of all contributions made to the plan over the previous 10 years.

During the year the Group reviewed its exposure to the six MEPPs in which it participated and determined that it was in its best interests to serve notice to withdraw from three of the plans due to their critical funding status. The Group served notice to withdraw from these three plans during the year and in so doing became liable to pay withdrawal liabilities for these plans. In accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', an estimated withdrawal liability for these three plans of $21.0m (£16.4m) was recognised during the year in non-recurring pensions scheme charges, with a provision carried forward of £15.3m as at 31 December 2020, as shown in Note 16.

The Group continues to participate in the other three MEPPs and continues to account for these as defined contribution plans with the combined ongoing annual contributions for the three plans in 2021 expected to be no more than £2m per annum.

Guaranteed minimum pension equalisation on transfer values

During the year the Group has recognised a charge of £0.4m in non-recurring pensions scheme charges relating to the equalisation of guaranteed minimum pension ('GMP') between male and female members on historical transfer values out of the Group's UK defined benefit pension schemes following the outcome of the High Court judgment in November 2020 in the Lloyds Banking Group Trustees case.

23 Directors and employees

Number of employees	Closing 2020	Closing 2019	Average 2020	Average 2019
North America	**7,618**	6,699	**7,078**	6,746
Continental Europe	**5,151**	5,033	**5,042**	5,058
UK & Ireland	**3,671**	3,834	**3,808**	3,862
Rest of the World	**3,348**	3,226	**3,248**	3,257
	19,788	18,792	**19,176**	18,923
Corporate	**65**	65	**63**	61
	19,853	18,857	**19,239**	18,984

Employee costs	2020 £m	2019 £m
Wages and salaries	**801.2**	742.0
Social security costs	**90.8**	88.0
Pension costs excluding past service cost	**28.2**	30.3
Share based payments	**14.9**	13.5
	935.1	873.8
GMP equalisation charge	**0.4**	–
MEPP withdrawal liability charge	**16.4**	–
	951.9	873.8

In addition to the above, acquisition related items for the year ended 31 December 2020 include deferred consideration payments of £13.2m (2019: £13.3m) relating to the retention of former owners of businesses acquired.

Key management remuneration	2020 £m	2019 £m
Salaries and short term employee benefits	**7.1**	6.4
Share based payments	**2.5**	2.0
Retirement benefits	**0.7**	0.9
	10.3	9.3

The Group considers key management personnel as defined in IAS 24 'Related Party Disclosures' to be the directors of the Company and those members of the Executive Committee and the Managing Directors of the major geographic regions who are not directors of the Company.

Directors' emoluments	2020 £m	2019 £m
Non-executive directors	**0.7**	0.7
Executive directors:		
remuneration excluding performance related elements	**1.7**	1.9
annual bonus	**1.3**	1.2
	3.7	3.8

More detailed information concerning directors' emoluments and long term incentives is set out in the Directors' remuneration report. The aggregate amount of gains made by directors on the exercise of share options during the year was £0.1m (2019: £0.4m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £0.8m (2019: £0.7m). The aggregate market value of share awards exercised by directors under the DASBS was £0.2m (2019: £0.4m).

24 Lease liabilities

The Group leases certain property, plant, equipment and vehicles under non-cancellable operating lease agreements. These leases have varying terms and renewal rights.

Movement in lease liabilities

	2020 £m	2019 £m
Beginning of year	**480.0**	–
Lease liabilities on transition to IFRS 16	**–**	498.3
Acquisitions (Note 26)	**35.2**	6.5
New leases	**100.1**	105.2
Interest charge in the year	**22.5**	23.3
Payment of lease liabilities	**(159.6)**	(151.6)
Remeasurement adjustments	**24.2**	14.4
Currency translation	**(4.9)**	(16.1)
End of year	**497.5**	480.0
Ageing of lease liabilities:		
Current lease liabilities	**129.1**	121.8
Non-current lease liabilities	**368.4**	358.2
End of year	**497.5**	480.0

As at 31 December 2020, the Group had £8.6m (2019: £33.2m) of leases which had been committed to but which had not yet started. Such leases are not included in the Group's lease liabilities as at 31 December 2020. In relation to leases which are included in lease liabilities, there are potential further future cash flows of £26.5m (2019: £46.2m) if termination options are not exercised and extension options are exercised.

The cash outflow for low value and short term leases was £8.0m for the year ended 31 December 2020 (2019: £7.1m).

25 Cash and cash equivalents and net debt

	2020 £m	2019 £m
Cash at bank and in hand	**944.3**	610.5
Bank overdrafts	**(514.6)**	(469.7)
Cash and cash equivalents	**429.7**	140.8
Interest bearing loans and borrowings – current liabilities	**(79.9)**	(83.7)
Interest bearing loans and borrowings – non-current liabilities	**(1,615.2)**	(1,314.2)
Derivatives managing the interest rate risk and currency profile of the debt	**10.4**	10.1
Net debt excluding lease liabilities	**(1,255.0)**	(1,247.0)
Lease liabilities	**(497.5)**	(480.0)
Net debt including lease liabilities	**(1,752.5)**	(1,727.0)

The cash at bank and in hand and bank overdrafts amounts included in the table above include the amounts associated with the Group's cash pool. The cash pool enables the Group to access cash in its subsidiaries to pay down the Group's borrowings. The Group has the legal right of set-off of balances within the cash pool which is an enforceable right which the Group intends to use. The cash at bank and in hand and bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	2020 £m	2019 £m
Cash at bank and in hand net of amounts in the cash pool	**475.3**	180.6
Bank overdrafts net of amounts in the cash pool	**(45.6)**	(39.8)
Cash and cash equivalents	**429.7**	140.8

25 Cash and cash equivalents and net debt continued

Movement in net debt

2020	**Net debt £m**	**Cash and cash equivalents £m**	**Other components £m**
Beginning of year excluding lease liabilities	**(1,247.0)**	**140.8**	**(1,387.8)**
Net cash inflow	**14.1**	**288.0**	**(273.9)**
Realised losses on foreign exchange contracts	**(37.1)**	**–**	**(37.1)**
Currency translation	**15.0**	**0.9**	**14.1**
End of year excluding lease liabilities	**(1,255.0)**	**429.7**	**(1,684.7)**
Lease liabilities	**(497.5)**	**–**	**(497.5)**
End of year including lease liabilities	**(1,752.5)**	**429.7**	**(2,182.2)**

2019	**Net debt £m**	**Cash and cash equivalents £m**	**Other components £m**
Beginning of year excluding lease liabilities	(1,386.5)	144.2	(1,530.7)
Net cash inflow	99.1	14.5	84.6
Realised gains on foreign exchange contracts	13.6	–	13.6
Currency translation	26.8	(17.9)	44.7
End of year excluding lease liabilities	(1,247.0)	140.8	(1,387.8)
Lease liabilities	(480.0)	–	(480.0)
End of year including lease liabilities	(1,727.0)	140.8	(1,867.8)

The net cash outflow of £273.9m (2019: inflow of £84.6m) on other components of net debt comprises an increase in borrowings of £444.5m (2019: £75.5m), a repayment of borrowings of £133.5m (2019: £173.7m) and the impact of a realised loss of £37.1m on foreign exchange contracts (2019: gain of £13.6m).

26 Acquisitions

Acquisitions involving the purchase of the acquiree's share capital or, as the case may be, the relevant assets of the businesses acquired, have been accounted for under the acquisition method of accounting. A key part of the Group's strategy is to grow through acquisition. The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations' as revised. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. There were no significant adjustments to the assets acquired and liabilities assumed in 2020 relating to acquisitions completed in 2019. At 31 December 2020 the allocation period for all acquisitions completed since 1 January 2020 remained open and accordingly the fair values presented are provisional.

Adjustments are made to the assets acquired and liabilities assumed during the allocation period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date. Adjustments are made to the value of assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly, adjustments are made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments are also made to reflect the associated tax effects.

The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the retention of former owners of businesses acquired. Any payments that are contingent on future employment, including payments which are contingent on the retention of former owners of businesses acquired, are charged to the income statement. All other consideration has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the income statement. The acquisitions provide opportunities for further development of the Group's activities and to create enhanced returns. Such opportunities and the workforces inherent in each of the acquired businesses do not translate to separately identifiable intangible assets but do represent much of the assessed value that supports the recognised goodwill.

For each of the businesses acquired and announced during the year, the name of the business, the market sector served, its location and date of acquisition, as well as the estimated annualised revenue it would have contributed to the Group for the year if such acquisitions had been made at the beginning of the year, are separately disclosed. The remaining disclosures required by IFRS 3 are provided separately for those individual acquisitions that are considered to be material and in aggregate for individually immaterial acquisitions. An acquisition would generally be considered individually material if the impact on the Group's revenue or profit measures (on an annualised basis) or the relevant amounts on the balance sheet is greater than 5%. Management also applies judgement in considering whether there are any material qualitative differences from other acquisitions made.

26 Acquisitions continued

2020

Summary details of the businesses acquired during the year ended 31 December 2020 are shown in the table below:

Business	Sector	Country	Acquisition date 2020	Annualised revenue £m
Joshen Paper & Packaging	Grocery	US	6 January	254.9
Medcorp	Healthcare	Brazil	31 January	9.4
Bodyguard Workwear	Safety	UK	28 February	7.6
MCR Safety	Safety	US	1 September	206.7
Abco Kovex◊	Other	Ireland	30 September	20.3
ICM†	Safety	Denmark	30 October	49.5
SP Equipamentos	Safety	Brazil	30 November	23.9
Snelling	Cleaning & Hygiene	Canada	7 December	27.2
Other				2.3
Acquisitions agreed and completed in the current year				**601.8**

◊ Acquisition of 80% of share capital.
† Acquisition of 78.9% of share capital.

The acquisition of MCR Safety is considered to be individually significant due to its impact on intangible assets. The acquisition is therefore separately disclosed in the table below. Although the Joshen Paper & Packaging acquisition represents approximately 42% of the annualised revenue acquired during the year, it is a lower than average margin business and as a result accounts for only 11% of the total cash outflow in respect of acquisitions. In 2019 there were no individually significant acquisitions. A summary of the effect of acquisitions in 2020 and 2019 is shown below:

	MCR Safety £m	Other £m	2020 Total £m	2019 £m
Customer relationships	**104.5**	**67.7**	**172.2**	71.7
Brands	**13.7**	**–**	**13.7**	–
Property, plant and equipment and software	**6.5**	**4.1**	**10.6**	1.2
Right-of-use assets	**18.0**	**17.2**	**35.2**	6.5
Inventories	**62.0**	**40.2**	**102.2**	25.9
Trade and other receivables	**35.0**	**54.6**	**89.6**	17.4
Trade and other payables	**(20.2)**	**(44.0)**	**(64.2)**	(10.8)
Net cash	**7.4**	**1.5**	**8.9**	1.1
Provisions	**(0.2)**	**(4.2)**	**(4.4)**	(1.4)
Lease liabilities	**(18.0)**	**(17.2)**	**(35.2)**	(6.5)
Income tax payable and deferred tax liabilities	**(0.1)**	**(9.8)**	**(9.9)**	(1.9)
Fair value of net assets acquired	**208.6**	**110.1**	**318.7**	103.2
Goodwill	**71.8**	**37.0**	**108.8**	39.8
Consideration	**280.4**	**147.1**	**427.5**	143.0
Satisfied by:				
cash consideration	**245.2**	**122.7**	**367.9**	138.6
deferred consideration	**35.2**	**24.4**	**59.6**	4.4
	280.4	**147.1**	**427.5**	143.0
Contingent payments relating to retention of former owners	**1.4**	**17.7**	**19.1**	13.4
Net cash acquired	**(7.4)**	**(1.5)**	**(8.9)**	(1.1)
Transaction costs and expenses	**2.1**	**5.2**	**7.3**	4.1
Total committed spend in respect of acquisitions completed in the current year	**276.5**	**168.5**	**445.0**	159.4
Spend on acquisitions committed at prior year end but completed in the current year	**–**	**–**	**–**	(35.1)
Total committed spend in respect of acquisitions agreed in the current year	**276.5**	**168.5**	**445.0**	124.3

26 Acquisitions continued

The net cash outflow in the year in respect of acquisitions comprised:

	MCR Safety £m	Other £m	2020 Total £m	2019 £m
Cash consideration	**245.2**	**122.7**	**367.9**	138.6
Net cash acquired	**(7.4)**	**(1.5)**	**(8.9)**	(1.1)
Deferred consideration payments	**–**	**4.2**	**4.2**	6.1
Net cash outflow in respect of acquisitions	**237.8**	**125.4**	**363.2**	143.6
Transaction costs and expenses paid	**1.3**	**5.8**	**7.1**	3.8
Payments relating to retention of former owners	**–**	**17.2**	**17.2**	15.4
Total cash outflow in respect of acquisitions	**239.1**	**148.4**	**387.5**	162.8

Acquisitions completed in the year ended 31 December 2020 contributed £356.0m (2019: £109.0m) to the Group's revenue and £22.5m (2019: £14.5m) to the Group's adjusted operating profit for the year ended 31 December 2020.

The estimated contributions from acquisitions completed during the year to the results of the Group for the year ended 31 December if such acquisitions had been made at the beginning of the year, are as follows:

	2020 £m	2019 £m
Revenue	**601.8**	136.7
Adjusted operating profit	**50.0**	17.0

The total amount of goodwill expected to be deductible for tax purposes in relation to acquisitions completed during the year is £78.6m (2019: £29.8m).

2019

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2019 are shown in the table below:

Business	Sector	Country	Acquisition date 2019	Annualised revenue £m
Volk do Brasil*	Safety	Brazil	2 January	40.1
Liberty Glove & Safety	Safety	US	21 February	73.4
Coolpack	Foodservice	Netherlands	4 April	3.1
FRSA◊	Safety	Australia	29 November	20.1
Acquisitions completed in 2019				**136.7**
Volk do Brasil*	Safety	Brazil	2 January	(40.1)
Acquisitions agreed in 2019				**96.6**

* Acquisition committed at 31 December 2018.
◊ Acquisition of 80% of share capital.

27 Cash flow from operating activities

The tables below give further details on the adjustments for depreciation and software amortisation, other non-cash items and the working capital movement shown in the Consolidated cash flow statement.

Depreciation and software amortisation	2020 £m	2019 £m
Depreciation of right-of-use assets	**134.8**	128.1
Other depreciation and software amortisation	**36.9**	31.9
	171.7	160.0

Other non-cash items	2020 £m	2019 £m
Share based payments	**14.9**	13.5
Provisions	**4.7**	(6.3)
Retirement benefit obligations	**(8.4)**	(9.7)
Other	**2.0**	(1.0)
	13.2	(3.5)

Working capital movement	2020 £m	2019 £m
(Increase)/decrease in inventories	**(192.5)**	15.2
(Increase)/decrease in trade and other receivables	**(81.0)**	38.9
Increase/(decrease) in trade and other payables	**278.5**	(49.8)
	5.0	4.3

28 Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group's defined benefit pension schemes and its key management as related parties for the purpose of IAS 24. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 22 and Note 23 respectively. All transactions with subsidiaries are eliminated on consolidation.

COMPANY BALANCE SHEET
at 31 December 2020

	Notes	2020 £m	2019 £m
Fixed assets			
Property, plant and equipment	3	**0.4**	0.2
Right-of-use assets	4	**0.7**	1.2
Intangible assets	3	**1.1**	1.1
Investments	5	**718.4**	707.0
		720.6	709.5
Current assets			
Deferred tax asset	6	**1.8**	–
Defined benefit pension asset	11	**0.4**	10.8
Debtors: amounts falling due after more than one year	7	**837.9**	837.9
Debtors: amounts falling due within one year	7	**647.7**	571.9
Cash at bank and in hand		**0.2**	0.7
		1,488.0	1,421.3
Current liabilities			
Creditors: amounts falling due within one year	8	**(98.1)**	(116.9)
Deferred tax liability	6	**–**	(0.5)
Lease liabilities	10	**(0.7)**	(0.7)
Net current assets		**1,389.2**	1,303.2
Total assets less current liabilities		**2,109.8**	2,012.7
Non-current liabilities			
Provisions	9	**(1.6)**	(1.7)
Lease liabilities	10	**(0.2)**	(0.9)
Net assets		**2,108.0**	2,010.1
Capital and reserves			
Share capital	12	**108.3**	108.3
Share premium		**187.7**	184.0
Other reserves		**5.6**	5.6
Capital redemption reserve	13	**16.1**	16.1
Profit and loss account†	13	**1,790.3**	1,696.1
Total shareholders' funds		**2,108.0**	2,010.1

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 1 March 2021 and signed on its behalf by Frank van Zanten, Chief Executive Officer and Richard Howes, Chief Financial Officer.

The Accounting policies and other Notes on pages 195 to 200 form part of these financial statements.

† Profit and loss account includes a net profit after tax for the year of £268.1m (2019: £35.0m). As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account: Own shares £m	Profit and loss account: Retained earnings £m	Total shareholders' funds £m
At 1 January 2020	**108.3**	**184.0**	**5.6**	**16.1**	**(69.9)**	**1,766.0**	**2,010.1**
Profit for the year						**268.1**	**268.1**
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						**4.5**	**4.5**
Actuarial loss on defined benefit pension scheme						**(14.9)**	**(14.9)**
Income tax credit on other comprehensive income						**2.0**	**2.0**
Total comprehensive income						**259.7**	**259.7**
2019 interim dividend						**(51.7)**	**(51.7)**
2019 final dividend						**(119.8)**	**(119.8)**
Issue of share capital	**–**	**3.7**					**3.7**
Employee trust shares					**(9.4)**		**(9.4)**
Movement on own share reserves					**5.9**	**(5.9)**	**–**
Share based payments						**15.4**	**15.4**
At 31 December 2020	**108.3**	**187.7**	**5.6**	**16.1**	**(73.4)**	**1,863.7**	**2,108.0**

	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account: Own shares £m	Profit and loss account: Retained earnings £m	Total shareholders' funds £m
At 31 December 2018	108.1	178.5	5.6	16.1	(63.9)	1,903.5	2,147.9
Impact of transition to IFRS 16						(0.3)	(0.3)
Restated equity at 1 January 2019	108.1	178.5	5.6	16.1	(63.9)	1,903.2	2,147.6
Profit for the year						35.0	35.0
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						4.5	4.5
Actuarial gain on defined benefit pension scheme						2.2	2.2
Income tax charge on other comprehensive income						(0.4)	(0.4)
Total comprehensive income						41.3	41.3
2018 interim dividend						(50.7)	(50.7)
2018 final dividend						(116.6)	(116.6)
Issue of share capital	0.2	5.5					5.7
Employee trust shares					(30.4)		(30.4)
Movement on own share reserves					24.4	(24.4)	–
Share based payments						13.2	13.2
At 31 December 2019	108.3	184.0	5.6	16.1	(69.9)	1,766.0	2,010.1

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Basis of preparation
Bunzl plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These financial statements present information about the Company as an individual undertaking and not about its Group. The financial statements of the Company have been prepared on a going concern basis and under the historical cost convention with the exception of certain items which are measured at fair value as described in the accounting policies below.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 as applicable to companies using FRS 101. There are no new standards, amendments or interpretations that are applicable to the Company for the year ended 31 December 2020. In preparing these financial statements the Company has applied the exemptions available under FRS 101 in respect of:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures relating to transactions with wholly owned subsidiaries and capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures relating to the compensation of key management personnel.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also applied the exemptions available under FRS 101 in respect of:

- certain disclosures required by IFRS 2 'Share Based Payments' in respect of Group settled share based payments; and
- certain disclosures required by IFRS 13 'Fair Value Measurement' and disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

2 Accounting policies
The accounting policies of the Company have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. In most cases the accounting policies for the Company are fully aligned with the equivalent accounting policies for the Group as stated on pages 151 to 157 in Note 2 to the consolidated financial statements. The accounting policies of the Company which are aligned with those of the Group are the policies for tangible assets, leases, intangible assets, income tax, trade and other payables, provisions, retirement benefits, investment in own shares, dividends and leases. The accounting policies that are specific to the Company are set out below.

a. Investment in subsidiary undertakings
Investments in subsidiary undertakings are held at cost less any provision for impairment. The subsidiary undertakings which the Company held at 31 December 2020 are disclosed in the Related undertakings Note in the Shareholder information section on pages 212 to 217.

b. Share based payments
The Company operates a number of equity settled share based payment compensation plans. Details of these plans are outlined in Note 18 to the consolidated financial statements and the Directors' remuneration report. The total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity.

Where the Company grants options over its own shares to the employees of its subsidiaries and it has not recharged the cost to the relevant subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised directly in equity.

c. Financial guarantee contracts
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2 Accounting policies continued

d. Intercompany and other receivables

Intercompany and other receivables are initially measured at fair value. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses. The Group measures impairment losses using the expected credit loss model in accordance with IFRS 9. There were no impairment losses on intercompany or other receivables during the year (2019: none).

e. Defined benefit pension schemes

The Company is the sponsoring company of the UK defined benefit pension scheme. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the scheme to participating subsidiaries, the net defined benefit pension cost or benefit is recognised fully by the Company. The contributions paid by the participating subsidiaries other than the Company are credited to profit or loss of the Company where the amounts relate to service and are independent of the number of years of service or to other comprehensive income if not linked to service.

f. Judgements made in applying the Company's accounting policies

In the course of preparing the financial statements, other than judgements involved in determining estimates and assumptions (see Note 2g below), no judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

g. Sources of estimation uncertainty

In applying the Company's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. As at 31 December 2020, the only source of estimation uncertainty that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the measurement of the defined benefit pension scheme liability which is explained in Note 2u to the consolidated financial statements.

3 Property, plant and equipment and intangible assets

	Short leasehold improvement £m	Fixtures, fittings and equipment £m	Total tangible assets £m	Total intangible assets £m
Cost				
Beginning of year	**0.1**	**1.4**	**1.5**	**1.9**
Additions	**–**	**0.3**	**0.3**	**0.2**
Disposals	**–**	**–**	**–**	**–**
End of year	**0.1**	**1.7**	**1.8**	**2.1**
Accumulated depreciation and amortisation				
Beginning of year	**0.1**	**1.2**	**1.3**	**0.8**
Disposals	**–**	**–**	**–**	**–**
Charge in year	**–**	**0.1**	**0.1**	**0.2**
End of year	**0.1**	**1.3**	**1.4**	**1.0**
Net book value at 31 December 2020	**–**	**0.4**	**0.4**	**1.1**
Net book value at 31 December 2019	–	0.2	0.2	1.1

4 Right-of-use assets: Property

Net book value	2020 £m	2019 £m
Beginning of year	**1.2**	–
Right-of-use assets on transition to IFRS 16	**–**	1.7
Depreciation charge in the year	**(0.5)**	(0.5)
End of year	**0.7**	1.2

5 Investments

Investments in subsidiary undertakings	2020 £m	2019 £m
Cost		
Beginning of year	**710.3**	699.2
Additions	**11.4**	11.1
End of year	**721.7**	710.3
Impairment provisions		
Beginning and end of year	**3.3**	3.3
Net book value at 31 December	**718.4**	707.0

6 Deferred tax asset/(liability)

Recognised deferred tax assets net of deferred tax liabilities are attributable to the following:

	Defined benefit pension scheme £m	Share based payments £m	Other £m	Net deferred tax asset/(liability) £m
1 January 2019	(0.6)	1.5	0.1	1.0
Impact of transition to IFRS 16	–	–	0.1	0.1
Recognised in profit or loss	(0.9)	–	–	(0.9)
Recognised in other comprehensive income or directly in equity	(0.4)	(0.3)	–	(0.7)
31 December 2019/1 January 2020	**(1.9)**	**1.2**	**0.2**	**(0.5)**
Recognised in profit or loss	**(0.2)**	**–**	**–**	**(0.2)**
Recognised in other comprehensive income or directly in equity	**2.0**	**0.5**	**–**	**2.5**
31 December 2020	**(0.1)**	**1.7**	**0.2**	**1.8**

No deferred tax asset has been recognised in respect of unutilised capital losses of £68.5m (2019: £68.5m).

7 Debtors

	2020 £m	2019 £m
Debtors: amounts falling due within one year		
Amounts owed by Group undertakings	**644.5**	568.7
Prepayments and other debtors	**3.2**	3.2
	647.7	571.9
Debtors: amounts falling due after more than one year		
Amounts owed by Group undertakings	**837.9**	837.9

The carrying value of the amounts owed by Group undertakings falling due after more than one year is a reasonable approximation of their fair values. These amounts have a fixed repayment date and are interest bearing at an interest rate which is reset periodically based on the Bank of England base rate.

8 Creditors: amounts falling due within one year

	2020 £m	2019 £m
Trade creditors	**0.7**	1.2
Amounts owed to Group undertakings	**82.1**	82.5
Other tax and social security contributions	**0.3**	0.3
Income tax payable	**0.5**	21.0
Accruals	**14.5**	11.9
	98.1	116.9

Amounts due to Group undertakings are repayable on demand and are not interest bearing.

9 Provisions

	2020 £m	2019 £m
Beginning of year	**1.7**	1.7
Utilised or released	**(0.1)**	–
End of year	**1.6**	1.7

The provisions relate to properties, where amounts are held against liabilities for repairs and dilapidations, and other claims.

10 Lease liabilities

	2020 £m	2019 £m
Beginning of year	**(1.6)**	–
Lease liabilities on transition to IFRS 16	**–**	(2.3)
Interest charge in the year	**(0.1)**	(0.1)
Payments of lease liabilities	**0.8**	0.8
End of year	**(0.9)**	(1.6)
Ageing of lease liabilities:		
Current lease liabilities	**(0.7)**	(0.7)
Non-current lease liabilities	**(0.2)**	(0.9)
End of year	**(0.9)**	(1.6)

11 Retirement benefits

The Company operates a number of retirement benefit schemes in the UK, including both defined benefit and defined contribution schemes. A description of the characteristics and risks to which the Company is exposed in relation to the UK defined benefit pension scheme together with the principal assumptions used and sensitivity to changes in assumptions are detailed in Note 22 to the consolidated financial statements. The amounts included in the Company financial statements relating to the defined benefit pension scheme at 31 December were:

Amounts included in profit for the year	2020 £m	2019 £m
Current service cost (net of contributions by employees)	**2.2**	2.0
Past service cost	**0.4**	–
Net interest income	**(0.3)**	(0.2)
Contributions paid by participating subsidiaries linked to service	**(1.2)**	(1.3)
Total charge to profit for the year	**1.1**	0.5

11 Retirement benefits continued

Amounts recognised in other comprehensive income	2020 £m	2019 £m
Actual return less expected return on pension scheme assets	**44.6**	52.7
Experience gain on pension scheme liabilities	**–**	–
Impact of changes in assumptions relating to the present value of pension scheme liabilities	**(59.5)**	(50.5)
Actuarial (loss)/gain on defined benefit pension scheme	**(14.9)**	2.2
Contributions paid by participating subsidiaries not linked to service	**4.5**	4.5
Total (charge)/credit to other comprehensive income	**(10.4)**	6.7

Movement in defined benefit pension scheme surplus/(deficit)	2020 £m	2019 £m
Beginning of year	**10.8**	3.4
Current service cost	**(2.2)**	(2.0)
Past service cost	**(0.4)**	–
Contributions	**6.8**	7.0
Net interest income	**0.3**	0.2
Actuarial (loss)/gain	**(14.9)**	2.2
End of year	**0.4**	10.8

Changes in the present value of defined benefit pension scheme liabilities	2020 £m	2019 £m
Beginning of year	**379.2**	329.1
Current service cost	**2.2**	2.0
Past service cost	**0.4**	–
Interest expense	**7.9**	9.4
Contributions by employees	**0.5**	0.5
Actuarial loss	**59.5**	50.5
Benefits paid	**(11.8)**	(12.3)
End of year	**437.9**	379.2

Changes in the fair value of defined benefit pension scheme assets	2020 £m	2019 £m
Beginning of year	**390.0**	332.5
Interest income	**8.2**	9.6
Actuarial gain	**44.6**	52.7
Contributions by the Company	**1.1**	1.2
Contributions by participating subsidiaries	**5.7**	5.8
Contributions by employees	**0.5**	0.5
Benefits paid	**(11.8)**	(12.3)
End of year	**438.3**	390.0

The actual return on pension scheme assets was a gain of £52.8m (2019: gain of £62.3m). The market value of scheme assets and the present value of retirement benefit obligations at 31 December are detailed in Note 22 to the consolidated financial statements. The total defined benefit pension liability is divided between active members (£102.9m (2019: £86.2m)), deferred members (£172.9m (2019: £147.8m)) and pensioners (£162.1m (2019: £145.2m)).

12 Share capital

	2020 £m	2019 £m
Issued and fully paid ordinary shares of 32¹⁄₇p each	**108.3**	108.3

Number of ordinary shares in issue and fully paid	2020	2019
Beginning of year	**336,792,607**	336,425,304
Issued – option exercises	**206,354**	367,303
End of year	**336,998,961**	336,792,607

13 Reserves

The capital redemption reserve of £16.1m (2019: £16.1m) as presented in the statement of changes in equity records the aggregate nominal value of treasury shares that have been cancelled.

The own shares reserve of £73.4m (2019: £69.9m) as presented in the statement of changes in equity comprises ordinary shares of the Company held by the Company in an employee benefit trust. The assets, liabilities and expenditure of the trust are included in the Company financial statements. Details of the trust and investment in own shares reserve are set out in Note 18 to the consolidated financial statements.

The dividends paid and declared in the current and prior year are detailed in Note 19 to the consolidated financial statements.

14 Contingent liabilities

Borrowings by subsidiary undertakings totalling £1,661.3m (2019: £1,375.1m) which are included in the Group's borrowings have been guaranteed by the Company.

15 Employees' and directors' remuneration

The average number of persons employed by the Company during the year (including directors) was 53 (2019: 53) and the aggregate employee costs relating to these persons were:

	2020 £m	2019 £m
Wages and salaries	**11.0**	9.2
Social security costs	**1.8**	1.4
Share based payments	**2.3**	1.1
Pension costs	**0.8**	1.0
	15.9	12.7

Conditional awards of executive share options and performance shares are granted to executive directors and other senior employees of the Company. Employees of the Company can also participate in the Company's Sharesave Scheme. Further information on the Company's share plans is disclosed in Note 18 to the consolidated financial statements.

16 Related party disclosures

The Company has identified the directors of the Company, their close family members, its key management, the UK pension scheme and its subsidiary undertakings as related parties for the purpose of IAS 24 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 22 and Note 23 to the consolidated financial statements and the Related undertakings Note in the Shareholder information section on pages 212 to 217.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report, which includes the Directors' remuneration report and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Accounting Standards ('IASs') in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). In preparing the Group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ('IASB').

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether for the Group and the Company, IASs in conformity with the requirements of the Companies Act 2006 and, for the Group, IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs issued by the IASB have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are set out on pages 92 and 93 of the Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IASs in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Frank van Zanten
Chief Executive Officer
1 March 2021

Richard Howes
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNZL PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Bunzl plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2020; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Separate opinion in relation to international financial reporting standards as issued by the International Accounting Standards Board

As explained in note 1 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of Companies Act 2006, has also applied international financial reporting standards as issued by the International Accounting Standards Board.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach
Overview

Audit scope	• We performed full scope audits and other procedures of the financial information of 80 components spread across 29 different countries across North America, Continental Europe, UK & Ireland and Rest of the World. • Specific audit procedures in relation to various Group activities, including consolidation, taxation, pensions, business combinations and the impairment of goodwill and intangible assets, were performed by the Group audit team centrally.
Key audit matters	• Carrying value of goodwill and other intangible assets (Group) • Provisions for corporate tax exposures (Group) • Accounting for business combinations (Group) • Valuation of defined benefit pension schemes (Group and Company) • Valuation of inventory provisions and expected credit loss provisions against trade receivables (Group) • Covid-19 (Group and Company)
Materiality	• Overall Group materiality: £30 million (2019: £29 million) based on 5% of adjusted profit before tax. • Overall Company materiality: £20 million (2019: £20 million) based on 1% of net assets. • Performance materiality: £22.5 million (Group) and £15 million (Company).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential posting of inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims.
- Reviewing minutes of meetings of those charged with governance including the Board, Audit committee and Executive committee.
- Reviewing internal audit reports.
- Assessment of matters reported on the Group's whistleblowing helpline.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of inventory and expected credit loss provisions against trade receivables and Covid-19 are new key audit matters this year. Completeness and accuracy of lease liabilities and right-of-use assets, which was a key audit matter last year, is no longer included because of this risk being specific to the implementation of a new accounting standard in 2019. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and other intangible assets (Group)	
Refer to page 111 (Audit Committee report), page 156 (Accounting policies) and pages 168 and 169 (Note 11). The Group has material goodwill balances of £1,494.6m (2019: £1,403.6m) and customer relationships intangible assets of £912.7m (2019: £864.9m) spread across multiple geographies and relating to multiple cash generating units ('CGUs'). In assessing whether the carrying amount of the goodwill assets has been impaired, management considers forecast cash flows of the 7 individual CGUs (and 11 previous CGUs) which are identified on a market or geographical basis. We focused our goodwill impairment procedures on the CGUs with the lowest levels of headroom between each respective value in use model and carrying value. We also focused our impairment procedures on circumstances where a triggering event on customer relationships intangible assets occurred during the year and where a further impairment assessment was performed by management. Management's impairment assessments involve significant estimation, principally relating to short and long-term revenue growth, future profitability and discount rates. Due to the acquisitive nature of the Group and the magnitude of the aggregated related goodwill and intangible assets, together with the subjectivity of the principal assumptions, a significant amount of audit effort was required, particularly as some of these assumptions are influenced by economic factors and trading conditions specific to individual businesses.	In our testing of management's annual goodwill and other intangible assets impairment calculations, we used valuation experts to assist our evaluation of the appropriateness of the discount rate used by management. We evaluated the reasonableness of the directors' cash flow forecasts by comparing the assumptions made to board approved budgets, historical performance and external economic data. In particular: • We determined that long-term growth rates are generally consistent when compared to third party nominal GDP rates; • We compared short term forecast growth rates to recent performance history and considered them to be acceptable; • We challenged the discount rate used to determine the present value by assessing the cost of capital for the Company and comparable organisations and considered them to be acceptable; • We obtained evidence to assess historical accuracy in management's forecasting process; and • We also evaluated management's triggering event assessment regarding customer relationships intangible assets. Management concluded that there is an impairment charge of £9.1m relating to the customer relationships intangible assets and a further £12.1m relating to goodwill in China. We concur with this assessment. Based on our sensitivity calculations, no other reasonable change in assumptions would lead to an impairment of goodwill or other intangible assets. Having ascertained the extent of changes in key assumptions either individually or collectively that would be required for goodwill and other intangible assets to be materially impaired, we considered such a change in those key assumptions to be unlikely.

Key audit matter	How our audit addressed the key audit matter
Provisions for corporate tax exposures (Group)	
Refer to page 112 (Audit Committee report), page 157 (Accounting policies) and page 165 (Note 7). The Group operates in a number of countries with complex taxation rules and regulations. The interpretation of these complex regulations and the unknown future outcome of pending judgements by the tax authorities result in the need to provide against a number of uncertain tax positions. We focused on this area because of the risk surrounding the level of estimation and judgement that is necessary in determining the provisions required. In particular, we focused on the impact of changes in local tax regulations and ongoing inspections by local tax authorities and international bodies, which could materially impact the amounts recorded in the Group financial statements. This included evaluating the impact of the European Commission's State aid investigation.	We assessed management's process for identifying uncertain tax positions and the related accounting policy of providing for tax exposures. We engaged our taxation specialists to assist us in challenging the appropriateness of management's judgements in relation to these positions and to understand the current status of tax assessments and investigations, including monitoring developments in ongoing disputes and regulatory changes. We read recent correspondence with local tax authorities to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest external developments. We also considered factors such as possible penalties and interest. We evaluated the consistency of management's approach to identifying triggering events to reassess or record a provision for an exposure. We also evaluated the consistency of management's approach to establishing or changing prior provision estimates and validated that changes in provisions established in previous periods reflected a change in facts and circumstances. These procedures assisted in our corroboration of management's assessment of potential tax exposures, the provisions recorded and disclosures made in the financial statements. We then determined whether the calculations were in line with the accounting standards and that the methodology and principles had been applied consistently. Based on the procedures performed, we determined the provisions reflect management's current best estimate of the expected economic outflows. We considered the appropriateness of the related disclosures in Note 7 to the financial statements. Based on the procedures performed, we noted no material issues arising from our work.
Accounting for business combinations (Group)	
Refer to page 111 (Audit Committee report), page 156 (Accounting policies) and pages 189 to 191 (Note 26). Given that the Group continues to make significant investment in acquisitions, accounting for business combinations is an area of focus due to the level of judgement involved. Business combinations can involve judgements in relation to the value of assets and liabilities that are recognised on acquisition, particularly the allocation of purchase consideration to goodwill and separately identified intangible assets. Our procedures in the year focussed on the MCR Safety acquisition given this was the most material acquisition in the year.	Management relies on external valuation specialists for larger acquisitions to value significant intangibles acquired in business combinations. Where management has relied on such specialists, with the support of our own valuation specialists, we assessed their objectivity and competence and tested the results of their work and found no material issues. We focused in particular on the following areas: • We challenged the methodology and key assumptions used in determining the value of the customer relationships assets for the more significant acquisitions; • We determined whether the cash flows applied within the valuation models and the key assumptions such as the discount rates, growth rates, customer attrition and period for amortisation, were appropriate and supported by historical data; and • We also evaluated the consideration paid or payable in respect of acquisitions. We did this by reading the acquisition contracts, vouching the consideration paid to cash outflows and testing the calculation of the deferred consideration by reference to the contract terms. Based on the procedures performed, we noted no material issues arising from our work.

Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension schemes (Group and Company)	
Refer to page 111 (Audit Committee report), page 156 (Accounting policies) and pages 183 to 186 (Note 22). The Group has defined benefit pension schemes (with material schemes in the US and the UK) with a combined net deficit of £44.8m. The gross assets and liabilities in the UK and US schemes are significant in the context of the Consolidated balance sheet. Management estimation is required in relation to the measurement of pension scheme obligations, and management employs independent actuarial experts to assist it in determining appropriate assumptions such as inflation levels, discount rates, salary increases and mortality rates. Movements in these assumptions can have a material impact on the determination of the liability and, therefore, the extent of any net surplus or deficit.	We used our own actuarial experts to satisfy ourselves that the assumptions used in calculating the US and UK pension scheme liabilities are appropriate, including confirming that salary increases were appropriate and that mortality rate assumptions were consistent with relevant benchmarks. We determined that the discount and inflation rates used in the valuation of the pension scheme liabilities were consistent with our internally developed benchmarks and, where available, with those disclosed in the published financial statements of other companies as at 31 December 2020. In each case we considered the assumptions made by management to be reasonable in light of the available evidence. We performed procedures to satisfy ourselves over the completeness and accuracy of the employee data used in the calculation. We have confirmed the pension asset valuations with third parties and independently assessed the valuation of a sample of these assets. We also obtained and assessed third party service organisation control reports where these were needed to support the valuation of more complex investments.
Valuation of inventory provisions and expected credit loss provisions against trade receivables (Group)	
Refer to page 112 (Audit Committee report), page 156 (Accounting policies) and pages 169 and 170 (Note 12 and 13). The Covid-19 pandemic has significantly increased the risk of loss on trade receivables and inventory particularly in the foodservice and retail businesses that have been impacted more heavily by the pandemic. The Group has seen an increase in slow moving inventory as a result of Covid-19 and the associated government measures which have reduced demand in a number of market sectors. We focused on this area because of the level of estimation and judgement that is necessary in determining the provisions required.	We assessed the basis for the inventory provisions, the consistency of provisioning in line with the Group's policy and the reasonableness of the overall provisioning in light of the impact of Covid-19. We did this through the following procedures: • We tested the completeness and the accuracy of the ageing of the reports used to calculate the provisions. • We tested that the calculation of provisions had been performed in accordance with the Group policy. • We understood management's process for identifying specific inventory requiring a provision and recalculated the provisions against this inventory using latest market prices and volume data. • We tested the net realisable value of a sample of inventory items to ensure that the listing of inventory requiring a provision identified was complete. We obtained an understanding of management's process in estimating the expected credit loss provision and the respective judgements. We considered the appropriateness of management's judgements in relation to these calculations by performing the following procedures: • reviewing the ageing categorisation of debtor balances; • assessing historical credit loss experience; • understanding and assessing the insolvencies in the period; and • consideration of forward-looking factors by assessing management's risk categorisation of customers in the food service and retail sectors. We determined whether the calculations were in line with the accounting standards and that the methodology and principles had been applied consistently. Based on the procedures performed, we determined that the provisions reflect management's current best estimate of the expected economic outflows. We also considered the appropriateness of the related disclosures in the financial statements. Based on the procedures performed, we noted no material issues arising from our work.

Key audit matter	How our audit addressed the key audit matter
Covid-19 (Group and Company)	
The Covid-19 pandemic has had a varied impact on the differing sectors and regions in the Group. The performance of the retail and foodservice sectors were more heavily impacted. As a result, the Covid-19 pandemic introduced increased estimation uncertainty in the following areas: • Impairment of goodwill and customer lists • Expected credit loss provisions against trade receivables • Inventory provisioning In addition, management's way of working, including the operation of controls, has been impacted by Covid-19 as a result of a large number of employees working remotely and using technology enabled working practices. Our own ways of working have also changed which has meant virtual review meetings, electronic review processes (instead of hardcopy reviews) and some inventory counts being performed using virtual technology tools.	In response to the key areas impacted by the Covid-19 pandemic, we have performed the following procedures: • Refer to our key audit matter called 'Carrying value of goodwill and other intangible assets' for details on procedures performed over the impairment of goodwill and other intangible assets. • Refer to our key audit matter called 'Valuation of inventory and expected credit loss provisions against trade receivables' for details on procedures performed over expected credit loss provisions against trade receivables. We considered the appropriateness of management's disclosures in its financial statements of the impact of the current environment and the increased uncertainty on its accounting estimates and found these to be adequate. Based on the work performed at a Group level and by our component teams we did not identify any evidence of a material deterioration in the control environment. All of our oversight procedures were undertaken remotely using video conferencing and remote workpaper reviews to satisfy ourselves as to the sufficiency of audit work performed at the significant and material components.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We identified one financially significant component, being North America, where a full scope audit has been performed. We identified five components across the UK, France and Australia for which a full scope audit of their financial information has been performed. In order to satisfy the request of the Audit Committee and management, we performed full scope audits and other procedures on a further 74 components. The components where we performed audit procedures covered over 94% of Group revenue, adjusted profit before taxation and total assets.

Where work was performed by component auditors, detailed instructions were issued by us and the Group audit team conducted conference calls with component teams. For our financially significant component, North America, oversight procedures included regular communication with the component team, reviewing their working papers, and attending the clearance meeting. Specific audit procedures over central functions and areas of significant judgement, including consolidation, taxation, pensions, business combinations and the impairment of goodwill and other intangible assets, were performed by the Group audit team centrally.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£30 million (2019: £29 million).	£20 million (2019: £20 million).
How we determined it	Based on 5% of adjusted profit before tax	Based on 1% of net assets
Rationale for benchmark applied	Given that the Group's businesses are profit oriented and the directors use adjusted profit measures to assess the performance of the business, we believe that adjusted profit before tax is the best benchmark to use.	Considering the nature of the business and activities in Bunzl plc (holding activities) we use the Company net assets value as a basis for the calculation of the overall materiality level.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was up to £23.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £22.5 million for the Group financial statements and £15 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.5 million (Group audit) (2019: £1.5 million) and £1.5 million (company audit) (2019: £1.5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the appropriateness of the cash flow forecasts in the context of the Group's 2020 financial position and evaluated the directors' downside sensitivities against these forecasts
- We evaluated the key assumptions in the forecasts and considered whether these were supported by the evidence we obtained
- We examined the headroom under the base case cash flow forecasts, as well as the directors' and our own sensitised cases, and evaluated whether the directors' conclusion that headroom remained in all events was supported by the evidence we obtained
- We considered the impact of Covid-19 and Brexit including whether this was appropriately reflected in the going concern model
- We obtained the Group's covenant calculations and reperformed the calculation including applying sensitivities to assess the potential impact of downside sensitivities on covenant compliance.
- We also reviewed the disclosures provided relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- the company financial statements and the part of the Directors’ remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 19 May 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2014 to 31 December 2020.

Neil Grimes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 March 2021

Related undertakings as at 31 December 2020

In accordance with section 409 of the Companies Act 2006 a full list of Bunzl plc's subsidiary undertakings and other shares held by the Company as at 31 December 2020 is disclosed below. The registered office address of each entity or, in the case of unincorporated entities, the principal place of business, is disclosed on pages 215 to 217. Unless otherwise stated the subsidiary undertakings listed are wholly owned and held indirectly by Bunzl plc with ordinary shares issued (or the equivalent of ordinary shares in the relevant country of incorporation). In some of the jurisdictions in which the Group operates share classes are not defined and in these instances, for the purposes of this disclosure, the shares issued have been classified as ordinary shares. Bunzl plc does not have any joint venture companies or associated undertakings.

Subsidiary undertakings	Registered office address
Argentina	
Vicsa Steelpro S.A.	1
Australia	
Atlas Health Care Pty Limited	6
Bunzl Australasia Limited	5
Bunzl Brands & Operations Pty Limited	4
Bunzl Catering Supplies Limited	6
Bunzl Food Processor Supplies Pty Limited	3
Bunzl Outsourcing Services Limited	6
Fire Rescue Safety Australia Pty Ltd (80%)	2
Interpath Services Pty. Ltd.	5
Network Packaging Pty Limited	4
Protect-A-Clean Pty Ltd	6
Robertsons Lifting & Rigging Pty Limited	4
Sanicare Australia Pty Limited	5
Star Wholesale Distribution Pty Limited	6
Worksense Workwear and Safety Pty Limited	4
Austria	
Bunzl Holdings Austria GmbH	7
Meier Verpackungen GmbH	7
Belgium	
Établissements Glorieux SA	8
King Belgium NV	12
Polaris Chemicals SPRL	10
Total Safety Supply Belgium BVBA	11
Varia-Pack NV	9
Brazil	
B2B Web Distribuicao De Produtos Ltda	17
Bunzl Armazenagem, Logística e Prestação de Serviços Administrativos Ltda.	22
Bunzl Equipamentos para Proteção Individual Ltda.	16
Dental Sorria Ltda.	18
DVT Comércio, Importação e Exportação Ltda.	20
Labor Import Comercial Importadora Exportadora Ltda	21
MCR Safety de Brasil Distribuiacao de Equipamentos	19
Medcorp Hospitalar Ltda	13
SP Equipamentos de Proteção ao trabalho e MRO Ltda.	14
VCH – Importadora, Exportadora e Distribuição de Produtos Ltda.	15
Canada	
8948399 Canada Inc. d/b/a Sur-Seal Packaging(iii)	23
Bunzl Canada, Inc.	24
Snelling Paper & Sanitation Ltd.(iii)	23

Subsidiary undertakings	Registered office address
Chile	
B2B Web Distribuicao de Produtos Chile SpA	25
Bunzl Chile Holdings SpA	25
DPS Chile Comercial Limitada	27
Tecno Boga Comercial Limitada	26
Vicsa Safety Comercial Limitada	25
China	
Beijing HSESF Safety Technology Co., Ltd.	33
Bunzl Trading (Shanghai) Limited	30
Diversified Distribution Systems Trading (Shanghai) Ltd.	37
Keenpac (Shenzhen) Trading Company Limited	39
MCR Safety Foshan South Co., Ltd.	38
MCR Safety Hangzhou Co., Ltd.	40
Shanghai BeiZhi Industrial Technology Co., LTD	32
Shanghai Cosafety Technology Co., Ltd.	29
Shanghai HSESF Safety Technology Co., Ltd.	28
Shanghai Mai Xi Protection Technology Co., Ltd.	36
Shanghai Yinghao Protection Technology Co., Ltd.	31
Suzhou Sai Wo Trading Co., Ltd.	41
Vicsa Commerce and Trading (Shanghai) Co., Ltd	35
Colombia	
B2B Web Distribuição De Produtos Colombia Spa S.A.S	42
Importadores Y Exportadores Solmaq SAS	42
MCR Safety Colombia S.A.S.	43
Vicsa Steelpro Colombia S.A.S.	44
Czech Republic	
Blyth s.r.o.	46
Bunzl CS s.r.o.	45
Denmark	
Bunzl Distribution Danmark A/S	47
Bunzl Holding Danmark A/S	47
Bunzl Properties Danmark A/S	47
Clean Care A/S	48
ICM A/S (78.9%)	49
MultiLine A/S	50
Saebe Compagniet ApS	51
France	
Alpes Entretien Distribution SAS	65
Blanc SAS	80
Bourgogne Hygiene Entretien SAS	79
Bunzl Catering Développement SAS	76
Bunzl Holdings France SAS	67
Comatec SAS	66
Comptoir de Bretagne SAS	76

Subsidiary undertakings	Registered office address
Daugeron & Fils SAS	68
Fichot Hygiene SAS	56
France Sécurité SAS	63
Gama 29 SAS	61
Générale Collectivités SAS	75
GM Equipement S.A.S.	52
Groupe Pierre Le Goff – Ile de France-Adage SAS	59
Groupe Pierre Le Goff Bourgogne Franche-Comte SAS	73
Groupe Pierre Le Goff Grand Ouest SAS	77
Groupe Pierre Le Goff Méditerranée SAS	62
Groupe Pierre Le Goff Rhône-Alpes Centre SAS	70
Groupe Pierre Le Goff Sud-Ouest SAS	69
Hedis SAS	54
Hygiadis SAS	58
Industrie du Compactage Alimentaire Hygiene ICA Hygiene L'image du Propre SAS	72
Keenpac France SAS	55
Ligne T SAS	60
Mat'hygiene SAS	64
Nicolas Entretien SAS	78
ORRU SAS	71
PLG Finances SAS	77
PLG Grand-Nord SAS	57
Prorisk S.A.S.	52
SCI des Saules SCI	58
Société Civile Immobilière Sainte Claire Deville SC	58
Sodiscol SAS	53
Sopecal Hygiene SAS	74
Germany	
Bäumer Betriebshygiene Vertriebsgesellschaft mbH(iii)	84
Bunzl Healthcare GmbH	83
Bunzl Healthcare Holding GmbH(iii)	81
Bunzl Holding GmbH(iii)	81
Bunzl Verpackungen GmbH	81
Majestic GmbH	85
PKA Klöcker Gmbh(iii)	82
Protemo GmbH	84
Hong Kong	
Bunzl Asia Limited(iii)	86
DDS of Hong Kong Limited	87
Keenpac Asia Limited	89
MCR Safety Asia Company Limited	88
Hungary	
Bunzl CEE Kft	91
Bunzl Magyarország Kft.	91
Ireland	
Abco Kovex Limited (80%)	92
Bunzl Finance Ireland Unlimited Company(ii)	92
Bunzl Hospitality Supplies Ireland Limited	92
Bunzl Ireland Limited	92
Latharna Ireland Finance No. 1 Unlimited Company	92
Latharna Ireland Finance No. 2 Unlimited Company	92
Thomas McLaughlin (Ireland) Limited	92
Yorse Ireland Unlimited Company	92

Subsidiary undertakings	Registered office address
Israel	
M.S. Global Limited	93
Meichaley Zahav Packages Ltd	94
Silco (Utensils) A.S. Limited(iii)	93
Italy	
B2B Distribution Italy Holdings S.r.l.	96
Keenpac Italia S.r.l.	95
Neri S.p.A.	96
Secure Service S.r.l.	97
Mexico	
Bunzl De Mexico SA de CV(ii)(iii)	98
Bunzl Servicios, SA. De CV	105
Cool Pak AG Packaging, S. de R. L. de C.V.	103
Cool Pak Exports S. de R.L. de C.V.	104
CP AG Servicios, S. de R.L. de C.V.	101
CRM de las Americas, S.A. de C.V.	99
Diversified DS of Mexico, S. De R.L. De C.V.	100
Espomega S. de R.L. de C.V.(iii)	107
Proepta, S.A. DE C.V.(iii)	106
Shelby Manufacturing De Mexico, S.A. DE C.V.	99
Steel pro S.A de C.V.(iii)	102
Web Distribucion Safety Mexico, S. de R.L. de C.V.	108
Netherlands	
Allshoes Benelux B.V.	109
Bunzl Outsourcing Services B.V.	118
Bunzl Verpakkingen Arnhem B.V.	112
Coolpack B.V.	111
De Ridder B.V.	115
King Nederland B.V.	114
Majestic Products B.V.	116
MCR Safety Europe B.V.	117
QS Nederland B.V. (85%)	110
Worldpack Trading B.V.	113
New Zealand	
Bunzl Outsourcing Services NZ Limited	120
Corded Strap (NZ) Limited	121
Fire Rescue Safety New Zealand Limited (80%)	120
ICB Cleaning Supplies Limited	119
Nelson Packaging Supplies Limited	121
Norway	
Art Trading AS	123
Culina AS	123
Enor AS	124
Riise & G G Storkjøkken AS	124
Skien Storkjøkken AS (51%)	122
Peru	
Vicsa Safety Peru S.A.C.	125
Puerto Rico	
Melissa Sales Corp.	126
Romania	
Bunzl Romania SRL	127
Singapore	
LSH Industrial Solutions Pte. Ltd	128
Slovakia	
Eurobal, spol. s.r.o.	129

Related undertakings continued

Subsidiary undertakings	Registered office address
Spain	
Bunzl Distribution Spain, S.A.U.	131
Bunzl Mallorca 2018, S.L.U.	132
Faru, S.L.U.	136
Guantes Juba, S.A.U.	137
Juba Personal Protective Equipment, S.L.U.	137
Lovilia Spain, S.L.U.	131
Marca Proteccion Laboral, S.L.U.	133
Marvel Proteccion Laboral, S.L.U.	134
Quirumed, S.L.U.	135
Tecnopacking, S.L.U.	130
Switzerland	
Distrimondo AG	140
Keenpac (Switzerland) SA	141
MMH Holding AG	140
Weita AG	139
Weita Holding AG	139
Weita Service AG	138
Turkey	
Bursa Pazarı İnşaat Sanayi Ve Ticaret Anonim Şirketi	142
İstanbul Ticaret Hırdavat Sanayi A.Ş.	144
İstanbul Ticaret İş Güvenliği ve Endüstriyel Sanayi Ürünler A.Ş	145
Kullanatmarket Elektronik Pazarlama Ticaret Anonim Şirketi	143
United Kingdom	
365 Healthcare Limited	148
Abco Kovex (N.I.) Limited (80%)	146
Abco Kovex (UK) Limited (80%)	148
Aggora (Technical) Limited[iii]	148
Aggora Group Ltd[iii]	148
Aggora Limited	148
Aggora Projects Ltd[iii]	148
Bodyguard Workwear Limited	148
Bunzl American Holdings (No.1) Limited	148
Bunzl American Holdings (No.2) Limited	148
Bunzl Finance Public Limited Company[i]	148
Bunzl Group Services Limited[i]	148
Bunzl Holding GTL Limited[i]	148
Bunzl Holding LCE Limited	148
Bunzl Overseas Holdings (No. 2) Limited[i]	148
Bunzl Overseas Holdings (No. 3) Limited[ii]	148
Bunzl Overseas Holdings (No.4) Limited	148
Bunzl Overseas Holdings Limited	148
Bunzl Pension Trustees Limited[i]	148
Bunzl Plastics Limited[i]	148
Bunzl Properties Limited[i]	148
Bunzl Retail & Healthcare Supplies Limited	148
Bunzl UK Limited	148
Catered 4 Limited	148
Classic Bag Company Holdings Limited	148
Continental Chef Supplies Limited	148
Dialene Limited	148
GrowModule 365 Limited	148
Guardsman Limited	148
Henares Limited[i]	148
Howper 800 Limited[iii]	148
Kingsbury Packaging (Limavady) Ltd	146
Lee Brothers Bilston Limited	148
Lightning Packaging Supplies Limited	148
London Bio Packaging Limited	148
Packaging 2 Buy Limited	148
Parmelee Limited	147
Portabottle Limited	148
Portabrands Limited	148
Selectuser Limited[ii]	148
Spectrum Hygiene Limited[iii]	148
The Classic Printed Bag Company Limited	148
The Porta Group Limited	148
Tornado Gloves Limited	147
Tornado Holdings Limited	147
Tri-Star Packaging Supplies Limited	148
Woodway Packaging Limited	148
Woodway UK Limited	148
Woodway UK South Limited[iii]	148
Wycombe Marsh Paper Mills Limited[i]	148
Yorse No. 1 Limited	148
Yorse No. 3 Limited[i]	148
United States	
Arch Logistics, LLC	162
Bunzl Corporate Holdings, Inc.	162
Bunzl Distribution California, LLC	149
Bunzl Distribution Leasing, Inc.	153
Bunzl Distribution Midatlantic, LLC	155
Bunzl Distribution Midcentral, Inc.	162
Bunzl Distribution Northeast, LLC	162
Bunzl Distribution Oklahoma, Inc.	150
Bunzl Distribution Southeast, LLC	162
Bunzl Distribution Southwest, L.P.	152
Bunzl Distribution USA, LLC	149
Bunzl Holdings Inc.	149
Bunzl International Services, Inc.	149
Bunzl Mexican Holdings II, LLC	162
Bunzl Mexican Holdings, LLC	162
Bunzl Midatlantic, LLC	162
Bunzl Minneapolis, LLC	153
Bunzl North American Holdings, Inc.	149
Bunzl Northeast, LLC	162
Bunzl Processor Distribution, LLC	162
Bunzl Retail Services, LLC	149
Bunzl Retail, LLC	162
Bunzl Southwest Holdings, LLC	154
Bunzl US Holdings LLC	149
Bunzl USA Holdings LLC	149
Bunzl USA LLC	149
Bunzl Utah, LLC	151
Bunzl Western Holdings, Inc.	162
Cool-Pak, LLC	149
Destiny Packaging, LLC	149
Earthwise Bag Company, Inc.	156
Foodhandler Inc.	161
Green Source, LLC	162

Subsidiary undertakings	Registered office address
Hi-Valu, LLC	162
International Sourcing Company Inc.[iii]	157
John Tillman Company	149
Joshen Paper & Packaging Co.[iii]	159
Keenpac, LLC	162
Keepsafe, LLC	159
Liberty Glove & Safety, LLC	149
M.L. Kishigo Manufacturing Company, LLC	154
Masteragents LLC	162
MCR Holdings, Inc.	157
Papercraft Southwest, LLC	149
Prime Source, LLC	162
R3 Safety, LLC	162
R3, LLC	160
Revco Industries, Inc.[iii]	156
Right Choice Distribution, LLC	162
SAS Safety Corporation	149
Shelby Group International, Inc.[iii]	157
Steiner Industries, Inc.	163
TSN East, LLC	162
TSN West, LLC	162
U.S. Glove Co., Inc.	158
Uruguay	
Steelpro Safety S.A.	164

Other shareholdings	Registered office address
Viner-Pack Gyarto Kereskedelmi Es Szolgaltato Korlatolt Felelossegu Tarsasag[iii] (20%)	90
MCR Hanvo Safety Products (Nantong) Co., Ltd. (20%)	34

Classifications key

(i) Directly owned by Bunzl plc.
(ii) Holding of ordinary and preference shares.
(iii) Holding of more than one class of ordinary share.

List of registered office addresses

Registered office address	Key
Maipú 1300, piso 13, Ciudad de Buenos Aires, Argentina	1
17 Millrose Drive, Malaga WA 6090, Australia	2
34-48 Cosgrove Road, Enfield NSW 2136, Australia	3
55 Sarah Andrews Close, Erskine Park NSW 2759, Australia	4
Level 2, 700 Springvale Road, Mulgrave VIC 3170, Australia	5
Unit 1, 52 Fox Drive, Dandenong South VIC 3175, Australia	6
Diepoldsauer Straße 37, 6845, Hohenems, Austria	7
1 Rue du Bois des Hospices, 2iémé étage, 7522 Tournai, Belgium	8
Aarschotsesteenweg 114 3012 Leuven (Wilsele), Belgium	9
Avenue Sabin 23, 1300 Wavre, Belgium	10
Oudenaardsesteenweg 19 9000 Ghent, Belgium	11
Rue du Cerf 190 1332 Genval, Belgium	12
Av. Fagundes de Oliveira 538, Warehouse A5, Piraporinha, Cidade de diadema, CEP, 09950-300, Brazil	13
Avenida do Cursino, 3.365 SL/06, Saúde, City of São Paulo, CEP, 04133-300, Brazil	14
Avenida Doutor Alberto Jackson Byington, 1435 Jardim Santa Fe, City of Osasco, São Paulo, CEP 06273-050, Brazil	15
Estrada Velha de Guarulhos – São Miguel, 5135, Box 301 – Jardim Arapongas, city of Guarulhos, São Paulo, CEP 07210-250, Brazil	16
Rua Cardeal Arcoverde, 2365, Andar 5, Conjunto 51, Pinheiros, CEP 05407-003, Brazil	17
Rua Crepusculo, No 58 Bairro California, City of Belo Horizonte, Minas Gerais, CEP 30855-435, Brazil	18
Rua Dr. Guilherme Bannitz, No. 126, 2nd floor, sets 21 and 22, District of Itaim Bibi, City of São Paulo, State of São Paulo, 04532-060, Brazil	19
Rua João Thomaz Pinto, No. 1570, Shed A, Modules 6, 7 and 8 Condominium Byblos, district of Canhanduba, City of Itajaí, State of Santa Catarina, 88.313-045, Brazil	20
Rua Padre Damaso 165, 173 e 187, Osasco, São Paulo, CEP 06016-010, Brazil	21
Rua Padre Damaso, 173 – Fundos, Centro, City of Osasco, CEP 06016-010, Brazil	22
Dentons Canada LLP, 2500-10220 103 Ave NW, Edmonton, Alberta T5J OK4, Canada	23
Parlee McLaws LLP, 3300 TD Canada Trust Tower, 421-7th Avenue, SW, Calgary AB T2P 4K9, Canada	24
Av. Presidente Eduardo Frei Montalva 5151, Conchalí, 8550678 Santiago, Chile	25
Avenida Boulevard, Aeropuerto Norte #9649, Pudahuel, Santiago, Chile	26
Camino Coquimbo N' 16.000, Colina, Sanitago, Chile	27
2F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	28
3F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	29
Floor 9, Xinpeng Plaza, No. 200, Lane 91, E'shan Road, Pudong New Area, Shanghai, 200127, China	30
No. 181 Zhongshe Road, Maogag Town, Songjiang District, Shanghai, China	31
No. 301 Rongle East Road, Songjiang District, Shanghai, China	32
No. 9 Fuqian Road, Shandong Zhuang Town, Pinggu District, Beijing, China	33

List of registered office addresses continued

Registered office address	Key
No.128 Jinshajiang Road, Rudong Economic Development Zone, Jiangsu, China	34
Room 3123, Building 3, 112-118 Gaoyi Road, Baoshan District, Shanghai, China	35
Room 368, Part 302, No. 211 Fute North Road, Free Trade Zone, Shanghai, China	36
Room 850, No. 1111 Chang Shou Rd, Jingan District, Shanghai, China	37
Room 908, Building 16, Zone 2, International Chuangzhi Park, No.8 Gangkou Road, Guicheng Street, Nanhai District, Foshan, Guangdong, China	38
Room 912, Central Business Tower, 88 Fuhua 1st Road, Futian, Shenzhen, China	39
Room A39, Floor 6, Building 2, Dongfang MAO Business Center, Xiacheng District, Hangzhou, Zhejiang, China	40
Southwest of No.1 House, 3F, Building A, Tower 2, Xinhaiyi, No. 58 Heshun Road, Suzhou Industrial Park, Jiangsu, China	41
Carrera 30 No. 15-30, Bogota D.C., Colombia	42
CR 71 No 94 – 23 AP, 1134 TO 9, Colombia	43
Km 7 Vía Medellín, Parque Empresarial Celta, Módulo 1, Bodega 49, Funza (Cundinamarca), Colombia	44
Dolnokrčská 2029/54a, Krč, Praha 4, 140 00, Czech Republic	45
Přátelstvi 1011/17, Uhřiněves, Praha 10, 10 400, Czech Republic	46
Greve Main 30, 2670 Greve, Denmark	47
Indkildevej 2 c, DK-9210, Aalborg SØ, Denmark	48
Kærvej 25, DK-2970 Hørsholm, Denmark	49
Kirkebjergvej 17, 4180 Sorø, Denmark	50
Vesterlundvej 5-7, DK-2730 Herlev, Denmark	51
11 C rue des Aulnes, 69410 Champagne-au-Mont-d'or, France	52
13 rue des Battants RN 20, 31140, Saint-Alban, France	53
130-136 rue Victor Hugo, 92300 Levallois-Perret, France	54
191-195 Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, Paris, France	55
26/28 rue Jean Perrin, 28300, Mainvilliers, France	56
29 avenue des Morillons, ZA des Doucettes, 95140 Garges les Gonesses, France	57
440 route de Rosporden, Le Grand Guelen, 29000 Quimper, France	58
5 avenue Gutenberg, ZA Pariwest, 78310 Maurepas, France	59
50 Avenue d'Allemagne, Rond Point de L'Europe ZA Albasud, 82000 Montauban, France	60
530 rue Jacqueline Auriol ZA de Saint Thudon, 29490, Guipavas, France	61
556 Chemin du Mas de Cheylon, CAP Delta 30941, Nimes, France	62
585, Rue Alain Colas, 29200, Brest, France	63
7 route de Villiers, 77780, Bourron-Marlotte, France	64
725 Route des Vernes Pringy, 74370, Annecy, France	65
Boulevard Francois-Xavier Faffeur, Zone Industrielle Lannolier, 11000, Carcassonne, France	66
La Fregate, 9 avenue Jacques Cartier, 44800, Saint-Herblain, France	67
Lieudit la Trentaine, 77690, La Genevraye, France	68

Registered office address	Key
Parc d'activité Des Lacs, 22 rue Saint Exupéry, 33 290 Blanquefort, France	69
Quai Louis Aulagne, 69 190 Saint Fons, France	70
Route Nationale 97, ZA Les Plantades, 83130 La Garde, France	71
Route Nationale, 57420, Louvigny, France	72
Rue Charles Remi Arnoult, 21700 Nuits Saint Georges, France	73
Rue de Pau, 40500 Saint-Server, France	74
Rue Edouard Branly, ZAC des Chamonds 58640 Varennes-Vauzelles, France	75
Rue Jean-Marie David, ZA de la Teillais, 35740, Pacé, France	76
Rue Nungesser et Coli d2A Nantes Atlantique, 44860 Saint-Aignan de Grand Lieu, France	77
Rue Pierre Pascal Fauvelle, 66000 Perpignan, France	78
ZI Maison Dieu RN 74, 21220 Fixin, France	79
Zone Artisanale Maritime du Bassin de Thau, Route de Séte, 34540 Ballaruc Les Bains, France	80
Elbestraße 1-3, 45768 Marl, Germany	81
Friedrichstrasse 2, 40699 Erkrath, Germany	82
Kitzingstr. 15-19, 12277, Berlin, Germany	83
Maysweg 11, 47918 Tönisvorst, Germany	84
Stadtweide 17, 46446 Emmerich, Germany	85
11th Floor, One Pacific Place, 88 Queensway, Hong Kong	86
Room 2103, Futura Plaza, 111 How Ming Street, Kwun Tun, Hong Kong	87
Unit 26, 22/F, Metro Centre II, Lam Hing St., Kowloon Bay, Kowloon, Hong Kong	88
Unit 3-4 18F Tower 6, China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong	89
2336 Dunavarsány, 071/33 hrsz, Hungary	90
Vendel Park, Erdőalja út 3, 2051 Biatorbágy, Hungary	91
10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland	92
4 Kinneret Street, POB 1139, Airport City, Ben Gurion Airport, 7019802, Israel	93
Emek Ha'Ela 250, Modi'in, P.O.B 553, LOD 7110601, Israel	94
Corsa Italia n.6, 50123 Florence, Italy	95
Via 8 Marzo n. 6, 42025 Corte Tegge di Cavriago, Reggio Emilia, Italy	96
Via Brigata Reggio no. 24, Reggio Emilia, Italy	97
Arzipe Valdes & Marco, Ave. Batallón de San Patricio #111, Piso 28, Despacho 2801, Colonia Valle Oriente, San Pedro Garza Garcia, Nuevo León, C.P. 66269, Mexico	98
Av. del sauce número 1600, Col. La angostura, City of San Luis Potosí, S.L.P, 78117, Mexico	99
Avenida Cafetales No. 1702, Interior 201, between streets Rancho Recoveco and Rancho Estopila, Hacienda de Coyoacán, Coyoacán, 04970, Mexico	100
Avenida Circunvalación Agustín Yáñez 2613, int 1A-110, Arcos Vallarta Sur, 4500 Guadalajara, Jalisco, Mexico	101
Calle Rio San Lorenzo No. 503, Col. Fuentes del Valle, CP 6620, CD San Pedro Garza Garcia, Nuevo León, Mexico	102
Carretera al CUCBA No. 400 Interior 5 Colonia La Venta del A, C.P. 45221 Zapopan, Jalisco, Mexico	103

Registered office address	Key
Carretera Corredor Tijuana Rosarito 2000 Exterior 15202., Interior Mt3 A, Colonia Zona Cerril General, Tijuana, Baja California, Mexico	104
Carretera Miguel Alemán KM21 Edificio 4C Prologis Park, Apodaca, N.L., México C.P, 66627, Mexico	105
Galileo # 11, Colonia Polanco V Secc., Delagación Miguel Hidalgo, 11560, Ciudad de México, Mexico	106
Pablo A. Gonzalez Garza Pte., 820, Chepevera, Monterrey, Nuevo León, 64030, Mexico	107
Rio San Lorenzo No. 503 Local I, Col. Fuentes Del Valle, San Pedro Garza Garcia, C.P. 66220, Mexico	108
Barnsteenstraat 1-A, 1812 SE Alkmaar, Netherlands	109
Bijsterhuizen 3005C, 6604 LP Wijchen, Netherlands	110
De Kronkels 31c, 3752LM Bunschoten-Spakenburg, Netherlands	111
Delta 57, 6825 ML Arnhem, Netherlands	112
Esp 125, 5633 AA Eindhoven, Netherlands	113
Grotewei 2, 4004 LW Tiel, Netherlands	114
Industrieweg 11B, 1566JN, Assendelft, Netherlands	115
Jan Campertlaan 6, 3201AX, Spijkenisse, Netherlands	116
Keizersgracht 241, 1016EA, Amsterdam, Netherlands	117
Rondebeltweg 82, 1329 BG Almere, Netherlands	118
686 Rosebank Road, Avondale, Auckland, 1026, New Zealand	119
97 Sawyers Arm Road, Christchurch, 8052, New Zealand	120
KPMG Level 5, 79 Cashel Street, Christchurch, 8140, New Zealand	121
Bedriftsveien 24, 3735 Skien, Norway	122
c/o Enor AS, Holmaveien 20, 1339 Vøyenenga, Norway	123
Holmaveien 20, 1339 Vøyenenga, Norway	124
Av. Santa Rosa 350. Ate., Lima, Peru	125
PO Box 6494, PR 00914-6494, San Juan, Puerto Rico	126
Sat Dragomiresti-Deal, Comuna Dragomiresti-Vale, DE 287/1, Bucharest West Logistic Park, Cladirea C, Unitatea C01, Ilfov, Romania	127
1 Penjuru Close, 608617, Singapore	128
Na pántoch 18, 831 06 Bratislava, Slovakia	129
Calle Castilla-León, Parcela 45 Onda, 12200, Castellón, Spain	130
Calle Filats, 8 Polg. Industrial Prologis Park, Sant Boi de Llobregat, Barcelona, Spain	131
Calle las Palmeras 7, Polígono Industrial La Sendeilla, 28350 Ciempozuelos, Spain	132
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Bruselas, 30353, esquina calle Amsterdam, parcela R 100, Spain	133
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Luxemburgo, calle Artes y Oficios, nave B-3, Spain	134
Corretger No 115-117-119, Parque Empresarial Táctica, Paterna, 46980, Valencia, Spain	135
Edificio Plaza, Nave 5, Ali-4 Plataforma Logistica de Zaragoza, 50197, Zaragoza, Spain	136
Santo Domingo De La Calzada, La Rioja, 26250, Carretera De Logrono, Spain	137
Güterstrasse, 4313 Möhlin, Switzerland	138

Registered office address	Key
Nordring 2, 4147 Aesch, Switzerland	139
Oberebenestrasse 53, CH-5620 Bremgarten, Switzerland	140
Route des Jeunes 5D, c/o Télios SA, 1227 Les Acacias, Genève, Switzerland	141
Akçaburgaz Mahallesi, 3137. Sokak, No.19, Esenyurt, Istanbul, Turkey	142
Akçaburgaz Mahallesi, 3137. Sokak, No.19, K. 1, Esenyurt, Istanbul, Turkey	143
Arapcami Mah, Tersane Cad, No. 115, Beyoğlu, Istanbul, Turkey	144
Şerifali Mah., Turgut Özal Blv, B Blok No:170/1, Ümraniye, İstanbul, Turkey	145
Arthur Cox, Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS, United Kingdom	146
Middlemore Lane West, Aldridge, Walsall, WS9 8BG, United Kingdom	147
York House, 45 Seymour Street, London, W1H 7JT, United Kingdom	148
Corporation Service Company, 100 Shockoe Slip, 2nd Floor, Richmond VA 23219, United States	149
Corporation Service Company, 10300 Greenbriar Place, Oklahoma City OK 73159, United States	150
Corporation Service Company, 15 West South Temple, Suite 600, Salt Lake City UT 84101, United States	151
Corporation Service Company, 211 E. 7th Street, Suite 620, Austin TX 78701, United States	152
Corporation Service Company, 2345 Rice Street, Suite 230, Roseville MN 55113, United States	153
Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States	154
Corporation Service Company, 2595 Interstate Drive, Suite 103, Harrisburg PA 17710, United States	155
Corporation Service Company, 2710 Gateway Oaks Drive, Suite 150N, Sacramento CA 95833-3505, United States	156
Corporation Service Company, 2908 Poston Avenue, Nashville TN 37203-1312, United States	157
Corporation Service Company, 300 Deschutes Way SW, Suite 304, Turnwater WA 98501, United States	158
Corporation Service Company, 50 West Broad Street, Suite 1330, Columbus OH 43215, United States	159
Corporation Service Company, 505 5th Street, Suite 729, Des Moines IA 50309, United States	160
Corporation Service Company, 80 State Street, Albany NY 12207-2543, United States	161
CSC-Lawyers Incorporating Service Company, 221 Bolivar Street, Jefferson City MO 65101, United States	162
Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield IL 62703-4261, United States	163
César Cortinas 2037, Montevideo, Uruguay	164

Financial calendar

	2021
Annual General Meeting	21 April
Results for the half year to 30 June 2021	31 August

	2022
Results for the year to 31 December 2021	February
Annual Report circulated	March

Dividend payments are normally made on these dates or the following working day:

Ordinary shares (final)	1 July
Ordinary shares (interim)	2 January

Analysis of ordinary shareholders

At 31 December 2020 the Company had 4,923 (2019: 5,058) registered shareholders who held 337.0 million (2019: 336.8 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,199	2
10,001 – 100,000	448	4
100,001 – 500,000	181	12
500,001 – 1,000,000	47	10
1,000,001 and over	48	72
	4,923	100

Registrar

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Fax +44 (0) 370 703 6101
Email webqueries@computershare.co.uk
Website www.computershare.com

Investor Centre

Shareholders can manage their shareholding online at www.investorcentre.co.uk. The Investor Centre is our registrar's easy to use website, available 24 hours a day, seven days a week, where the following services are available:

- elect for electronic communications;
- change of address;
- view share balance information;
- join the dividend reinvestment plan; and
- view dividend payment and tax information.

In order to register for the Investor Centre, shareholders will need their shareholder reference number which can be found on either their share certificate or dividend confirmations.

Dividend payment by BACS

Shareholders can have their dividends paid directly into their bank or building society account using the Bankers' Automated Clearing Service ('BACS'). This means that dividends will be in the account on the same day the dividend payment is made. To use this method of payment please contact our registrar on +44 (0) 370 889 3257 or visit the Investor Centre website. Please note that this option will not override any existing dividend scheme mandate, which would need to be revoked in writing. Shareholders who have elected to have their dividends paid by BACS and who have registered a valid email address with the registrar will be able to access their dividend confirmations electronically at www.investorcentre.co.uk. If no such email address has been registered, shareholders will receive their dividend confirmations by post.

Dividend reinvestment plan

The Company operates a dividend reinvestment plan which allows shareholders in eligible countries to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding.

Shareholders can check their eligibility in the terms and conditions and apply to join the plan online in the Investor Centre or can contact the Company's registrar to request the terms and conditions of the plan and a printed mandate form.

American Depositary Receipts

The Company has a sponsored Level 1 American Depositary Receipt programme that trades on the over-the-counter market in the US with ticker BZLFY. Citibank N.A. acts as the Depositary Bank.
Telephone Citibank +1 781 575 4555
Email citibank@shareholders-online.com
Website www.citi.com/dr

Shareholders may if they wish have their dividend payments paid directly into their bank account in certain foreign currencies. Please contact the Company's registrar on +44 (0) 370 889 3257 to request further information about the currencies for which this service is available.

Share dealing
Bunzl plc shares can be traded through most banks and stockbrokers. The Company's registrar also offers an internet and telephone dealing service. Further details can be found at www.computershare.trade/ or by telephoning +44 (0) 370 703 0084.

ShareGift
Sometimes shareholders have only a small holding of shares which may be uneconomical to sell. Shareholders who wish to donate these shares to charity can do so through ShareGift, an independent charity share donation scheme (registered charity no. 1052686). Further information about ShareGift may be obtained from ShareGift on +44 (0) 20 7930 3737 or at www.sharegift.org.

Shareholder security
Shareholders are advised to be cautious about any unsolicited financial advice, offers to buy shares at a discount or offers of free company reports. More detailed information about this can be found at www.fca.org.uk in the Consumers section and at www.fca.org.uk/scamsmart. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Independent auditors
PricewaterhouseCoopers LLP

Corporate brokers
J.P. Morgan Cazenove
Citigroup

Company Secretary
Suzanne Jefferies

Registered office
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45 Seymour Street
London W1H 7JT
Telephone +44 (0) 20 7725 5000
Fax +44 (0) 20 7725 5001
Website www.bunzl.com
Registered in England no. 358948

Forward-looking statements
The Annual Report contains certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

FIVE YEAR REVIEW

	IFRS		IAS 17			
	2020 £m	2019 £m	2019◊ £m	2018 £m	2017 £m	2016 £m
Revenue	**10,111.1**	9,326.7	9,326.7	9,079.4	8,580.9	7,429.1
Operating profit	**618.5**	528.4	506.0	466.2	456.0	409.7
Finance income	**10.4**	12.4	12.4	11.6	10.6	7.1
Finance expense	**(73.2)**	(87.5)	(64.2)	(66.6)	(57.3)	(53.9)
Profit on disposal of businesses	**–**	–	–	13.6	–	–
Profit before income tax	**555.7**	453.3	454.2	424.8	409.3	362.9
Income tax	**(125.7)**	(104.1)	(104.3)	(98.3)	(98.8)	(97.0)
Profit for the year attributable to the Company's equity holders	**430.0**	349.2	349.9	326.5	310.5	265.9
Basic earnings per share	**128.8p**	104.8p	105.0p	98.4p	94.2p	80.7p

Alternative performance measures†						
Adjusted operating profit	**778.4**	653.3	630.9	614.0	589.3	525.0
Adjusted profit before income tax	**715.6**	578.2	579.1	559.0	542.6	478.2
Adjusted profit for the year	**550.5**	440.6	441.3	429.9	393.4	349.6
Adjusted earnings per share	**164.9p**	132.2p	132.4p	129.6p	119.4p	106.1p

◊ Following the adoption of IFRS 16 'Leases' with effect from 1 January 2019, because the Group adopted the accounting standard using the modified retrospective approach to transition and accordingly did not restate prior periods, the results for the years ended 31 December 2020 and 31 December 2019 are not directly comparable with those reported in the prior years under the previous applicable accounting standard, IAS 17 'Leases'. However to provide a meaningful comparative on adoption of IFRS 16, the results for the year ended 31 December 2019 were also presented under IAS 17 at the time the results were published.

† See Note 3 on page 158 for further details of the alternative performance measures.

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