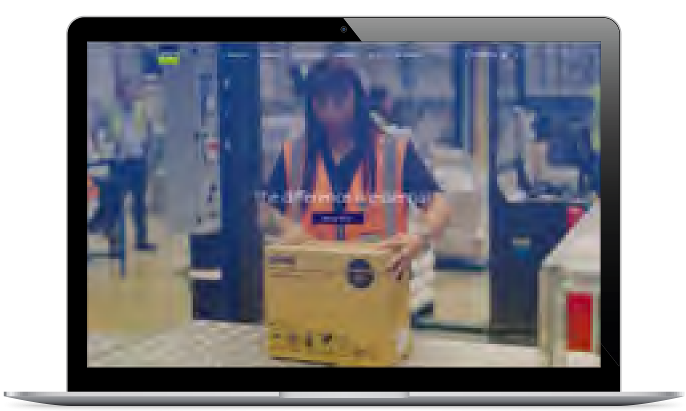
Bunzl plc Annual Report 2021

We are the largest value-added distributor in the world in our market sectors...

A focused and successful specialist international distribution and services Group with operations across the Americas, Europe, Asia Pacific and UK & Ireland.

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



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Focused on sustainability

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Engaging digital solutions

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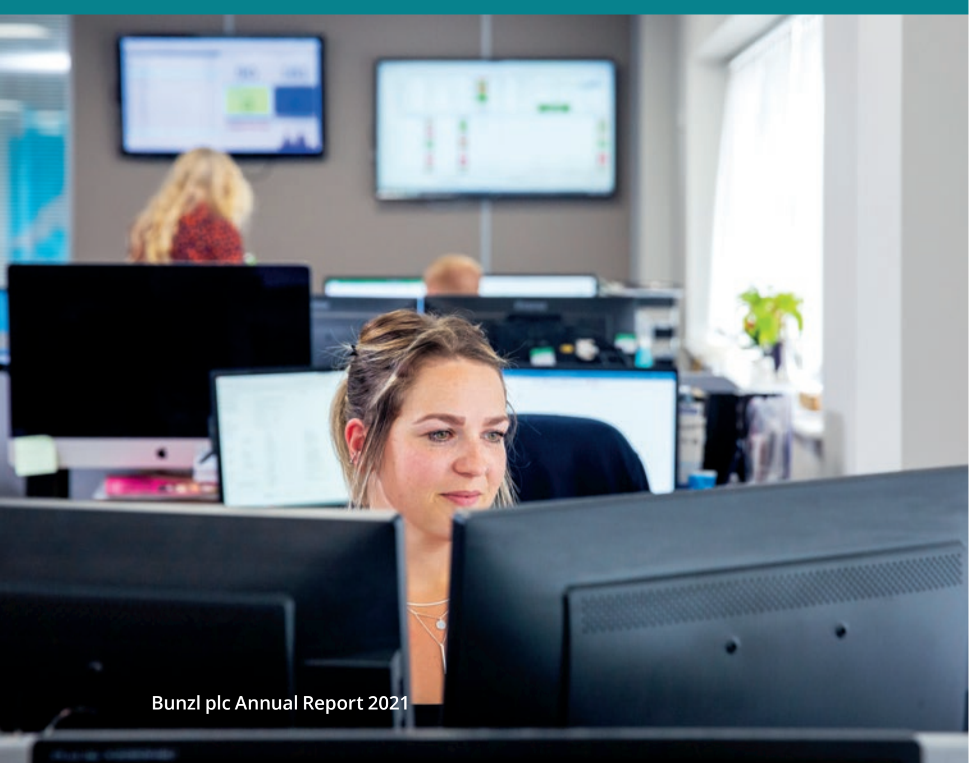

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Supporting a more circular economy: Transitioning our customer Driscoll's to alternative products.

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Strategic report

Strong results with a focus on sustainability

Backed by a proven financial track record, we are committed to further accelerating our focus on sustainability for tomorrow and beyond.

Financial performance: Highlights

Revenue

£10,285.1m

(2020: £10,111.1m)

+7.1%

Growth at constant exchange rates
Growth at actual exchange rates 1.7%

Adjusted operating profit*

£752.8m

(2020: £778.4m)

+2.8%

Growth at constant exchange rates
Growth at actual exchange rates (3.3)%

Operating profit

£623.3m

(2020: £618.5m)
Growth at actual exchange rates 0.8%

Adjusted earnings per share*

162.5p

(2020: 164.9p)

+4.9%

Growth at constant exchange rates
Growth at actual exchange rates (1.5)%

Basic earnings per share

132.7p

(2020: 128.8p)
Growth at actual exchange rates 3.0%

Dividend per share

57.0p

(2020: 54.1p)

+5.4%

Cash conversion*

102%

(2020: 103%)

Committed acquisition spend

£508m

Net debt : EBITDA **

1.6x

(2020: 1.5x)

* Alternative performance measure (see Note 3 to the consolidated financial statements on page 170)
** At average exchange rates and based on historical accounting standards, in accordance with Group's external debt covenants

Reconciliation of alternative performance measures to statutory measures
for the year ended 31 December 2021

Year ended 31 December 2021	Alternative performance measures £m	Adjusting items: Customer relationships and brands amortisation £m	Adjusting items: Acquisition related items £m	Adjusting items: Non-recurring pension scheme charges £m	Statutory measures £m	
Adjusted operating profit	752.8	(106.5)	(23.0)	–	623.3	**Operating profit**
Finance income	10.7				10.7	Finance income
Finance expense	(65.3)				(65.3)	Finance expense
Adjusted profit before income tax	698.2	(106.5)	(23.0)	–	568.7	**Profit before income tax**
Tax on adjusted profit	(155.7)	27.3	2.5	–	(125.9)	Income tax
Adjusted profit for the year	542.5	(79.2)	(20.5)	–	442.8	**Profit for the year**
Adjusted earnings per share	162.5p	(23.7)p	(6.1)p	–	132.7p	**Basic earnings per share**

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 170.

Growth at constant exchange rates is calculated by comparing the 2021 results to the results for 2020 retranslated at the average exchange rates used for 2021.

Sustainability performance: Highlights

1.5°C
Joined the Race to Zero and committed to the Business Ambition for 1.5°C campaign

12%
12% improvement in carbon efficiency during 2021 and c.60% reduction in carbon intensity since 2010

754
754 ethical audits conducted in Asia

84%
84% of Group revenue attributable to non-packaging products and packaging products made from alternative materials that are well suited to a circular economy

22%
22% of UK & Ireland's senior leadership team are women (13% in 2019)

2%
Only **2%** of Group revenue generated from consumables that are facing regulation

FURTHER INFORMATION ABOUT SUSTAINABILITY AT BUNZL CAN BE FOUND ON PAGES 46 TO 57

Facilitating businesses globally with essential products and services

We provide a one-stop-shop, on-time and in-full specialist distribution service across 31 countries, supplying a broad range of internationally and responsibly sourced non-food products to a variety of market sectors.

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

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

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

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

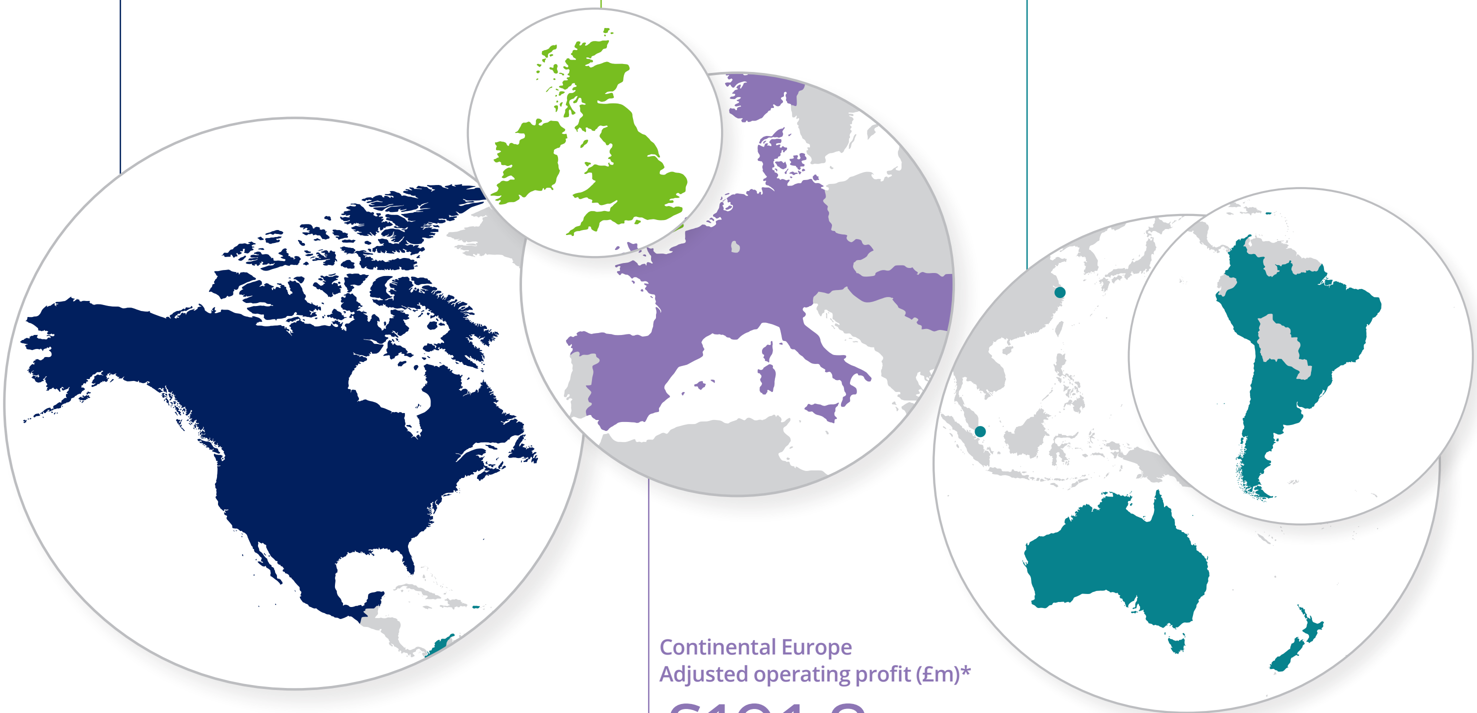
Other
A variety of product ranges to other end user markets.

Foodservice	28%
Grocery	26%
Safety	15%
Cleaning & Hygiene	10%
Retail	10%
Healthcare	8%
Other	3%

North America
Adjusted operating profit (£m)*
£401.3m
2020: £395.7m

UK & Ireland
Adjusted operating profit (£m)*
£67.0m
2020 : £68.6m

Rest of the World
Adjusted operating profit (£m)*
£116.5m
2020: £104.2m

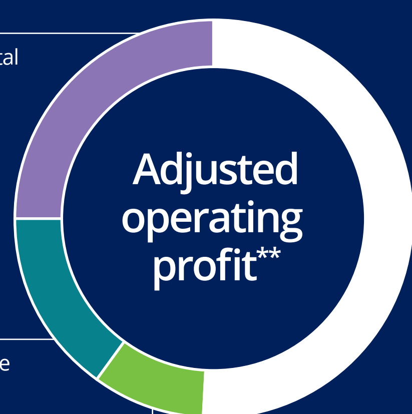


Continental Europe
Adjusted operating profit (£m)*
£191.8m
2020: £238.1m

* Alternative performance measure (see Note 3 on page 170).

Our business regions

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



183
Acquisitions since 2004

31
Countries

29
Years of dividend growth

21,021
Employees

** Alternative performance measure (see Note 3 on page 170). Percentages stated are the business areas' adjusted operating profit compared to the Group's adjusted operating profit before corporate costs.

Our people and culture continue to be key to our success

'The strength of our performance over the last two years has provided me with even greater confidence in the Group's future.'

Peter Ventress
Chairman

The Group continued to perform strongly during the pandemic, with good ongoing growth in 2021 against a strong prior year performance. At constant exchange rates, the Group delivered strong revenue growth of 7.1% (1.7% at actual exchange rates), an increase of 2.8% in adjusted operating profit and a rise of 4.9% in adjusted earnings per share, with basic earnings per share at actual exchange rates increasing 3.0%. This has resulted, at constant exchange rates, in 2021 revenues and adjusted operating profit being 17.1% and 23.2% higher than 2019 respectively, reflecting the resilience of the Group's portfolio as the mix of revenues between the traditional base business and Covid-19 related products has shifted through that period. The ability for the business to adapt quickly to changing demands and challenges, including within disrupted supply chains, has provided me with even stronger confidence in the Group's future.

Bunzl continues to demonstrate strong cash conversion and despite completing 14 acquisitions, ended the year with a strong balance sheet and net debt to EBITDA of 1.6 times. The strength of the Group's financial position enables a continued focus on acquisition opportunities that support future growth.

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. The 14 acquisitions made in 2021 are complementary to our existing businesses and demonstrate the quality of acquisition opportunities in the pipeline, as well as the breadth of opportunity, with acquisitions made across all of our business areas. Alongside this, we officially launched the next phase of our sustainability ambitions in October at our Capital Markets Day and

‘Since 2004 Bunzl has returned £1.8 billion to shareholders through dividends and has committed £4.4 billion in acquisitions to support a growth strategy that has delivered an adjusted earnings per share compound annual growth rate of 10% over the period.’

highlighted the strong progress we have already made in supporting customers with the transition to products made from alternative materials that are better suited to the circular economy.

People and culture

The power of a strong and motivated workforce has been demonstrated over the last two years. Our colleagues have gone above and beyond to support our customers despite the continually changing environment and challenges that they have faced. We are exceptionally proud of their entrepreneurial spirit which has driven the business forward over the last two years. The Group’s focus on engagement and leadership succession has been integral to this performance. Our most recent employee engagement survey continues to demonstrate that our colleagues feel positive about working at Bunzl with approximately 89% feeling personally driven to help Bunzl succeed and 88% having a strong sense of commitment to Bunzl.

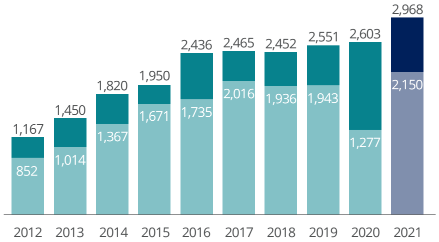
Within our people strategy, diversity is a key focus, and I am pleased that we are expanding our diversity programmes. We are encouraging more women into leadership roles through focused and targeted activities, with the UK & Ireland demonstrating the power of these initiatives as the number of women in senior leadership roles has grown from 13% to 22% over the last two years. Furthermore, we are providing a voice for under-represented colleagues across the Group to ensure we better understand the dynamics and barriers within our organisation. This has included, for the first time, some listening sessions between the Chief Executive Officer and groups of colleagues from under-represented groups. Pleasingly, where we have been able to collect engagement data by ethnicity in our latest employee survey, we have found broadly consistent engagement scores across ethnic groups. Identifying the next generation of leaders from a more diverse pool of talent and balancing the requirement for broader capabilities with the need to retain our entrepreneurial skills is a key objective for the Group. I am also particularly pleased with the progress we have made to attract younger talent onto new graduate programmes across our decentralised organisation.

Shareholder returns

The Board is recommending a final dividend of 40.8p, 6.5% higher than the prior year, resulting in a full year dividend of 57.0p. This represents a 5.4% increase compared to the 2020 total dividend and Bunzl’s 29th consecutive year of dividend growth. The Group remains committed to ensuring sustainable dividend growth. Since 2004 Bunzl has returned £1.8 billion to shareholders through dividends and has committed £4.4 billion in acquisitions to support a growth strategy that has delivered an adjusted earnings per share compound annual growth rate (CAGR) of 10% over the period.

Peter Ventress
Chairman
28 February 2022

Share price range (p)



2021 share price

High
2,968p

Low
2,150p

Thank you to our people

The power of a strong and motivated workforce has been demonstrated over the last two years. Our colleagues have gone above and beyond to support our customers despite the continually changing environment and challenges that they have faced. We are exceptionally proud of their entrepreneurial spirit which has driven the business forward over the last two years.

The Group’s focus on engagement and leadership succession has been integral to this performance. Our most recent employee engagement survey continues to demonstrate that our colleagues feel positive about working at Bunzl with approximately 89% feeling personally driven to help Bunzl succeed and 88% having a strong sense of commitment to Bunzl.

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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[1] CAGR since 2004

9%

Resilience demonstrated by adjusted operating profit[1] growth 2019 – 2021 at constant currency of

23.2%

A consistent and proven compounding strategy

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

Average underlying revenue growth[1] since 2004

2.5%

Self-funded committed acquisition spend since 2004

£4.4bn

Acquisitions since 2004

183

Significant opportunities for future growth

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

Committed acquisition spend in 2021

£508m

Net debt to EBITDA[2] provides substantial capacity for further self-funded acquisitions

1.6x

Sustainable and equitable growth

- Industry-leading ethical supplier audits
- Carbon efficiency through consolidation
- Proactive leader in the transition to alternative material products
- Decentralised business model supports people focus

In-person supplier audits in Asia over 2021

754

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

↓c.60%

% of Group revenue generated by consumables facing regulation

2%

Proportion of female members of Board and Executive Committee during 2021

c.40%

Disciplined financial management

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

Return on invested capital[1]

15.1%

Return on average operating capital[1]

43.3%

Cash conversion[1]

102%

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 consecutive dividend growth

29 years

Adjusted earnings per share[1]

31.7p in 2004
to
162.5p in 2021

1 Alternative performance measure (see Note 3 to the consolidated financial statements on page 170)
2 Net debt to EBITDA – At average exchange rates and based on historical accounting standards, in accordance with Group's external debt covenants

Driving the transition to better solutions

'Our proactive leadership and capabilities supporting the transition to alternative materials is a growth avenue that is deepening our customer relationships.'

Frank van Zanten
Chief Executive Officer

Overview

Our performance since the start of the pandemic has demonstrated the strength of our business model and the consistent delivery of our strategy. We have driven growth over this challenging period supported by the resilience of our model, the entrepreneurial nature of our people and our continued success in acquiring high quality businesses. While our focus on being a responsible business is well established, I am pleased to have launched the next phase of our sustainability commitments during the year. We continue to develop and innovate products made from alternative materials and solutions that are tailored to our customers' needs, and work to respect communities and workers' rights

in our supply chain. Bunzl's forward-looking focus and customer-centric business model has already driven a strong compounding track record, and I see our accelerated commitments as integral to ensuring this continued performance.

Operating performance

With over 90% of adjusted operating profit generated outside the UK, and due to the strength of sterling, the Group's revenue, profits and earnings were adversely impacted between 5% and 8% by currency translation over 2021. The commentary below is stated at constant exchange rates unless otherwise highlighted.

In 2021 revenue increased by 7.1% (1.7% at actual exchange rates) to £10,285.1 million. Within this, underlying revenue growth, which is organic growth of 3.2% adjusted for the impact of one less trading day, was 3.6%. In addition, acquisitions contributed revenue growth of 4.0% in 2021. In comparison to 2019, revenue in 2021 was 17.1% higher, with underlying revenue 8.5% higher and acquisitions driving the remainder of growth.

During 2021 underlying revenue growth has reflected a reversal of prior year trends, with the year-on-year decline of Covid-19 related products more than offset by the strong recovery in the base business which had been materially impacted by the challenges of the pandemic in the prior year. Within underlying revenue growth of 3.6%, sales of the top 8 Covid-19 related products, being masks, sanitisers, disposable gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection, and which are primarily own brand, contributed an underlying revenue decrease of 6.3%. This has been driven primarily by the expected decline in larger orders, which were a strong feature of 2020 and generated predominately by governments and healthcare organisations. Smaller Covid-19 related sales, generally made to existing customers, including Covid-19 related products that they may not have sourced from Bunzl previously, also contributed a slight decline over the year. Despite the year-on-year decline in Covid-19 related sales, revenue generated by these products in the fourth quarter of 2021 remained substantially higher than generated in the comparable quarter in 2019. The impact on underlying growth in 2021 of the decline in Covid-19 related product sales was more than offset by recovery in the base business. Recovery in the base business benefited the Group's underlying revenue growth by 9.9%, with this growth driven by inflation and volume.

Inflation was a key feature of performance over the year, with inflation strongly supportive to growth. Continued inflation on certain Covid-19 related products was particularly supportive to the first half of the year, whilst inflation on plastics, paper and chemicals was very supportive in the second half of the year. We have managed the strong inflation on plastics, paper and chemicals well, with success in passing through product price increases to customers. Our largest customers, particularly in North America, often have product price movements factored into agreements and elsewhere regular price renegotiations are required. While inflation trends remained strong to the end of the year, we saw a moderate tempering of plastic prices in some regions.

- Committing to SBTi[1] approved targets with Scope 3 emissions included

- 25% more efficient by 2025 and 50% by 2030[2]
- 100% Group wide renewable energy procurement by 2030

- Net zero by 2050 at the latest[3]

Our focus areas to 2025

- Transitioning our fleet to low and zero carbon solutions
- Trialling alternative fuels in our larger vehicles
- Energy efficiency measures in warehouses
- Renewable energy procurement and generation

1 SBTi = Science Based Targets initiative.
2 Scope 1 and 2 emissions.
3 Scope 1, 2 and 3 emissions.

Across the Group, recovery in the base business has been supported by strong growth in the foodservice and retail sectors. As a result, the foodservice and retail sectors, inclusive of Covid-19 related sales, delivered underlying revenue growth of 16% year-on-year. The cleaning & hygiene, safety and healthcare sectors were impacted by the decline in larger Covid-19 related orders year-on-year, as well as work from home trends in cleaning & hygiene in most markets, and soft safety end markets, which hampered the base business recovery. Overall total underlying revenue in the cleaning & hygiene, safety and healthcare sectors declined 12% year-on-year, although total sales were 10% higher than in 2019. Total underlying revenue in the grocery and other sectors grew 9%, driven by product cost inflation.

North America achieved underlying revenue growth of 9.2%, despite a decline in Covid-19 related sales, with the strong recovery of the base business driven largely by inflation but also fewer Covid-19 related restrictions over the year. Underlying revenue in Continental Europe declined by 5.7%, but after excluding larger Covid-19 related sales, which strongly benefited the prior year, saw moderate underlying revenue growth. Underlying revenue in the UK & Ireland declined by 6.2%, but after similarly excluding larger Covid-19 related sales saw good underlying growth. With UK & Ireland having a higher weighting to the foodservice and non-food retail sectors, the extended lockdowns earlier in 2021 impacted operating margin, but following the improved trading performance in the second half of the year, including the non-repeat of provisions established in the prior year, the UK & Ireland delivered a meaningful improvement in adjusted operating margin over the second half. Underlying revenue in the Rest of the World grew by 4.7% year-on-year, driven by Latin America which has seen strong growth in its base business and benefited from inflation, whilst Asia Pacific was impacted by a decline in Covid-19 related sales and Covid-19 related restrictions which limited base business growth.

Overall, the Group's base business over 2021 traded broadly in-line with 2019, driven by strength in North America and Latin America. The base business in North America traded moderately ahead of 2019 revenue levels, with sales strongly ahead in the second half of the year, whilst Latin America traded very strongly ahead of 2019 over the year. Continental Europe and Asia Pacific delivered base business revenues broadly in-line with 2019 levels, with moderate growth achieved in the second half of the year, although Asia Pacific's foodservice and retail revenues were impacted by stricter restrictions in the second half of the year. The UK & Ireland saw a greater impact from extended Covid-19 related restrictions and its higher weighting to the foodservice and non-food retail sectors, but by the final quarter of the year delivered base business sales that were approaching 2019 levels.

Whilst we experienced greater operating cost inflation in the second half of the year, this has been more than offset by revenue growth driven by product price inflation and operational efficiencies. Wage inflation has been particularly strong in North America and the UK & Ireland but more benign in Continental Europe and Rest of the World. However, towards the end of the year we started to see some stabilisation in wages in North America. Outbound freight costs were also higher, although freight cost movements can be factored into pricing agreements, and we have also experienced property cost inflation linked to lease renewals. Driving operational efficiencies is a core component of our compounding strategy and is particularly important at a time of higher inflation. Over the year we have continued to focus on optimising our warehouse space with more than 15 consolidations and have further implemented technologies to automate processes in our business. Overall, combined with the support of product inflation on revenue, inflation dynamics have been somewhat supportive to margins to date.

Adjusted operating profit was £752.8 million, an increase of 2.8% (down 3.3% at actual exchange rates) and operating margin decreased to 7.3% from 7.6% in 2020 at constant exchange rates (7.3% from 7.7% at actual exchange rates). Whilst inflation has been somewhat supportive to margins, the reduction in operating margin reflects the normalisation of revenue mix, with the reduction in sales of Covid-19 related

Helping customers with alternative packaging solutions

Our role in supporting the circular economy

- Supporting smart material choices
- Designing for circularity not waste
- Promoting responsible packaging usage and reusable options
- Partnering to support closed-loop solutions

2021 highlights

- Limited exposure to consumables that are facing regulation
- 2021 packaging mix is broadly consistent with 2019, supported by inflation
- We saw growth in packaging made from alternative products due to customers transitioning, regulatory changes and shortages of plastic products
- Covid-19 caused a move back to single use plastics for hygiene reasons which is expected to be temporary

2%

Only 2% of our Group revenue is generated by consumables that are facing regulation

84%

of Group revenue attributable to non-packaging products or packaging products made from alternative materials that are well suited to a circular economy

Note that 'packaging' refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure. Refer to page 47 for further details.

products, which are largely own brand and had driven strong volume leverage on operating costs in the prior year, and the stronger recovery in typically lower margin businesses within our base business. Furthermore, price deflation in certain Covid-19 related products impacted margins over the second half of the year, although margins benefited over the period from a reduction in the net charge relating to inventory and credit loss provisions compared to the prior year. The Group saw a further increase in the level of slow moving inventory with customer demand continuing to be impacted by pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25 million in the year to increase slow moving inventory provisions whilst additional provisions were also required as a result of market price deflation on certain Covid-19 products. This was partially offset by a net release of approximately £5 million from expected credit losses on trade receivables. Reported operating profit was £623.3 million, an increase of 7.7% (0.8% at actual exchange rates), reflecting the 2.8% increase in adjusted operating profit and a reduction in acquisition related items, as well as the non-recurring pension scheme charge in the prior year.

Adjusted profit before income tax was £698.2 million, an increase of 3.9% (down 2.4% at actual exchange rates) due to the growth in adjusted operating profit and a reduction in net finance expense. The lower net finance expense was due mainly to a change in the mix of debt towards currencies with lower interest rates and higher interest income on cash deposits held in the subsidiaries through the year. Reported profit before income tax was £568.7 million, an increase of 9.6% (2.3% at actual exchange rates).

The effective tax rate of 22.3% was lower than the 23.1% in 2020 due to a reduction in the expected tax liabilities for prior periods. Over the period the Group was informed that it was not within the scope of the European Union State aid decision against part of the UK's tax regime. The risk of having to pay any additional tax plus interest of up to £37 million in connection with the matter is now remote, whatever the EU General Court's eventual ruling. In 2022 the Group's effective tax rate is expected to be approximately 24%, reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures. Looking beyond 2022, we expect our effective tax rate to increase to between 24% and 25% due to the rise in the UK tax rate from 19% to 25% from April 2023 and enforcement of a minimum tax rate for corporate profits globally. Based on current proposals we do not expect proposed federal tax changes in the US to have a significant impact to the Group if implemented. Adjusted earnings per share were 162.5p, an increase of 4.9% (down 1.5% at actual exchange rates) and basic earnings per share were 132.7p, an increase of 10.5% (up 3.0% at actual exchange rates).

Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) remained strong over the year at 102%. The Group's cash generation continues to be impressive, with £525.4 million of free cash flow generated in 2021, representing 15.0% growth at actual exchange rates compared to 2019, and continuing to enable strong investment in the business and acquisitions. Compared to 2020, free cash flow declined 9.6% at actual exchange rates, due to a decrease in operating cash flow driven by a significant reduction in advance payments from customers net of upfront payments to suppliers for large orders of Covid-19 related products and higher tax payments. Net capital expenditure of £30.0 million compares to £31.9 million in 2020 and reflects continued investment in IT and digital technologies, as well as warehouse consolidations. Despite the amount invested into acquisitions, the Group ended the period with net debt, excluding lease liabilities, of £1,337.4 million compared to £1,255.0 million in 2020. 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 1.6 times compared to 1.4 times at the end of June 2021 and 1.5 times at the end of 2020. This is meaningfully below our 2.0 times to 2.5 times target range, providing substantial headroom for further acquisitions.

Return on average operating capital decreased to 43.3% compared to 45.4% in 2020, driven by the lower operating margin, and reflective of a more normal revenue mix for the Group as Covid-19 related sales have decreased. Return on invested capital was 15.1% compared to 16.2% in 2020, with operating margin having a similar impact, in addition to continued acquisitions made over the year which temporarily dilute the metric. Return on average operating capital and return on invested capital both remain significantly higher than in 2019, with 36.9% and 13.6% achieved in 2019, respectively.

Underlying growth and operational efficiency

Delivering 17.1% constant currency revenue growth between 2019 and 2021, with broadly similar contributions from underlying growth and acquisition growth, highlights the strength of Bunzl's consistent compounding strategy. During 2021 Bunzl held a Capital Markets Day to update on elements of this strategy, including our focus on, and commitments to, sustainable solutions which are integral to the continued success of the strategy.

Our continuous investment in digital capabilities has supported performance over the last two years, with 67% of orders placed in 2021 made digitally, compared to 62% in 2019 and 59% in 2018. Acceleration of our digital capabilities continues to be a key strategic priority for the business, given the value it provides to our customers, how it differentiates Bunzl's proposition and the efficiencies it delivers to our own operations. In addition, we continued to focus on operational efficiencies, with more than 15 warehouses consolidated over the year. Furthermore, in the UK & Ireland we continued to roll out shared service capabilities in both Finance and HR with a range of new technologies implemented to support the transition.

Acquisitions

Over the year, Bunzl announced the completion of 14 acquisitions with committed spend of £508 million, adding estimated annualised revenue of £322 million. Over 2020 and 2021 Bunzl's combined committed spend on acquisitions was approximately £950 million, with the strength of the Group's cash conversion and balance sheet enabling the Group to fund one of the most successful periods for acquisitions in our history, largely through cash generated by the Group in the year. These 14 acquisitions include some fast growing businesses, in particular McCue Corporation, Disposable Discounter and Intergro.

Bunzl ended the year with net debt to EBITDA of 1.6 times, providing the Group with substantial capacity to fund further acquisitions. Our pipeline is active, and we see significant opportunities for continued acquisition growth in our existing markets, both where we have limited or no sector presence, as well as potential to expand into new markets.

Ensuring a responsible supply chain

Our auditing process is key to preventing defective products being shipped and to ensure products comply with our ethical standards. Products supplied directly from Asia are through suppliers that are verified by our Shanghai office. We work with suppliers to improve their operations but will walk away if issues cannot be resolved.

c.98%

of spend in Asia audited every 2 years

754

ethical audits conducted in Asia in 2021

We're expanding our ethical auditing programme to ensure 90% of our spend on products from all high-risk regions are sourced from assessed and compliant suppliers by 2025.

SCAN TO LEARN MORE ABOUT OUR SHANGHAI OPERATIONS

Acquisition	Completion	Description
Deliver Net	January 2021	Healthcare distributor to care homes in the UK, with annualised revenue of £20 million
Pinnacle	February 2021	Distributor of cleaning & hygiene products in Saskatchewan, Canada, with annualised revenue of £11 million
Disposable Discounter	February 2021	Online distributor of foodservice disposable products, with annualised revenue of £24 million. The business operates mostly in the Netherlands but has started to expand across Europe
Comax	May 2021	Distributor to the leisure, cleaning & hygiene, care home and foodservice sectors in the UK, with annualised revenue of £16 million in 2020
Harvey Distributors	May 2021	Cleaning & hygiene distributor in Australia, with annualised revenue of £4 million
Obex Medical Holdings	June 2021	Leading medical distribution business that supplies a broad range of healthcare equipment and devices in New Zealand, with annualised revenue of £29 million
Proin Pinilla	July 2021	Largest independent safety distributor to end-users in Spain, with annualised revenue of £14 million
Arprosa	July 2021	Distributor of personal protection equipment (PPE) to end-users in Spain, with annualised revenue of £7 million
Medshop	September 2021	Online distributor of medical supplies and devices predominantly in Australia, with annualised revenue of £14 million
Intergro	September 2021	Distributor of agricultural supplies to commercial growers in the US, with annualised revenue of £22 million
McCue Corporation	October 2021	Leading and fast growing US business in the distribution of safety and asset protection solutions for sectors spanning e-commerce and grocery with a growing international footprint, and with annualised revenue of £73 million
Workwear Express	October 2021	UK business in personalised workwear and promotional clothing with a strong e-commerce focus, and with annualised revenue of £33 million
Hydropac	November 2021	Distributor of insulated packaging solutions based in the UK, with annualised revenue of £8 million
Tingley Rubber	December 2021	Distributor of own brand PPE based in the US, with annualised revenue of £47 million

Sustainable solutions

We understand our role as a proactive leader in the transition to a more sustainable and equitable future. As laid out at our 2021 Capital Markets Day, sustainability is a key component of our strategic priorities, and we are focused on four key areas: alternative packaging solutions; responsible supply chains; investing in our people; and climate change.

We are already proactively leading the transition of packaging to products which are better suited to the circular economy and momentum has remained strong with customers looking to shift to products made from alternative materials. Our strength in sourcing innovative products, including our own brand portfolio, as well as our expert advice, data tools and supply chain investments is an increasing competitive advantage to Bunzl. The Group continues to have very limited exposure to single-use plastic consumables where some volume reduction is expected. Only 2% of our Group revenue is generated by consumables that are facing regulation, with 84% of Group revenue attributable to non-packaging products and packaging products made from alternative materials that are well suited to the circular economy.

The Group also completed 754 ethical and quality audits through our Shanghai based Global Supply Chain Solutions, which is responsible for auditing our Asian suppliers, the most material high risk sourcing market for Bunzl, by spend. Furthermore, we have started to expand our programme to ensure that 90% of our spend on products from all high-risk regions are sourced from assessed and compliant suppliers by 2025. Our people strategy also continues to drive strong engagement, as indicated by our latest employee engagement scores, with encouraging retention levels across the Group in a climate of much tighter labour markets in many parts of the world. In 2021 Bunzl joined the largest global alliance on climate change, the UN's Race to Zero campaign, and has committed to achieving a net zero position across the Group inclusive of Scope 3 emissions by 2050 at the latest. Over 2021 our carbon intensity (carbon per revenue) declined by 12% year on year, further contributing to our overall reduction of c.60% since 2010.

Our commitment to sustainability has enabled Bunzl to sign environmental, social and governance (ESG) loans in 2021 which are linked to the progress we make, with ESG financing likely to become a greater mix of our overall borrowing profile over time.

Prospects

We upgrade our 2022 guidance compared to that published in our pre-close statement. While we see continued uncertainty relating to the extent of product cost and operating cost inflation and the effect of new Covid-19 variants, at constant exchange rates the Group expects moderate revenue growth in 2022, driven by the impact of acquisitions completed in the last 12 months and supported by a slight increase in organic revenue. Continued recovery of the base business is expected to be offset by the further normalisation of sales of Covid-19 related products, albeit these are expected to remain ahead of 2019 levels, with inflation support in plastics, paper and chemical products and the year-on-year impact of deflation on certain Covid-19 related products expected to remain dynamics within our performance. We also expect Group operating margin in 2022 to be slightly higher than historical levels, as the mix of sector and product sales continues to transition to more typical levels for the Group.

Looking ahead, the Group's longer term prospects remain attractive, with the last two years reinforcing the resilience and quality of the Bunzl model by demonstrating the agility that comes with our decentralised business model, the critical role we play in supply chains and for our customers, and our highly cash generative nature. We expect to see further normalisation in the near-term as we continue to see base business recovery at varying speed across sectors and attractive longer-term growth opportunities in the sectors that we serve, particularly in safety, cleaning & hygiene and healthcare. 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 our recent acquisition success and 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
28 February 2022

Our leadership team

Leaders from across the Group meet regularly to review performance, discuss trends affecting our businesses and seek further opportunities for growth and competitive advantage.

READ MORE
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Frank van Zanten*
Chief Executive Officer

Diana Breeze*
Director of Group Human Resources

Richard Howes*
Chief Financial Officer

Andrew Mooney*
Director of Corporate Development

Suzanne Jefferies*
General Counsel and Company Secretary

* Members of the Executive Committee

Jim McCool
Chief Executive Officer, North America

Andrew Tedbury
Managing Director, UK & Ireland

Alberto Grau
Managing Director, Continental Europe

Jonathan Taylor
Managing Director, Latin America

Kim Hetherington
Managing Director, Asia Pacific

Mark Jordan
Group Chief Information Officer

Supporting our customers with sustainable solutions

James Pitcher
Group Head of Sustainability

'Bunzl's business model is perfectly positioned to support our customers' sustainability objectives. The risk-based approach we take to ethical auditing across our supply chain, our carbon-efficient consolidation model and unrivalled range of alternative packaging products means we can engage the whole value chain to help build a better world.'

Ensuring products are made from alternative materials

A very important part of what we do is innovating products to provide better solutions for our customers. One of our grocery customers sold hot rotisserie chicken in plastic domes with a black plastic underside which was very difficult to recycle. Bunzl worked with the customer to design an alternative bag which removed the difficult to recycle black plastic, reduced the weight of the packaging, improved the logistical efficiency as more units fit into a carton (1,000 vs. 136) and is recyclable via in-store collection. We are now working to introduce a solution which includes recycled content to further support the circular economy and help our customer meet the requirements of the UK plastics tax.

WATCH THE FILM: TAILORED SOLUTIONS FOR A BETTER WORLD

Sustainability as a competitive advantage

Our ability to provide Andron, a UK facilities management chain who service over 900 locations, with a much more reliable, responsive and sustainable service supported us in winning a new contract with them. We have a carbon optimisation process that helps us to identify savings that can be made. We agreed a plan with Andron that optimises the company's ordering patterns to reduce their carbon footprint with the remaining emissions offset through reputable schemes. We also developed a new closed loop solution with five-litre cleaning solutions collected by our drivers and sent back to our supplier to be washed and refilled.

Supporting a more circular economy

Our customers explained that while they don't expect Bunzl to establish new closed loop recycling systems ourselves, they would like us to provide the support required to make their circular initiatives a success. We partnered with a large grocery customer in Hungary, the Czech Republic and Slovakia. They have developed a film-based recycling programme where waste plastic is collected by our logistics network, transported to a speciality recycler before being transformed into their new reusable bags-for-life, supplied by Bunzl. The scheme is expected to collect enough material to produce 30 million bags in the next few years and 5.4 million reusable bags have moved through this new closed loop system so far.

Continued focus and investment in our people

Diana Breeze
Group HR Director

'Bunzl has so much to offer as an employer, including learning and development support and almost limitless career development opportunities. However, what really sets us apart is our inclusive and customer-focused culture'

Bunzl's 'We Believe' employment brand articulates our culture

The "We Believe" employer brand has now been in place for almost 12 months. New content is communicated via key social media channels such as LinkedIn every month around a different "Belief Statement", and key Group-level messaging is supported by local "stories" coordinated at regional or national level. The number of views per month attracted by each post can be tracked, and there have been some very positive results. For example, the International Women's Day campaign, which featured profiles of several of our senior female leaders from across the Group, attracted more than 30,000 views. Of particular interest are the personal profiles of leaders, and Frank van Zanten's post supporting the statement "At Bunzl we believe that when you join our team, your potential is unlimited" also attracted a high number of views.

"In Bunzl North America, ensuring that our culture is truly inclusive has been a huge area of focus during 2021, and this has started with making sure that we take the time to listen to our colleagues and understand their perspectives"

The creation of a Diversity, Equity and Inclusion plan for Bunzl North America began with a series of listening initiatives across the Group. All female colleagues in the Business were surveyed to assess the interest in an establishment of a Women's Network similar to the "Inspiring Women in Bunzl" network in the UK. The response was overwhelmingly positive and the network is now thriving. "Voices" listening sessions were held for small groups of colleagues from non-white ethnic backgrounds with Jim McCool, the Chief Executive Officer, so that any real or perceived barriers to engagement and progression could be understood in a safe environment. One of the key learnings was the opportunity to celebrate diversity through effective communications, and throughout 2021 regular updates have focused on a whole range of events such as Black History Month, Pride, Juneteenth and Hispanic Heritage month.

82%

of employees believe that leaders support diversity & inclusion here.

Improving efficiency with engaging digital solutions

Mark Jordan
Chief Information Officer

'Complex customer journeys necessitate smart digital solutions that simplify ordering but also provide customer enhancing insights.'

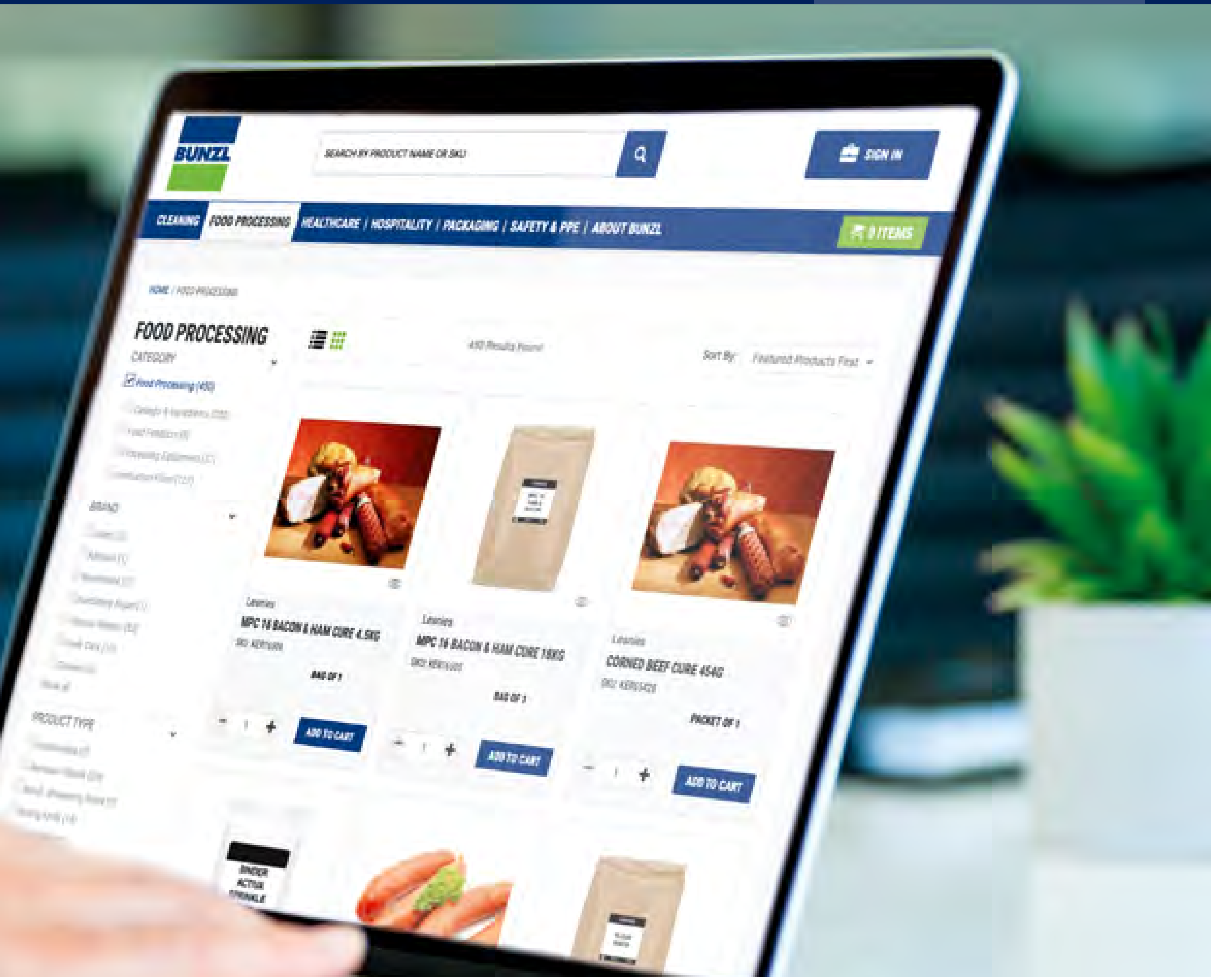
At the heart of Bunzl's proposition is the ability to tailor processes to individual customer needs. Digital tools are a crucial component of this proposition; from being able to customise order lists and budgets to individual users; to integrating our ordering platforms into our customers' own intranets; and providing app-based ordering solutions. Furthermore, we provide digital solutions that enable our customers to make better solutions, such as our proprietary sustainability dashboards. These tools enhance the value we provide our customers and build our competitive advantage.

Customised dynamic dashboards

Dynamic dashboards that are customised to provide real-time full visibility around key management information, for example, spend per site and efficiency opportunities. Many of our customers are businesses with multiple users ordering products across different sites and the insight our tools provide is invaluable to enable us to improve efficiency, ensure compliance and support the transition to products which are well suited to a circular economy.

67%

Group orders placed digitally in 2021



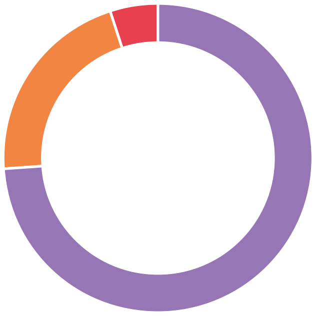
Using our footprint tools to support customers in making the right choices

Across many of our businesses we are now providing our customers with the data they need to understand the mix of packaging that they source and how this packaging is ranked against alternatives. Our data insights allow customers to accurately measure their progress in transitioning products to those that are better suited to a circular economy against their commitments, and to assess the impact of legislation and track actions to mitigate this risk. Our solutions incorporate supplier portals to ensure accurate real-time reporting even when products supplied change.

Example customer output

Products at risk of legislation

Product recyclability



* The recyclability of the packaging needs to be checked before disposal, returned to larger recycling points or supermarkets as is not collected by all local authority kerbside collections.

Agile response to evolving market dynamics

Bunzl's organisation structure and strength of management teams continues to be a driving force in Bunzl's response to challenges faced and opportunities.

Summary of performance over the pandemic

2020

Strength of Covid-19 related sales more than offset material declines in our base business, with impact across all our core sectors and particularly foodservice and retail.

Underlying revenue growth[3] of

4.8%

in 2020 comprised of +14.6% from Covid-19 related revenue[1] and (9.8)% from base business revenue[2]

2021

Reversing trends with year-on-year decline in Covid-19 related sales offset by base business recovery, inclusive of inflation support. Due to varied levels of restrictions and sector mix, recovery in the base business has been mixed across countries, but by the final quarter of 2021 all business areas achieved base business revenues ahead of 2019, except for UK & Ireland which was slightly below. Inflation has been strongly supportive to this recovery.

Underlying revenue growth[3] of

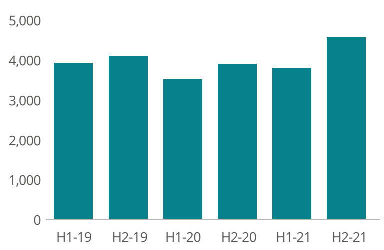
3.6%

in 2021 comprised of (6.3)% from Covid-19 related revenue[1] and +9.9% from base business revenue[2]

Resilience through mix

Absolute top 8 Covid-19 related revenue[1] (£m)

Absolute base business[2] revenue (£m)



17%

constant currency revenue growth 2019-2021, with broadly equal contribution from acquisitions and underlying revenue growth

23%

adjusted operating profit[3] growth 2019–2021

1 Covid-19 related revenue refers to the revenue generated from the top 8 Covid-19 related products, being masks, sanitisers, gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection.
2 Base business defined as underlying revenue excluding the top 8 Covid-19 related products.
3 Alternative performance measure (see Note 3 to the consolidated financial statements on page 170).

Transition to normalisation

- We expect the sales of Covid-19 related products to remain higher than 2019 levels from 2022 onwards, although we expect the annualisation of price deflation on certain Covid-19 related products to be a headwind in 2022.
- We expect continued recovery of our base businesses, with inflation trends supportive.

In the near term we expect varying speeds of recovery by sector

Safety

- **Wide array of end markets –** slower short term recovery impacted by inflation in raw materials and labour shortages

Cleaning & Hygiene

- **Facilities management –** cautious on speed of recovery given footfall in offices
- Ongoing benefit from deep cleaning

Healthcare

- **Healthcare institutions –** expect strong recovery in elective surgeries given backlog

Grocery

- **Grocery chains –** momentum maintained with support from inflation
- **Convenience stores –** recovery will follow improved travel trends

Foodservice

- **Restaurants –** recovering well as markets open and as home delivery remains elevated
- **Catering –** cautious on recovery speed given return to work exposure
- **Hotels –** full recovery dependent on international travel
- **North America food processor –** strong growth

Retail

- **Big box and mall based retail –** improved footfall will support but expected lasting shift to e-commerce
- **E-commerce retail –** strong growth providing some offset

Beyond the pandemic

Our underlying growth is supported by activity in our markets and we are well placed in attractive end markets

	Trends	Revenue opportunity in the medium term
Safety	• Growth supported by increasing safety standards, regulation and awareness • Infrastructure spend	↑ ↑
Cleaning & Hygiene	• Enhanced cleaning habits • Technology to improve cleaning efficiency	↑ ↑
Healthcare	• Growth of care at home • Increased focus on preventative healthcare	↑
Grocery	• Willingness to outsource non food essentials • Sustainable packaging growth with transition to alternative products • Omnichannel strategy supports broadening of product range	↑
Foodservice	• Eating away from home • Home delivery • Sustainable packaging growth with transition to alternative products	↑
Retail	• Omnichannel strategy • Sustainable packaging growth with transition to alternative products	→

Supporting our customers with the omnichannel shift

Grocery

- Shift from in-store orders to e-commerce orders is broadly neutral to Bunzl
- Stores remain important in an omnichannel world but product mix supplied by Bunzl can change

- While online orders are largely picked in-store, store footfall is reduced given a single picker can pick multiple orders for customers. This impacts some areas, such as cafes, hygiene and cleaning areas

- The reduced demand for in-store products is offset by increased demand for products to support online delivery to customers' homes, such as multi pick trolleys, packaging for delivery segmentation, delivery crates, labels, driver uniforms and vehicle cleaning and sanitation

Foodservice

- Packaging choices are important for delivery platforms and the restaurants utilising them, with considerations ranging from branding to technical specification
- We expect channel to grow independently of restaurant visits and this is therefore a new growth channel for Bunzl

Retail

- E-commerce packaging is vital to protect products during transit, ensure it delivers the customer brand experience and is simple to reuse for returns
- Bunzl works with customers to develop sustainable packaging alternatives and conducts audits to optimise packaging
- The range and sales of packaging used for online orders is typically higher than those for in-store packaging

Listen to what one of our e-commerce retail customers, bol.com, has to say about the support we provide to them

- 14 years of partnership
- Wide range of e-commerce packaging products
- Tailored deliveries, daily interaction, quarterly innovation meetings
- Help with achieving carbon neutral packaging by the end of 2024

SCAN THE QR CODE TO GO TO THE BOL.COM VIDEO

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.

Through our core values

- Humility
- Responsiveness
- Reliability
- Transparency

What

Essential business solutions...

One-stop-shop

We source

We consolidate

We deliver

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...

- Profitable organic growth
- Operating model improvements
- Acquisition growth

READ MORE PAGE 32

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 tailored alternative solutions

READ MORE PAGE 46

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

Why
For the benefit of all stakeholders

- Customers
- Colleagues
- Environment
- Shareholders
- Suppliers
- Communities

READ MORE PAGE 58

Essential business solutions

Our tailored service model

Bunzl offers tailored solutions that utilise varied resources and capabilities.

We source

- Sourcing experts and category specialists
- Global supplier relationships
- Own brand portfolio
- Innovative product sourcing, including those well suited to the circular economy
- Customer-specific products
- Competitive prices

We consolidate

- One-stop-shop for all products in a single delivery
- Customised digital solutions
- Integrated ordering systems
- Analytical support to improve efficiencies
- Carbon savings through consolidated deliveries

We deliver

- On-time, in-full delivery; received just-in-time
- Multiple delivery options that include direct to site, cross dock or warehouse replenishment
- Extensive distribution network with regional and national coverage

Our service and value proposition for our customers

By providing our customers with a broad range of essential items, readily available from stock, alongside specialist knowledge and expertise, we provide the reassurance our customers need for important items, which allows them to focus on their core businesses. The value of our service to our customers goes far beyond the cost of the products sourced.

Our sources of competitive advantage

Tailored solutions and value-added services
Our tailored solutions enable us to add value to our customers' operations, ensuring products sourced meet our customers' needs and they receive their orders on-time and in full.

Global and ethical sourcing
We source and procure branded, own brand and unbranded products, working with suppliers to give our customers access to the best and most suitable products and solutions to meet their needs, with the reassurance that they have been ethically sourced.

Sustainable solutions
Our depth of expert advice, own brand ranges and priority data help our customers navigate the complex transition to new products and solutions.

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

Digital capabilities
Our e-commerce platforms enhance the experience for our customers while increasing the efficiency of our operations.

Our people
Our c.6,000 sales experts and locally based customer service specialists use their detailed knowledge to work with customers to ensure they receive the best possible advice on all product and service related matters.

Decentralised model
Comprising c.150 operating companies, with a decentralised operational structure, Bunzl's management teams focus on their customers' needs in their local markets and create an energised entrepreneurial environment.

International scale
With operations in 31 countries, our extensive distribution networks mean we can deliver to customers on a local, regional, national and international basis, giving them complete flexibility and management reporting.

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'.

Our capital allocation priorities

Cash flow
Our businesses are highly cash generative and this, together with our disciplined approach to capital allocation, allows us to reinvest to deliver organic growth, pay a growing dividend 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.

Acquisitions
Applying our disciplined and controlled approach, we have been able to commit £4.4 billion of cash generated to 183 acquisitions since 2004 while maintaining a prudent approach to leverage which continues to support our excellent future acquisition opportunities.

Dividends
Our dividend has grown every year for 29 years at a CAGR of 10% per annum. We are committed to ensuring sustainable dividend growth in line with our progressive policy.

Delivering value for all of our stakeholders

A consistent compounding strategy

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

Consistent compounding strategy

Profitable organic growth

Use our competitive advantage to support the growth of our customers and to increase our market share

MORE INFORMATION ON PAGE 33

Operating model improvements

Daily focus on making our business more efficient

MORE INFORMATION ON PAGE 34

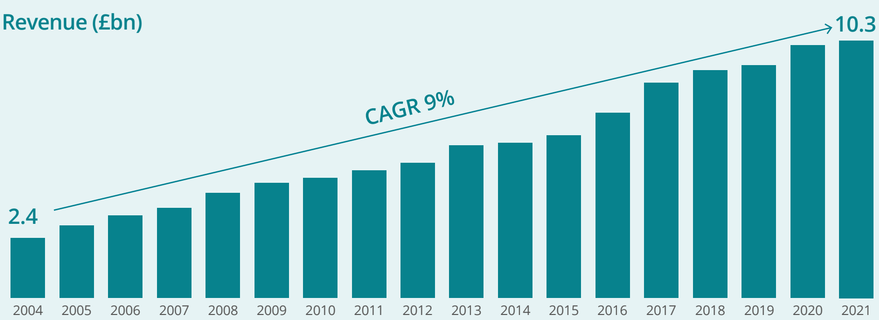
Acquisition growth

Use strong balance sheet and excellent cash flow to consolidate our markets further

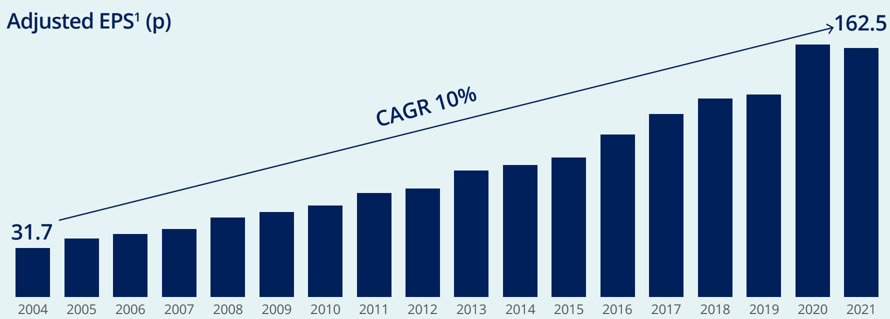
MORE INFORMATION ON PAGE 35

Proven track record

Revenue (£bn)



Adjusted EPS[1] (p)



1 Alternative performance measure (see Note 3 to the consolidated financial statements on page 170).

Profitable 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.

Our organic growth drivers

Volume	Price	Mix
Sell more to existing customers	Inflation	Own brand/imports
Expand product ranges	Market dynamics	Manufactured brands
Win new customers	FX impact	Geographies and sectors
Market leading customers		Sustainability
Growing sectors		
Trend to outsourcing		

STRATEGY IN ACTION

How our model drove success during the pandemic

- c.£3.5 billion of Covid-19 related orders made over the last two years, including c.£550 million of larger Covid-19 related orders in 2020
- Supported customers with products that suited new needs, such as screens and social distance signage
- Growth supported by inflation on certain items
- Fulfilled demand, despite supply issues, through own brand product ranges
- Provided reassurance around ethical sourcing, at a time of great disruption

Underlying revenue growth[1]
2021 vs 2019

+8.5%

Operating model improvements

We continually strive to improve the quality of our operations and to make our businesses more efficient and sustainable.

Operating cost efficiencies continually assessed

- Consolidating warehouses – 75 warehouses consolidated in the last five years
- Implementing IT systems and solutions
- Delivery and routing efficiencies
- Staff productivity improvements
- Energy savings

Digital a key enabler to driving efficiencies

Supply chain efficiencies

- Stock management
- Demand planning
- Rapid product sourcing
- Data driven decision making

Optimising our operations

- Analytics based operating model
- Optimising fleet & delivery processes
- Leading warehouse management systems

STRATEGY IN ACTION

UK grocery and non-food retail efficiencies over the last five years

Warehouse consolidations: six small warehouses into one efficient warehouse

Investment in workforce management systems to increase labour productivity, efficient pick runs and safe systems of work

Use of energy efficient lighting reducing energy usage by 70%

Investment in transport management software supporting fuel economy, reducing accidents and optimising vehicle route planning

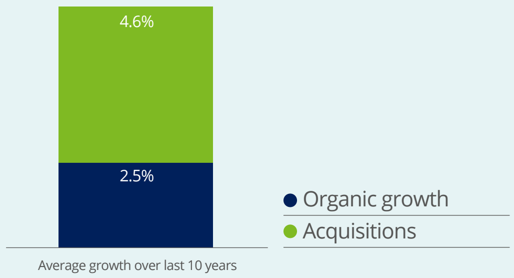
Acquisition growth

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

Success of acquisition strategy

- 183 acquisitions since 2004
- £4.4 billion committed acquisition spend since 2004, self-funded
- Two thirds of revenue growth driven by acquisitions over recent years
- A stronger, more diversified business
- Group average return on invested capital over last three years of 15% compared to WACC of 6–8%

Average components of revenue growth over last 10 years



STRATEGY IN ACTION

50 safety acquisitions since 2000

- Attractive sector, with focus on own brand and innovation
- In some markets we sell to redistributors and in others we sell to end customers
- Diverse end markets (e.g. construction, manufacturing, energy and mining)
- c.£1.6 billion of committed spend in the sector since 2005, accounting for c.40% of Bunzl's acquisition investment

Acquisition of McCue Corporation (October 2021)

Safety and asset protection solutions, such as safety barriers, floor railings and bumpers, for use in warehouses and high footfall environments

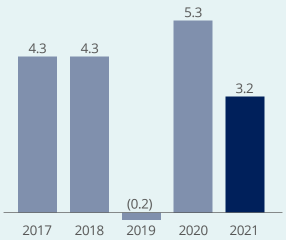
- >20% historical sales CAGR (2018-2021)
- Strong margins; above typical group safety margins
- Exciting growth opportunity:
  - growth of e-commerce based distribution activities;
  - importance of health and safety measures in operating environments;
  - increasing prevalence of higher value warehouse equipment; and
  - international growth

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.

Profitable organic growth

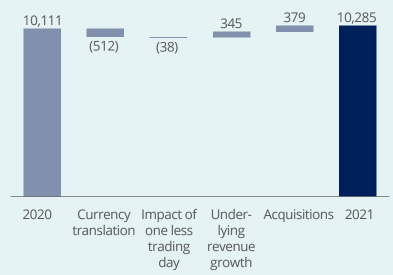
Organic revenue growth (%)



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 3.2% was driven by the strong recovery in the base business.

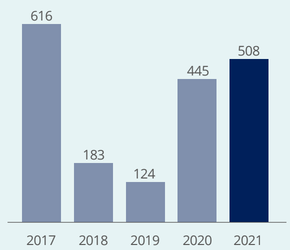
Reconciliation of revenue growth between 2020 and 2021 £m



Revenue up 2% (7% at constant exchange rates) driven by underlying revenue growth, acquisitions made in 2020 and 2021, partly offset by a small adverse impact from one less trading day compared to 2020.

Acquisition growth

Acquisition spend £m



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

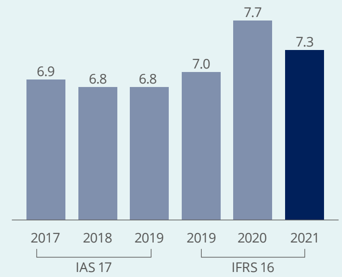
Committed acquisition spend of £508 million with 14 announced acquisitions.

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 28 on page 201).

Operating model improvements

Operating margin %$^{\Delta}$

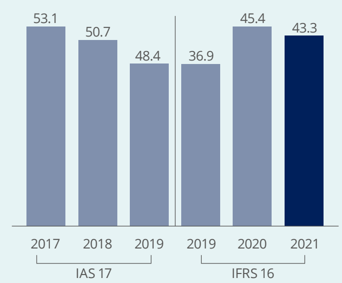


Ratio of adjusted operating profit$^{\Delta}$ to revenue.

Operating margin of 7.3% compared to 7.7% in 2020.

Excluding the impact of acquisitions during the first 12 months of ownership, the 2021 operating margin$^{\Delta}$ was 7.1%, down from 7.6% in 2020 (restated at constant exchange rates).

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

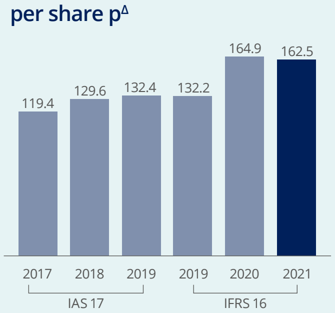


Ratio of adjusted operating profit$^{\Delta}$ to the average of the month end operating capital employed (being property, plant and equipment, software, right-of-use assets, inventories and trade and other receivables less trade and other payables).

RAOC down to 43.3% from 45.4% in 2020 driven by a lower operating margin and reflective of a more normal revenue mix for the Group as Covid-19 related sales have decreased.

Financial

Adjusted earnings per share p$^{\Delta}$



Adjusted profit for the year$^{\Delta}$ divided by the weighted average number of ordinary shares in issue (see Note 8 on page 177).

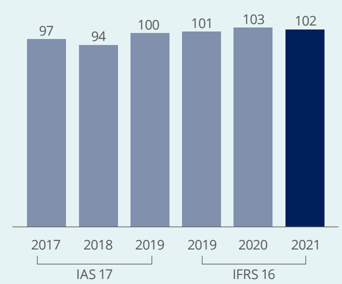
At constant exchange rates, adjusted eps up 4.9% from a 2.8% increase in adjusted operating profit$^{\Delta}$, a reduction in net interest expense and a decrease in the effective tax rate.

Return on invested capital %$^{\Delta}$

Ratio of adjusted operating profit$^{\Delta}$ 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 down to 15.1% driven by a lower operating margin and reflective of a more normal revenue mix for the Group as Covid-19 related sales have decreased.

Cash conversion %$^{\Delta}$



Operating cash flow$^{\Delta}$ as a percentage of lease adjusted operating profit$^{\Delta}$ (see Consolidated cash flow statement on page 160).

Another strong year of cash generation with cash conversion of 102% in 2021 and an average of 98% since 2004.

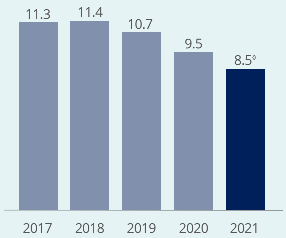
These KPIs reflect our strategic priorities of developing the business through organic and acquisition led growth and improving the efficiency of our operations as well as other financial and environmental metrics.

Δ Alternative performance measure (see Note 3 on page 170).

◊ Included in the external auditors' limited assurance scope. See the data assurance statement on the Company's website, www.bunzl.com. The data for previous years was also assured as detailed in the respective Annual Reports.

Existing non-financial key performance indicators

Scope 1 carbon emissions
Tonnes of CO_2e per £m revenue

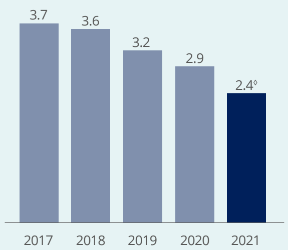


Measured in accordance with the Greenhouse Gas Protocol applying BEIS conversion factors.

Scope 1 carbon emissions down 14% 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

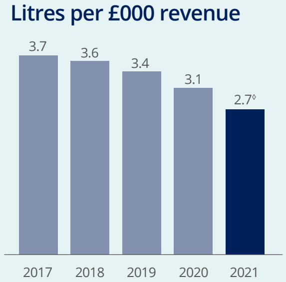


Measured in accordance with the Greenhouse Gas Protocol applying BEIS UK conversion factors and IEA factors for overseas electricity.

Scope 2 carbon emissions down 18% at constant exchange rates (down 15% 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 14% 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.

As we launched the next phase of our sustainability commitments in 2021 we will be updating the non-financial Key Performance Indicators (KPIs) we track to assess our performance. A summary of the targets for these is shown below and a more detailed description of our current performance against these key themes can be found in the Sustainability section of this report (page 46), the ESG Appendix (page 85) and Sustainability Accounting Standards Board (SASB) disclosure on page 83. The current non-financial KPIs shown on this page will move to the ESG Appendix in the 2022 Annual Report.

Responsible supply chains

Target

90%

of our spend on products from all high-risk regions will be sourced from assessed and compliant suppliers by 2025

Investing in our people and a diverse workforce

Target

The percentage of women on our main Board and Executive Committee will be at least

40%

Taking further action on climate change

Target

25%

reduction in CO_2 emissions (scope 1 and 2) by 2025 (baseline of 2019)

Target for 2030

50%

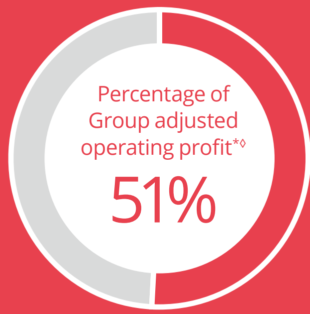
reduction in CO_2 emissions (scope 1 and 2) by 2030 (baseline of 2019)

Providing tailored alternative solutions

Target

We will significantly increase the amount of recyclable, compostable or reusable packaging supplied to our customers to help them meet their targets

North America



208
Locations

7,936
Employees

‘Our strong network has been resilient against supply challenges’

Jim McCool
Chief Executive Officer
North America

In North America, revenue increased 12.4% to £6,144.7 million, with underlying growth of 9.2%. The positive impact of the acquisitions of MCR Safety, Snelling, Pinnacle, Intergro, McCue and to a lesser extent Tingley Rubber, was supported by significant inflation, particularly in grocery and foodservice, as well as the strong recovery across foodservice and retail businesses due to reduced Covid-19 related restrictions and economic stimulus. By the second half of the year the base business was trading strongly ahead of 2019 levels, driven by inflation. Adjusted operating profit was £401.3 million with an operating margin of 6.5%, down from 6.8% in 2020, driven by the recovery of the lower margin sectors within the base business, as well as the impact of deflation on certain Covid-19 related products in the second half of the year. Over the period, underlying operating cost inflation in wages, property and delivery costs accelerated significantly but was more than offset by revenue growth attributable to product inflation. Bunzl’s resilient network, scale and global sourcing allowed it to mitigate many of the service level issues brought on by inbound supply chain disruption and labour capacity challenges.

Our largest business, in the US grocery sector, saw revenue increase very strongly from continued consumer demand and product cost inflation, though certain categories, such as salad and hot food bars remained below pre-pandemic levels. Although consumers increasingly utilised online ordering, the associated orders have been largely fulfilled at the store level, creating the need for packaging and labels. Our convenience store sector business also saw improvement throughout the year as travel gradually returned, but overall saw a slight decline as many convenience store retailers have not yet fully reopened their foodservice offerings.

Our foodservice redistribution business delivered very strong growth, driven by the reopening of in-restaurant dining and subsequent strong demand, with significant net inflation in packaging categories more than offsetting a decline in Covid-19 related sales. Takeaway packaging also continued to drive sales despite the return of in-person dining. Our businesses serving the food processor and agricultural sectors also grew strongly, due to continued strong consumer demand and increased sales of packaging in support of certain pandemic-related government food programmes. A strong focus on own brand and supply chain management ensured continuity of supply as demand increased, despite the increasing challenges across supply chains.

Revenue

£6,144.7m

(2020: £5,843.8m)

Growth at constant exchange rates

12.4%

Underlying growth*

9.2%

Adjusted operating profit*

£401.3m

(2020: £395.7m)

Growth at constant exchange rates

8.5%

* Alternative performance measure (see Note 3)

◊ Based on adjusted operating profit and before corporate costs (see Note 4)

Operating margin*

6.5%

(2020: 6.8%)

A decline in Covid-19 related sales, as well as continued high levels of remote working, negatively impacted our cleaning & hygiene redistribution business, which declined significantly.

Our retail supplies business delivered moderate growth over the year, with recovery benefiting from the reopening of shopping malls and retailers in the first half. Store level fulfilment of online orders by many retailers provided growth in packaging to support online orders.

Our safety business grew very strongly due to the favourable impact of the MCR Safety and McCue acquisitions, which have performed well and are positioned for continued growth. Excluding acquisitions, growth was more modest with soft demand in certain end markets, such as oil and gas and industrial sectors, as well as end market supply chain and labour shortage issues.

Finally, our business in Canada grew strongly, driven by the Snelling and Pinnacle acquisitions, with strong demand and product cost inflation in the grocery and the industrial supplies segments offsetting softness in the cleaning & hygiene and foodservice sectors related to Canada's extended lockdowns and remote working.

SUSTAINABILITY IN ACTION

Supporting customers to meet industry-leading targets

The wide range of solutions and expert advice offered by Bunzl allows our customers to have confidence when signing up to industry leading programmes.

We started to transition a key customer to packaging made from between 70 - 100% recycled content at the start of our contract nine years ago. This transition and availability of the right solution for their fragile products gave them the support they needed to become the first US-based fresh produce company to sign up to the Ellen MacArthur New Plastics Economy Global Commitment.

More recently, we have developed a dedicated in-house printing department for the 300 million clamshells we supply every year to this customer where we add proprietary washable labels, certified recyclable by the Association of Plastics Recycling, to the packaging before they are shipped to the customer.

Number of clamshells supplied made from recycled content

300m

Continental Europe

175
Locations

5,221
Employees

'Our profit growth since 2019 shows the strength of our model'

Alberto Grau
Managing Director,
Continental Europe

Revenue in Continental Europe declined by 2.7% to £1,972.9 million due to the significantly lower level of larger Covid-19 orders to government bodies compared to 2020, although the acquisitions of ICM, Disposable Discounter, Proin Pinilla, Arprosa and Hydropac were supportive. Excluding these acquisitions and larger one-off Covid-19 related orders, underlying sales grew moderately as the decline in smaller Covid-19 orders was more than offset by growth in the base business, particularly in the foodservice and non-food retail sectors, supported by inflation. Adjusted operating profit declined by 14.0% to £191.8 million. Operating margin decreased from 11.2% to 9.7% at actual exchange rates, reflective of a more typical margin for the business area, with the impact of reduced larger Covid-19 related orders on a largely fixed cost base as well as deflation in certain Covid-19 products in the second half of the year. This more than offset the benefit of a reduction in the charges relating to inventory and credit loss provisions compared to those taken in 2020.

In France, our cleaning & hygiene businesses saw a decline in sales due to lower levels of Covid-19 related orders as well as continued weakness in the contract cleaning and office canteen sectors due to employees working from home, although revenues overall remained above 2019 levels. Our safety business was also impacted by a reduction in Covid- 19 related orders with only a partial offset from the improvement within the base business.

Our specialist foodservice businesses saw a very strong recovery although revenue remains below that of 2019. As part of our ongoing strategy of improving our operating platform we relocated two French businesses to new warehouses in Rennes.

In the Netherlands, the retail and industry sectors saw a very strong recovery, fuelled by the increased demand in packaging for e-commerce fulfilment and cool packaging, while the healthcare and contract cleaning sectors continued to be adversely impacted by the pandemic. Our recently acquired e-commerce food packaging business also saw very strong growth. Total revenue in the Netherlands, excluding the larger Covid-19 related orders, overall saw strong growth.

In Belgium, sales were stable in our grocery business, with gains particularly with food processors being mostly offset by lower sales of industrial packaging, although our cleaning & hygiene businesses suffered from lower sales to facilities management companies as well as the decline in larger Covid-19 related orders.

In Germany, higher sales in our foodservice business were offset by lower Covid-19 related sales in the healthcare sector. In Switzerland, sales were marginally lower as good growth in the industrial and foodservice sectors was similarly offset by lower Covid-19 related sales. In Austria, we saw improved sales in both food and industrial packaging.

Revenue
£1,972.9m
(2020: £2,127.3m)
Growth at constant exchange rates
(2.7)%
Underlying growth*
(5.7)%

Adjusted operating profit*
£191.8m
(2020: £238.1m)
Growth at constant exchange rates
(14.0)%

* Alternative performance measure (see Note 3)
◊ Based on adjusted operating profit and before corporate costs (see Note 4)

Operating margin*
9.7%
(2020: 11.2%)

In Denmark, lower sales to the fitness, safety, cleaning and public sectors more than offset improvement in recovery in parts of the foodservice sector. In Norway, our catering equipment business saw significantly improved sales following removal of restrictions, but sales still remained below 2019 levels.

In Spain, sales improved in all businesses, with PPE sales ahead of the prior year despite lower Covid-19 items as recovery was seen in our more traditional products. In Italy, our safety business also recorded good growth as the base business benefited from economic recovery and more than offset lower Covid-19 related sales.

Turkey delivered moderate sales growth, supported by demand for PPE, hardware and grocery sector products, as well as currency-driven inflation, which more than offset lower sales to hospitals. In Israel, we benefited from the removal of restrictions in the foodservice sector and sales grew very strongly.

In Central Europe, sales growth in Hungary and Romania and growth in PPE in the Czech Republic, more than offset a decline in sales to the grocery sector in the Czech Republic and Poland.

SUSTAINABILITY IN ACTION

Independent advice when transitioning from one material to another

Containment, preservation, protection, material availability, effective marketing, convenience of use, sustainability and budget are all key considerations for our customers when choosing the right type of packaging.

Our businesses have already made excellent progress transitioning customers to alternative materials and 73% of the food containers we sell across the Group are made from recyclable, compostable, renewable or reusable materials.

In Continental Europe, we have recently transitioned 39 million expanded polystyrene meat trays to a fully recyclable solution made from recycled plastic with a long-standing customer in Belgium. Material availability for the quantities required, food contact safety and manufacturing speed were all key considerations for our customer as well as improving the recyclability of the packaging.

Number of trays transitioned to fully recyclable solution with recycled content
39m

UK & Ireland

94
Locations

3,812
Employees

'We have seen a strong recovery since the lifting of restrictions'

Andrew Tedbury
Managing Director
UK & Ireland

In UK & Ireland, revenue declined by 2.4% to £1,254.2 million, driven by the reduction in larger Covid-19 related orders and restrictions at the beginning of the year, despite the support from the acquisitions of Bodyguard, Abco Kovex, Deliver Net, Comax and Workwear Express. Excluding these acquisitions and larger Covid-19 orders, underlying sales saw good growth driven by the acceleration of recovery in the second half of the year as restrictions eased, although the base business in the second half remained below 2019 levels. Adjusted operating profit reduced to £67.0 million, down 2.2%, with operating margin stable at 5.3%. The operating margin in the second half of the year improved materially on the first half, with a reduction in the charges relating to inventory and credit loss provisions compared to those taken in 2020 mainly in the retail and foodservice sectors, as well as the good recovery in the base business.

Our safety businesses were very strongly impacted over the year as raw material and labour shortages continued to impact our customer base which has struggled to return to 2019 activity levels. Despite this trend our businesses have continued to invest in new digital platforms and have also secured some new customer wins in the second half of the year.

In our cleaning & hygiene supplies business, revenue growth improved through 2021 as restrictions eased. We have also secured new customers driven by their desire for a strong and established supplier of sustainable solutions, the availability of quality data to help them achieve their own environmental aspirations and increasing demand for closed loop partnerships.

Our non-food retail packaging businesses saw strong growth over the year, supported by Covid-19 related growth, and with the base business trading well in the second half of the year and a partial bounce back for in-store packaging requirements, such as bags and boxes and continued growth in online packaging. In grocery we achieved moderate growth as we rolled out two new customers and supermarkets started to open in-store counters following the end of lockdowns which helped to balance the reduction in sales of Covid-19 related orders.

Our foodservice business benefited from the reopening of restaurants and hotels, as well as the prevalence of domestic holidays, although the industry has been impacted by supply shortages. With many employees continuing to work from home, office-based contract catering continues to be impacted. Overall, we saw a material improvement over the year with several new customer wins in the second half of the year.

Revenue

£1,254.2m

(2020: £1,287.7m)

Growth at constant exchange rates

(2.4)%

Underlying growth*

(6.2)%

Adjusted operating profit*

£67.0m

(2020: £68.6m)

Growth at constant exchange rates

(2.2)%

Operating margin*

5.3%

(2020: 5.3%)

* Alternative performance measure (see Note 3)

◊ Based on adjusted operating profit and before corporate costs (see Note 4)

In healthcare, we have seen a significant decline in sales of Covid-19 related products although we experienced moderate growth in the base business. We saw an improvement in elective surgeries and strong sales and new business wins in the private healthcare sector.

Our businesses in Ireland have also had better performances in the second half of 2021. The opening up of the hospitality industry has resulted in an increase in sales to restaurants, hotels and coffee shops.

During the year we continued to implement further operational efficiency plans and exited five warehouses, including two small warehouses in Scotland in the second half, and implemented a range of new technologies within our shared finance centre.

SUSTAINABILITY IN ACTION

Driving carbon efficiencies through optimised and consolidated deliveries

To support customers to reduce the carbon emissions associated with our deliveries, Bunzl Cleaning & Hygiene Supplies (BCHS) has launched a new Carbon Forecast tool. The tool demonstrates to our customers how increasing their average order value can reduce carbon emissions in their supply chain by reducing the number of deliveries they receive from BCHS.

In April 2021, BCHS finalised an agreement with EMCOR UK to double their minimum order value. Using our proprietary Carbon Forecast tool BCHS were able to identify significant carbon savings to the EMCOR UK estate based on a 60% increase in average order value. This led to the decision to go even further and commit to a 100% increase in average order value.

The savings include c.360 fewer individual orders a year and a reduction in administration costs without changing EMCOR overall spend with BCHS. The significant reduction in CO_2e will be equivalent to nine acres of forest absorbing carbon, over a million smartphone charges or c.22,000 passenger vehicle miles.

Increase in average order value to reduce carbon emissions

100%

Rest of the World

112
Locations

3,368
Employees

‘Our acquisition strategy has continued to support growth’

Jonathan Taylor
Managing Director
Latin America

‘Our resilient portfolio has been key to our success during the pandemic’

Kim Hetherington
Managing Director
Asia Pacific

The Rest of the World delivered a very strong performance, with revenue increasing 11.0% to £913.3 million, with underlying revenue growth of 4.7%, and adjusted operating profit growth of 18.3% to £116.5 million. Operating margin increased to 12.8% from 12.2% at actual exchange rates. Latin America delivered very strong revenue growth over the year, driven by strength in the base business, which traded very strongly above 2019 levels, and the acquisitions of SP Equipamentos and Medcorp. Covid-19 related sales remained robust, although deflation in Covid-19 related products impacted operating profit margin, particularly in the second half of the year. Revenues in Asia Pacific were resilient, with the impact of the acquisitions of Obex Medical Holdings, Harvey Distributors and Medshop, offset by a decline in Covid-19 related orders over the year. The base business in Asia Pacific traded in line with 2019 levels over the year, but with a better performance in the second half of the year which delivered good growth against 2019. Operating margin improved in Asia Pacific driven by the revenue mix, with strong growth within healthcare, and with the consolidation of two large warehouses in Australia.

In Brazil, our safety businesses grew very well as reduced demand for Covid-19 related products and the adverse impact of disposable gloves deflation were more than offset by strong demand and product cost inflation in the base business. In the foodservice sector, trading was more difficult, particularly due to deflation in gloves in the second half of the year. Our healthcare businesses had a very strong year as the base business recovered well and additional sales of vaccine related products led to strong growth in sales and operating profits.

In Chile, our safety businesses had an exceptional year as the base business recovered strongly and economic growth ensured copper prices remained high, in addition to the launch of new products in our specialist safety footwear business. In the foodservice sector, our catering supplies business also benefited from a good recovery in end markets and higher demand for sustainable products.

In Mexico and Colombia, our safety businesses were impacted by the reduction in demand for Covid-19 related products, with Mexico also impacted by weak underlying industrial demand.

Our largest business in Asia Pacific which is positioned well in the healthcare, foodservice and cleaning & hygiene sectors, has delivered a resilient performance excluding the reduction in larger Covid-19 related orders. The business has a traditional customer base in aged, primary and community care which remained strong and benefited from continued demand for smaller Covid-19 related orders. This helped offset the downturn in our traditional hospitality customer base which continues to operate at reduced capacity due to ongoing restrictions.

Revenue
£913.3m
(2020: £852.3m)
Growth at constant exchange rates
11.0%
Underlying growth*
4.7%

Adjusted operating profit*
£116.5m
(2020: £104.2m)
Growth at constant exchange rates
18.3%

* Alternative performance measure (see Note 3)
◊ Based on adjusted operating profit and before corporate costs (see Note 4)

Operating margin*
12.8%
(2020: 12.2%)

Our speciality Australian healthcare business had another very good year despite the challenges with ongoing supply chain issues from its major suppliers. The business benefited from increased demand for Covid-19 testing swabs from state health departments in the second half of 2021.

Our Australian safety businesses achieved moderate growth, benefiting again from ongoing improvements and initiatives implemented over the past few years. The business continues to invest in the development of its PPE and safety footwear range which will complement our current market offering. FRSA, our emergency services speciality business, was also impacted by supply chain and shipping delays but was nevertheless ahead of last year. We also successfully expanded our service offering following several large contract wins in Australia and we will also expand our service capabilities for customers in New Zealand.

Our safety business in Singapore continued with another very good performance, offsetting the slowdown in its traditional customer base with an increase in the sales of PPE and cleaning & hygiene products.

SUSTAINABILITY IN ACTION

Enabling faster transition with Bunzl own-brand solutions

We capture a good part of any transition to alternatives through our own brands and this is usually accompanied by a positive margin impact in addition to increased sales. Our Sustain and Revive packaging ranges in Australia are a good example of this success.

Aligned to the Compass Group Planet Promise commitment (Planet Promise | Compass Group (compass-group.com) and the introduction of Australian single-use plastic legislation, our strategic customer Compass Group Australia and their specialist procurement and supply chain organisation Foodbuy transitioned their entire range beyond plastic cutlery, straws and stirrers to include plates, hot cups and more.

The transition is across multiple jurisdictions of varying requirements; a significant project where our partnership has provided expert advice, guidance, and new product innovations in support of these changes and to ensure legal requirements are met. Close to 20 million products are being transitioned to alternative materials.

Number of consumable products transitioned to alternative materials
20m

Tailored solutions for a better world: Today, tomorrow and beyond

Bunzl has always provided its customers with solutions and the value we add is even more important when it comes to supporting their progress on sustainability.

Our global scale, vast experience, flexibility and unwavering passion means we are perfectly placed to help build a better world. We are working proactively to help solve the problems society faces, both now and in the future, whether that is helping our customers innovate, improving the ways we do things to be more efficient, or partnering with communities and other stakeholders to make a difference.

We understand our role as an influential leader in the transition to a more sustainable and equitable future. Our materiality assessment completed in 2020 identified the four areas where we can have the greatest impact.

Key themes	Our contribution	Benefits to our business, our stakeholders, the environment and society
Responsible supply chains	Respecting human rights with our industry-leading sourcing and auditing function in Shanghai	• Supplier education • Supporting worker conditions • Supply chain resilience and assurance for customers
Investing in our people and a diverse workforce	Our large family of local businesses are focused on developing talent, increasing diversity and enhancing inclusivity practices	• Acquiring & retaining talent • Fostering a positive workplace culture • Increasing diversity and inclusion
Taking further action on climate change	Consolidating orders from a range of sources into one delivery to reduce transport emissions and taking further action to tackle climate change	• Carbon efficient offer for customers • Business resilience • Helping customers meet their targets
Providing tailored alternative solutions	Using our scale and unique position at the centre of the supply chain working with customers and suppliers to lead the industry towards a more sustainable approach to packaging	• Attracting new and retaining existing customers • Supporting a more circular economy • Competitive advantage

Strong track record of transitioning customers

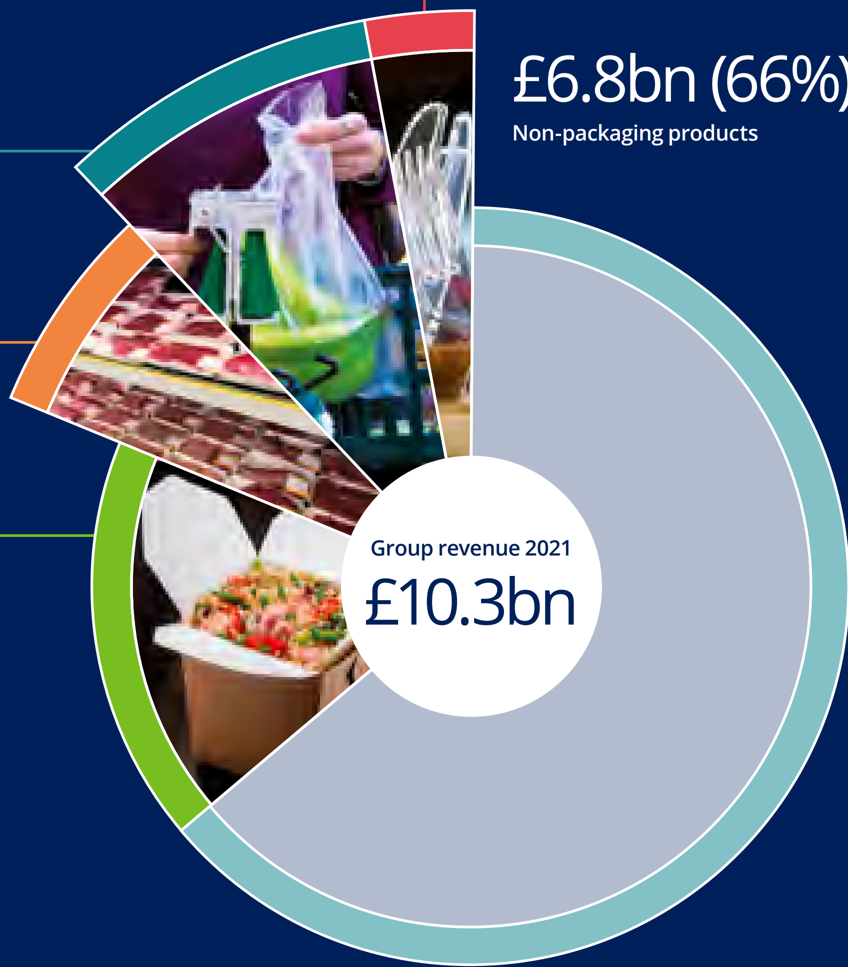
The majority of our packaging is recyclable, compostable, renewable or reusable

£0.2bn (2%)◊
Consumables facing regulation

£0.8bn (8%)◊
Consumables likely to transition

£0.7bn (6%)◊
Packaging with an important purpose

£1.8bn (18%)◊
Packaging and products made from alternative materials



◊ Included in the external auditors' limited assurance scope. See the data assurance statement on the Company's website, www.bunzl.com. More information on our packaging categories can be found on page 85.

Category	Recyclability	Examples
Consumable products facing regulation	Plastic products most commonly being addressed by legislation in our markets	Straws, stirrers, plates, bowls, cutlery
Consumable products likely to transition to alternative materials	Plastic products that have measures in place (driven by legislation or voluntarily applied by some brands) to control their usage, for example a charge for using plastic bags	Carrier and fresh produce bags, coffee cups, cold drink cups
Packaging with an important purpose	Plastic products where alternatives do not currently exist at scale or where careless substitution of plastic could lead to significant negative, unintended consequences such as increased food waste	Fresh meat, fruit, vegetable trays, films, takeaway boxes
Packaging and products made from alternative materials	Products that are recyclable or compostable (in line with national guidance), made from a renewable resource, for example palm leaf or sugar cane, or reusable products like 'bags for life' or refillable coffee cups.	All of the above

84%

84% of Group revenue is attributable to non-packaging products or packaging products made from alternative materials that are well suited to a circular economy

Packaging refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure. We have exercised our judgement to allocate the sales in 2021 to non-packaging products and the four packaging categories shown.

Responsible supply chains

Highlights

- We have updated our supply chain risk assessment in partnership with a leading NGO
- New member of the Responsible Labor Initiative
- An independent review to benchmark our standards against external best practice

Our progress

- 754 suppliers audited
- 77 identified as needing to improve practices
- 56 suppliers completed remediation work
- 11 in progress
- 10 suppliers terminated for not meeting our strict standards

Supporting the UN Sustainable Development Goals (SDGs)

Bunzl has sourced an unprecedented amount of Covid-19 related products and provided innovative solutions needed for new social distance measures and enhanced hygiene. At a time of great disruption our Global Supply Chain Solutions team not only provided the assurance that these essential items were of the right quality but that the products had been produced ethically and the people in the supply chain treated fairly with in-person manufacturing facility audits continuing throughout the pandemic. To date our team have conducted over 200 quality inspections for Covid-19 related product lines with orders totalling 440 million face masks checked as part of this work.

'It is great to see Bunzl taking a risk based approach to responsible sourcing on such a large scale, as work like this is vital to the prevention of modern slavery and labour exploitation worldwide. We look forward to building upon our effective NGO – business partnership with Bunzl and helping them achieve their social impact goals.'

Jack Nunn,
Business Development –
Project Manager at
Stop the Traffik

Investing in our people and a diverse workforce

- Our people are highly engaged
- We have increased our investment in the attraction and development of talent
- We are accelerating our Diversity, Equity and Inclusion activity

- 86% engagement index score (global % of strongly agree or agree responses to nine key questions from our employee survey in 2021)
- 40% female leaders on the Board during 2021 and on the Executive Committee
- Representation of women in senior leadership roles in UK & Ireland has grown from 13% to 22%

Bunzl is committed to playing its role in creating a fairer, more equitable society. Several new initiatives have launched to support this commitment, including the 'Diversity, Equality & Inclusion' program in North America and the 'Inspiring Ethnicity in Bunzl' group in the UK & Ireland. Both have the ambition to drive meaningful transformation across Bunzl and support the Group's ability to attract and retain the best talent, build awareness around this critical issue while inspiring people of all backgrounds to bring their most authentic selves to the Company and help drive the business forwards.

'My manager asked if I would like to be part of the Inspiring Ethnicity in Bunzl (IEIB) Group. To be honest, I was a little reluctant, fearing it could be a tick box exercise. My fears were unfounded as IEIB has turned out to be one of the most important activities that I have been involved with in my six years working for Bunzl.'

Shezmin Madhani,
Senior National
Account Manager,
Bunzl UK & Ireland

Taking action on climate change

Highlights

- New long-term carbon reduction targets for our operations that are aligned to climate science
- Committed to the Business Ambition for 1.5° campaign and joined the UN's Race to Zero initiative
- A new renewable energy target and net zero ambition for the business

Our progress

- 12% annual reduction in carbon emissions relative to revenue
- 14% renewable energy procurement
- Conducted further energy efficiency projects that reduced our Group electricity usage by 4%

Supporting the UN SDGs

King Belgium has been a distribution partner of Essity in Belgium for over 25 years. Both companies have invested in a 100% electric Renault truck that is now supplying hygiene products like paper towels, facial tissues, napkins and dispensing systems to customers such as schools, hospitals, restaurants and contract caterers across Belgium and Luxembourg. King Belgium is continuing to contribute to a greener future in the field of logistics with work underway to replace their existing fleet with electric vehicles.

'As a market leader in Europe, we take our social responsibility very seriously and are contributing further to sustainable developments. Thanks to the collaboration with King Belgium, the entire process, from factory to customer and end consumer, is now much more environmentally friendly.'

Wilco Nederkoorn,
Commercial Director
Professional Hygiene Benelux
at Essity

Providing tailored alternative solutions

- Proactively developing products made from alternative materials to help customers meet their targets
- Transitioning customers to materials that support a more circular economy
- Assessing full lifecycle impact to ensure transitioning does not cause unintended environmental consequences

- 73% of all food containers sold across the group made from recyclable, compostable, renewable or reusable materials
- 41% of the consumable products facing regulation have been transitioned to alternative materials
- 42% of all bags sold across the Bunzl Group were paper, compostable or reusable

As well as working with our customers to find alternative solutions for the products they use, we are also supporting the creation of new waste management infrastructure where it is needed most. For the last two years Bunzl has been working with Plastics for Change to fund the development of new waste management infrastructure and provide improved social services for marginalised waste picker communities in India. This project has helped fortify plastics recycling businesses, pay waste-pickers decent incomes, train them in techniques that boost their livelihoods, and make investments that benefit entire communities.

'We're so thrilled to partner with Bunzl on a project in South India that supports both the planet and the people behind recycling. Over the last 2 years we've seen meaningful impact in some of the most vulnerable communities in the world. Plastics for Change through the partnership support from Bunzl has been able to support and lift over 100 waste-collectors and their families from extreme poverty through income opportunities related to new waste management infrastructure.'

Shifrah Jacobs,
Chief Impact Officer
at Plastics for Change

Responsible supply chains

Our global supply chain has expanded customer choice and lowered costs but we recognise this comes with a responsibility to ensure communities and workers' rights are respected in the process.

The impacts of our business go far beyond our people, premises and vehicles and our obligations do too. We believe that everyone is entitled to safe and decent work and our Global Supply Chain Solutions team in Shanghai is uniquely positioned to give us a thorough level of oversight over our supply chain to support this objective.

This is a competitive advantage in our industry, with our 50-strong team supporting the regular auditing of direct suppliers to ensure that the products they manufacture are of the highest quality and they are treating their employees fairly.

Respecting Human Rights

We build solid and lasting relationships with our suppliers, providing them with support and guidance as well as monitoring their social and ethical performance. Our auditing process is our first line of defence to prevent defective products being shipped and to ensure products comply with our ethical standards. All products supplied directly from Asia are through suppliers that are verified by our office and our audits typically cover c.98% of Bunzl spend across 13 Asian countries every two years.

During 2021 our team audited 754 suppliers and 677 had no critical issues. If our audits identify non-conformities against our standard (for example, instances of forced labour or overtime or wage violations) we work to resolve these quickly through in-depth engagement with the supplier. In 2021 77 suppliers underwent remediation efforts to bring them up to the required standard, 56 have completed their action plans to date with 11 still in progress.

If resolution is not possible within a reasonable time frame (usually six months) then we terminate the relationship. In 2021, we terminated relationships with 10 suppliers who failed to make enough progress.

Our progress in 2021

Our Global Supply Chain Solutions team have continued to work closely with our operating companies and suppliers despite facing travel restrictions related to the pandemic. As operating company buyers were unable to visit suppliers in person, the team arranged four different online events across three regions where preferred suppliers were able to meet a number of our operating companies at the same time to promote their solutions. Where our ethical auditing teams have been unable to physically visit manufacturing sites, they have used a number of remote auditing tools to ensure engagement on this important subject is maintained. These include self-assessment questionnaires, telephone interviews and day-long video meetings where management teams are interviewed and records checked.

To ensure the auditing standards we apply are consistent with external best practice, we commissioned an independent external review with Elevate, an industry leader in sustainability and supply chain services. It is Elevate's opinion that the Bunzl Auditing Checklist has the same content and is equivalent to the SMETA Checklist, one of the leading external auditing standards available.

To guide our responsible sourcing work effectively, we partnered with the Non-Governmental Organisation (NGO) Stop the Traffik who have applied their methodology to rank the inherent modern slavery and human rights risks in our supply chain. This work was based on a combination of the sourcing country and market sector applicable to the products and services being procured. This work has been used to refine and establish our new responsible sourcing commitments (see below).

Bunzl have also joined the Responsible Labor Initiative (RLI). Established in 2017, the RLI is a multi-industry, multi-stakeholder initiative that focuses on ethical recruitment and employment practices. Based on leading Responsible Business Alliance standards and programs, RLI members, suppliers, recruitment partners and stakeholders use their collective influence and application of due diligence to drive the transformation of recruitment markets and reduce the risk of forced labour in global supply chains.

Our new commitments

We are committed to taking what we have learned across Asia and expanding our ethical sourcing principles across other sourcing areas in the Group. We will now expand our programme to ensure products from all high-risk regions are sourced from assessed and compliant suppliers by 2025 in line with the commitment below.

Today

Our supply chain in Asia (and all other very high risk regions) is currently covered by our direct auditing and assurance practices with 754 audits completed in 2021.

Tomorrow

We will expand our programme to ensure 90% of our spend on products from all high-risk regions are sourced from assessed and compliant suppliers by 2025.

Beyond

We will continue to take a proactive, risk-based approach to responsible sourcing, identifying common issues in our supply chain and working closely with suppliers to reduce the future incidences of these.

Our supply chain auditing and assessment programme

- In our supplier risk assessment work we place primary focus on the inherent modern slavery risks in the countries that we source our products from (see Category A below for examples). However, we are aware that lower risk countries can contain industry sectors with an increased risk of modern slavery issues (see Category B below for examples and our approach to mitigation). The table below provides an overview of how we categorise the modern slavery risks associated with our suppliers and the risk mitigations we apply.

Category	Description	Countries and product sectors	Risk Mitigation
Category A (low overall spend)	Suppliers operating in very high or high risk countries regardless of product risk sector. Our responsible sourcing target to 2025 covers this category.	Most Asian countries. Key countries outside of Asia are: Brazil, Turkey, Mexico, Poland and Israel.	• Standard or enhanced Bunzl audit process in Asia. • Risk-based assessment and audit process outside Asia (self-assessment will be used to determine the most appropriate approach). • Type of audit (standard or enhanced) to be determined by product risk sector and other leverage factors such as spend and number of employees at supplier location.
Category B (low overall spend)	Suppliers operating in lower risk countries but operating in a very high or high product risk sector.	Very high and high risk product sectors: • Manufacturing of wearing apparel • Manufacturing of textiles • Manufacture of leather products In various countries such as USA, UK and France.	• Similar assessment and auditing techniques to Category A but targeting specific sectors in these countries. These will be conducted at a lower frequency or by using proactive spot checks.
Category C (high overall spend)	Suppliers operating in lower risk countries and operating in lower risk product sectors.	Lower risk product sectors: • Manufacture of rubber and plastic products • Manufacture of paper and paper products • Manufacture of chemicals and chemical products In various countries such as USA, UK, France and the Netherlands.	• These suppliers are provided with Bunzl's Supplier Code of Conduct.

Investing in our people and a diverse workforce

We believe everyone has a right to prosperity. We are accelerating our diversity, equity and inclusion agenda to ensure that we have a working environment which supports individual well-being, growth and career progression. For Bunzl, the business case for focusing on this agenda is clear:

- it is fundamental to our employer brand and our current and prospective employees expect us to have a strong strategy in place;
- it is a key strand of our talent strategy – in order to build the capabilities we require for the future, we need to ensure that we are accessible as a workplace to all, irrespective of gender, ethnicity, age or any other individual characteristic; and
- it is increasingly becoming a 'condition of doing business' with our key stakeholders including customers, suppliers, investors and partners.

Stepping up to this challenge will continue to be central to the growth of our business.

Following on from the Covid-19 Pulse survey we ran in November 2020, we ran a Global Employee Engagement Survey in 2021 to help gain insight into the levels of engagement of Bunzl employees on a global and local level. The survey had a very high response rate with 80% of our employees completing the survey to tell us their views.

It is clear from the results that on the whole our employees feel positive about working at Bunzl:

- 91% believe their work is meaningful;
- 89% enjoy the work they do;
- 89% feel personally driven to help Bunzl succeed; and
- 88% have a strong sense of commitment to Bunzl.

The survey reinforced the need to focus on development for our people at all levels and also told us that our employees have an appetite for more communication, particularly while times remain uncertain during the pandemic. The power of the survey comes from the local action taken as a result of the feedback. Local leadership teams will now spend time reviewing the survey results to identify appropriate actions and establish plans to implement changes and monitor improvement.

Our progress in 2021

The development of leadership talent for the future has been a key focus of our Group HR strategy and we have also made a significant investment in leadership development activities. We now have our Global Senior Leadership Development Programme, tailored specifically for Bunzl's needs by the Centre for Strategy and Leadership. To meet regional requirements there are development initiatives including the 'Overdrive' programme in Bunzl North America partnering with Washington University and the Leading Edge programme in the UK, shortly to be replicated in Continental Europe, run by the Franklin Covey organisation.

Critically, although they are very tailored to our decentralised Bunzl model, these programmes fit together into a coherent development framework and we can start to measure the impact of the investment through the retention and future career development of our most talented leaders.

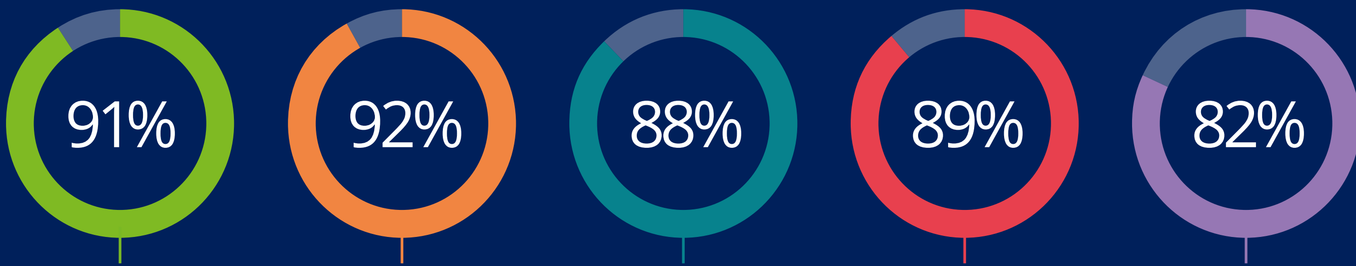
In 2020 we launched our new Employment Brand 'We Believe' which we are now using internally and externally across the Group. This has enabled us to bring to life the benefits of working for a local business that is part of a powerful network under the Global Bunzl umbrella. The 'We Believe' campaign has gained traction through popular social media posts and increased awareness of our organisation's values and beliefs.

Our talent objectives for the next few years are:

- encouraging more women into leadership roles through focused and targeted activities including giving all high potential females an internal or external mentor, ensuring that we consider female candidates where we can for senior leadership roles, and continuing with the rollout of our successful women's networks.
- continuing to focus on building a truly inclusive culture by:
  - achieving parity of engagement scores across ethnic groups in our North American business, and other parts of the Group where data collection is possible; and
  - providing a voice for under-represented colleagues and acting on their feedback to address any real or perceived barriers to engagement;
- identifying the next generation of leaders from a more diverse pool of talent, balancing broader capabilities while retaining entrepreneurial skills;
- providing a safe workplace for all employees and creating a culture where health and safety is clearly embedded into local business processes and leadership behaviours;
- capitalising on our compelling employment brand; and
- building on a technology enabled hybrid working environment to create a networked, collaborative organisation that attracts more diverse talent.

Excellent engagement scores

In November 2021 we surveyed all our employees and we are incredibly proud of the results we received:



"My work is meaningful to me."

"I know what to do if I have a concern about my health and safety at work."

"I feel a strong sense of commitment to the Company."

"I enjoy the work I do."

"Leaders support diversity and inclusion here."

The results from the employee survey have been shared with employees at team level. The teams are now creating action plans to address identified areas of opportunity.

Question: What do you value most about working here?

The word cloud below shows by size of text the volume of comments received in response to the question posed.

Taking action on climate change

Our carbon efficient business model

Our solutions significantly reduce road miles and minimise both our and our customers' carbon footprint by consolidating multiple items into single mixed pallet deliveries.

However, we recognise climate change as one of the biggest environmental threats the world faces and one which could detrimentally impact our direct operations, distribution network and supply chain. We applaud the ambition being shown by our customers in setting science-based carbon reduction targets. We are committed to playing our part by cutting emissions across our own business supported by our new commitments.

We are committed to providing transparency to our stakeholders regarding climate-related risks and opportunities that may impact our business and how we manage those risks and opportunities. We are supporting the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and publishing our second statement aligned to the TCFD's recommended disclosures www.bunzl.com/sustainability/sustainability-reporting/.

Over the last 11 years the total carbon emissions from Bunzl's operations has remained stable despite the business growing substantially and our carbon efficiency has improved by c.60%.

Our progress in 2021

To build on our long-established focus on carbon we have joined the United Nations' Race to Zero campaign – the largest ever global alliance committed to achieving net zero carbon emissions by 2050, backed by science-based targets.

We have done this by formally committing to the Business Ambition for 1.5°C, a campaign led by the Science Based Targets initiative in partnership with the UN Global Compact and the We Mean Business coalition.

To meet our new climate commitments, we are starting to transition applicable vehicles to low and zero carbon solutions and trialling alternative fuels in our larger fleet. We will also continue our successful programme of installing energy efficiency measures in our warehouses (a major driver of our good performance to date), procure more renewable energy and introduce efficient routing systems for our vehicles. In 2021 we completed another 19 Light Emitting Diode (LED) retrofit projects in North America which will result in savings of 3.1 million kWh every year (4% of our Group electricity usage) and our dynamic routing system has reduced the total miles driven by an estimated 20% (5.5 million miles) while retaining our high customer service levels.

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.

Our new commitments

Today

- We are working to have our new targets approved by the Science Based Targets initiative (SBTi) and we will be assessing and including our scope 3 emissions as part of this process.

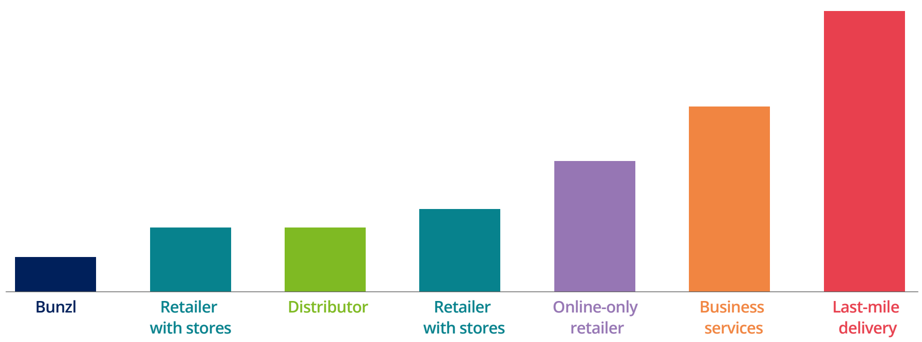
Tomorrow

- 25% improvement in carbon efficiency by 2025 and 50% by 2030 (against a 2019 baseline).
- 100% Group-wide renewable energy procurement by 2030.

Beyond

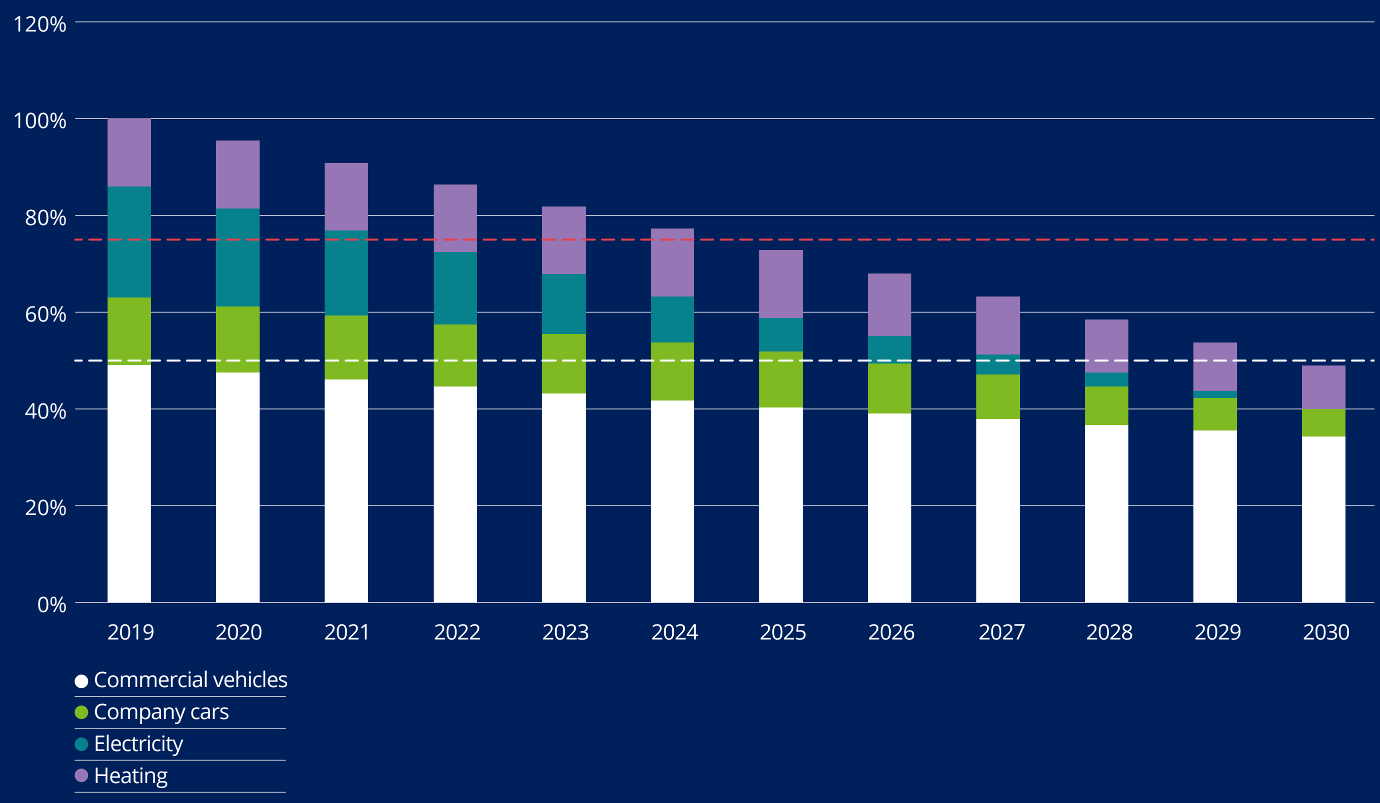
- Net zero by 2050 at the latest, including scope 3.

Comparing Bunzl to other companies with large logistics networks
Tonnes CO_2 per £m revenue (scope 1 and 2)



Our carbon roadmap to 2030

Carbon emissions intensity projection



Scope 1 and 2 emission source	Short term actions (2021 to 2025)	Longer term actions (2025 to 2030)
Commercial vehicles	Increasing our use of biofuels in UK&I and Continental Europe, with an aim to cover approximately 25% of commercial fuel usage in these areas if feasible. c.250 small commercial vehicles will be transitioned to electric models (EVs). The transition of medium and large vehicles will also start but additional advances in lightweight, energy-dense battery technology are required to allow implementation on a larger scale. Ongoing fuel efficiency improvements and the continued usage of routing and loading optimisation software will continue to decrease the distance driven by our commercial vehicles.	Biofuels will continue to represent a transition fuel in this period across the Bunzl Group. On the basis of projected technological advancement, relatively large scale implementation of EV technology will be feasible for medium and large vehicles. We estimate that 50% of these vehicles would be equipped with EV technology by 2030. We expect the energy density and range limitations of batteries to limit widescale EV penetration in Heavy Goods Vehicles (HGVs) until after 2030.
Company cars	We aim to implement new lease car programmes to increase the number of hybrid and fully electric cars by 25%.	The use of EVs will accelerate in this period. We expect the number of EVs to increase to at least 70% in 2030 across the markets where we operate.
Electricity	A significant reduction in electricity usage will be achieved by continuing to implement energy efficient lighting systems in our warehouses with c.80% of our North American facilities converted to LED lighting. We are planning onsite solar photovoltaic projects and will increase the amount of renewable energy we buy reaching 100% of our requirements in UK&I and Continental Europe.	We aim to buy 100% of our electricity from renewable sources by 2030. Solar photovoltaic panels, particularly at new sites and extensions, will be implemented where possible.
Heating	Use of natural gas for heating our buildings largely follows the weather conditions. Alternative heating systems and improved building insulation will be implemented as assets reach the end of their life.	We will continue to invest in energy efficiency measures and new technologies such as electric-based heating solutions such as ground source heat pumps to drive these emissions down as far as possible to meet our long term targets.

Providing tailored solutions

The majority of Bunzl's revenue comes from non-packaging products like gloves, sanitiser, PPE equipment and cleaning chemicals. The daily running of our customers' operations depends on these products, where in many cases, no viable alternative to plastic exists today – especially when it comes to healthcare consumables like gloves and gowns and PPE equipment for the safety sector.

We work with thousands of suppliers globally to find the packaging and products our customers need and where they don't yet exist, innovate to find them new solutions. These are a mix of branded products from large global suppliers, own-brand solutions offered exclusively by Bunzl and many familiar products branded with our customers' logos.

Our progress in 2021

Our material agnostic position means we are well placed to help customers transition to a more circular economy and lead the industry towards a more sustainable approach to packaging and plastics. Bunzl's scale means we can drive change quickly and we are well placed to provide customers with trusted and objective advice on these complex issues.

We have continued to support our customers and lead the transition to packaging and products made from alternative materials.

- Only 2% of revenue generated by consumables facing regulation
- 2021 picture is broadly consistent with 2019, supported by inflation
- Covid-19 caused a move back to single use plastics for hygiene reasons which is expected to be temporary
- We saw growth in packaging made from alternative products due to customers transitioning, regulatory changes and shortages of plastic products

Our new commitments

Today

- We will support our customers to remove, replace and reduce single use plastics.

Tomorrow

- We will significantly increase the amount of recyclable, compostable or reusable packaging supplied to our customers to help them meet their targets.

Beyond

- Every single packaging product and disposable in our range will be offered with an alternative that is recyclable, reusable, compostable or renewable.

1 Smart material choices

Helping customers to select materials with the lowest total environmental impact and make well informed packaging decisions that include consideration for cold chain, shelf life, food waste, product safety and hygiene. We offer our customers expert advice on sustainability as part of our service, becoming a consultant or adviser on some of the issues they face. Providing our customers with the data they need to understand their position against their packaging commitments and participate in industry-leading external programmes and schemes is key.

IN ACTION

PlanetScore: Gathering information on sustainability

In France, our business Comatec has developed 'PlanetScore', a tool that provides information on the total environmental impact of the products they distribute. The tool incorporates a score on a 5-letter scale (A to E) based on ten specific criteria and over 1,000 products have been assessed to date.

The score is a simple reference point for our customers in the catering industry who want to make informed choices about the sustainability characteristics of a product. In addition, the scoring system is used by Comatec's research and development department to refine the products they have in their range and engage suppliers to improve the sustainability characteristics of the solutions they offer.

2
Designing for circularity not waste

Proactively transitioning customers to single-use products made from recyclable or compostable materials. We have been innovating the way the packaging products we supply are designed as well as bringing an extensive range of own-brand alternative products to market. These new ranges not only provide solutions which comply with the latest legislation in our markets but often offer leading sustainability advice and training via new digital web platforms.

IN ACTION

Transitioning a North American business to recycled materials

In North America we have worked with our customer Good Food Holdings and their brand New Seasons Market, a grocery chain that inspires environmental stewardship and champions the local food economy, to transition to plastic packaging made from 100% post-consumer recycled content, with feedstock from the west coast of the United States and manufactured locally in Portland, Oregon. Over 500,000 of the new recyclable fresh food containers, have been distributed representing a 9.7 tonne reduction in the amount of virgin plastic used previously.

3
Promoting responsible usage and reusable options

Working with customers to rationalise their usage of certain products and introducing dedicated reusable product ranges and promoting reuse systems. A large proportion of packaging materials serve an important purpose but despite this necessity, our businesses regularly work closely with their customers to rationalise the products they use as part of our value-added service. For example, plastic pallet wrap serves an important purpose by protecting goods in transit and preventing waste, but by providing advice and technology on how to use the wrap efficiently we have driven some significant savings in the amount of material used each year.

IN ACTION

Reducing plastic use with soluble cleaning sachets

Bunzl Cleaning & Hygiene Supplies in the UK has helped an expert facilities management customer Churchill Group to trial and embed PVA Hygiene's water soluble sachets in their business. PVA Hygiene offer a range of specific cleaning powders encapsulated in water soluble sachets which when added to the required volume of water in a reusable trigger spray bottle, create a ready-to-use cleaning solution.

As the sachets are dry, compact and light they reduce storage space, transportation costs and the carbon emissions associated with delivering cleaning supplies. In the 12 months since September 2020, Churchill Group have saved 38.6 metric tonnes of plastic (avoiding the waste of 39,400 trigger spray bottles and 5,499 five litre containers).

4
Partnering to support closed loop solutions

Supporting customers' closed loop systems directly with our logistics networks or by partnering with suppliers to reuse, refill or recycle products returned to them. Our customers explained that while they don't expect Bunzl to establish new closed loop recycling systems ourselves, they would like us to provide the support required to make their circular initiatives a success.

IN ACTION

Recycling thermoforms to create fresh berry packaging

In North America, we have supported our customer Driscoll's to close the loop on fresh berry packaging with a project that won a Sustainable Packaging Coalition award for Innovation in Responsible Sourcing. Our teams have supported the collection and recycling of PET thermoforms that are then recycled back into the fresh berry retail packaging Driscoll's use to sell their short-life, fragile produce. Driscoll's have become the first berry producer to use closed-loop packaging and the project has prevented 3.6 tonnes of virgin plastic from being used in the manufacturing process.

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, colleagues, 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 a two way relationship, 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. The views of stakeholders are raised in Board conversations, informing and improving Board decision making and outcomes.

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.

	Customers	Colleagues
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 varying and complex needs, allowing us to provide a customised service and bespoke solutions to different customers.	Our people underpin everything we do and are the focus of our business. Nurturing the talent that we need to drive future growth is a business priority and we create an inclusive and supportive environment in which each individual can contribute to our success. We implement action plans to address points raised by colleagues to create a collaborative workplace in which we attract and retain the best talent.
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, or substantially improved products. • Our 6,000 customer service specialists and sales experts use their deep and detailed knowledge to work with customers to provide the best possible advice on all product and service related matters. • We work with our customers to ensure strong, ethical supply chains.	• We use a range of methods to engage with our employees, including listening groups, regular team briefings, site visits, digital apps, 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. • We have accelerated our diversity, equity and inclusion employer practices and established working groups and targeted events throughout the business. • Social media updates are provided on employee initiatives. • 'The Source' magazine is published frequently, updating colleagues on company initiatives, acquisitions, career moves, new customers, community efforts, and sustainability progress.

FURTHER INFORMATION ABOUT HOW THE COMPANY ENGAGES WITH ITS STAKEHOLDERS CAN ALSO BE FOUND IN THE SUSTAINABILITY REPORT ON PAGES 46 TO 57 AND IN THE CORPORATE GOVERNANCE REPORT ON PAGE 103

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. Engagement is essential for our proactive approach to sustainability so we can accelerate our focus on sustainability for tomorrow and beyond.

- We seek to reduce our, our suppliers' 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 alternatives to single use plastics and to support the development of innovative products to increase compostability, circularity and recyclability.
- We aim to reduce our impact on the environment, including factors contributing to climate change, through a commitment to continual improvement.
- Bunzl commits to ambitious climate change action targets and joins global alliances on climate change.

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.

- Bunzl updates shareholders six times per year on trading performance.
- Presentations of the half year and annual results with question and answer sessions are also given.
- Executive directors meet regularly with major shareholders and report their views to the Board.
- The Chairman, Senior Independent Director and other non-executive directors are available to meet with major shareholders on request.
- The Board 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 or via a dedicated email address, if they are unable to attend, and are given the opportunity to meet all of the directors informally.
- The Board engages with shareholders before and after the AGM to understand voting intentions and votes cast.

Suppliers

Bunzl regards suppliers as partners and collaboration between Bunzl and its suppliers ensures strategic alignment which enables us to meet our customers' individual needs, promote innovation and drive ambitious business solutions for new and existing customers.

- We 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.
- 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.
- Bunzl's supplier code of conduct is in operation across our supplier base.

Communities

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.

- 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.

	Customers	Colleagues	Environment
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.	The people in our business make the difference. 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 so that Bunzl can continue to grow and provide its essential services. Two-way, effective engagement is essential for parity, talent development and broadening the talent pool to ensure we have the knowledge and skills to give the best service to our customers.	Positive actions with respect to the environment and an increased focus on products made from alternative materials are not only desirable in their own right but are also of potential economic and commercial benefit to Bunzl.
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. • Monitoring underlying sales growth.	• Ongoing monitoring of gender and diversity metrics. • Monitoring the culture in the workplace. • Feedback from employee forums, including through non-executive director listening groups and diversity, equity and inclusion working groups. • Frequent Board reporting of people matters. • Ongoing monitoring of whistle blowing reports. • Continuous monitoring of absence rates, turnover rates and health & safety scores.	• Dialogue with environmental agencies. • Dialogue with government and non-governmental agencies. • Dialogue with customers and suppliers. • Monitoring of results of CO_2 reporting. • Analysis and monitoring of external auditors' EHS assurance report.
How we engaged during 2021	• Dedicated innovation sessions with large customers. • Involvement of a key customer in accelerating the diversity agenda. • Proactive engagement with customers around UK plastics tax. • Customer data analysed for risk assessment against single-use plastics regulation. • Customer insights and feedback were presented to the Board.	• Non-executive director listening groups. • 2021 employee engagement survey. • CEO listening sessions relating to gender and ethnic diversity. • Non-executive director visits to UK and US operations. • Capital Markets Day. • Virtual conference with senior management, hosted by Frank van Zanten and Richard Howes. • Senior management inclusive leadership training.	• Design and launch of a business wide stakeholder communications and marketing programme. • Defined the scope of any new targets, including being 25% more carbon efficient by 2025 and 50% by 2030. • Made a business application for Group wide UN Global Compact membership and research. • Engagement with regional Plastic Pacts at business area level. • Gave greater disclosures on sustainability at Capital Markets Day.
Outcomes of engagement	• Bunzl was granted critical supplier status, supplying healthcare organisations and governments with masks, sanitisers, gloves and other products during the global pandemic. • Increased amount of recyclable, compostable and reusable packaging supplied to customers.	• Feedback received has been used to update the diversity agenda, including the provision of mentors for high potential women in senior management positions. • Clear and transparent policies implemented around working from home during Covid-19 restrictions. • Discussions concerning the Pulse survey results and gaining an understanding of the employee engagement results.	• Developed a roadmap to execute new targets in the most relevant parts of Bunzl's business. • Positive feedback from Capital Markets Day. • Publication of the SASB Index following engagement with a large investor. • Committed to the Business Ambition for 1.5º campaign. • Race to Zero membership. • Improved scores with MSCI.

Shareholders	Suppliers	Communities
Engagement is a key factor in building and maintaining shareholder trust and in ensuring that shareholder support continues in the long term.	Our global sourcing capabilities, working with multinational and local suppliers, together with the unrivalled 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 corporate responsibility strategy directly supports Bunzl's strategic vision by seeking to gain sustainable business success through building relationships with local stakeholders.
• Feedback gathered at investor roadshows. • Analysis of AGM voting results. • Shareholder feedback. • Analyst feedback. • Analysis of results of major shareholder consultations.	• 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.
• 2021 AGM question and answer session. • Consultation with shareholders regarding possible overboarding of directors. • Capital Markets Day. • Investor roadshows. • 140 investor meetings during 2021. • Extensive engagement between Vanda Murray, Chair of the Remuneration Committee, and shareholders regarding the remuneration policy approved at the 2021 AGM.	• The Board received regular updates regarding supplier performance at Board meetings. • The Board was kept informed of how the pandemic and other external factors have impacted suppliers. • The Board received a presentation and updates on supplier governance and the work of Bunzl's quality assurance/quality control team in Shanghai.	• Partnerships with charities. • Approval and implementation of the Group's 2021 charity programme, which focused on: infrastructure projects that encourage reuse and recycling; litter education, prevention and clean-up initiatives; and supporting the livelihoods of waste picker communities in some of the world's poorest places, particularly in areas where plastic leakage to the natural environment is highest.
• Clarity given around possible overboarding issues and Board policy concerning external appointments. • Changed the structure of the Nomination Committee following engagement with investors around best practice and good governance. • Launch of new website following Board drive to improve shareholder communications. • Positive feedback following Capital Markets Day. • Record share prices.	• Expansion of our supply chain audit programme to other countries. • Partnerships formed with NGOs to review high risk supplier countries. • 10 suppliers were terminated for not making sufficient progress during the year.	• Approval of UK and overseas charity initiatives for 2022. • Re-allocation of a proportion of the charity budget to overseas initiatives, where there are higher levels of team member fundraising.

The Board of directors of Bunzl plc promote the success of the Company for the benefit of its members as a whole, having sufficient regard to:

The likely consequences of any decision in the long term

- Company purpose: page 28
- Acquisitions: page 104
- Our business model: page 30
- Our strategy: page 32
- Shareholder returns: page 9

The impact of the Company's operations on the community and the environment

- Sustainability: pages 46 to 57
- TCFD disclosures: page 82
- Carbon emissions: pages 86 to 88
- Community investment: pages 58 to 63

The interests of the Company's employees

- Employment policies: page 152
- Employee engagement: page 103
- Diversity, equity and inclusion: page 48
- Our people: pages 20 and 21

The desirability of the Company maintaining a reputation for high standards of business conduct

- Audit Committee report: pages 116 to 124
- Independent auditors' report: pages 214 to 221
- Whistle blowing: page 86
- Culture and values: page 102
- Non-financial information statement: page 91

The need to foster the Company's business relationships with suppliers, customers, and others

See our 'Policy hub' at www.bunzl.com to access:

- Business Code of Conduct Policy
- Bunzl Anti Bribery and Corruption Policy
- Bunzl Ethical Sourcing Policy
- Modern Slavery Statement
- Supplier Code of Conduct

The need to act fairly as between members of the Company

- Shareholder engagement: pages 58 to 63
- The Company's Annual General Meeting: page 63

SUSTAINABILITY IN ACTION

Tailored solutions that support the circular economy and climate change agenda

Bunzl Cleaning & Hygiene Supplies partnered with Dettol Pro Solutions to distribute the 600 hand sanitisers used at COP26 to businesses across Glasgow and the surrounding areas.

Following COP26, Bunzl collected and distributed the dispensers and remaining stock to Glasgow City Council and local businesses in Glasgow and the wider region. The initiative not only supports a more circular economy but is expected to save six tonnes of waste and 2.7 tonnes of carbon dioxide by keeping the dispensers in use.

Any excess stock will be offered to local government offices, universities, the Hygiene Bank – which works to reduce hygiene poverty – and to Emmaus, a homeless charity supported by Bunzl.

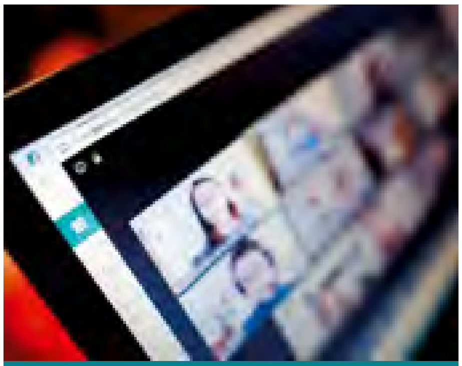
CASE STUDY

Diversity listening events

In December, the Company's Chief Executive Officer, Frank van Zanten, supported by the Company's Director of Group Human Resources, Diana Breeze, held two listening sessions inviting female colleagues and colleagues from ethnic minority backgrounds to join informal, open, and honest conversations about their personal insights and experiences of diversity at Bunzl and beyond.

The Board understands that diversity at all levels of the business is essential to uphold Bunzl's open and inclusive culture and ensure all colleagues feel supported to reach their maximum potential and perform to their best ability. The Company believes that each person plays a role in creating the conditions for a diverse and inclusive workplace, and the Board therefore sought the views of female colleagues and colleagues from ethnic minority backgrounds in order to assist with the development and review of the Company's diversity agenda. Attendees gave key insights and frank suggestions regarding what has helped them develop their careers at Bunzl, whether there are any barriers to progression and what changes senior leadership can make to support them further in their careers.

This overwhelmingly positive meeting provided the directors with a forum to gain valuable first-hand feedback about how colleagues in Bunzl feel about the Company and the current initiatives in place, as well as providing the Board a unique opportunity to gain an understanding of what more can be done to make a difference to women and colleagues from ethnic minority backgrounds in Bunzl and drive forward the diversity agenda. The leadership team has recently undertaken voluntary unconscious bias training in support of the agenda.



CASE STUDY

Bunzl's AGM: engaging with shareholders

During the 2021 AGM season, the Company was unable to hold a physical meeting for the second consecutive year due to government restrictions. The Board understands that the AGM is an important opportunity for all shareholders to express their views by asking questions and voting, and considered it vital to provide alternative engagement opportunities.

The Company extensively consulted with its corporate lawyers and Registrar to benchmark engagement mechanisms against other companies and align with best practice, to ensure that the shareholder voice would still be heard by the Board in an appropriate and inclusive way.

Following the consultation, the Company arranged a live Q&A session during which shareholders were given an opportunity to pose questions directly to the directors and receive answers in real time. To accommodate those who could not attend the session and for all other queries, a dedicated email address was made available for shareholders to submit their questions ahead of the AGM.

The Board also recognised that the Articles of Association did not allow for virtual AGMs and subsequently amended the Articles of Association to align with technological advances, changes in investor sentiment and evolving best practice.

Due consideration has been given to the responses to the engagement mechanisms previously employed and, for maximum engagement, it is our present intention to welcome shareholders in person to the forthcoming AGM.

CASE STUDY

The Board's ethical supplier policy

The Board sets clear messaging for the Group that Bunzl wishes to partner with ethical suppliers and is willing to take action to cease dealing with suppliers that fall below Bunzl's ethical standards and audit requirements. The Board receives regular updates on the audits undertaken or overseen throughout the year by the quality assurance/quality control department based in Shanghai.

Under Bunzl's policy, suppliers who fall foul of the audit requirements are provided with the opportunity to comply within a reasonable period of time, and Bunzl engages and works closely with the suppliers during this time to solve the identified issues. The Board is clear that the Company is willing to cease trading with those suppliers who fail to resolve the identified issues and continue to fall below required standards.

To read more about our ethical supply chain, see page 48 of the Sustainability report.

A robust approach to risk management

Bunzl operates in six core market sectors in 31 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 & 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 2021.

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. Business area management present risk assessments to the Executive Committee annually, focusing on the key risks in their region, processes they have in place to identify risk and any areas of heightened concern or any emerging risks for the future

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 108 and 109 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 in 31 countries which exposes it to many risks and uncertainties, many of which are not fully 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:

- Profitable organic growth
- Acquisition growth
- Operating model improvements
- Sustainability

Overall, the nature and type of the principal risks and uncertainties affecting the Group are considered to be unchanged compared to the 2020 Annual Report.

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.

Emerging risks

In addition to the principal risks faced by the Group, there are risks which are more uncertain in nature and difficult to assess or that have the potential to develop and increase in severity over time.

The Board monitors closely all emerging risks as part of the ongoing risk management processes that have the potential to increase in significance and affect the performance of the Group and its ability to meet its strategic objectives. Climate change continues to be an emerging risk that may impact both Bunzl's direct operations and the value chain in which the Group operates. The Group is already facing increased interaction with some customers who expect Bunzl to contribute to their climate change commitments, however, there has been no impact on the financial statements for 2021. In future, the Group may face increased business continuity risks from acute and chronic climatic events. For more details on our climate change work see www.bunzl.com/sustainability and pages 54 and 55 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

The Covid-19 pandemic has created extreme economic volatility which has had a significant impact on the markets in which the Group operates and the Group's business. The medium to long term economic impact of the Covid-19 pandemic is still uncertain and the rate of economic recovery could vary significantly between, and even within, markets. Although the full impact of the Covid-19 pandemic is difficult to predict, the Group's strength and resilience lies in the diversity of its operations and supply chain, as well as the critical nature of the products it supplies to its customers.

The extent to which the long term impact of the Covid-19 pandemic will impact the Group's operations and those of its customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including, for example, if vaccination roll outs are slower than expected or if other preventative measures become less effective against any new variants of Covid-19. Increased sales of products related to Covid-19 have offset the weakness in the base businesses of all sectors, but particularly in foodservice and retail sectors which have been impacted by pandemic-related restrictions. Despite the significant disruption from impacted supply chains, the Group has been able to manage these effects due to the Group's wide reaching supplier relationships across multiple jurisdictions and internal supplier auditing capabilities in Asia, which have been a source of strength. While Covid-19 related products continue to be elevated compared to 2019 levels, the Group is now seeing a reversal in trends with the base business, excluding the top 8 Covid-19 related products, recovering and the sales of Covid-19 related products declining. The Group's performance as economies have moved into the next phase of the pandemic continues to demonstrate its resilience.

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 2021

Strategic 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 2021
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 large sales force connected with customers to help them understand the range of products available to meet their needs • The Group continued to invest in technology to streamline customers' experience • The Group continued to develop its sustainable product assortment and tools to assist customers in meeting their sustainability goals
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:** → **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 local level	• In 2021, the Group did not encounter insolvencies of either a large customer or a significant number of smaller customers. However, this remains a significant risk as the world is still not out of the Covid-19 pandemic • In 2021, provisions relating to the Group's credit exposure from customers remained broadly unchanged

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 2021

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 2021
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 2021, the Group experienced a higher level of price volatility compared to recent years. In particular, there was deflation on Covid-19 related products, especially gloves • In order to oversee the price fluctuations in disposable gloves, a working group was set up in 2021. The group, consisting of purchasing directors from around the world, hold regular meetings to understand the price variations in the market and take the appropriate actions for the Group
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 • 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	• The Group experienced inflation of both product cost and operating costs in 2021 at a higher rate than in the recent past. Selling prices to customers were continually evaluated and updated to ensure that profitability levels were at least maintained. In addition, cost plus arrangements facilitate the automatic increase in prices • The Group continues to focus on own brand product development as part of the discussion with customers about price increases • To mitigate the operating costs increases, the Group drives efficiencies by consolidating facilities and implementing IT systems and solutions to improve productivity

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 2021
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 183 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 • 2021 has been the second most acquisitive year for the Group, with committed spend of £508 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 2021 the Board reviewed the principal acquisitions made in 2019 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 2021
Strategic risks continued			
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	• Over the last year we have seen new legislation introduced across Australia, New Zealand and Canada that mirrors (and in some cases goes further than) the legislation previously introduced in Europe and the UK. The scope of new legislation tends to cover a wider range of products than that previously introduced and has largely been welcomed by consumers and viewed as governments doing the right thing • Consumer awareness of the environmental impact of certain single-use plastic products continues to grow and the concept of single-use consumable items and societies' reliance on them is starting to be questioned more widely, regardless of the material that these items are made from. 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 reusable 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 has access to an extensive global supply chain of product and packaging manufacturers who are innovating the range of products they produce to satisfy the increased focus on sustainability. This means the Group can offer the broadest possible range of products 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 or an introduction of reusable products systems)	• The majority of the Group's businesses in the retail, foodservice and grocery sectors now employ material footprint tools that explain how legislation will impact the products and packaging a customer uses, while promoting the alternatives we have in our range • In response to a larger number of customers setting increasingly ambitious targets for their packaging, the Group has developed proprietary tools that support customers to report effectively against their goals and participation in industry-leading external schemes, such as the New Plastics Economy and B-Corp certification • The Group continued to expand and introduced new ranges of own brand products made from alternative materials. In Europe, we launched Verive and 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 webshop platform
Operational risks			
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 Group continued to improve cyber security and data privacy governance, architecture, and controls, along with increasing awareness of both cyber security and data privacy across the Group • Investments were made in modern cyber security technologies that address current and emerging threats while improving operational processes and procedures • The Group focused on improving cyber security and data privacy due diligence processes during the acquisition process, along with improving security posture

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 2021

Financial 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 2021
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	• No new debt was issued in 2021 but the Group has significant liquidity available and continues to monitor forecast cash flows to ensure future requirements can be met
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 • 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 2021, currency translation had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 5% and 8% • 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 2021

Financial 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 2021
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	• 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	• HMRC concluded that the Group was not subject to State aid rules for periods up to 2018, which removed a significant uncertainty • The Organisation for Economic Co-operation and Development (OECD) proposals for a global minimum tax rate of 15% have been widely agreed to take effect from 2023 and model provisions have been published. The Group will monitor the legislative changes which many countries will take to enact this during 2022 and will take action where required • Significant proposals for tax reform have been presented by the US government and are the subject of debate in the US Congress. The financial implications of such changes have been modelled and the Group will update its expected tax expense in light of any enacted changes

Viability

Assessment of the prospects of the Company and its viability statement
In accordance with provision 31 of the 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 31 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 focusing on 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 2024.

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 16 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 against the Group's current base case financial projections. The base case financial projections start with the Group's 2022 Budget and look ahead over the three year assessment period to include an expected level of organic growth and acquisition activity. These stress tests included the following:
- the impact of the crystallisation of the principal strategic and operational risks to the Group's organic growth resulting in a 20% reduction in adjusted operating profit and a 20% increase in working capital;and
- the impact of the crystallisation of the principal strategic and operational risks to the Group's organic growth as above, together with the impact of the crystallisation of the principal risks to the Group's acquisition growth, and a significant increase the effective tax rate, without mitigating actions.

In addition, the Group has carried out reverse stress tests against the base case financial projections to determine the conditions that would result in a breach of financial covenants. In order for a breach of covenants to occur during the three year assessment period the Group would need to experience a reduction in EBITDA of over 45% compared to the base case or an increase in net debt of over 210%.

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 scenarios 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 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 2024.

Financial review

'We largely funded the second most acquisitive year in our history from cash generated in the year and ended 2021 with leverage in a strong position for continued acquisition investment.'

Richard Howes
Chief Financial Officer

Revenue
Up 1.7% at actual exchange rates

£10,285.1m

(2020: £10,111.1m)

+7.1%†

Operating profit
Up 0.8% at actual exchange rates

£623.3m

(2020: £618.5m)

+7.7%†

Adjusted operating profit*
Down 3.3% at actual exchange rates

£752.8m

(2020: £778.4m)

+2.8%†

Adjusted earnings per share*
Down 1.5% at actual exchange rates

162.5p

(2020: 164.9p)

+4.9%†

Cash conversion*
Continued strong cash conversion

102%

(2020: 103%)

Dividend per share
Long track record of dividend growth continues

57.0p

(2020: 54.1p)

+5.4%

	2021 £m	2020 £m	Growth as reported	Growth at constant exchange
Financial results				
Revenue	**10,285.1**	10,111.1	1.7 %	7.1 %
Adjusted operating profit*	**752.8**	778.4	(3.3)%	2.8 %
Adjusted profit before income tax*	**698.2**	715.6	(2.4)%	3.9 %
Adjusted earnings per share*	**162.5p**	164.9p	(1.5)%	4.9 %
Dividend for the year	**57.0p**	54.1p	5.4 %	
Statutory results				
Operating profit	**623.3**	618.5	0.8 %	7.7 %
Profit before income tax	**568.7**	555.7	2.3 %	9.6 %
Basic earnings per share	**132.7p**	128.8p	3.0 %	10.5 %
Balance sheet and Cash flow				
Return on average operating capital %*	**43.3%**	45.4%		
Return on invested capital %*	**15.1%**	16.2%		
Cash conversion %*	**102%**	103%		

† At constant exchange rates.
* Alternative performance measure (see Note 3 on page 170).

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 170.

Currency translation

Currency translation has had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 5% and 8%. 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 US dollar, Euro and Brazilian real, partly offset by the weakening of sterling against the Australian dollar.

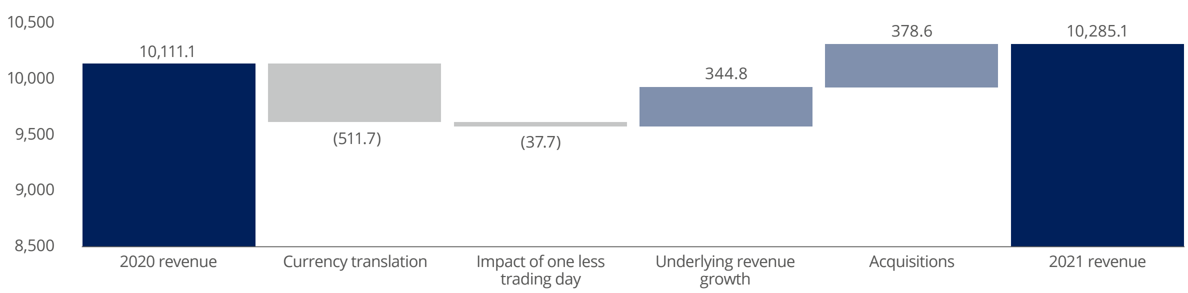
Average exchange rates	2021	2020
US$	**1.38**	1.28
Euro	**1.16**	1.12
Canadian$	**1.72**	1.72
Brazilian real	**7.42**	6.61
Australian$	**1.83**	1.86

Closing exchange rates	2021	2020
US$	**1.35**	1.37
Euro	**1.19**	1.12
Canadian$	**1.71**	1.74
Brazilian real	**7.54**	7.08
Australian$	**1.86**	1.77

Revenue

Revenue increased to £10,285.1 million (2020: £10,111.1 million), an increase of 7.1% at constant exchange rates and 1.7% at actual exchange rates, due to the benefit of acquisitions adding 4.0% and underlying revenue growth of 3.6% partly offset by the impact of one less trading day in 2021, 2020 being a leap year.

Movement in revenue (£m)

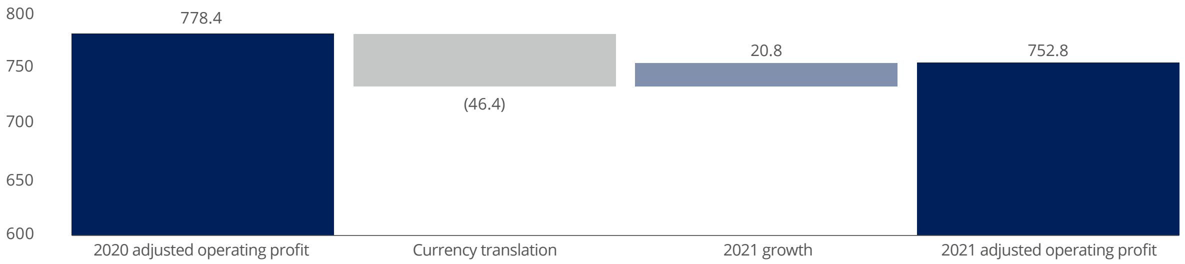


Operating profit

Adjusted operating profit was £752.8 million (2020: £778.4 million), an increase of 2.8% at constant exchange rates (down 3.3% at actual exchange rates). At constant exchange rates operating margin decreased to 7.3% from 7.6% in 2020 (7.3% from 7.7% at actual exchange rates). This decline in operating margin reflects a normalisation of revenue mix, with a reduction in sales of Covid-19 related products in the higher than average margin sectors of safety, healthcare and cleaning & hygiene and a recovery in demand in the lower than average margin sectors of foodservice and retail, and the impact of price deflation on certain Covid-19 related products.

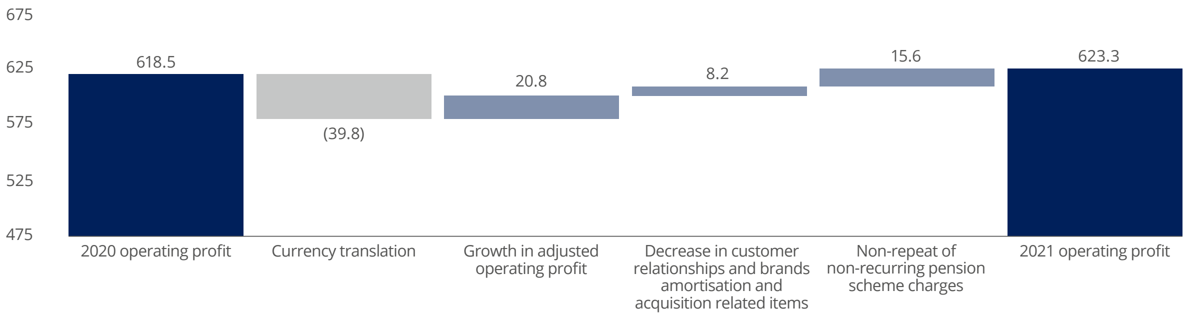
During 2021, the Group saw a further increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25 million in the year to increase slow moving inventory provisions whilst additional provisions were also required as a result of market price deflation on certain Covid-19 products. This was partially offset by a net release of approximately £5 million relating to expected credit losses on trade receivables.

Movement in adjusted operating profit (£m)



Operating profit was £623.3 million, an increase of 7.7% at constant exchange rates and 0.8% at actual exchange rates.

Movement in operating profit (£m)



Customer relationships and brands amortisation, acquisition related items and non-recurring pension scheme charges 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 £54.6 million, a decrease of £5.2 million at constant exchange rates (down £8.2 million at actual exchange rates), mainly due to a change in the mix of debt towards currencies with lower interest rates and higher interest income on cash deposits held in the subsidiaries through the year.

Profit before income tax

Adjusted profit before income tax was £698.2 million (2020: £715.6 million), up 3.9% at constant exchange rates (down 2.4% at actual exchange rates), due to the growth in adjusted operating profit and the reduction in net finance expense. Profit before income tax was £568.7 million (2020: £555.7 million), an increase of 9.6% at constant exchange rates (up 2.3% 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 22.3% (2020: 23.1%) and the reported tax rate on statutory profit was 22.1% (2020: 22.6%). Both the effective and reported tax rates for 2021 are lower than for 2020 due to a reduction in the expected tax liabilities for prior periods. In 2022 the Group's effective tax rate is expected to be approximately 24%, reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures. Looking beyond 2022, we expect our effective tax rate to increase to between 24% and 25% due to the rise in the UK tax rate from 19% to 25% from April 2023 and enforcement of a minimum tax rate for corporate profits globally. Based on current proposals we do not expect proposed federal tax changes in the US to have a significant impact to the Group if implemented.

As explained in the Principal risks and uncertainties section on pages 64 to 72, 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. However this risk is now considered to be lower due to the reduction of the Group's exposure to the particular risk which was described in the 2020 Annual Report regarding the potential application of State aid rules to the UK tax regime. In March 2021 the Group received communication from HM Revenue & Customs ('HMRC') regarding the potential application of State aid rules to the UK tax regime, which was described in the 2020 Annual Report. HMRC's conclusion, with which the European Commission agreed, was that no Bunzl Group company was a beneficiary under the State aid decision of the European Commission. This means that the risk of having to pay additional tax plus interest of up to £37 million in connection with the matter is now remote, whatever the EU General Court's eventual ruling.

Earnings per share

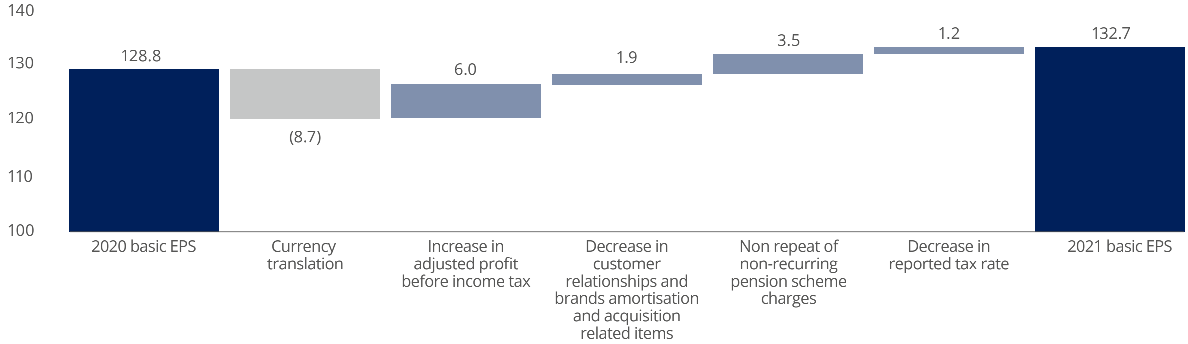
Profit after tax increased to £442.8 million (2020: £430.0 million), up 10.4% and an increase of £41.8 million at constant exchange rates (up 3.0% at actual exchange rates), due to a £49.8 million increase in profit before income tax, partly offset by an £8.0 million increase in the tax charge at constant exchange rates.

Adjusted profit after tax was £542.5 million (2020: £550.5 million), up 4.9% and an increase of £25.4 million at constant exchange rates (down 1.5% at actual exchange rates), due to a £26.0 million increase in adjusted profit before income tax, partly offset by a £0.6 million increase in the tax on adjusted profit before income tax at constant exchange rates.

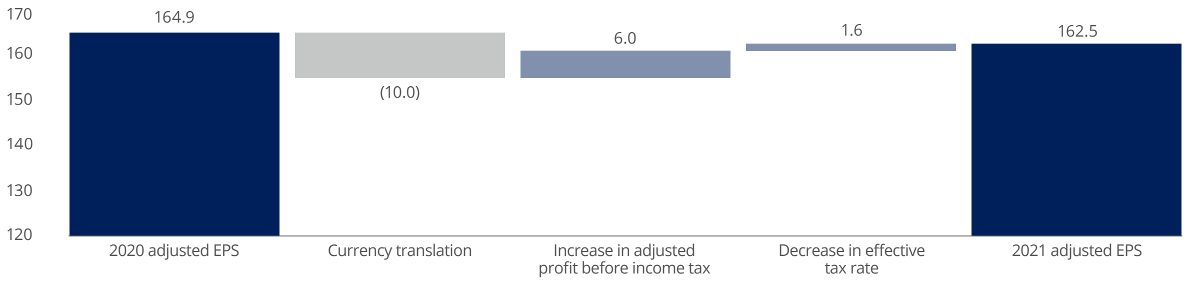
The weighted average number of shares of 333.8 million is unchanged from 2020 with employee share option exercises offset by share purchases into the employee benefit trust.

Basic earnings per share were 132.7p (2020: 128.8p), up 10.5% at constant exchange rates (up 3.0% at actual exchange rates). Adjusted earnings per share were 162.5p (2020: 164.9p), an increase of 4.9% at constant exchange rates (down 1.5% 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:

	2021	2020	Growth
Interim dividend (p)	**16.2**	15.8	2.5%
Final dividend (p)	**40.8**	38.3	6.5%
Total dividend (p)	**57.0**	54.1	5.4%
Dividend cover (times)	**2.9**	3.0	

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. The Board is proposing a 2021 final dividend of 40.8p, an increase of 6.5% on the amount paid in relation to the 2020 final dividend. The 2021 total dividend of 57.0p is 5.4% higher than the 2020 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 2021, Bunzl has sustained a growing dividend to shareholders over the past 29 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 72. 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 2021 Bunzl plc had sufficient distributable reserves to cover more than five years of dividends at the levels of those delivered in 2021, which is expected to be approximately £191 million.

Acquisitions

The Group completed 14 acquisitions during the year ended 31 December 2021 with a total committed spend of £507.6 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the year were £322 million and £46 million respectively.

The acquisitions completed during the year include the acquisition of McCue Corporation, which is considered to be individually significant due to its impact on intangible assets, adding £107.1 million to customer relationships, £8.6 million to brands and £132.5 million to goodwill. The committed spend on this acquisition was £246.5 million. For further details of this acquisition see Note 28 on pages 201 to 203.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	238.9
Goodwill	240.8
Consideration	479.7
Satisfied by:	
cash consideration	442.8
deferred consideration	36.9
	479.7
Contingent payments relating to retention of former owners	30.9
Net cash acquired	(11.3)
Transaction costs and expenses	8.3
Total committed spend in respect of acquisitions agreed and completed in the current year	507.6

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

	£m
Cash consideration	442.8
Net cash acquired	(11.3)
Deferred consideration payments	5.2
Net cash outflow in respect of acquisitions	436.7
Acquisition related items*	16.0
Total cash outflow in respect of acquisitions	452.7

* Acquisition related items comprise £9.1 million of transaction costs and expenses paid and £6.9 million of payments relating to the retention of former owners.

Cash flow

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

	2021 £m	2020 £m
Cash generated from operations†	**930.5**	968.3
Payment of lease liabilities	**(158.9)**	(159.6)
Net capital expenditure	**(30.0)**	(31.9)
Operating cash flow†	**741.6**	776.8
Net interest excluding interest on lease liabilities	**(34.8)**	(41.5)
Income tax paid	**(181.4)**	(153.8)
Free cash flow	**525.4**	581.5
Dividends paid	**(180.4)**	(171.5)
Net receipts/(payments) relating to employee share schemes	**19.5**	(8.4)
Net cash inflow before acquisitions	**364.5**	401.6
Acquisitions◊	**(452.7)**	(387.5)
Net cash (outflow)/inflow	**(88.2)**	14.1

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

The Group's free cash flow of £525.4 million was £56.1 million lower than in 2020, primarily due to the decrease in operating cash flow of £35.2 million and a higher cash outflow relating to tax. The Group's free cash flow was used to finance dividend payments of £180.4 million in respect of 2020 (2020: £171.5 million in respect of 2019) and partially fund an acquisition cash outflow of £452.7 million (2020: £387.5 million). Cash conversion (being the ratio of operating cash flow as a percentage of lease adjusted operating profit) was 102% (2020: 103%).

	2021 £m	2020 £m
Operating cash flow	741.6	776.8
Adjusted operating profit	752.8	778.4
Add back depreciation of right-of-use assets	134.8	134.8
Deduct payment of lease liabilities	(158.9)	(159.6)
Lease adjusted operating profit	728.7	753.6
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	102%	103%

Net debt

Net debt excluding lease liabilities increased by £82.4 million during the year to £1,337.4 million (2020: £1,255.0 million), due to a net cash outflow of £88.2 million partly offset by a £5.8 million decrease due to currency translation. Net debt including lease liabilities was £1,826.1 million (2020: £1,752.5 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 1.6 times (2020: 1.5 times). Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.9 times (2020: 1.8 times).

Balance sheet

Summary balance sheet at 31 December:

	2021 £m	2020 £m
Intangible assets	**2,766.8**	2,441.9
Right-of-use assets	**448.3**	453.4
Property, plant and equipment	**120.9**	122.7
Working capital	**1,027.6**	1,021.4
Other net liabilities	**(364.8)**	(323.0)
	3,998.8	3,716.4
Net pension surplus/(deficit)	**31.2**	(44.8)
Net debt excluding lease liabilities	**(1,337.4)**	(1,255.0)
Lease liabilities	**(488.7)**	(497.5)
Equity	**2,203.9**	1,919.1
Return on average operating capital	**43.3%**	45.4%
Return on invested capital	**15.1%**	16.2%

Return on average operating capital decreased to 43.3% from 45.4% in 2020 and return on invested capital of 15.1% was down from 16.2% in 2020, both driven by a lower operating margin and reflective of a more normal revenue mix for the Group as Covid-19 related sales have decreased.

Intangible assets increased by £324.9 million to £2,766.8 million due to intangible assets arising on acquisitions in the year of £487.9 million and software additions of £7.9 million, partly offset by an amortisation charge of £114.9 million, and a decrease from currency translation of £56.0 million.

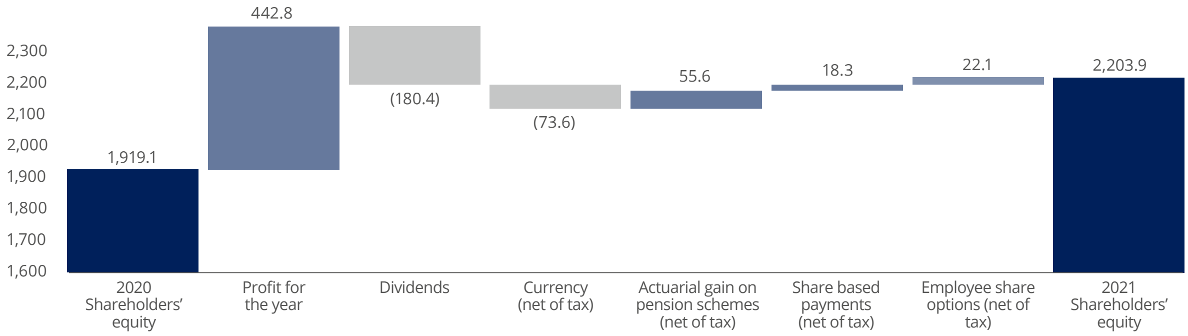
Right-of-use assets decreased by £5.1 million to £448.3 million due to a depreciation charge of £134.8 million and a decrease from currency translation of £7.0 million, partly offset by additional right-of-use assets from new leases during the year of £112.6 million, an increase from acquisitions of £12.6 million and an increase from remeasurement adjustments of £11.5 million.

Working capital increased from the prior year end by £6.2 million to £1,027.6 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 surplus of £31.2 million at 31 December 2021 compares with the net pension deficit of £44.8 million at 31 December 2020, principally due to an actuarial gain of £74.1 million and contributions of £8.4 million during the year, partly offset by decreases from service cost and net interest expense. The actuarial gain principally arose from a decrease in pension liabilities due to an increase in discount rates and higher than expected returns on pension scheme assets.

Shareholders' equity increased by £284.8 million during the year to £2,203.9 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

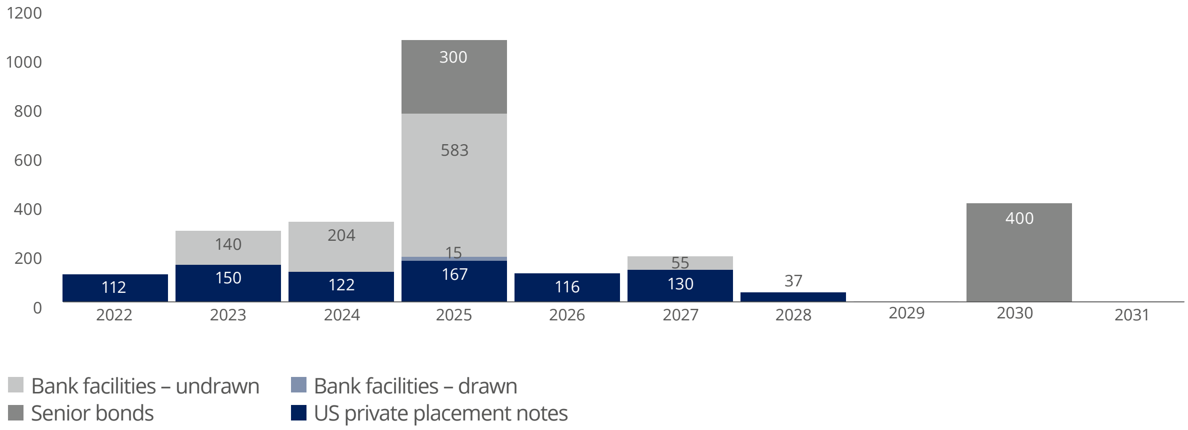
The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate, foreign currency and credit risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed 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 Board. Controls over exposure changes and transaction authenticity are in place.

During the year, all of the Group's committed bank facilities, which previously referenced the discontinued GBP LIBOR, have been renegotiated to reference SONIA, the new GBP benchmark. This has not had an impact on the financial results for the year ended 31 December 2021.

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 2021 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. At 31 December 2021 the nominal value of US private placement notes outstanding was £834.7 million (2020: £916.3 million) with maturities ranging from 2022 to 2028. At 31 December 2021 the available committed bank facilities totalled £996.2 million (2020: £978.0 million) of which £14.5 million (2020: £45.0 million) was drawn down, providing headroom of £981.7 million (2020: £933.0 million). During the year, £188 million of bank facilities were extended to 2025 and we expect to extend 2025 maturities further using the bank and/or capital markets in due course. The Group expects to make repayments in 2022 of approximately £112 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 16 on pages 183 to 190.

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 severe but plausible downside scenarios. Further details are set out in Note 1 on page 162.

Richard Howes
Chief Financial Officer
28 February 2022

TCFD Index

The Taskforce on Climate related Financial Disclosures (TCFD) has developed a climate related financial risk disclosure framework for companies to provide information to investors, lenders, insurers and other stakeholders.

Our climate related disclosures comply with the TCFD recommendations and disclosures. The index table below provides a reference to where these disclosures can be found. A separate TCFD statement is available which provides more detail of the recommended disclosures and provides easy access for external stakeholders. This TCFD statement can be found on our website www.bunzl.com/sustainability/sustainability-reporting/.

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.	Governance report: pages 98-99, 108-109 Principal risks: pages 64-66 TCFD statement.
		b) Describe management's role in assessing and managing climate related risks and opportunities.	Governance report: pages 98-99, 108-109 Principal risks: pages 64-66 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.	Principal risks: page 66 Sustainability report: page 54 TCFD statement.
		b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Principal risks: page 66 Sustainability report: page 54 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.	Principal risks: page 66 Sustainability report: page 54 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 64-66 Sustainability report: page 54 TCFD statement.
		b) Describe the organisation's processes for managing climate related risks.	Principal risks: page 66 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 64-66 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 report: page 54-55 TCFD statement.

SASB Reporting for Bunzl Sustainability Metrics

The Sustainability Accounting Standards Board (SASB) has industry-specific sustainability standards which identify material topics and associated metrics. The table below summarises where relevant SASB disclosures can be found throughout Bunzl's annual reporting. This is based on several standards from the materiality map as Bunzl does not fall within one clear sector. We have based our disclosure on the most relevant standards for the business that align to and cover the key sustainability themes arising from our recent materiality assessment. All of the data provided below is from 2021 unless otherwise stated.

SASB Metric	Bunzl Disclosures
Product lifecycle management	
Revenue from products that are reusable, recyclable, and/or compostable	In 2021, £1.8bn revenue was generated from packaging and products made from materials that are recyclable, compostable, reusable or made from renewable sources. Page 47: Annual Report.
Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	We have discussed how we work with our suppliers and customers to reduce the environmental impact of packaging and products in both our annual report and Capital Markets Day material. Pages 56 to 57: Annual Report. Pages 23-37: Capital Markets Day 2021.
Greenhouse Gas Emissions	
Gross global Scope 1 emissions Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	87,125 tonnes of CO_2e Our climate change/carbon strategy has been detailed in the sustainability section of our annual report on pages 54 to 55: Annual Report. A comprehensive view into how we understand, assess and manage the risks and opportunities associated with climate change can be found in our TCFD statement: TCFD Statement. Our integrated process for identifying and assessing risks is detailed in the strategic report section of our annual report on pages 64 to 72: Annual Report. Our carbon reduction targets can be found on pages 13 and 54 of our annual report (Annual Report) with our performance shown on pages 86 to 88. The targets are (baseline year: 2019): • 2025: Reduce emission intensity by 25% (scope 1 and 2) • 2030: Reduce emission intensity by 50% (scope 1 and 2) • 100% Group-wide renewable energy procurement by 2030 • Net zero by 2050 at the latest (scope 1, 2 and 3) We have also committed to the Business Ambition for 1.5ºC initiative & joined the Race to Zero campaign.
(1) Total fuel consumed, (2) percentage natural gas, (3) percentage renewable	(1) Total fuel consumed: 1,402,986 GJ (2) percentage natural gas: 23% (3) percentage renewable fuel: 0.2%
(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	(1) Operational energy consumed: 1,695,386 GJ (2) percentage grid electricity: 17% (3) percentage renewable: 2.5% (total energy), 14% (total electricity)

SASB Metric	Bunzl Disclosures
Labour conditions in the supply chain	
Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor	Our auditing process is our first line of defence to prevent defective products being shipped and to ensure products comply with our ethical standards. (1) Tier 1 suppliers: All products supplied directly from Asia are through suppliers that are verified by our Global Supply Chain Solutions team and our audits typically cover c.98% of Bunzl spend across 13 Asian countries every 2 years. We will take a proactive, risk-based approach to responsible sourcing, identifying common issues in our supply chain and working closely with suppliers to reduce the future incidences of these. The spend coverage above (representing c.15% of our global supply chain) relates to our suppliers based in regions identified as very high risk in international rankings of human rights issues (e.g. Global Slavery Index). (2) Tier 2 suppliers: None audited as we are taking a risk based approach to working through our supply chain with our programme (and focusing on Tier 1 as a priority). Our audits and Supplier Code of Conduct demand that our Tier 1 suppliers ensure that the Code is maintained and enforced within their own supply chains, including by any sub-contractors used in executing any orders received from our Company. (3) Percentage of total audits conducted by a third-party auditor: c.3%, although this increased to c.15% during the pandemic due to travel restrictions impacting our Global Supply Chain Solutions team. For more information see: Pages 50 to 51: Annual Report. Bunzl Supplier Code of Conduct Bunzl Modern Slavery Statement
Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits	During 2021, our Global Supply Chain Solutions team audited 754 suppliers: • 677 had no critical issues (89.8% suppliers audited). • 77 underwent remediation efforts to bring them up to the required standard (10.2% suppliers audited). • Following these remediation efforts, we terminated relationships with 10 suppliers who failed to make enough progress (1.3% of suppliers audited, 13% of suppliers requiring remediation). • Corrective action rate for suppliers requiring remediation: 87%.
Description of the greatest (1) labour and (2) environmental, health, and safety risks in the supply chain	Our Global Supply Chain Solutions team have identified the following risks: (1) Labour: • Child Labour. • Forced Labour (Modern Slavery) – including the use of recruitment fees. • Unfair discrimination. • Wages not meeting local legal minimum requirements. • Continuous work for more than 30 consecutive days without at least one day's rest. (2) Environmental, health and safety risks: • Whether the supplier have an Environmental Policy and an appointed business owner. • Are evacuation routes and safety exits kept clear and unblocked, and firefighting equipment easy to access. • Whether the dormitory located in a building separate from the workshops and warehouses. • Are the production/warehouse buildings structurally safe.
Workforce diversity and inclusion	
Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	We monitor the percentage of our workforce by gender and have total workforce of just over 21,000 employees, 63% of them are male and 37% are female. In our senior management population (c.450 leaders) there are 19% females and 81% males. We cannot monitor ethnicity of our total workforce or senior management population due to restrictions on capturing data in certain countries in which we operate.
Total amount of monetary losses as a result of legal proceedings associated with employment discrimination	In 2021 compensation costs of c.£3,000 were incurred for one legal case in Latin America associated with alleged employment discrimination.
Voluntary and involuntary turnover rates for employees	Voluntary turnover for 2021 was 17.3%.

ESG Appendix

Packaging categories

- Packaging refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure.
- We have exercised our judgement to allocate sales to the packaging and non-packaging categories as explained below.
- In future years packaging and products may move between categories and / or may be added or removed (for example, as legislation changes, recyclability improves or if a new line of products is launched).

Category detail and name applied by Bunzl	#	Description	Example products in category
Category detail: Single-use plastic products facing restriction **Bunzl name:** Consumable plastics facing regulation	1	The single-use plastic products most commonly facing restriction – i.e. outright bans or complete restriction on placing into the market within countries in which we operate – this is the category where we expect to see some volume reduction. We have expanded these specific regulations to all Business Areas where such products are sold. This is to provide consistency, as it can be reasonably expected that legislation will follow to those areas where it does not currently apply.	Including but not limited to: Plastic cutlery Plastic plates, bowls, platters, and lids
Category detail: Single-use plastic products facing regulation (not outright restriction) **Bunzl name:** Consumable plastics likely to transition	2	Single-use plastic products that have existing measures in place (either legislative in countries we operate or voluntarily by some brands/ businesses we sell to) to control their usage. As the use of these products is not completely restricted (i.e. there are no large-scale outright bans as with category 1) and the products themselves serve a functional purpose, we expect customers to transition away from these products to alternatives including reusable options. We have expanded these specific regulations to all Business Areas where such products are sold to provide consistency.	Including but not limited to: Single-use plastic cups Paper cups and soup containers with plastic lining Lightweight plastic carrier bags
Category detail: Single-use plastic products where plastic is an appropriate material for the job, where alternatives are not commercially available or where substitution could cause unintended environmental consequences **Bunzl name:** Packaging and products with an important purpose	3	Single-use plastic products where plastic is an appropriate material for the job from a functional perspective, where alternatives do not currently exist at scale or where unmitigated, careless substitution of plastic could lead to significant negative, unintended consequences such as higher carbon emissions, water use and food waste.	Including but not limited to: Plastic food containers Plastic pouches, packets, and wrappers
Category detail: Recyclable, reusable, compostable products, and those made from renewable resources **Bunzl name:** Packaging and products made from alternative materials	4	These are products that are recyclable or compostable, made from a renewable resource, for example palm leaf or sugar cane, plastic products containing a proportion of recycled content (where these products are also recyclable) and reusable products such as 'bags for life' or refillable coffee cups that are products specifically designed to be used more than once. These represent the alternative solutions our customers typically transition their single-use packaging and products to. National guidance (where it exists) has been used to determine the recyclability of a product. Due to the huge variation in recycling provisions globally we have expanded these criteria to all Business Areas where such products are sold to provide consistency.	Including but not limited to: PET and rPET food containers Cardboard or paperboard containers Compostable plastic cups Reusable cups Alternative materials cutlery Alternative materials plates, bowls, platters, and lids Paper pouches, packets, and wrappers Paper bags Reusable carrier bags

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.

	2019	2020	2021	Comment
Material breaches of code of conduct	0	0	**0**	No material breaches of our code of conduct were recorded in 2021.
Speak up	8	43	**33**	In 2021 we received 33 reports through our confidential whistle blowing process, 'Speak Up', none of which related to any issues of material concern. We promoted the service in September 2021 due to a change in supplier and new contact details and have received 13 cases since communicating these details. All reports raised were effectively 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.

	2019	2020	2021	Comment
Number of supplier audits and assessments covering environmental and social standards	707	680	**754**	The number of audits increased due to travel restrictions being relaxed in Asia. We have ceased our relationship with 10 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	2019 (baseline year)	2020	2021
Scope 1			
Total emissions (tonnes of CO_2e)	99,193	90,568	**87,125**◊
Emission intensity (tonnes of CO_2e/£m revenue	10.7	9.5	**8.5**◊
Natural gas usage (m^3)	8,912,413	8,082,813	**8,272,123**
Fuel usage (ltr)	31,523,097	29,306,537	**28,060,702**
Scope 2 – Location based			
Emissions (tonnes of CO_2e)	29,594	27,421	**25,043**◊
Emission intensity (tonnes of CO_2e/£m revenue)	3.2	2.9	**2.4**◊
Electricity usage (MWh)	83,062	80,276	**79,057**
Scope 2 – Market based			
Emissions (tonnes of CO_2e)	29,835	26,183	**25,025**
Emission intensity (tonnes of CO_2e/£m revenue)	3.2	2.7	**2.4**
Total gross emissions – location based			
Emissions (tonnes of CO_2e)	128,787	117,989	**112,168**◊
Emission intensity (tonnes of CO_2e/£m revenue)	13.9	12.4	**10.9**◊
Total energy (MWh)	516,775	480,711	**470,941**

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

The 2021 scope 1 carbon emissions intensity of 8.5 tonnes of CO_2e/£m revenue represents a 20% decrease versus 2019, including the effect of foreign exchange rate fluctuation. At constant exchange rates the emissions reduced by 23%.

Reduction of these emissions has been impacted by the continued unusual business circumstances due to the Covid-19 pandemic. The fuel consumption associated with company cars decreased further due to travel restrictions and the requirement for employees to work from home throughout the whole reporting year (October 2020 - September 2021). Fuel for transportation remains our highest source of CO_2e emissions, contributing 80% of Scope 1. Of those emissions relating to transportation, 83% are generated by our fleet of commercial vehicles.

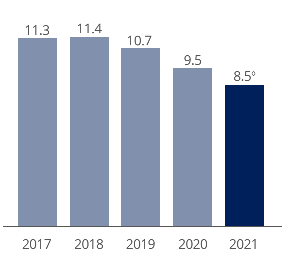
Scope 2:
Target for 2021: Reduce emission intensity by 10% against 2019 (target excludes any foreign exchange translation effect on revenue).

The 2021 scope 2 location based intensity figure of 2.4 tonnes of CO_2e/£m revenue represents a 23% reduction in Scope 2 emissions versus 2019, including the effect of foreign exchange rate fluctuation. At constant exchange rates the reduction in emissions is 26%. These Scope 2 emissions take into account changes to the average country specific emission factors, but do not take into account low carbon electricity purchases (representing approximately 13% of electricity purchased). The remaining improvement in the Scope 2 index has been driven by the continued implementation of energy efficiency improvements such as low energy lighting. In 2021 we completed another 19 LED retrofit projects in North America which will result in savings of 3.1 thousand MWh every year. These savings represent 4% of our Group electricity usage.

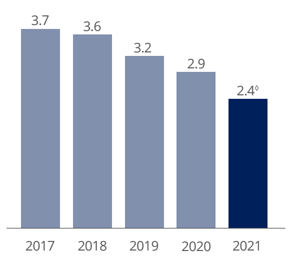
Scope 1 and 2:
Target for 2021: Reduce emission intensity by 6% against 2019 (target excludes any foreign exchange translation effect on revenue numbers).

The 2021 combined scope 1 and 2 intensity figure of 10.9 tonnes of CO_2e/£m revenue represents a 21% reduction versus 2019, including the effect of foreign exchange rate fluctuation. At constant exchange rates the reduction in emissions is 24%.

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



◊ Included in 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	2019	2020	2021
Scope 1			
Total emissions (tonnes of CO_2e)	17,211	15,261	**14,845**
Natural gas usage (m^3)	469,573	486,661	**419,138**
Fuel usage (ltr)	6,271,182	5,606,760	**5,572,556**
Scope 2			
Emissions (tonnes of CO_2e)	2,660	2,847	**2,511**
Electricity usage (MWh)	10,405	11,140	**9,823**
Total gross emissions			
Emissions (tonnes of CO_2e)	19,871	18,108	**17,356**
Total energy consumption (MWh)	82,084	75,812	**73,815**
Emission intensity (tonnes of CO_2e/£m revenue)	17.0	14.9	**14.6**

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

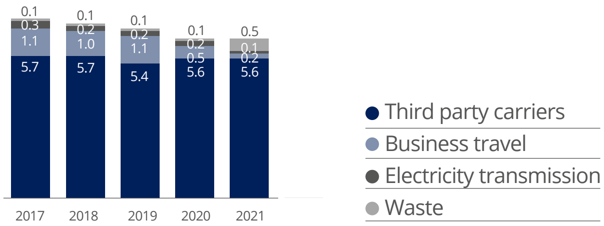
Our reported environmental data includes all businesses that are subsidiaries of the Group for financial reporting purposes, except for recent acquisitions where there has been insufficient opportunity for the businesses to adopt our reporting guidelines. The revenue from these businesses is not included when calculating the indexed emissions. The reported data covers 99.3% 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 EHS performance. All data is reported in the Group's central EHS reporting and consolidation system. More details can be found in the Group reporting guidelines on our website (https://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. In 2022, we will undertake a screening of our scope 3 emissions sources and estimate the quantity of emissions from other scope 3 sources.

Scope 3 carbon emissions
Tonnes of CO_2e per £m revenue



12 months to 30 September
The increase in the CO_2 emissions associated with waste generation in 2021 due to the application of a new CO_2 emission factor

Waste

The amount of waste generated in our facilities in 2021 is approximately 22,000 tonnes which is approximately 4% lower compared to last year, mainly due to increased reporting accuracy. The recycling rates strongly depend on the locally available waste recycling options. In 2021, the recycling rate remained stable at approximately 50% of the generated waste. This excludes any post-disposal waste treatment and recycling carried out by waste handlers. The reported waste data covers approximately 95% of the Group by revenue.

To improve consistency and accuracy of waste reporting and management, we have carried out projects to consolidate waste contractors in UK and Australia. Accurate waste measurement remains challenging in geographies with less advanced waste management infrastructures.

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 175,000 m^3 of water per year. The usage is higher than last year due to increased number of FTEs in the group and increased operational hours at some of our sites. 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

We have developed an internal EHS management system standard that is based on ISO 14001 and ISO 45001. Some parts of the business, mainly in UK & Ireland, Asia Pacific and Continental Europe, have elected to become formally certified. These businesses cover approximately 22% of the Group's operations (measured by revenue).

Health & safety

Health & safety indicators	2017	2018	2019	2020	2021
Average number of incidents per month per 100,000 employees	81	95	96	85	**86◊**
Average number of days lost per month per 100,000 employees	1,890	2,370	3,110	3,040	**2,615◊**
Fatalities	0	1	0	0	**0**

◊ 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.

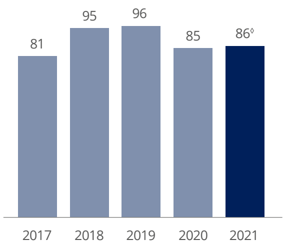
Targets for 2021:
Reduce the Group accident incidence rate by 5% from 2019. Reduce the Group accident severity rate by 5% from 2019.

The 2021 group accident incidence rate of 86 represents a 10% improvement versus 2019. The 2021 group accident severity rate of 2,615 represents a 16% improvement versus 2019.

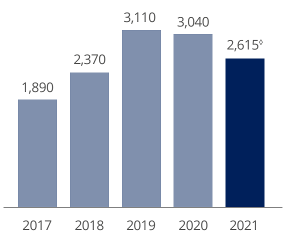
Despite the continued challenging conditions due to the Covid-19 pandemic, we have continued the work to minimise our health and safety risks, particularly relating to the operation of our warehouses and vehicles, such as manual handling, falling, slipping and tripping and impact with equipment which remain the highest causes of accidents. We have taken several steps to embed a more pro-active safety culture in Bunzl. Across the Group we are now internally reporting on leading indicators such as near misses, safety meetings, safety observations and inspections. We are rolling out behavioural safety observation programmes, aimed at facilitating discussions with employees about safe and unsafe work practices. In France, where we have the highest incidence and severity rate in the Group, the roll out of the safety observation programme resulted in a 23% reduction of lost time accidents in 2021.

Target for 2022:
Reduce the Group accident incidence rate by 5% from 2021
Reduce the Group accident severity rate by 5% from 2021

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.

Employees

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

	Performance 2019	2020	2021	What we said we would do in 2021	What we did	What we plan to do in 2022
Employee turnover: Voluntary	15.4%	12.2%	**17.3%**	Review quarterly at the Executive Committee to ensure we understand and where appropriate address reasons for unintended voluntary turnover.	Continued to listen to employees who leave and share this data at Executive Committee level. Offered greater flexibility in working arrangements when possible.	Build on the strong engagement results and focus on the employee experience. Ensure employees continue to feel safe at work. Establish models of hybrid working.
Gender diversity: Women at senior management level	14%	16%	**19%**	Monitor progress of high potential females in network groups to track career development.	Increased focus on high potential females through regional and global monitoring. High potential females have been offered mentors; targeted development solutions.	Encourage more women into leadership roles though focussed and targeted activities and a continuation of leadership development initiatives.
Employee engagement index score	–	88%	**86%**	Run a Global engagement survey and where necessary local surveys to better understand trends and drivers of engagement.	Conducted two regional surveys in Latin America and Continental Europe focussed on understanding employees opinions regarding Diversity & Inclusion. Deployed a Global survey for all employees with an 80% response rate.	Ensure employees are involved in conversations to develop plans based on their local survey results. Run tailored local surveys to focus on specific areas to be improved or understood in more depth.

Senior management (%) and employees

Males	81%	374
Females	19%*	88

* 27.3% of the Executive Committee's direct reports are female (6 employees)

Source:
HR from September 2021 (those employees eligible to receive grants of executive share options)

Total workforce (%) and employees

Males	63%	13,243
Females	37%	7,778

Source:
HR from BRMS

Average number of employees (%)

North America	39%
Continental Europe	26%
UK & Ireland	19%
Rest of the World	16%

Source:
Note 24 on page 199

Total workforce age profile (%)

Under 30	15%
30–39	24%
40–54	39%
Over 55	22%

Source:
HR from BRMS

Charitable contributions

	2019	2020	**2021**
Charity donations (£000s)	669	2,271	**1,271**

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 other years.

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 2021 we continued to support activities in these three 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 page 49) we have funded a number of other environmental initiatives:

- we have continued our partnership with the UK-based charity Sea-Changers and our 'coastal fountain' fund for the provision of water bottle refill fountains at some of the UK's busiest beaches continued during 2021. We now have 10 fountains installed across the country.
- our overseas initiatives included developing a new plastics recycling unit in Douala, Cameroon employing 30 vulnerable people from the community to collect, sort and process plastic waste into valuable products and continuing our successful project in Mangalore, India where we have supported informal waste-collectors with the resources and skills to work with dignity and are launching a new scholarship programme for local children.

Group wide, Bunzl donated a total of £1,271,000 to charitable causes during 2021. This does not include amounts donated by Bunzl in matching funds raised by employees for local charities.

Non-financial information statement

In accordance with sections 414CA and 414CB of the Companies Act 2006, we have set out where the relevant non-financial information we need to report against can be found in this Annual Report:

Business model	Read more on pages 30 and 31
Social matters	Read more on pages 46 to 57
Employees	Read more on pages 58 to 63
Anti-bribery and corruption matters	Read more on page 62
Human rights	Read more on pages 46 to 57
Environmental matters	Read more on pages 46 to 57

Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 64 to 72. Our non-financial key performance indicators are set out on page 37.

View the following codes, policies and standards, together with information concerning the due diligence and monitoring procedures carried out in relation thereto, on our 'Policy hub' at www.bunzl.com:

- Business Code of Conduct Policy;
- Business Code of Conduct;
- Supplier Code of Conduct;
- Bunzl Ethical Sourcing Policy;
- Modern Slavery Statement;
- 'Speak Up' Policy;
- Bunzl Anti-Bribery and Corruption Policy;
- Diversity, Equity and Inclusion Policy;
- Health & Safety Policy; and
- Environment Policy.

FIND OUT MORE IN OUR POLICY HUB ON OUR WEBSITE

At the centre of Bunzl's corporate culture are the championed values of humility, responsiveness, reliability and transparency.

READ MORE PAGE 102

Directors' report

Introduction from Peter Ventress, Chairman of the Board

'We are dedicated to leading by example to demonstrate Bunzl's strong corporate values and culture.'

Peter Ventress
Chairman

On behalf of the Board, I am pleased to present the Corporate governance report for the year ended 31 December 2021. Throughout the year the Board has worked cohesively as a team to enable the Company to successfully navigate a turbulent and uncertain period. I would like to thank the Board for their wise counsel and continued efforts during this time. The Board is composed of highly skilled and experienced directors from a diverse range of industries and backgrounds, all of whom contribute towards the long term success of the Company and show commitment and enthusiasm in the performance of their roles and duties.

Last year we refreshed the Board with the appointments of Vinodka (Vin) Murria OBE and Maria Fernanda Mejía, and this year the Board has continually considered the composition of the Board in relation to the strategy of the Company, with succession planning being high on the agenda.

As announced by the Company on 2 February 2022, Maria Fernanda has stepped down from the Board and its Committees to take up an external executive role. I would like to thank Maria Fernanda for her contribution to the Board and wish her the best in her future endeavours. An extensive recruitment process is currently underway, further details of which will be included in our 2022 Annual Report.

The report that follows, in conjunction with the Nomination, Audit and Remuneration Committee reports, seeks to demonstrate our robust governance framework, prudent risk management, open engagement with stakeholders and compliance with the principles and provisions of the UK Corporate Governance Code (the 'Code').

The challenges faced over the past 18 months have brought into sharp focus the importance of a healthy culture for maintaining resilience, managing risk and as a driver of success. 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. The Board understands the importance of monitoring the culture of the Company and therefore assesses culture through a variety of mechanisms to ensure alignment with our purpose, values and strategy.

Stakeholders are at the heart of Bunzl's decision making and understanding their views is vital to Board conversations and outcomes. During the year, we engaged with our diverse range of stakeholders and further details of the engagement activities which took place can be found on pages 58 to 63. As part of these activities, in October, we were pleased to be able to host a successful Capital Markets Day with investors which focused on sustainability, our tailored, service-led customer proposition and our compounding strategy which has once again delivered strong shareholder returns.

At Bunzl we want every employee to have a sense of belonging and pride that they are part of the Bunzl Group and during the year we undertook our employee engagement survey to ascertain the level of employee engagement and enhance our understanding of the employee voice. The positive results received are set out on page 53. Diversity, equity and inclusion have been areas of high priority focus for the Board during the year. Our diverse and talented workforce is fundamental to our success and we are proud of the progress being made in these areas throughout the business and with the initiatives that have been introduced throughout the Bunzl Group (see pages 48 and 63 for more information). In respect of the year ended 31 December 2021, I am pleased to report that the Company has met the targets set by the Hampton-Alexander Review and the Parker Review; however, we recognise that this is just part of our journey as we continue to accelerate our diversity and inclusion practices further.

At Bunzl, we take the views and opinions of our shareholders and other stakeholders seriously and we recognise that the AGM is an important opportunity for all shareholders to express their views by asking questions and voting. While it was unfortunate that we were unable to welcome shareholders in person to the 2021 AGM due to the Covid-19 restrictions, additional opportunities for shareholder engagement were put in place, details of which can be found on page 63. Taking into consideration the responses to the engagement mechanisms employed to date, the Board has taken the decision to hold the 2022 AGM in person and we look forward to welcoming our shareholders to the meeting in April. Details of the 2022 AGM can be found on page 150.

Peter Ventress
Chairman
28 February 2022

Annual listening sessions

Representative colleagues across all levels throughout Bunzl North America, Bunzl Continental Europe, Bunzl UK & Ireland, Bunzl Latin America and Bunzl Asia Pacific participated in annual listening sessions with a dedicated non-executive director per region. The non-executive director responsible for conducting the session and the participating colleagues are kept consistent each year, where possible, to ensure a degree of trust is built between the parties and to encourage more open and honest two-way engagement. Colleagues are given the opportunity to input their own ideas and raise issues of concern and this information is fed back to the Board, providing the Board with an opportunity to understand how colleagues feel about working for Bunzl and gain insight into the employee voice. From this, key actions are extracted for the leadership team and the directors are provided with a more detailed insight into the results of the employee engagement survey.

The right balance of skills and experience



	Peter Ventress Chairman	**Frank van Zanten** Chief Executive Officer	**Richard Howes** Chief Financial Officer
Appointment	Chairman of the Board since April 2020, having been Chairman designate since June 2019. Chair of the Nomination Committee.	Chief Executive Officer since April 2016, having been appointed as an executive director in February 2016.	Chief Financial Officer and a member of the Board since January 2020, having been appointed Chief Financial Officer designate in September 2019.
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.	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, a listed company in the Netherlands, before rejoining Bunzl in 2005 as the Managing Director of the Continental Europe business area. He is a member of the Supervisory Board of Koninklijke Ahold Delhaize N.V.	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.
Committee	○	–	–

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

Vanda Murray OBE
Senior Independent Director

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

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.

Lloyd Pitchford
Non-executive director

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

Having previously held a number of senior finance positions with BG Group plc, latterly as Group Financial Controller, he subsequently joined Intertek Group plc, where he was Chief Financial Officer from 2010 to 2014. He is presently Chief Financial Officer of Experian plc.

Stephan Nanninga
Non-executive director

Non-executive director since May 2017.

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.

Stephan will step down as an executive director of Dutch Star Companies TWO B.V. on 1 March 2022 and he has been nominated to be appointed as a member of the Supervisory Board of Cabka N.V. on this same date.

Vin Murria OBE
Non-executive director

Non-executive director since June 2020.

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 Chair of AdvancedAdvT Limited, Deputy Chair of M&C Saatchi plc and a non-executive director of Softcat plc and Plum Acquisition Corp. I.

Governance overview

Board

Meetings
The table below sets out directors' attendance at the scheduled Board and Board Committee meetings held during 2021. Additional meetings of the Board were also held as and when circumstances required it to meet at short notice.

	Board (7)	Audit (4)	Nomination (2)	Remuneration (3)
Chairman				
Peter Ventress	7		2	
Executive directors				
Frank van Zanten	7		2	
Richard Howes	7			
Independent non-executive directors				
Vanda Murray OBE	7	4	2	3
Lloyd Pitchford	7	4	2	3
Stephan Nanninga	7	4	2	3
Vin Murria OBE	7	4	2	3
Maria Fernanda Mejía	7	4	2	3

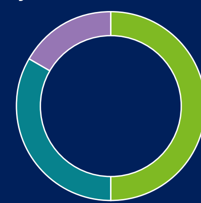
What we bring

- Core industry experience
- Senior executive experience
- Finance, audit and risk
- Legal
- IT/cyber security
- Health & safety
- Supply chain
- Digital/technology
- Retail
- International
- Other current plc experience
- Media/communications
- Sustainability

Succession planning priorities

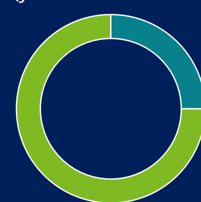
- Digital/technology
- Diversity
- Prior leadership in a multinational business
- Scale and complexity experience

Tenure (non-executive directors, incl. Chairman)
(year ended 31 December 2021)



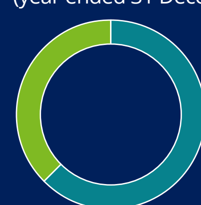
0 – 3 years	3
3 – 6 years	2
6+ years	1

Executive and non-executive directors
(year ended 31 December 2021)



Executive	2
Non-executive (inc. Chairman)	6

Board gender
(year ended 31 December 2021)



Male	5
Female	3

Independent directors (excl. Chairman)
(year ended 31 December 2021)

Independent	5
Other	2

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;
  - Diversity, Equity and Inclusion policy; and
  - risk appetite.

People and leadership

- Appointment/removal of directors and Company Secretary.
- Non-executive directors' remuneration.
- 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.

Key activities and decisions of the Board

Jan

- Presentation on talent, succession, and deeper diversity.
- Presentation on the global employee 'pulse' survey results.
- Presentation on feedback from employee listening groups.
- Presentation on potential acquisitions.

Feb

- Results for the year ended 31 December 2020.
- Final dividend for the year ended 31 December 2020.
- Updates to the Articles of Association.
- Update on sustainability, inclusion, and climate change.
- Presentation on the Inspiring Women Network.
- Presentation on accident statistics.

Apr

- Q1 trading update.
- Q&A with shareholders.
- 2021 AGM.
- Presentation on AGM results.

Jun

- Pre-close trading statement.
- Update on corporate responsibility and supplier performance.
- Update on whistle blowing reports.
- Presentation on investor and analyst perceptions.
- Presentation on treasury policies and funding proposals.
- Review of acquisitions made in 2019.

Aug

- Results for the half year ended 30 June 2021.
- 2021 interim dividend.
- Site visits in the UK.
- Presentation on competitive landscape and types of competitors by sector.
- Update on accident statistics.

Oct

- Q3 trading update.
- Update on the EMTN programme.
- Review of the Diversity, Equity and Inclusion policy.
- Presentation on a significant customer.
- Capital Markets Day.
- Follow up on the 2020 Board evaluation.

Nov

- Non-executive director visit to US operations.

Dec

- Pre-close trading statement.
- Board evaluation review.
- CEO and Director of Group Human Resources listening group on diversity, equity and inclusion.
- Investor relations presentation.
- Corporate governance trends update.

UK Corporate Governance Code compliance statement

It is the Board's view that, for the year ended 31 December 2021, 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. The Code came into force after the Company had contractually agreed that the Company's Chief Executive Officer was entitled to a cash allowance in lieu of pension contributions equal to 25% of his salary. However, in order to align the Company's position with the requirements of the Code, a programme of reductions has been agreed 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 and the Company will therefore be fully compliant with the Code during 2023. Further information concerning the Company's approach to pension contribution rates for executive directors can be found on page 144 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.

Board leadership and company purpose	Relevant section of the Annual Report	Page
Effective Board	Biographies of the Board of directors	96 and 97
Purpose, values and strategy	Our purpose, values and strategy	28 and 29
Culture	How the Board monitors culture	102
Prudent and effective controls	Risk management and internal control	108 and 109
Engagement with shareholders	Section 172 statement	58 to 63
S.172 statement and engagement with stakeholders	Section 172 statement	58 to 63
Engagement with employees	Employee engagement statement	103
Workforce policies and practices	Other statutory information	152
Division of responsibilities	**Relevant section of the Annual Report**	**Page**
Division of responsibilities	Board roles and responsibilities	105
Board independence	Director independence chart	98
Board attendance and time commitments	Board attendance table	98
Composition, succession and evaluation	**Relevant section of the Annual Report**	**Page**
Appointment procedure	Nomination Committee report	110 to 115
Succession plans	Nomination Committee report	110 to 115
Composition of the Board and its Committees	Biographies of the Board of directors	96 and 97
Tenure of directors	Board tenure chart	98
Evaluation	Board evaluation and priorities identified	106 and 107
Audit, risk and internal control	**Relevant section of the Annual Report**	**Page**
Audit Committee role	Audit Committee report	116 to 124
External Audit	Audit Committee report	116 to 124
Fair, balanced, understandable report	Fair, balanced and understandable statement	108
Internal control framework	Audit Committee report	116 to 124
Principal and emerging risks	Principal risks and uncertainties	64 to 72
Remuneration	**Relevant section of the Annual Report**	**Page**
Remuneration policy and practices	Remuneration Committee report	125 to 149
Development of executive remuneration policy	Remuneration Committee report	125 to 149
Independent judgement and discretion	Remuneration Committee report	125 to 149

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 on page 99.

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 composition

As at 31 December 2021, 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 96 and 97 and further information on the Nomination Committee's approach to succession planning can be found in its report on pages 110 to 115.

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, further details of which can be found in the skills matrix on page 98.

The Board is satisfied that each non-executive director dedicates appropriate time to their role, continues to contribute effectively to Board decision making and executes their responsibilities to challenge, monitor, advise and guide the Company to a high standard for the benefit of Bunzl's stakeholders as a whole. Further details relating to the time commitments of the directors can be found on page 105.

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 2022 AGM and the reasons for each director's re-election will be set out in the forthcoming Notice of Meeting.

Board

Nomination Committee

Chair
Peter Ventress

Members
Vanda Murray
Lloyd Pitchford
Stephan Nanninga
Vin Murria

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 110 TO 115

Audit Committee

Chair
Lloyd Pitchford

Members
Vanda Murray
Stephan Nanninga
Vin Murria

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 116 TO 124

Remuneration Committee

Chair
Vanda Murray

Members
Lloyd Pitchford
Stephan Nanninga
Vin Murria

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 125 TO 149

Purpose, values and how we monitor culture

The Board is responsible for setting the purpose, values and strategy of the Company and ensuring that these align with the desired culture. Bunzl's purpose is to deliver essential business solutions around the world and create long term sustainable value for the benefit of all stakeholders. Everyone at Bunzl takes ownership of and accountability for the achievement of the Company's purpose, which is successfully realised and adopted throughout the business.

In order to achieve the Company's purpose, the Board recognises the importance of a healthy corporate culture. At the centre of Bunzl's corporate culture are the championed values of humility, responsiveness, reliability and transparency. These values are reflected in the Board's decision making and embedded throughout the Company, underlying the way Bunzl conducts its business.

Bunzl's strong culture is a key source of competitive advantage and helps Bunzl to attract and retain the best talent.

Our values

Humility

Humility in action

Bunzl is committed to giving back, doing better, and sharing its success with the communities in which the Group operates while promoting the drive towards a more sustainable world. As part of the International Day of Awareness of Food Loss and Waste, colleagues from Bunzl Australasia teamed up with OzHarvest to raise awareness about food waste, food security and sustainability, becoming part of a global effort to reduce food wastage.

SCAN THE QR CODE TO VIEW VIDEO

Responsiveness

Responsiveness in action

Bunzl is agile and offers bespoke solutions, working with its customers to provide innovative products that respond to their needs. Bunzl continually partners with customers and suppliers to improve products and find more sustainable solutions in response to environmental concerns for a better world.

See page 18 for an example of our responsiveness to a customer's needs.

Reliability

Reliability in action

Bunzl is a reliable, expert partner with an unrivalled value-added offering of on-time and in-full delivery.

As referenced on page 19, during 2021 we secured a new customer, Andron. A key factor in this success was our vast branch network, as Bunzl Cleaning & Hygiene Supplies has a large selection of branches around the UK that offer a vast, reliable, and accurate delivery service to over 1,000 customer sites.

Transparency

Transparency in action

Bunzl and its leaders believe that a culture of openness, honesty and transparency is the only effective way to conduct business and these values engender confidence in the Company. We communicate openly with stakeholders, and the Board and senior management are visible, embody the values espoused by the Company and are accessible to stakeholders.

See our section 172 table on pages 58 to 63 which shows how we have engaged with stakeholders throughout the year.

To ensure alignment with the Company's purpose, values and strategy, the culture of the Company is continuously monitored through the below mechanisms. The output of these measures provides the Board with assurance that the culture of the Company cultivates desirable behaviours that help to achieve the strategic objectives of the Company.

Diversity, equity and inclusion activities	Attendance at employee forums	Analysis of employee survey results	Monitoring of 'culture indicators'
Adherence to Bunzl's business code of conduct and other working practices	Dialogue with executives and senior management	Regular Board reporting on people matters	Site visits
Health & safety data	Whistle blowing reports	Non-executive director listening groups	

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 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 pages 58 to 63 and in the Sustainability report on page 52.

In accordance with Provision 5 of the Code, the Board has decided to use alternative arrangements to engage with our colleagues. 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.

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 152.

Engagement with customers, suppliers and others

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 58 to 63 and in the Sustainability report on pages 46 to 57.

Examples of how we engaged with colleagues during 2021

2021 Employee engagement survey

READ MORE
PAGE 53

Visits to UK and North America sites

READ MORE
PAGE 107

Non-executive director listening groups

READ MORE
PAGE 95

Diversity, equity and inclusion sessions

READ MORE
PAGE 63

Further examples can be found in the Strategic report on pages 20 and 21 and in the section 172 statement on pages 58 to 63.

Board activity in 2021

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.

At each meeting, Bunzl's operational and financial performance is discussed and presentations are made by the Chief Executive Officer, the Chief Financial Officer and, by invitation, the heads of the business areas. The Director of Corporate Development frequently presents to the Board on potential acquisitions and the Board receives regular updates on risk, health & safety, environment, sustainability, governance and people matters. During 2021, a number of the Group's executives made presentations to the Board about a diverse range of topics and a variety of the Company's professional advisers provided training and updates to the Board on pertinent matters. Further, following the outcome of the Board evaluation, knowledge sharing sessions for the Board were scheduled, focusing on each business area.

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. During 2021, the Board agendas were also constructed to react to and anticipate developments in relation to the Covid-19 pandemic.

Each Board meeting is structured to accommodate sufficient challenge and contribution by all participants. The Board is supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. Briefing papers are prepared and circulated to directors approximately one week before the scheduled Board meeting to enable informed decision making. 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.

Governance in action – acquisition process

Expanding the Group through acquisition is an important part of Bunzl's strategy to grow and develop. Our markets are very fragmented which results in numerous opportunities to expand through purchasing businesses in both existing and new markets and countries.

The Board plays a critical role in ensuring that a robust and rigorous process is followed in respect of material acquisitions and those involving the entry into new countries or market sectors to ensure that the proposals are carefully considered and challenged before being taken forward. The process is summarised on this page, and details of the acquisitions made by the Group during 2021 can be found on page 202.

1

Presentation made to the Board by management regarding the relevant potential acquisition, due to its material size or because it represents the Group's first step into a new country or market sector.

2

The Board considers the acquisition proposal, including the financial performance of the target company, the projected synergies, the regulatory, political and competitor landscapes, the Company's existing operations and market presence in the relevant country, the culture of the target company, the alignment of the transaction with the Company's purpose and strategy, sustainability-related issues, the impact on customers, suppliers and shareholders, employee matters and any potential risks and management's proposals for mitigating these.

3

The Board sets any relevant parameters concerning the transaction, including in relation to the purchase price and any specific due diligence requirements and agrees whether to proceed with the proposed acquisition.

4

The Board undertakes a post-acquisition review approximately two years after completion of the transaction to evaluate whether desired objectives and benefits have been realised, measured against the relevant investment case at the time the acquisition was approved.

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 to ensure 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 Group and the guardian of the interests of all the shareholders.
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 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. The Chief Executive Officer: • manages the executive director 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 on a day-to-day basis as necessary.
Chief Financial Officer	The Chief Financial Officer supports the Chief Executive Officer and is responsible for managing the Group's funding strategy, financial reporting, non-financial reporting, risk management and internal controls, investor relations programme and the leadership of the finance function. The Chief Financial Officer communicates with the Company's analysts on a day-to-day basis as necessary.
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.

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.

External appointments and time commitment of directors

The Board takes the time commitment of directors seriously and the time expected of directors is set out in their letters of appointment.

Each director must notify the Chairman prior to accepting any new external appointment and the Board will consider whether, in its view, the appointment could reasonably be described as one which will negatively impact the contribution of the director. In assessing the proposed appointment, the Board considers the other external appointments currently undertaken by the director, the type of company that the director intends to join, the associated time commitment required and whether the appointment would cause the number of directorships held to exceed those set out in the Code or institutional investor and proxy adviser guidance.

The Board is satisfied with the commitment and contribution of all directors. The results of the Board evaluation confirmed that the Board is working effectively and that the directors are engaged and continue to contribute to the success of the Company.

Engagement with shareholders following significant votes against

During the year the Board engaged with investors in relation to the significant votes against the re-appointments of Vin Murria and Stephan Nanninga at the 2021 AGM. The Board takes investor concerns seriously and sought engagement with those significant shareholders who expressed concern in order to understand their views and reasons for voting negatively.

As a result of the engagement, the Board understood that the negative votes concerned the external appointments of Vin and Stephan and the perceived ability of Vin and Stephan to commit sufficient time to the Company due to overboarding concerns. The Board clarified that some of the external appointments held by both Vin and Stephan are on boards of special purpose acquisition vehicles, which are not full-time roles and involve considerably less time commitment than would ordinarily be associated with positions in other listed companies. The Board reiterates that it is unanimously satisfied with the commitment of both Vin and Stephan, both of whom have impeccable attendance records, contribute effectively to the long term success of the Company, offer wise counsel, constructive challenge, diverse views and provide appropriate oversight of management.

The Chairman has agreed to engage with the dissenting shareholders further in advance of the 2022 AGM should there be any developments or changes in respect of the directors' external commitments which may benefit from being explained further, in order to avoid any misconceptions about the nature of the external position and the associated time commitment.

The results of the AGM and the 'Update statement regarding the Bunzl plc 2021 Annual General Meeting proxy voting' can be viewed on the Company's website, www.bunzl.com.

Engagement timeline

April 2021	June and July 2021	September 2021	March 2022
• AGM question and answer session. • 2021 AGM. • Announcement of results of AGM, including significant votes against.	Meetings with the institutional shareholders who voted against the re-appointments of Vin and Stephan, led by the Chairman of the Company.	Update released on Bunzl's website regarding the Company's engagement following significant votes against.	Publication of result of engagement in the 2021 Annual Report.

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. The Code requires that the evaluation of the Board and its Committees be externally facilitated at least every three years and as reported in last year's Annual Report, a comprehensive external evaluation, including interviews with every Board member and the Company Secretary, was carried out for the year ended 31 December 2020 by Lintstock.

Lintstock has assisted with the Board's external evaluation for a number of years to ensure that there is consistency and continuity in the presentation of the results from year to year. Lintstock does not provide any other services to, or have any other connection with, the Company.

Details of the priorities identified as part of the evaluation that was carried out in 2020 can be found below.

This year, another external evaluation was carried out by Lintstock which included a detailed questionnaire. The Chairman also held individual discussions with each director. 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 this year's evaluation can be found below.

Key priorities identified during 2020	Examples of action taken	Outcome
1 **Monitoring the progress being made in key strategic pillars, most notably sustainability, digitalisation, people and growth.**	At each Board meeting the Board receives updates on the progress being made in digitalisation and sustainability initiatives as part of the business review. The Board also receives regular updates on talent management and succession planning in line with the current strategy and future opportunities of the Company. Opportunities for acquisition growth for each business area was a key element of the Company's 2021 strategic planning process, and during 2021 the performance of acquisitions made in 2019 was reviewed against the relevant acquisition case. Strategic planning sessions for the Board and senior management team also included presentations on organic profit growth and accelerating growth through use of technology.	The Board is satisfied that the priorities identified following the evaluation carried out in 2020 have been adequately addressed during 2021.
2 **Focusing on longer term strategy and trends.**	During the year the Board undertook a comprehensive review of the Company's strategic planning tools and materials in order to encourage management to continue to take a long term view and to take account of sectoral and geographic trends.	
3 **The post Covid-19 transition, including returning to face-to-face meetings and site visits.**	Board meetings and strategic planning sessions have focused on Bunzl's business post Covid-19, including: • Bunzl learnings from Covid-19; • non Bunzl-specific post Covid-19 trends; • how Bunzl may be impacted in the short term as the Company emerges from the pandemic; and • the lasting trends Bunzl can expect and how the Company is reacting. Further, the Board has met seven times during the year, with four of these meetings being held virtually and three being held in person. The Board has adapted well to reinstating face-to-face meetings and has met in London and Lisbon. The Board looks forward to meeting in more Group locations during 2022 and being afforded the opportunity to meet and engage with Bunzl's diverse workforce.	
4 **Finalising non-executive recruitment, with a particular focus on diversity, experience in North America and expertise in the fields of sustainability and technology.**	The following appointments were made to the Board during 2020: • Vin Murria, who has extensive experience in the digital and technology sectors; and • Maria Fernanda Mejía, who has experience in the Americas and a background in marketing and communications. These appointments strengthened the breadth of the overall skills, knowledge and experience on the Board in line with the 2020 evaluation findings. Both non-executive directors took part in an immersive induction programme throughout 2021, details of which can be found on page 107. The Board understands and champions the benefits that diversity of mind brings. The composition of the Board is reviewed continually, with succession planning and developing a diverse pipeline of talent remaining high on the agenda. The Board skills matrix on page 98 maps out the current range of skills of the directors and the succession planning priorities for prospective Board candidates.	

Key priorities identified during 2021

1. **Talent management and development, including succession planning for both executive and non-executive members of the Board.**
2. **Focusing on digitalisation and IT security.**
3. **Continued challenge and support on the progress of the strategic pillars, with a focus on sustainability.**
4. **Driving and monitoring the success of acquisitions.**

As a result of the performance evaluation process carried out in 2021, the Board concluded that both it and its Committees are operating effectively.

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.

Induction

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 regularly reviewed and is tailored to each director's individual needs.

A typical induction programme normally includes:

- 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;
- one-to-one meetings with the other members of the Board and the Company Secretary;
- meetings with Committee chairs, as appropriate;
- meetings with senior management;
- visits to some of the Group's locations;
- information on the main areas of the Company's business activity and risks; and
- information on the Company's approach to sustainability and stakeholder engagement.

Having both joined the Board in 2020, due to the prevalence of Covid-19 Vin Murria and Maria Fernanda Mejía were unable to undertake key site visits and meet Bunzl's workforce in person. Fortunately, as restrictions have eased throughout 2021, Vin and Maria Fernanda have been afforded the opportunity to engage with Bunzl's workforce and witness Bunzl's operations in situ through an immersive and comprehensive induction programme. This engagement has enabled both Vin and Maria Fernanda to gain a valuable and in-depth understanding of the Group's operations, the strategic priorities of, and risks faced by, Bunzl's different businesses, Bunzl's diverse talent pipeline, the culture of the Company and the progress being made by such businesses in relation to environmental, social and governance matters.

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, 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 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.

2021 training & development activities

- Non-executive training and knowledge sharing sessions.
- Non-executive site visits.
- Presentations from senior management on the competitive landscape.
- Strategic planning sessions covering:
  - long term vision and strategy;
  - sector focus areas for acquisitions;
  - organic profit growth;
  - accelerating growth through use of technology;
  - business post Covid-19, including learnings, trends and expected short and long term impact;
  - sustainability priorities and progress; and
  - talent and diversity.
- Presentation on a key customer.
- Corporate governance update.
- Investor relations update.

Example induction

August 2021 UK tour

- **Site visit to Bunzl's Retail Division**
- **Site visit to Bunzl's Cleaning & Safety Division**

November 2021 North America tour

- **Site visit to Bunzl Processor Division**
- **Site visit to Bunzl Kansas City**
- **Site visit to Bunzl North America**

Activities:

- facility tours;
- presentations on strategy, acquisitions, technology, sustainability and carbon targets, innovation, culture, people engagement, talent, diversity, equity and inclusion;
- information on recent acquisitions and the strategic challenges and opportunities faced by each division;
- meetings with key personnel; and
- meetings with talent.

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 213 and the auditors' report on pages 214 to 221 includes a statement by the external auditors about their reporting responsibilities. As set out on page 162, 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.

Fair, balanced and understandable – Bunzl's assurance framework

The Board considered whether the 2021 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 2021 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 2021 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 72. 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 appointment of a Head of Internal Controls during 2021;
- 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 116 to 124;
- 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 2021 and are satisfied that these systems are operating effectively.

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 73.

By order of the Board

Suzanne Jefferies
Secretary
28 February 2022

Nomination Committee report

'An effective Board is one which prizes constructive challenge, openness and diversity of background and opinion, along with a commitment to act fairly and in the interests of all stakeholders.'

Peter Ventress
Chairman and Chair of
the Nomination Committee

Introduction from Peter Ventress

As Chair of the Nomination Committee, I am pleased to present the Committee's report for the financial year ended 31 December 2021, which provides an overview of the Committee's key activities and focus areas during the year.

The year has seen significant challenges, and it has been essential that our Board and senior management team have been robust in supporting the Group through such an uncertain time. I am proud of the resilience and strong leadership demonstrated by the directors and management team and the diligence and unyielding commitment to excellence shown by Bunzl's workforce.

An effective Board is one which prizes constructive challenge, openness and diversity of background and opinion, along with a commitment to act fairly and in the interests of all stakeholders. The Committee has a primary role to play in achieving this and during 2021, the main focus of the Committee has been Board and Executive Committee composition, succession planning and corporate governance matters. There has also been a continued focus on developing the Board's collective knowledge and experience in areas of increasing strategic importance to the Company and our stakeholders, including environmental, social and governance ('ESG') matters and technology.

Frank van Zanten stepped down as a member of the Committee with effect from 8 December 2021 but remains Chief Executive Officer and an executive director of the Company. He will continue to attend Committee meetings at the invitation of the Committee, as and when necessary, so that we may continue to benefit from his in-depth knowledge and understanding of employee-related matters at Bunzl and his closer working relationships with Bunzl's executive and senior management and potential talent pools.

As announced on 2 February 2022, Maria Fernanda Mejía stepped down from the Board and its Committees with effect from 2 February 2022 to take up a new external executive position. A robust recruitment process for a new non-executive director is now underway and an announcement will be released in due course, once a suitable candidate has been identified. Full details of the recruitment process will also be included in next year's Annual Report.

As directors, we have a duty to ensure the long term success of the Company. This includes ensuring that we have a steady supply of high quality talent for executive positions and established succession plans for Board changes to enable the Group to fulfil its purpose and deliver its current and future strategic objectives.

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 this year. As part of its remit, the Committee has also continued to monitor the development of Bunzl's Executive Committee, which sits below the Board, to ensure that there is a diverse supply of senior executives and potential future Board members with appropriate skills and experience.

I am pleased to report that, for the year ended 31 December 2021 and as detailed on page 98, our Board composition meets the target for the proportion of women on boards set out in the Hampton-Alexander review, as well as the recommendation on ethnic diversity on boards in the Parker review.

As a business, we have put various initiatives into practice to address gender and ethnic diversity and I am pleased with the considerable progress that we have made in these areas at Board and Executive Committee level. The Board and the Committee are nevertheless mindful that ethnic diversity remains a challenge and that more work needs to be done in this area. The benefits of having a diverse Board and workforce are considerable and we intend to continue to support and develop our talent pipeline in relation to gender, cultural and ethnic diversity and other under-represented groups to ensure that Bunzl harnesses the benefits of a diversified Board and workforce.

Following the 2021 performance evaluation, the Committee determined that the Company has a strong Board that is able to manage the demands of the Group sufficiently but that it would nevertheless be useful to bolster the Board further in certain areas, including diversity. The Committee strongly believes that diversity, in all aspects, and the promotion of an inclusive culture are key drivers of business success and is committed to making a continuous improvement in this area at both Board and senior management level. For this reason, increasing diversity on the Board and in the senior management population will be a key area of focus for the Committee in 2022.

Additional information concerning the initiatives and actions being taken to promote diversity and inclusion at Bunzl can be found on pages 114 and 115.

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 UK Corporate Governance Code (the 'Code') and the associated guidance, an independent, externally facilitated review is undertaken at least every three years. An externally facilitated evaluation was performed in 2021 and concluded that the Board members considered the Committee to be thorough and fully effective in fulfilling its responsibilities. A more comprehensive external evaluation, including interviews with every Board member and the Company Secretary, was performed in 2020. Further information concerning the performance evaluation process and the key priorities identified following the reviews in 2020 and 2021 can be found in the Corporate governance report on pages 106 and 107.

The views of our stakeholders are very important to us and we value greatly the feedback and insights that our stakeholders provide. During 2021, through routine engagement with our investors, we became aware of certain investors' views concerning the composition of the Nomination Committee, namely, that it should consist solely of independent non-executive directors. While the composition of the Committee met all of the requirements set out in the Code, which states that a majority of members of the Committee should be independent directors, Frank van Zanten took the decision to step down as a member of the Committee with effect from 8 December 2021. This decision was considered to be in the best interests of our stakeholders and is demonstrative of Bunzl's high quality governance practices. The decision also reflects the importance placed on investor sentiment and opinion by the Board and each of the directors.

The Committee recognises the importance of listening to the employee voice and directors have attended a number of the listening groups that have been held across the business to ensure that they stay informed of employee sentiment and key employment matters. Further information concerning the listening groups held during 2021 can be found on pages 63 and 95.

As detailed on page 95, I sought to engage with a number of different stakeholder groups during the year and will continue to do so whenever necessary or appropriate so that the stakeholder voice continues to get the right audience and attention. If you wish to discuss any aspect of the Committee's activities, I will be attending Bunzl's forthcoming Annual General Meeting ('AGM') and would welcome your questions. Questions relating to the AGM can also be submitted via our dedicated AGM email address, BunzlAGM@bunzl.com.

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 Chair of the Nomination Committee
28 February 2022

Composition

During 2021, the Nomination Committee comprised 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. On 8 December 2021, the Chief Executive Officer stepped down as a member of the Committee.

Meetings

The Committee meets as necessary throughout the year to discharge its responsibilities.

The table below sets out directors' attendance at the four scheduled Committee meetings held during 2021.

	Meetings attended
Peter Ventress	4
Frank van Zanten[1]	4
Vanda Murray	4
Lloyd Pitchford	4
Stephan Nanninga	4
Vin Murria	4
Maria Fernanda Mejía	4

1 Frank van Zanten stepped down as a member of the Committee on 8 December 2021 having attended all of the Committee meetings held between 1 January 2021 and that date.

Key areas of focus in 2022

- Succession planning for both executive and non-executive directors and enhancing the Committee's understanding of the Group's plans on management succession.
- Continuing to support the journey towards greater diversity, inclusion and gender equality and developing concrete plans in relation thereto.
- Talent development, including continuing to support HR in attracting, developing and retaining talent and increasing the Committee's involvement in the Group's Global Senior Leadership Development Programme.
- Board requirements and capabilities.

Role and support

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. In the performance of its duties, the Committee has been authorised to enlist the services of external executive search firms to assist with the recruitment process, including the identification of potential candidates, to fill Board positions and vacancies.

The Committee meets as necessary throughout the year to discharge its responsibilities. The Committee's terms of reference, which were reviewed in 2021 but remain unchanged, are available on the Company's website, www.bunzl.com.

Performance evaluation

The Committee's performance and effectiveness are reviewed annually by both the Committee and as part of the Board performance evaluation. The Chair 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. Additional information concerning the results of the 2021 performance evaluation is set out on page 107.

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.

Activities

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. The Company's succession plans, together with the Board skills matrix and tenure tracker are considered regularly and allow the Committee to identify potential gaps, including in relation to director rotation and in respect of the skills needed to deliver the Group's strategic priorities. Effective and proactive succession planning and assessment also enable the Committee and the Board to ensure that changes to the Board are proactively planned and coordinated.

The Committee also 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 also maintains regular interaction with senior management across the Group and within each business area. Such interaction enables the Committee to familiarise itself with the teams, thereby facilitating the identification of high performing talent and informing succession planning.

Enhancing the Committee's oversight of executive succession planning and strengthening executive succession continues to be a key priority for the Committee and one which will continue to receive considerable attention in 2022. The Committee also plans to deepen its discussions concerning succession timelines, the various options available and planning.

A fundamental consideration in all of the Committee's discussions concerning current and future Board composition and the Groups' executive and senior talent succession planning is the Group's strategy. The Committee seeks to anticipate future challenges to ensure that Bunzl has the talent it needs to deliver its strategy and deal with any changes in the business environment. We strive to embed inclusion in everything that we do, and succession planning and the appointment process are key in promoting diversity in a way that is consistent with Bunzl's long term strategy.

Inclusion and diversity

It is a well-established fact that boards with an appropriate mix of age, experience, backgrounds and perspectives tend to foster better debate and decision making and less group-think. The Committee remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendations of the Hampton-Alexander, Parker and McGregor-Smith reviews.

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. In addition, the Committee seeks to engage firms that are signatories to the Voluntary Code of Conduct for executive search firms and encourages them to look further afield and access talent from wide and diverse pools.

Notwithstanding the considerable progress that has been made across the Group in respect of gender and diversity in all its guises, the Committee recognises that this is still work in progress and that there is much more to be done. Supporting the journey towards greater diversity, inclusion and gender equality, particularly at executive level, remains a key priority for the Committee and, with clear plans in place to address the diversity challenge, the Committee is confident that considerable progress will continue to be made in this area. Further information about the different roles and functions that contribute towards improving diversity and inclusion at Bunzl can be found later in this report.

While taking the important considerations of gender and diversity into account, the Committee will continue to recommend appointments to the Board based on merit and the individual skills and experience of each candidate. It is nevertheless clear that gender, ethnicity, race and other forms of diversity and inclusion must form a key part of our succession planning discussions and are critical to the long term sustainable success of the business.

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 is reviewed regularly and which can be found on the following page.

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.

DIVERSITY IN ACTION

Bunzl is committed to playing its role in creating a fairer, more equitable society, and the well-being and safety of Bunzl's people is a top priority

Against this backdrop we've launched a number of powerful new initiatives worldwide including the 'Inspiring Ethnicity in Bunzl' ('IEIB') Group in the UK & Ireland and the Diversity Equity and Inclusion ('DEI') initiative in the USA, which have potential to drive meaningful transformation in Bunzl. Two members of these initiatives have provided some detail on how being part of the initiatives is having a powerful impact on their lives.

'Being a part of the DEI initiative has been an honor. It's not often that an organisation is willing to have candid conversations to promote change and equity in the workplace, and Bunzl has done just that. Bunzl has given every employee permission to break the common stigma that we all have to fit in a box.'

Shelly Jones
Bunzl North America

'The killing of George Floyd and the worldwide movement calling for greater racial and ethnic justice was my motivation to help drive change. I felt Bunzl should be doing something and so, a little hesitantly because I didn't want to be seen as a trouble maker, I approached senior staff. My hesitation was unfounded as the response was resoundingly positive. So the IEIB Group in the UK & Ireland was founded.'

Matt Hall
Woodway UK & Ireland

Driving diversity and inclusion at Bunzl

1 Board of directors

- Supports management to ensure that diversity and inclusion are embedded into the Company's strategy.
- Embodies inclusive leadership traits among its own members.
- Holds management accountable for developing Bunzl's talent into inclusive leaders.
- Demonstrates inclusive governance practices and behaviours.
- Ensures that the Nomination Committee is itself diverse.
- Challenges management to establish strong diversity targets and clear diversity policies.
- Embraces and champions diversity.
- Participates in listening groups and other activities and initiatives that support diversity and inclusion.
- Considers both diversity and inclusion implications when making decisions.
- Prioritises stakeholder engagement.
- Promotes collaboration across the business.

2 Nomination Committee

- Actively monitors and manages the composition of the Board and the pipeline of diverse talent.
- Embraces a culture of continuous improvement.
- Develops Boardroom succession plans by determining the needs most relevant to Bunzl's forward-looking strategy and risks.
- Reviews and updates the short, medium, and long term succession plans regularly as the needs of the Board and the Company evolve.
- Engages firms that are signatories to the Voluntary Code of Conduct for executive search firms.
- Ensures that search firms are provided with a clear mandate.
- Challenges search firms to look further afield and access talent from wide and diverse pools.
- Has regard to the Board skills matrix when recruiting directors.
- Considers diversity and inclusion as key elements when discharging its duties.

3 Chairman of the Board

- Creates an inclusive culture within the Boardroom and integrates inclusive thinking and behaviours into all of the Board's proceedings and operations.
- Actively monitors the pipeline of potential directors.
- Ensures that diversity plays a prominent role on the Board's agenda.
- Participates in listening groups on diversity, equity and inclusion.
- Supports and encourages the directors and Executive Committee members to highlight any high performing talent.
- Encourages all Board members to be open-minded and look at challenges from many perspectives.
- Ensures that all Board members are heard and respected.

4 Executive Committee

- Focuses on promoting and embedding the inclusive culture across the business.
- Demonstrates integrity and behaviours that support and cultivate diversity in its broadest sense.
- Actively champions the Group's Diversity, Equity and Inclusion Policy.
- Promotes and participates in activities and initiatives that drive the diversity agenda forward.
- Ensures that appropriate training is provided across the business to raise awareness of unconscious bias.
- Participates in mentoring programmes for under-represented groups.
- Actively monitors the pipeline of talent within the business.

5 Human Resources

- Sets thoughtful targets on diversity and implements robust monitoring frameworks.
- Surveys Bunzl employees globally to measure their engagement levels and gain invaluable insights into how inclusive Bunzl's culture is.
- Encourages more women into leadership roles through focused and targeted activities.
- Develops initiatives and policies that support Bunzl's commitment to creating a fairer society, including the Group's Diversity, Equity and Inclusion Policy, the 'Inspiring Women in Bunzl' networks, 'employee voice' sessions with employees from under-represented groups, 'listening group' sessions involving employees and Board directors and the global employer brand campaign 'We Believe'.

FURTHER INFORMATION ABOUT DIVERSITY AND INCLUSION AT BUNZL CAN BE FOUND ON PAGES 46 TO 57.

Audit Committee report

'The Committee fulfils a vital role in the Company's governance framework, providing valuable independent challenge and oversight across the Company's financial reporting and internal control procedures.'

Lloyd Pitchford
Chair of the Audit Committee

Introduction from Lloyd Pitchford

I am pleased to present the Audit Committee's report for the year ended 31 December 2021.

This report is intended to provide an overview of the role of the Committee, report on the work it has carried out during the past year and demonstrate how the Committee discharged its responsibilities and provided assurance on the integrity of the Company's 2021 Annual Report and financial statements.

The Committee fulfils a vital role in the Company's governance framework, providing valuable independent challenge and oversight across the Company's financial reporting and internal control procedures. 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 make certain that stakeholder interests are protected. Our meeting agendas were designed to anticipate key risk areas, including those significant matters most impacted by Covid-19, which provided ample opportunity for early scrutiny and challenge.

Honesty and transparency are fundamental to the integrity of the Group's financial reporting and to the relationship between management and the Committee and are reinforced through the cultural framework within which Bunzl operates (see pages 28 and 29 for more information on the Group's purpose and core values). I am pleased to report that the Group's risk focused culture and established procedures and systems to identify, mitigate and manage risks enabled the financial reporting and audit processes to continue to operate effectively throughout the year. On behalf of the Committee, I thank the executive management team, the finance, external and internal audit teams and Bunzl's employees for their sustained commitment and resilience in securing the Group's control environment during this time.

Audit and internal controls

The Committee believes that high quality audit is vital to ensuring that users of financial statements can confidently rely on the information published by companies in relation to their financial health, their operational performance and their prospects. We are committed to working with our internal and external auditors and other stakeholders to maintain audit quality within Bunzl and, as a result, ensure better outcomes for our stakeholders who rely on the accuracy and integrity of the Group's financial performance and prospects. 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. Information concerning Bunzl's assessment of the effectiveness of both the external audit process for the 2020 financial statements and the Company's internal audit function can be found on page 123 and detail concerning external auditor independence and reappointment is set out on page 124.

The prevalence of Covid-19 in 2021 created another challenging year for everyone involved in the Group's finance, control and audit functions. Throughout the year, the Committee continued to use its collective expertise, with assurance from our external auditors, to consider the impact of Covid-19 on the Group's processes, control environment and financial reporting, together with the implications for, and the appropriateness of, the internal and external audit plans and procedures.

Reflecting the importance of continually evolving and enhancing the control environment across Bunzl, during the year, the Company also recruited a Head of Internal Controls, reporting to the Chief Financial Officer ('CFO'), to manage the implementation of a new Group wide Internal Controls Programme. Further information concerning the Group's internal controls and risk management system can be found later in this report.

Key accounting estimates and judgements and alternative performance measures ('APMs')

During 2021, the Committee challenged management on the outcomes of the modelling and scenario planning undertaken and the appropriateness of the key accounting estimates and judgements and their effects on the financial statements. We also considered the impairment testing carried out by management, together with the APMs that are designed to assist with understanding Bunzl's underlying performance. I am pleased to report that, following rigorous debate and challenge, the Committee concluded that it is satisfied with the key accounting estimates and judgements and APMs adopted, further details of which can be found on pages 168 to 171.

Cyber threat and information security

Acceleration of our digital capabilities continues to be a key strategic priority for Bunzl and during the year, the Committee dedicated considerable time and attention to the risks associated with cyber and information security ('IS'), which have been heightened further due to the number of people working from home as a result of Covid-19. Regular updates were received from the Group Chief Information Officer ('CIO') and the Head of Internal Audit and Risk on the measures being taken by management to mitigate the cyber and IS risks faced by the business, including the actions taken to ensure secure and reliable access to employees working remotely. The Committee continued to challenge the cyber security operating model and to ensure that the security risks across the IT landscape are properly assessed and managed. In light of our increasing reliance on IT systems, the Committee also considered whether any new or enhanced internal controls, particularly those relating to IT and cyber security, are required. Details of the principal risks and uncertainties facing the Group, and the mitigating actions taken in response thereto, can be found on pages 64 to 72 and further information relating to the Committee's oversight of internal controls can be found on page 121. Commentary from the Group CIO can also be found on page 22.

Governance and regulatory developments

During the year, the Committee was briefed on UK legislative, regulatory and governance developments, including the UK government's consultation paper on restoring trust in audit and corporate governance, so as to assess their likely impact on the Group and the future work of the Committee and to enable areas of focus to be planned accordingly.

Performance evaluation

Addressing the priorities identified as part of the externally facilitated performance evaluation in 2020 was another area of focus for the Committee in 2021. I am pleased to report that considerable progress has been made against these priorities and that the 2021 performance evaluation concluded that the Board members considered the Committee to be thorough and effective in fulfilling its responsibilities. Further information concerning the performance evaluation process can be found in the Corporate governance report on pages 106 and 107 and examples of the priorities identified as part of the 2021 Audit Committee review are set out on page 119.

Additional information concerning the Committee's activities during 2021 and the key areas of focus in 2022 can be found later in this report. The Committee will keep its activities under review to ensure that they remain appropriate and continue to meet the changing needs of the business.

Stakeholder engagement

As Committee chair, I place great emphasis on the views and sentiment of our shareholders and other key stakeholders. I avail myself of all opportunities to engage with these groups when appropriate in order to obtain their feedback and discuss any concerns that they may have concerning the Committee's operations and oversight. While the results of the Company's proactive engagement with stakeholders during the year did not identify any concerns relating to the Group's risk profile and management thereof, or the Committee's discharge of its responsibilities, I do not take this for granted and will continue to monitor stakeholder sentiment closely and ensure that engagement is sought whenever it is needed. I will also be attending the Company's forthcoming Annual General Meeting ('AGM') to answer any questions that shareholders may have. Further information concerning stakeholder engagement can be found on pages 58 to 63.

This report has been prepared in compliance with the relevant provisions of the Financial Reporting Council's ('FRC') UK Corporate Governance Code (the 'Code') which applied to the financial year ended 31 December 2021. In carrying out its duties, the Committee also operated in accordance with the recommendations set out in the FRC's Guidance on Audit Committees.

I hope that you find this report informative and take assurance from the work undertaken by the Committee during the year.

Lloyd Pitchford
Chair of the Audit Committee
28 February 2022

Q&A

with Lloyd Pitchford, Chair of the Audit Committee

How has the Committee navigated Covid-19?

Maintaining frequent and open dialogue with Bunzl's internal and external auditors and the CFO throughout the transition to remote working has been key and has meant that the Committee has received the information it needs in a timely manner. It has enabled us to understand fully the impact of Covid-19 on ways of working, how management and the auditors are addressing emerging issues, the complexity of the audits and the associated time requirements. This in turn has allowed us to adapt the audit plans as necessary, including in respect of audit scope and timing and plans for addressing areas of new or modified risk.

What do you think makes an effective audit committee?

In my opinion, the key to a truly effective audit committee is the behaviour and culture emanating from the board and reflected throughout a company's management, committees and assurance activities. A culture underpinned by honesty and transparency fosters open debate and mature questioning, which are fundamental to the effectiveness of audit committees. I think that having a collegiate approach is also key in order to promote an open and listening culture and ensure that all members of the committee can contribute fully to the committee's deliberations.

Diversity in terms of skills, experience and perspectives among committee members is also an essential characteristic of an effective committee. While financial expertise and literacy are important, so is the ability of audit committee members to understand a company's business, its strategy and its risk profile and a fundamental part of this is listening. It is the prerequisite to balanced analysis, judgement and challenge and without the right degree of openness and debate, an audit committee can quickly become blinkered to the financial, operational and strategic risks within a business.

What are the top concerns faced by audit committees today?

Change, controls, culture and the importance of technology are some of the areas of focus of audit committees. The Committee understands that change can bring new risks and vulnerabilities, so it is essential that the right controls and financial reporting are being implemented around new changes and that the Company's culture emphasises and embraces the need for having effective internal controls. Bunzl's risk focused and resilient culture, combined with its robust system of internal controls have ensured that the Group has been able to navigate the prolonged period of global and economic uncertainty caused by Covid-19. The recruitment in 2021 of a Head of Internal Controls and the implementation of a new Group wide Internal Controls Programme also demonstrate Bunzl's commitment to continuously improving and strengthening its risk management and internal controls framework.

Finally, using inefficient technology can create higher risk of data issues for companies so it is encouraging to see that Bunzl is continually and proactively investing in digital technology and targeting internal improvements to drive efficiencies, both within the business and in respect of how we engage with and support our customers.

Composition and experience

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. 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, risk management 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.

As the serving Chief Financial Officer of Experian plc, the Chair 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. Further information concerning the directors' skills and experience can be found in the Corporate governance report on pages 92 to 109.

Meetings

The table below sets out the Committee's composition and its members' attendance at the four scheduled Committee meetings held during 2021.

	Meetings attended*
Lloyd Pitchford	4
Vanda Murray	4
Stephan Nanninga	4
Vin Murria	4
Maria Fernanda Mejía	4

* While the Company Chairman 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.

Key areas of focus in 2022

Alongside the regular cycle of matters that the Committee schedules for consideration each year, we are planning over the next 12 months to focus on the following areas:

- the outcome of the government's consultation paper on restoring trust in audit and corporate governance and the Company's response thereto, including the implementation of a new Internal Controls Programme;
- finance function resiliency;
- further evolving the internal audit function;
- the effective management of fraud risk;
- Enterprise Risk Management and monitoring continued shifts in the technology risk landscape, including in respect of cyber risk; and
- evolving the control environment and assurance over information security risks.

Role and support

The 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.

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.

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.

The Committee's terms of reference, which were reviewed in 2021 but remain unchanged, are available on the Company's website, www.bunzl.com.

Performance evaluation

The Committee's performance and effectiveness are reviewed annually by both the Committee and as part of the Board performance evaluation. The Chair 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. Additional information concerning the results of the 2021 performance evaluation is set out on pages 106 and 107.

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.

Assurance framework

Bunzl's assurance 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.

Financial statements and significant accounting matters

During the year and prior to the publication of the Group's results for 2021, the Committee reviewed the 2021 half yearly financial report and related news release, the 2021 Annual Report (including the financial statements), the 2021 annual results news release and the reports from the external auditors on the outcomes of their half year review and their audit relating to 2021.

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 are summarised in the table below and further information can be found in the relevant Notes to the consolidated financial statements.

The Committee believes that the 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.

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 2021. 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. For business combinations where 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, for which there were five such business combinations during the year, the Group has an established process to assess whether a non-controlling interest should be recognised. The Committee reviewed the Group's assessment of these five business combinations, noting that no non-controlling interest had been recognised, and concluded that it was satisfied with management's conclusion that the risks and rewards associated with the options to purchase the remaining shares had transferred to the Group on each acquisition. Details of the Company's approach to accounting for acquisitions are set out in Note 28 to the consolidated financial statements.
The carrying value of goodwill, customer relationships and brands intangible assets	Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. 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. The Committee also critically reviewed and discussed management's consideration of the impairment risk on customer relationships and brands 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. 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 impairment to goodwill or on customer relationships and brands 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 movement in the net pension deficit to a net pension surplus and was satisfied that the assumptions used were appropriate and were supported by independent actuarial experts. The Committee considered the Company's withdrawal from three multi-employer pension plans ('MEPPs') relating to the Group's US entities, for which a provision for the withdrawal liability had been made in the prior year. The Committee noted that the Group had exited one of the schemes and agreed to pay a lump sum to settle the liability at the amount equal to that provided for (£3.3 million). It was further noted that the exit vote in respect of one of the other schemes had been passed and that negotiations for the withdrawal liability were now underway. It was acknowledged that negotiations relating to the Group's exit from the remaining scheme were ongoing. The Committee noted that no provision was held in relation to three other MEPPs to which the Group's US entities continue to contribute. 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 23 to the consolidated financial statements.
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 noted the reduction of the previously identified risk concerning the application of the European Union State aid provisions to the UK tax regime, as a result of HMRC's conclusion that the Group was not a beneficiary of these provisions. The Committee also considered management's review of other risks associated with inter-company finance arrangements. The Committee noted management's activities in monitoring changes to tax rates around the world, including those arising from the OECD's recommendations for a global minimum tax rate of 15% and a change in taxing rights for high-margin multinational businesses. The Committee also reviewed the results of the external auditors' assessment of provisions for income taxes. 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 during 2021 the Group has seen a further increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25 million in the year to increase slow moving inventory provisions whilst additional provisions were required as a result of market price deflation on certain Covid-19 products. This has been partially offset by a net release of approximately £5 million relating to expected credit losses on trade receivables.

Internal controls and risk management
As mentioned earlier in this report, 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 reviewed the process by which management assessed the control environment, in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC.

The Committee monitored the effectiveness of the internal financial controls framework through reports from the CFO, 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. It is the responsibility of managers to provide confirmation that the controls and processes are being adhered to throughout the business and this is continually tested by the work of the internal audit function as part of its annual plan of work, which the Committee approves each year. Compliance with the internal control system is monitored annually by the completion of a controls self-assessment questionnaire by senior managers in consultation with their teams. The results are then reviewed and audited on a sample basis by the internal audit function and reported to the Committee.

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.

Further information on internal controls and risk management can be found in the Corporate governance report on pages 108 and 109.

Meetings and activities
Committee meetings are generally scheduled close to Board meetings in order to facilitate an effective and timely reporting process.

The Committee has a structured, rolling, forward-looking planner which is developed with the Company Secretary and is designed to ensure that the Committee's 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. Items on the agenda are set with consideration of regulatory requirements, the Company's reporting timetable and after considering key issues identified by the CFO, management, the Head of Internal Audit and Risk and the external auditors.

The Chair 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.

A summary of the Committee's key activities in 2021 and its priorities for 2022 can be found on page 118 and page 119 respectively. The Committee will continue to keep its activities under review and adapt them wherever necessary in anticipation of, and in response to, developments within the business and changes in the financial reporting, regulatory and governance landscape.

Standing agenda items/activities
The standard agenda items/activities dealt with by the Committee include:
- Reports from the Head of Internal Audit and Risk concerning the work undertaken by the internal audit function, including:
  - fraud reporting;
  - audit plan updates;
  - internal audit KPIs;
  - high priority audit findings;
  - control self-assessment results;
  - review of the second line of defence activities; and
  - progress against the points raised during an external quality assessment of the internal audit function.
- Separate discussions are held periodically during Committee meetings between the Committee and the Head of Internal Audit and Risk and the external auditors without management present.
- The forward agenda planner is reviewed regularly. Its content is also discussed with the executive directors, management and the external auditors and adapted, where necessary, to ensure that it meets the changing needs of the business.
- 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 directors and to the external auditors.
- The Committee Chair attends the AGM to respond to any shareholder questions that might be raised concerning the Committee's activities.

Audit Commitee meetings and activities

Financial reporting

- 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 thematic reviews and guidance from the FRC concerning annual report disclosures.

Risk management and internal controls

- 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.
- Considering an update from the CFO and the Head of Internal Controls on the Group's Internal Controls Programme which is supported by an external professional services firm.
- Receiving updates from the Group CIO concerning the Group's Information Security Policy and activities in 2021, covering matters such as the results of reviews by external professional services firms of the Group's approach to Information Security, the development of a new Governance Programme (including the establishment of a Group Information Security Risk Committee).
- Considering a paper from the Head of Internal Audit and Risk on Information Security assurance, including the results of the 2021 Information Security audit and approving the proposed future Information Security Assurance Audit Plan.
- Receiving updates from the Head of Internal Audit and Risk relating to the Group's Information Security Assurance Audit Plan and associated audit results, including progress on GDPR and data privacy, and the Group's risk-based security framework.

Audit matters

- 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 and approving the internal audit work programme for the coming year.
- 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.
- 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.
- Reviewing and approving changes to the Company's internal audit charter.

Governance and other

- Receiving training on recent and impending regulatory and governance changes.
- Reviewing the Committee's effectiveness following an externally facilitated performance evaluation.
- Reviewing the Committee's terms of reference.
- Reviewing and approving the Group's Tax Strategy for the 2022 financial year.
- Considering a paper from the CFO on the Group's finance function, forthcoming reform of the corporate governance, reporting and audit system in the UK, the Company's actions and roadmap to ensuring compliance with the proposed reforms, Bunzl's internal controls, the future of internal audit and the results of a regional deep dive into governance, controls and culture.

Internal audit

The Company has an internal audit function which comprises 12 in-house auditors, including the Head of Internal Audit and Risk. As reported in last year's Annual Report, the Company has sought to enhance its specialist IT audit resource further and, during the year, successfully recruited an Internal Audit IT Manager into the internal audit function.

The scope of work of the internal audit function covers all systems and activities of the Group and work is prioritised according to the Company's risk profile. The internal audit plan is approved by the Committee annually and is reviewed regularly thereafter to ensure that it continues to be fit for purpose and to enable the Committee to assess how internal audit is delivering against the plan.

Internal audit reports are provided regularly to the Committee and include details of the audit findings, the relevant management actions required in order to address any issues arising, as well as updates on management's progress 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 quality and effectiveness of the internal audit function's work is monitored continually using a variety of formal and informal inputs, including discussions with management, reviews and assessments of the quality of testing results and reporting, questionnaires and feedback from the external auditors. Further information concerning the formal process undertaken to assess the effectiveness of both the internal audit function and the external auditors can be found below.

External auditors

Both the Board and the Committee place great emphasis on the independence and effectiveness of the Group's external auditors in reporting to stakeholders. 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. Every audit firm and team must ensure that they have no conflicts of interest or threats to independence that cannot be properly mitigated and that they only undertake audits for which they have the skills, capabilities and capacity to deliver to the required standards. Therefore, as part of its decision making process concerning whether to tender, offer, or continue an audit engagement, there are a number of key considerations that the Committee takes into account, the principal elements of which are summarised on page 124.

Auditors' effectiveness reviews

The assessment of the effectiveness of the external and internal auditors is an ongoing process at Bunzl and the Committee uses a number of different methods to ensure that it is fully aware of how the auditors are performing.

During 2021, the Committee undertook reviews of the effectiveness of both the Company's external audit process for the 2020 financial statements and the Company's internal audit function. Each of the reviews followed a broadly similar process, as summarised in the diagram below. In addition, the external audit partner and the Head of Internal Audit and Risk attend and table reports at each scheduled Audit Committee meeting, which ensures that the Committee members have the opportunity to provide real-time feedback and, where appropriate, challenge in relation to all audit related matters, including the auditors' assurance procedures, the level of challenge and professional scepticism applied by the auditors, the audit scope, the execution of audit plans and any future audit plans. Both the Head of Internal Audit and Risk and the external auditors have direct access to the Chair of the Committee who held a number of meetings with each of them during the year outside formal Committee meetings. The Chair of the Committee also liaises with the CFO as necessary to ensure robust oversight and challenge in relation to financial control and risk management and to ensure that the Committee is kept informed of any changes in response to new issues or changing circumstances.

Detailed questionnaires of different aspects of external audit process/ internal audit function.

→ Questionnaires completed by:
- directors; and
- senior managers at Group and business area levels.

→ Results of questionnaires considered and discussed by the Committee.

→ 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 2020 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 2022 in respect of the audit of the 2021 financial statements and the internal audit function.

Auditor appointment – key considerations

Conflicts of interest

In assessing the independence of the auditors from the Company, the Committee takes into account the information and assurances provided by the auditors confirming that all their partners and staff involved with the audit are independent of any links to the Company.

PwC confirmed during the year that all its partners and staff complied with their ethics and independence policies and procedures which are consistent with the FRC's Revised Ethical Standard (2019) and other relevant regulatory and professional requirements, including that none of its employees working on Bunzl's audit hold any shares in Bunzl plc. PwC are required to provide an independence confirmation letter at the planning stage of the audit, including any relationships that may reasonably be thought to have an impact on their independence and the integrity and objectivity of the audit engagement partner and the audit staff.

Non-audit services

Bunzl has a detailed policy relating to the provision of non-audit services by the external auditors which is overseen by the Committee. 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, Bunzl uses other firms 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 2021 in respect of the audit and for non-audit services are set out in Note 5 to the consolidated financial statements. The fees relating to non-audit services work in 2021 equated to 6.0% of the fees relating to audit services.

Tenure and effectiveness

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.

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 is required to put the external audit contract out to tender every 10 years. In addition, in accordance with the CMA Order, the external auditors are required to rotate the audit partner responsible for the Company's audit every five years.

PwC were first appointed as Bunzl's external auditors in 2014. The Committee anticipates that the next competitive tender will be conducted no later than 2023 in accordance with current regulation that requires a tender every 10 years. Given the continuing effectiveness of PwC in their role as external auditors, the Committee believes it is in the best interests of shareholders for PwC to remain in role for the next two years pending the outcome of the tender process. 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 2021 financial year.

Internal assessment of audit quality

At least annually, the Committee undertakes a formal review of the effectiveness of the external audit process in respect of the Company's prior year financial statements.

External assessment of audit quality

The Committee takes into account the results of any periodic reviews undertaken by the FRC's Audit Quality Review team of the external auditors' audit of the Company.

Further information concerning the auditors' effectiveness reviews can be found on page 123.

Recommendation

Provisional upon its satisfaction with the results of its review of the external auditors' activities and performance during the year, the Committee makes a formal recommendation to the Board that a resolution proposing the re-appointment of the external auditors be put before shareholders in general meeting for approval.

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 2022 be put to shareholders at the forthcoming AGM.

Directors' remuneration report

'During a year of continuing challenge we have made great progress against key strategic objectives as well as delivering impressive financial results.'

Vanda Murray OBE
Chair of the Remuneration Committee

Introduction from Vanda Murray

I am pleased to present the Directors' remuneration report for the year ended 31 December 2021.

Context of remuneration

At the start of 2021, it was very unclear how business performance during the year would unfold – many parts of the world were still in effective lockdowns and some of Bunzl's key market sectors, including hospitality and non-food retail, remained very distressed. However, the leadership team continued to navigate the challenge as effectively as it had done in 2020, and whilst the large one-off Covid-19 related orders were generally not repeated in 2021, it became clear that there was ongoing demand for essential key products which continued throughout the year. The recovery of the hospitality industry in most markets has been less than smooth, but the net result was a significant outperformance versus both budget and prior year, driven by a particularly positive performance in North America, Latin America and Asia Pacific. The increases to both revenue and profit were supported by continued discipline around working capital and cash, resulting in strong delivery against all the financial targets in the annual bonus plan. In addition, the completion of 14 acquisitions over the course of the year left the Group in very strong shape at the end of 2021. This meant that we were able to continue our policy of not taking any government support and of paying dividends to shareholders. In addition, good progress was made against the key strategic imperatives of Sustainability, Digital and Talent; against such a challenging business backdrop it has been pleasing to see that clear and ambitious targets have been set, supported by detailed plans for delivery.

Performance and reward for 2021

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 (30% of the total opportunity) based on personal strategic objectives and, for the first time this year, specific Environmental, Social and Governance ('ESG') targets. 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 2021 was set at, or close to, the budgeted level of performance. For 2021, the Committee made slight adjustments to the weighting of the financial metrics to allow the introduction of the ESG targets, and it set a range around the target to incentivise the delivery of a stretching performance. As stated above, exceptional financial performance resulted in the payment of maximum annual bonus for the financial measures. As well as navigating the headwinds of product deflation, product and operating cost inflation, lockdowns and inconsistent rates of recovery of the base business, both directors also delivered exceptional performance against the strategic and ESG objectives. This resulted in a payment of 93.3% of maximum for these elements for Frank van Zanten and 90.0% of maximum for these elements for Richard Howes. No discretion was applied by the Committee to adjust the bonus outcomes, as overall performance reflected payment, 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 2021 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 25.49% over the three year performance period (adjusted to ensure that the relevant eps figures were comparable) will result in 96.43% of executive share options vesting for the performance period ended 31 December 2021. In addition, eps growth of 40.9% over the three years to 31 December 2020 (adjusted to exclude two disposals of businesses during the period) and stronger relative TSR performance resulted in 87.9% and 74.3% of performance shares vesting for performance periods that ended in April and October 2021, respectively. The Committee has not exercised discretion to amend the vesting outcomes for any of these share awards.

Director's remuneration policy

The 2021 directors' remuneration policy was approved at last year's AGM (by 95.7% of shareholders). The main change to the policy was the replacement of our share options (LTIP A) and performance shares (LTIP B) schemes with a single Restricted Share Award. Awards of shares were therefore granted to approximately 25 of the most senior leaders, with around a further 460 managers continuing to receive share options under the LTIP A in 2021. Another key change was the formalisation of post-cessation holding requirements. The Committee continues to feel that the Restricted Share Award plan is the most appropriate plan for Bunzl for the following key reasons:

- It is aligned with our strategy of balancing profitable organic growth, operating model improvements and growth through acquisition because it encourages leaders to take the right long-term decisions for the business rather than focusing on three year eps growth.
- It is significantly simpler than the previous plans which included both performance shares and share options.
- It creates closer alignment between shareholders and management because, while the shares are granted at a much lower level of quantum than previously, a significant proportion of their ultimate value is tied to the accrual of dividends and share price growth over the performance period.
- It helps the business to manage the impact of significant swings in performance against more volatile market conditions.
- It is common practice in North America and other jurisdictions in which we compete for senior talent.

As stated above, the first grants of Restricted Share Awards were made in April 2021 following the approval of the new policy by shareholders at the AGM. Frank van Zanten received shares equivalent to 125% of his salary, and Richard Howes to 100% of his salary, which was a reduction of approximately 50% from the total grants of shares received under the previous plans. The vesting of the shares is subject to a performance 'underpin' which will be closely reviewed by the Committee before these shares vest in April 2024. The vested shares are then subject to a further two-year holding period.

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 median, 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 2022 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 2022. This is broadly in line with that of the leadership populations across the business.

Annual Bonus

For the 2022 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 remain the same as in 2021, and again, 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 non-financial strategic objectives. This reflects how central the Sustainability agenda is to Bunzl's strategy, around the four key pillars of the transition to Alternative Products, Climate Change, Ethical Sourcing and Diversity. The objectives agreed for 2022 are a clear build on the strategy and targets agreed in 2021.

50% of any bonus awarded will be deferred into shares for a period of three years.

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

In March 2022, the Committee expects to make further grants of restricted shares under the 2021 approved policy to the executive directors and other participants. These will be at the same percentages of salary as in 2021, and will vest in March 2025, 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 2022

After two consecutive years of policy change the Committee now needs to ensure that the policy, in particular the new Restricted Share Award Plan, continues to drive the leadership behaviour required to support Bunzl's growth. While we are not anticipating any major changes in the short term, the Committee will continue to keep itself abreast of market context and of emerging trends in executive reward, as it plans for the future. It will also carefully monitor the reward context for the wider Bunzl organisation to satisfy itself that the structure for the executives continues to be aligned. As ever, the ongoing input and feedback from shareholders is very much appreciated.

Conclusions

In many ways, 2021 was a continuation of 2020 as we saw ongoing demand for key Covid-19 related products and further periods of distress in key market sectors. As described earlier, it is a testament to the resilience of all our people and to the performance of the leadership team that another exceptional set of business results was delivered. This is reflected in the outturns of both the short and long term incentive plans.

In the following pages you will find details of:
- the 'At a Glance' guide to executive directors' remuneration for 2021;
- the annual report on remuneration for 2021; including our approach to the application of the remuneration policy in 2022; and
- The Directors' remuneration policy

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
28 February 2022

Q&A

with Vanda Murray OBE Chair of the Remuneration Committee

How has the role of the Remuneration Committee evolved over the last few years?

I think the role of Remuneration Committees is much broader, and more strategic, than it used to be. In the past, the Committee spent a great deal of time involved in the mechanics of designing short and long term incentive schemes, and in calculating the outturns. Over the last few years, remcos have taken a much more central role in ensuring that the remuneration plans and, more particularly, the outturns, truly reflect progress against the strategic objectives of the business. This includes a much broader focus on environmental and employee-focused targets, for example. I have also observed that the Committee takes a much broader interest in the pay and reward arrangements for the wider workforce than it did in the past.

What key recent developments have you seen in the Executive Pay landscape?

Quite rightly, there is now a demand from shareholders for much more transparency over the link between pay and performance. Committees now need to give real thought to the setting of meaningful and stretching objectives, whether these are financial or non-financial. The broader focus on ESG priorities is a key development, but this needs to be underpinned by really clear objectives linked to a broader strategy. The requirement for a comparison between executive reward and that of the wider workforce is another way of increasing transparency. Finally, the increasing ability of Committees to defer payment of awards, or even claw them back in exceptional circumstances, all helps to ensure that executives are held to account for the longer term performance of their businesses.

How has the Bunzl Remuneration Committee responded to these developments?

The Bunzl Remuneration Committee has always kept abreast of any new or forthcoming developments to ensure that our plans remain fit for purpose. We do this as a matter of course every three years when our Policy is put to a shareholder vote, and additionally between policy updates where this is necessary. This was the case last year where we updated our Policy to include a new long term incentive plan. We felt strongly that the growing focus on simplicity and transparency meant that the time was right to move to Restricted Shares. At the same time, we made some other minor adjustments to ensure that our Policy remained in line with good practice.

Do you feel that the current pay structure will be fit for purpose for the future?

It is impossible to predict too far into the future, but when we made the change last year, it was with a view that it would remain in place for some time. The Committee has been very clear that making changes too often, or reverting to previous arrangements, will not support our objective of simplicity or transparency. Of course, we will still keep abreast of future developments and be prepared to make adjustments where we need to.

How does the Committee stay abreast of wider workforce pay issues?

When we are approving plans and outturns for the executives, the Committee members normally take note of relevant internal benchmarks as a guide to their decision making. This can be quite complex in a decentalised and global business such as Bunzl. Another recent development is that the non-executive directors on the Committee now conduct regular listening sessions with employee representatives around the Group, so we can hear any concerns about pay first hand from our employees. We can also take the opportunity to explain to them how our executive plans work.

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 2021, 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 2021, 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 2021 are listed on page 97.

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 at least every three years. 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
Vanda Murray	1 February 2015
Lloyd Pitchford	1 March 2017
Stephan Nanninga	1 May 2017
Vin Murria	1 June 2020
Maria Fernanda Mejía	23 December 2020

Meetings

	Meetings eligible to attend	Meetings attended
Vanda Murray	3	3
Lloyd Pitchford	3	3
Stephan Nanninga	3	3
Vin Murria	3	3
Maria Fernanda Mejía*	3	3

* Maria Fernanda Mejía stepped down from the board on 2 February 2022

Compliance statement

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (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 2022 Annual General Meeting ('AGM') the Company will be asking shareholders to vote on an advisory vote on the Directors' remuneration report, excluding the Directors' remuneration policy, as set out on pages 130 to 140 which provides details of the remuneration earned by directors for performance in the year ended 31 December 2021. The directors' remuneration policy was approved by shareholders in a binding vote at the 2021 AGM.

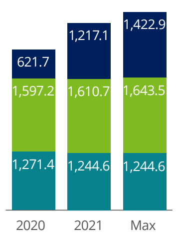
2021 remuneration at a glance

Remuneration principles

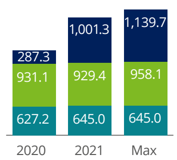
- Materially differentiate reward according to performance.
- Reward competitively to attract and retain the best talent.
- Breakdown of fixed and variable pay to be appropriate to each role.
- Framework to be transparent with clear line of sight from performance to individual outcomes.

Summary of executive directors' remuneration for the year

Chief Executive Officer
Frank van Zanten (£000)

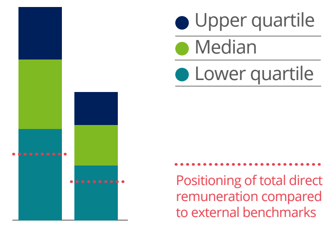


Chief Financial Officer
Richard Howes (£000)



- Salary + benefits + pension
- Bonus
- LTIP

CEO CFO



- External benchmark data for total remuneration of comparable FTSE 11-100 CEO & CFO roles

Alignment of incentive outcomes in 2021

To motivate and reward the achievement of the Company's strategic and operational objectives.

- Total opportunity
- Result

Alignment of performance and remuneration 2021

	Measure		Opportunity/result
Annual bonus To motivate and reward the achievement of the Company's strategic and operational objectives	**Eps** Linked financial KPI: eps		35%
	RAOC Linked financial KPI: RAOC and operating profit		10%
	Operating cash flow Linked financial KPI: cash conversion		25%
	Non-financial strategic goals Payable to the executive directors in relation to agreed non-financial strategic goals	Frank van Zanten	20%
		Richard Howes	20%
	ESG goals		10%
	Total bonus opportunity/result	Frank van Zanten	100%
		Richard Howes	100%
LTIP To motivate and reward performance linked to long term success	**Eps** Linked financial KPI: eps		LTIP A 100%
			50%
	TSR Linked financial KPI: dividend per share and share price		50%
	Total LTIP opportunity/result		100%

Wider workforce elements of remuneration c 21,000 employees

c.12,500 employees receive a bonus or variable pay for performance

c.14,000 employees receive retirement benefits

462 leaders receive an annual share grant

c.11,500 employees are eligible for share save

Annual report on directors' remuneration for 2021

This report sets out the elements of remuneration paid to, or earned by, the directors in respect of the financial year 2021.

Single total figure of remuneration 2021 (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
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	**2021**
Frank van Zanten	**913.1**	887.3	**148.9**	173.4	**1,610.7**	1,597.2	**1,217.1**	621.7	**182.6**	210.7	**4,072.4**	3,490.3	**1,244.6**	**2,827.8**
Richard Howes	**598.8**	582.0	**16.3**	16.1	**929.4**	931.1	**1,001.3**	287.3	**29.9**	29.1	**2,575.7**	1,845.6	**645.0**	**1,930.7**
Total	**1,511.9**	1,469.3	**165.2**	189.5	**2,540.1**	2,528.3	**2,218.4**	909.0	**212.5**	239.8	**6,648.1**	5,335.9	**1,889.6**	**4,758.5**

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 2020 deferred bonus were awarded in 2021 as shown in the table on page 139 and the shares relating to the 2021 deferred bonus will be awarded in 2022.

b) The annual bonus for 2021 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) and ESG objectives (10% of the bonus).

c) 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 2021 and include school fees, tax advice and international health insurance.

d) The long term incentives are in the form of awards under the LTIP granted in April and October 2018 and February and September 2019. 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 134. The share price used to calculate the value of LTIP A is the three-month average share price for the period ending 31 December 2021 (2,738p) and for LTIP B it is the closing mid market share price on dates of vesting, 2,409p and 2,399p on 9 April 2021 and 8 October 2021 respectively for Frank van Zanten and 2,434p on 12 April 2021 for Richard Howes. There are no dividend equivalents included in the LTIP figures. The portion of total LTIP figures (2021: £2,218,400 2020: £909,000) that are attributable to share price growth are £204,768 for Frank van Zanten and £0 for Richard Howes in 2020 and £454,065 for Frank van Zanten and £154,264 for Richard Howes in 2021.

e) The figures shown in relation to 2020 for the LTIP have been restated from those figures shown in the 2020 Annual Report to reflect the difference between the relevant grant price and the estimated value (using a three month average to December 2020) and the actual value of the LTIP share option awards on the date of vesting on 1 March 2021 and 31 August 2021 at the closing mid-market share price of 2,255p and 2,636p respectively.

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Taxable payments/ expenses £000		Total £000	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Peter Ventress – Chairman	**368.0**	277.9	**-**	–	**0.2**	–	**368.2**	277.9
Vanda Murray	**73.2**	71.8	**39.0**	38.0	**1.2**	–	**113.4**	109.8
Lloyd Pitchford	**73.2**	71.8	**20.0**	20.0	**-**	–	**93.2**	91.8
Stephan Nanninga	**73.2**	71.8	**-**	–	**-**	3.7	**73.2**	75.5
Vin Murria	**73.2**	41.9	**-**	–	**–**	–	**73.2**	41.9
Maria Fernanda Mejía	**73.2**	1.9	**-**	–	**-**	-	**73.2**	1.9
Total	**734.0**	537.1	**59.0**	58.0	**1.4**	3.7	**794.4**	598.8

Notes

a) Taxable payments/expenses for non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings. These costs have been grossed up to include the tax payable

b) Peter Ventress was appointed Chairman on 15 April 2020 and prior to this date received fees for a non-executive director.

c) Maria Fernanda Mejía stepped down from the Board on 2 February 2022.

Payments for loss of office (audited information)

No payments were or are to be made to directors in respect of loss of office.

Payments to past directors (audited information)

Eugenia Ulasewicz was reimbursed for two flights from the USA, for herself and her partner, to attend a Board event that had been rearranged due to the Covid-19 pandemic from 2020 to 2021. The total value of this benefit which includes tax payable was £30,819.

Brian May was granted performance shares and share options in 2018 and 2019 respectively as an executive director of Bunzl plc. During 2021 11,650 LTIP B performance shares vested at a value of £280,231 on the vesting dates. In 2022 22,009 LTIP A share options will vest and the estimated value on vesting, based on a three-month average share price to 31 December 2021, is £79,893. In addition, Brian May exercised 49,152 LTIP A share options in 2021, these had a value of £105,215 on the dates of vesting.

Executive directors' annual salary

As disclosed last year, executive directors' salaries were reviewed with effect from 1 January 2021 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	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%

Executive directors' salaries were also reviewed with effect from 1 January 2022 and the increases awarded are shown on page 138.

Executive directors' external appointments

During 2021 Frank van Zanten served as a non-executive director of Ahold Delhaize NV. During the year, he retained fees of €116,875 from Ahold Delhaize NV.

Non-executive directors' fees

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 2021 in accordance with the normal fees policy.

	With effect from January 2021	Fees paid in 2020	Increase in fees 2020 to 2021
Chairman's fee	**£368,000**	£368,000	–
Non-executive director fee	**£73,240**	£71,800	2.0%
Supplements:			
Senior Independent Director	**£19,000**	£18,000	5.6%
Audit Committee Chair	**£20,000**	£20,000	–
Remuneration Committee Chair	**£20,000**	£20,000	–

The Chairman and non-executive directors' fees were reviewed again with effect from 1 January 2022 and the increases awarded are shown on page 138.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS currently operate as set out in the policy section on page 142. The bonus measures for 2021 were Group eps, RAOC, operating cash flow performance, personal performance on individual objectives and specific objectives related to 'ESG' matters.

The maximum bonus achievable was 180% of salary for Frank van Zanten and 160% for Richard Howes. The results for 2021 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
35%	eps (p)	129.5	139.2	148.9	169.5	
	% of target	93%	100%	107%	121.8%	100%
	% payable – Frank van Zanten	15.8%	31.5%	63%		
	% payable – Richard Howes	14%	28%	56%		
10%	RAOC %	32.3%	34.3%	36.3%	43.4%	
	% of target	94%	100%	106%	126.5%	100%
	% payable – Frank van Zanten	4.5%	9%	18%		
	% payable – Richard Howes	4%	8%	16%		
25%	Operating cash flow (£m)	557.4	586.7	616.0	778.5	
	% of target	95%	100%	105%	132.7%	100%
	% payable – Frank van Zanten	11.3%	22.5%	45%		
	% payable – Richard Howes	10%	20%	40%		
20%	Individual objectives	see details below				
10%	ESG objectives	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) % payable represents the percentage of base salary payable.

Non-financial strategic goals

Following a review of performance against specific personal objectives for 2021, 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 continuing impact of 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

Non-financial objectives	Evaluation
• Effective positioning of the business post Covid-19, including capturing the opportunities (for instance in the areas of sanitisation and cleaning and hygiene trends) and implementing operating platform improvements, including streamlining warehouse footprints and implementing technology tools that drive further efficiencies.	• After the volatility of 2020, 2021 balanced the capture of ongoing Covid-19 opportunities with supporting the base business to return back to almost pre-pandemic levels. There was a significant increase in collaboration across the Group to manage challenges such as product deflation and sharing best practices on specific new opportunity areas such as vaccination supplies. Against this challenging backdrop, ongoing operating platform improvements have been implemented, including significant consolidation activity in Asia Pacific, the UK and North America.
• Further develop talent by supporting high potentials as part of their development plans with leadership training programmes and other support. Ensuring that high calibre external talent is recruited where appropriate to build a stronger succession pipeline across the group.	• The development of High Potential Talent has been a top priority across the Group in 2021, with all areas operating to a consistent model for identifying leadership potential. • A fully integrated programme of Leadership Development Programmes is now in place, including the Group Senior Leaders' Development Programme. • Regions have recruited into leadership roles from the external market to expand the talent pipeline. The diversity objectives are being carefully monitored by measuring number of females and persons of colour considered in recruitment processes.
• Implement recommendations from the external board evaluation including training and further induction of the newer board members.	• An action plan was agreed with the Chairman and proposed to the Board. In the context of limited opportunity to travel, Knowledge Sharing sessions were held by each region to prepare the Board for the October 2021 Strategic Plan meeting. • Visits were organised for newer board members in the UK and North America.
• Continued development of digital tools and capabilities including increasing the average percentage of digital transactions with the key customers and suppliers (digital sales orders and purchasing invoices processed automatically).	• Global focus on growing digital orders with 2021 showing good progress. Excluding acquisitions, digital orders have increased to 67% in 2021. • The automatic receipt of supplier invoices has increased to 54% by the end of October 2021. This is expected to improve further in future with the roll out of digital tools.
% of base salary awarded	**34%**
% of maximum	**95%**

Frank van Zanten – Chief Executive Officer

ESG objectives	Evaluation
• Development of strong content and communications materials (using video and other vehicles) to further and better engage with investors and further improve our ESG perception.	• The Capital Markets Day in October 2021 provided an opportunity to re-set the positioning of Bunzl with a key focus on the Sustainability strategy and the broader ESG agenda. As part of this, a series of new, easy to re-use materials and videos have been developed to position Bunzl as a pro-active leader and a business that benefits from the increasing focus on Sustainability. The relaunch of the Corporate website has been another key vehicle for re-communicating the key messages.
• Define clear longer term climate change goals during 2021.	• In March 2021, Bunzl became one of the first FTSE 100 companies to voluntarily report on the Task Force for Climate Related Financial Disclosure (TCFD) and published a detailed paper on relevant climate risks and opportunities. • In the first half of 2021, as part of work to agree new sustainability commitments, new long-term carbon reduction targets were set for scope 1 and 2 emissions, aligned to climate science and Science Based Targets initiative (SBTi) guidance. These are: – 25% improvement in carbon efficiency by 2025 – 50% improvement in carbon efficiency by 2030 • Bunzl joined the UN's "Race to Zero" campaign in September 2021. Longer-term targets include 100% renewable energy procurement across the group by 2030 and Net Zero (across scope 1, 2 and 3) by 2050 at the latest. All new targets have been agreed by the leadership team and detailed carbon reduction roadmaps have been developed by regions.

Frank van Zanten – Chief Executive Officer continued	
ESG objectives	Evaluation
• Define sustainability commitments around the 4 key focus areas that can be achieved in the Group. These commitments will include diversity and inclusion, and will reflect the different legislative contexts around the world.	• Clear commitments were launched around all four key pillars of the Sustainability strategy, using the "Today, Tomorrow and Beyond" framework, and these are outlined in detail in the Strategic and Sustainability sections of the Annual Report. For example, on Tailored Solutions: – Today: We will support our customers to remove, replace and reduce single use plastics. – Tomorrow: We will significantly increase the amount of recyclable, compostable or reusable packaging supplied to our customers to help them meet their targets. – Beyond: Every single packaging product and disposable in our range will be offered with an alternative that is recyclable, reusable, compostable or renewable. • On Diversity, Equity and Inclusion, our stated commitments are as follows: – Encouraging more women into leadership roles through focused and targeted activities. – Focusing on building a truly inclusive culture. • To support these, we have been explicit about the (measurable) initiatives required to make real progress, and there has been significant momentum behind these in 2021.
% of base salary awarded	**16%**
% of maximum	**90%**

Richard Howes – Chief Financial Officer	
Non-financial objectives	Evaluation
• Deliver a successful Capital Markets Day during 2021 including a successful messaging of our accelerated Sustainability strategy.	• The Capital Markets Day in October 2021 was deemed to be a very successful event which led to clear Share Price outperformance and a very strong positioning of Bunzl in terms of the core business model, the Sustainability strategy and future growth.
• Achieve the GDPR / information security milestones for 2021.	• Focus on Information Security has increased significantly across the Group. In 2021, a practical operating plan was developed and a robust governance process established for the delivery of specific security actions. • Substantial progress has been made in the area of data privacy, and this has been established as a key focus for both the UK and Continental Europe businesses. Specialist resource has been recruited and a rigorous reporting mechanism has been established.
• Coordinate and undertake a review of the profitability of our largest customers and come up with recommendations to improve where possible.	• Significant progress has been made in understanding the profitability of key customers as the basis for constructive dialogue and partnership with customers moving forward.
% of base salary awarded	**29%**
% of maximum	**90%**

Richard Howes – Chief Financial Officer	
ESG objectives	Evaluation
• Set stretching and achievable TCFD targets with a clear action plan.	• A clear Carbon roadmap has been developed in partnership with the regional leadership teams, and has been communicated externally. The roadmap includes concrete plans for 2022-2025 with clear emission reductions in commercial vehicles (company cars and vans), electricity (renewable electricity, LED, facility consolidation, on-site solar) and natural gas.
• Establish a high quality data collection process to support our Sustainability agenda and commitments.	• This was a very challenging undertaking given the decentralised structure of the Group and the fragmented nature of the data. Multiple data capture systems were identified, data mapped against 2019 packaging data using common templates to ensure consistency. • A top-down review was carried out and reconciliation conducted as appropriate.
• Relaunch the corporate website, including highlighting the significant progress made in the ESG area.	• The new Corporate website was launched on time in December 2021 and is a significant step up in quality and functionality, mirroring the success of the Capital Markets Day. Usage statistics have been monitored carefully and this will continue in 2022. Highlights include a significant uptake in users per day and longer dwell time than with the previous website.
% of base salary awarded	**14%**
% of maximum	**90%**

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				
	2021 %	2020 %	2019 %	2018 %	2017 %
Frank van Zanten	**176.4**	180.0	107.1	126.7	109.2
Richard Howes	**155.2**	160.0	–	–	–

The monetary values of the bonus payments for 2021 and 2020 are included in the table on page 130. 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 2021 (audited information)

Executive share options – LTIP Part A

In 2019 Executive share option awards were granted in two tranches, the first vested on 28 February 2022 and the second are due to vest on 11 September 2022. 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 – 28 February 2019 and 11 September 2019 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 2021)	25% vesting for threshold performance 100% vesting for maximum performance	15.8%	26.0%	25.49%*	96.43%
% payable at target		25%	100%		

	Date of grant	Exercise price	Number of awards granted	Vesting outcome	Estimated value of award vesting
Frank van Zanten	28 February 2019	2,375	36,273	96.43%	£126,974
	11 September 2019	2,107	40,887	96.43%	£248,793
Richard Howes	28 February 2019		–	–	–
	11 September 2019		–	–	–

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 2021 (2,738p) and are the same as the figures included in the single total figure of remuneration table on page 130.

* The eps growth for the three years to 31 December 2021 has been calculated by (i) restating the eps for the year ended 31 December 2021 on a proforma basis under IAS 17 in order to allow a direct comparison with the eps for the year ended 31 December 2019; 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 9 April 2018 and 8 October 2018 under the 2014 LTIP and vested during 2021. 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 – 9 April and 8 October 2018 awards

Performance measure	Vesting schedule	Threshold target (6% p.a. compounded)	Maximum target (12% p.a. compounded)	Actual eps growth	% vesting (50% of award)
Eps growth (over three year period to 31 December 2020)	25% vesting for threshold performance 100% vesting for maximum performance	19.1%	40.5%	40.91%*	100%
% payable		12.5%	50%		

Performance measure	Performance period	Vesting schedule	Threshold target (median)	Maximum target (upper quartile)	Actual TSR	% vesting (50% of award)
TSR relative to comparator group of bespoke peer companies	1 April 2018 to 31 March 2021	25% vesting for threshold performance,	8.7% 15.5 out of 30	45.3% 8.0 out of 30	23.6% 10.43 out of 30	75.71%
	1 October 2018 to 30 September 2021	100% vesting for maximum performance	4.6% 17.5 out of 34	53.9% 9 out of 34	19.0% 14.82 out of 34	48.68%
% payable			12.5%	50%		

	Date of grant	Number of shares granted	Vesting outcome – eps	Vesting outcome – TSR	Value of award vesting
Frank van Zanten	9 April 2018	22,510	100%	75.7%	£476,404
	8 October 2018	20,464	100%	48.7%	£364,936
Richard Howes	11 September 2019	46,824	100%	75.7%	£1,001,275

Note
a) Included in the single total figure of remuneration on page 130 is the value of these vested awards for Frank van Zanten at the closing mid-market share price on the dates of vesting, 9 April 2021 and 8 October 2021, which were 2,409p and 2,399p respectively and for Richard Howes at the closing mid-market share price on 12 April 2021 (being the first dealing day following the vesting on 10 April 2021) which was 2,434p.
b) As detailed on page 109 of the 2019 Annual Report and Accounts, Richard Howes received an award on 11 September 2019 to compensate him for unvested awards under his previous employer's long term incentive scheme.
* 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.

Total pension entitlements (audited information)

	Value of cash allowance including any company Defined Contribution in 2021	Total pension 2021
Frank van Zanten	£182,616	**£182,616**
Richard Howes	£29,941	**£29,941**

Note
Chief Executive Officer Frank van Zanten received a pension allowance of 20% of base salary in 2021. In 2022 this has been reduced to 14% 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. For the first time in 2021 a single Restricted Share Award was made on 21 April 2021 under the LTIP Part B in accordance with the policy as approved at the 2021 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	RSA	21 April 2021	125% of salary	£1,141.3	45,859	21 April 2024
Richard Howes	RSA	21 April 2021	100% of salary	£598.8	24,060	21 April 2024

Notes
a) The face value of the awards is calculated using the average of the closing mid-market share price on the five days prior to the grant of the award. The RSA options were awarded under the LTIP Part B on 21 April 2021 at a value of 2,488.8p per share.
b) The RSA is subject to an underpin, as detailed in the policy table. On the vesting date if the underpin is met 100% of the award will vest. Alternatively, if significant elements of the underpin are not met the award may be scaled back or lapse in exceptional circumstances.

Performance underpins

Restricted Share Award–LTIP 21 April 2021

The extent to which the Restricted Share Award awarded under the LTIP to the Company's executive directors, Executive Committee members and selected key employees in 2021 may vest is subject to a performance 'underpin' which will be closely reviewed by the Committee before these awards vest in 2024. Further details of the performance 'underpin' are on page 143 in the Remuneration policy. Vested awards are then subject to a further two-year holding period.

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 144. 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 2021
10% in any rolling 10 year period	1.1%
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 2021, 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 2021)	Actual share ownership as a percentage of salary at 31 December 2021 at the closing mid-market price (2,885p)
Frank van Zanten	300%	617%
Richard Howes	200%	224%

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)

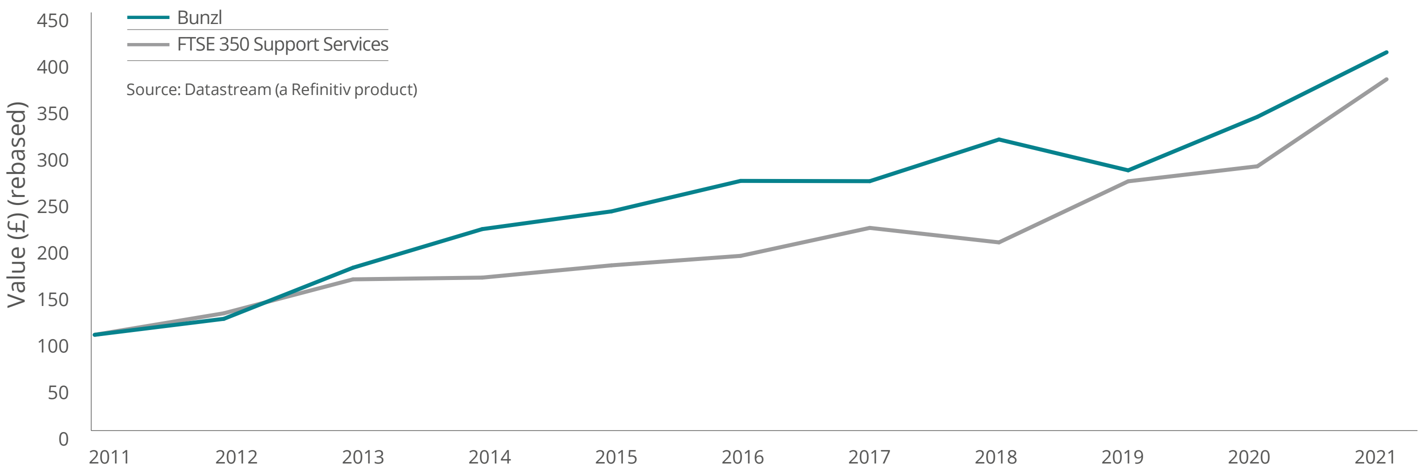
The interests of the directors, and their connected persons, in the Company's ordinary shares and share options at 31 December 2021 were:

	Shares (LTIP B and RSA)				Options (LTIP Part A and Sharesave)			Total interests held
	Owned outright	Unvested (DASBS)	Unvested and subject to performance conditions (LTIP Part B)	Unvested and subject to underpin (RSA)	Unvested and subject to performance conditions	Unvested subject to continued employment	Vested but not exercised	
Frank van Zanten	**153,116**	83,665	119,202	45,859	162,481	1,463	155,374	721,160
Richard Howes	**30,117**	31,149	95,478	24,060	55,956	1,010		237,770
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	–							

Notes
a) No changes to the directors' ordinary share interests shown in this remuneration report have taken place between 31 December 2021 and 28 February 2022.
b) LTIP A share options are structured as market value options and LTIP B performance shares are structured as nil-cost options.

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 single figure history

The table below summarises the Chief Executive Officer's single total figure of remuneration, annual bonus and long term incentive payout as a percentage of maximum opportunity for 2021 and the previous nine years.

		2012	2013	2014	2015	2016 MR	2016 FvZ	2017	2018	2019	2020	**2021**
Single total figure of remuneration £000		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	3,490.3	**4,072.4**
Annual bonus payment as a percentage of maximum		67%	91%	85%	64%	0%	67%	73%	70%	60%	100%	**98%**
Long term incentive vesting as a percentage of maximum	LTIP Part A (options)	100%	100%	100%	100%	100%	0%	100%	100%	100%	100%	**96.4%**
	LTIP Part B (performance shares)	45%	62%	89%	69%	82%	0%	69%	54%	63%	45%	**81%**

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 2020 has been restated from the figure shown in the 2020 Annual Report to reflect the difference between the grant price and the estimated value of vesting using the three month average share price to 31 December 2020 and the value of the relevant LTIP awards on the actual date of vesting as detailed in Note e) to the table of the single total figure of remuneration 2021 on page 130.

Percentage change in each director's remuneration

The table below sets out the change between 2020 and 2021 and 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 years due to employees joining or leaving the Company or moving role, these employees have been removed from the data to prevent distortion.

	Salary/Fees		Benefits		Bonus	
	2020	**2021**	2020	**2021**	2020	**2021**
Chief Executive Officer – Frank van Zanten	3.0%	**2.9%**	(42%)	**(14.1%)**	73%	**0.8%**
Chief Financial Officer – Richard Howes	3.0%	**2.9%**	n/a	**1.2%**	n/a	**(0.2%)**
Chairman – Peter Ventress	3.1%	**0.0%**	n/a	**100%**	n/a	**n/a**
Non-executive director – Vanda Murray	0.9%	**2.2%**	(100%)	**100%**	n/a	**n/a**
Non-executive director – Lloyd Pitchford	1.1%	**1.6%**	(100%)	**0.0%**	n/a	**n/a**
Non-executive director – Stephan Nanninga	n/a	**2.0%**	(64%)	**(100%)**	n/a	**n/a**
Non-executive director – Vin Murria	n/a	**2.0%**	n/a	**0.0%**	n/a	**n/a**
Non-executive director – Maria Fernanda Mejía	n/a	**2.0%**	n/a	**0.0%**	n/a	**n/a**
Average of employees in Bunzl plc	3.2%	**3.1%**	(25%)	**33.2%**	162%	**(15.9%)**

Notes
a) Benefits are annualised.
b) Bunzl plc employees exclude any increases due to a change of role that occurred during either year.
c) Benefits for the non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings in London and therefore have increased in 2021 compared to 2020 due to less Covid-19 travel restrictions.
d) The increase for benefits in 2021 for the employees in Bunzl plc is due to a higher premium for health insurance and a greater number of employees having health insurance as a benefit.

Chief Executive Officer pay ratio

The table below sets out the comparisons between the 25th, median, and 75th percentile employees in the UK, with reference to 31 December 2021, 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 2021, compared to the Chief Executive Officer's bonus due to be paid in 2022, in respect to performance in 2021. Ratios compared to salary remain consistent to the previous two years reported. The total remuneration ratio has increased due to the strong performance of the Group impacting the Chief Executive Officer's variable pay as well as an increase in the share price reflected in the value of the Chief Executive Officer's LTIPs.

	CEO single figure	Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Salary	£913,078	2021	Option A	43:1	37:1	27:1
Total remuneration	£4,072,387	2021	Option A	181:1	153:1	103:1
Salary	£887,345	2020	Option A	44:1	38:1	27:1
Total remuneration	£3,490,306	2020	Option A	161:1	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	£913,078	£4,072,387
25th percentile employee	£21,200	£22,549
Median employee	£24,442	£26,627
75th percentile employee	£34,000	£39,592

Note
The single total figure of remuneration in relation to 2020 has been restated from the figure shown in the 2020 Annual Report to reflect the difference between the grant price and the estimated value of vesting of the relevant LTIP awards on the actual date of vesting as detailed in Note e) to the table of the single total figure of remuneration 2021 on page 130.

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 2021 (as stated in Note 24, Note 20 and Note 3 to the consolidated financial statements on pages 199, 194 and 171 respectively).

£m	**2021**	2020	Percentage change
Overall expenditure on pay	**844.0**	844.3	–
Dividends paid in the year	**180.4**	171.5	5.2%
Adjusted earnings per share (p)	**162.5**	164.9	(1.5)%

Notes
a) Overall expenditure on pay excludes employer's social security costs.
b) The percentage change in overall expenditure on pay includes the impact of changes in exchange rates from 2020 to 2021, details of which are referred to in the Chief Executive Officer's review on page 13 and in the Financial review on page 75.
c) Adjusted earnings per share is used as a comparator as it is a key financial indicator.

Remuneration arrangements for 2022

Salary

The salary increases for the executive directors for 2022, which are in line with increases that have been implemented for the broader leadership team, are as follows:

	Salary from 1 January 2022	Salary from 1 January 2021	Increase in salary 2021 to 2022
Frank van Zanten	£939,600	£913,078	2.9%
Richard Howes	£616,193	£598,827	2.9%

2022 bonus measures

The structure for Frank van Zanten and Richard Howes' annual bonus for 2022 is a balanced scorecard of performance measures, based on eps, RAOC, operating cash flow and specified strategic goals. The weighting of these measures remains 70% financial measures and 30% non-financial measures (20% strategic goals and 10% ESG goals). 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 2022

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 as set out in the policy table. The Committee conducts an annual review of the underpin to ensure there is no reason why the shares should not vest in full at the end of three years. In 2022 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 determining the number of awards to be granted in 2022, the 60-day average share price preceding the grant date will be used for such purposes.

The performance of the RSA is measured with reference to an underpin as stated in the policy table on page 143. 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.

Chairman's and non-executive directors' fees for 2022

The Chairman's fee is reviewed every two years and the non-executive directors' fees are reviewed annually with the most recent reviews for both taking effect from 1 January 2022. The current fee structure for the Chairman and the non-executive directors is shown below:

	With effect from 1 January 2022	Fees paid in 2021	Increase in fees 2021 to 2022
Chairman's fee	£386,000	£368,000	4.9%
Non-executive director fee	£75,000	£73,240	2.4%
Supplements:			
Senior Independent Director	£20,000	£19,000	5.3%
Audit Committee Chair	£21,000	£20,000	5.0%
Remuneration Committee Chair	£21,000	£20,000	5.0%

Additional information on directors' interests (audited information)

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 2021

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 142.

	Awards (shares) held at 1 January 2021	Shares awarded during 2021	Shares vested during 2021	**Total number of awards (shares) at 31 December 2021**	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested awards £000
Frank van Zanten	22,789		24,329	–	01.03.21	1,955	2,255	549
	22,328			**22,328**	01.03.22	2,373		
	24,670			**24,670**	02.03.23	1,870		
	–	36,667		**36,667**	08.03.24	2,178		
Richard Howes	9,774			**9,774**	02.03.23	1,870		
	–	21,375		**21,375**	08.03.24	2,178		

Notes
a) The deferred element of the 2021 annual bonus plan as shown on page 133 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year.
b) The deferred shares vested during 2021 include the dividend equivalents.
c) The deferred shares awarded during 2021 relate to 50% of the bonus for 2020 and are structured as nil-cost options, with the number of shares being determined by reference to the mid market closing share price on the day preceding the grant date.
d) Frank van Zanten exercised 24,329 deferred shares granted in 2018 on 4 March 2021 with total gain of £541,642.

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP during 2021 with shaded details indicating options or shares that have vested.

Executive share options – LTIP Part A

	Options held at 1 January 2021	Grant date	Exercise price p	Options exercisable between	**Options held at 31 December 2021**
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**
	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**
	48,225	10.03.20	1,840	10.03.23-09.03.30	**48,225**
	37,096	09.09.20	2,392	09.09.23-08.09.30	**37,096**
Total	**317,855**				**317,855**
Richard Howes	31,627	10.03.20	1,840	10.03.23-09.03.30	**31,627**
	24,329	09.09.20	2,392	09.09.23-08.09.30	**24,329**
Total	**55,956**				**55,956**

Notes
a) The mid-market price of a share on 31 December 2021 was 2,885p and the range during 2021 was 2,150p to 2,968p.
b) Executive share options are structured as market value options.

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2021	Conditional shares awarded during 2021	Award date	Market price per share at award p	Lapsed awards (shares) during 2021	Exercised awards (shares) during 2021	Market price per share at exercise p	Value at exercise £000	**Awards (shares) held at 31 December 2021**
Frank van Zanten	22,510		09.04.18	2,090	2,734	19,776	2,384	471	–
	20,464		08.10.18	2,299	5,252	15,212	2,398	365	–
	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	**162,176**	**0**			**7,986**	**34,988**			**119,202**
Richard Howes	46,824		11.09.19	2,059	5,687	41,137	2,456	1,010	–
	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	**142,302**	**0**			**5,687**	**41,137**			**95,478**

Note
Performance shares are structured as nil-cost options.

Restricted Share Awards

	Awards (shares) held at 1 January 2021	Conditional shares awarded during 2021	Award date	Market price per share at award p	Lapsed awards (shares) during 2021	Exercised awards (shares) during 2021	Market price per share at exercise p	Value at exercise £000	**Awards (shares) held at 31 December 2021**
Frank van Zanten	–	45,859	21.04.21	2,488.8	–	–	–	–	**45,859**
Total	**0**	**45,859**			**0**	**0**			**45,859**
Richard Howes	–	24,060	21.04.21	2,488.8	–	–	–	–	**24,060**
Total	**0**	**24,060**			**0**	**0**			**24,060**

Note
Retricted share awards are structured as nil-cost options.

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 144.

Sharesave Schemes

	Options at 1 January 2021	Grant date	Exercise price p	Options exercisable between	**Options at 31 December 2021**
Frank van Zanten	964	29.03.16	1,556	01.05.21-31.10.21	**0**
	959	27.03.18	1,564	01.05.23–31.10.23	**959**
	–	31.03.21	1,781	01.05.24–31.10.24	**504**
Richard Howes	–	31.03.21	1,781	01.05.24–31.10.24	**1,010**

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') and FIT Remuneration Consultants LLP ('FIT'). WTW provided external survey data on directors' remuneration and benefit levels.

The fees payable to each adviser, based on hourly rates, were: £17,520 (WTW), and £94,223 (FIT) respectively for such work undertaken in 2021. Advisers are appointed by the Committee and reviewed periodically. A tender exercise was conducted in 2020 and FIT were selected to provide independent advice to the Remuneration Committee on senior executive pay matters. 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 2021 AGM for the remuneration report and the remuneration policy

The remuneration report and remuneration policy received the following shareholder votes at the 2021 AGM, held on 20th April. This being the year they were last voted on by shareholders:

	Votes cast	Votes for	% of shares voted	Votes against	% of shares voted	Votes withheld
Remuneration report	273,780,764	262,042,684	95.71%	11,738,080	4.29%	3,879,257
Remuneration policy	273,777,510	258,507,726	94.42%	15,269,784	5.58%	3,880,511

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.

Directors' remuneration policy

Following its approval in 2021 the overall approach to remuneration remains consistent and is 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.

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. It remains unchanged from that published in last year's report.

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 2021 and 2022 are set out on pages 131 and 138 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 (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	Executive directors 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 were approved by 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 2022. • 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 £1,500,000 authorised by shareholders with reference to the Company's Articles of Association approved 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 representatives more generally. In addition, the Committee consults proactively with its major shareholders prior to making significant changes to its policy.

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 2021 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 2022 AGM
Peter Ventress	1 June 2019	21 April 2021	2 years 10 months
Eugenia Ulasewicz	1 April 2011		n/a
Vanda Murray	1 February 2015	21 April 2021	7 years 2 months
Lloyd Pitchford	1 March 2017	21 April 2021	5 years 1 month
Stephan Nanninga	1 May 2017	21 April 2021	4 years 11 months
Vin Murria	1 June 2020	21 April 2021	1 year 10 months
Maria Fernanda Mejía	23 December 2020	21 April 2021	1 year 3 months

Notes
a) 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.
b) Maria Fernanda Mejía stepped down from the Board on 2 February 2022.

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 pro-ration. 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 pro-ration. 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 25 people) are granted restricted share awards. 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.

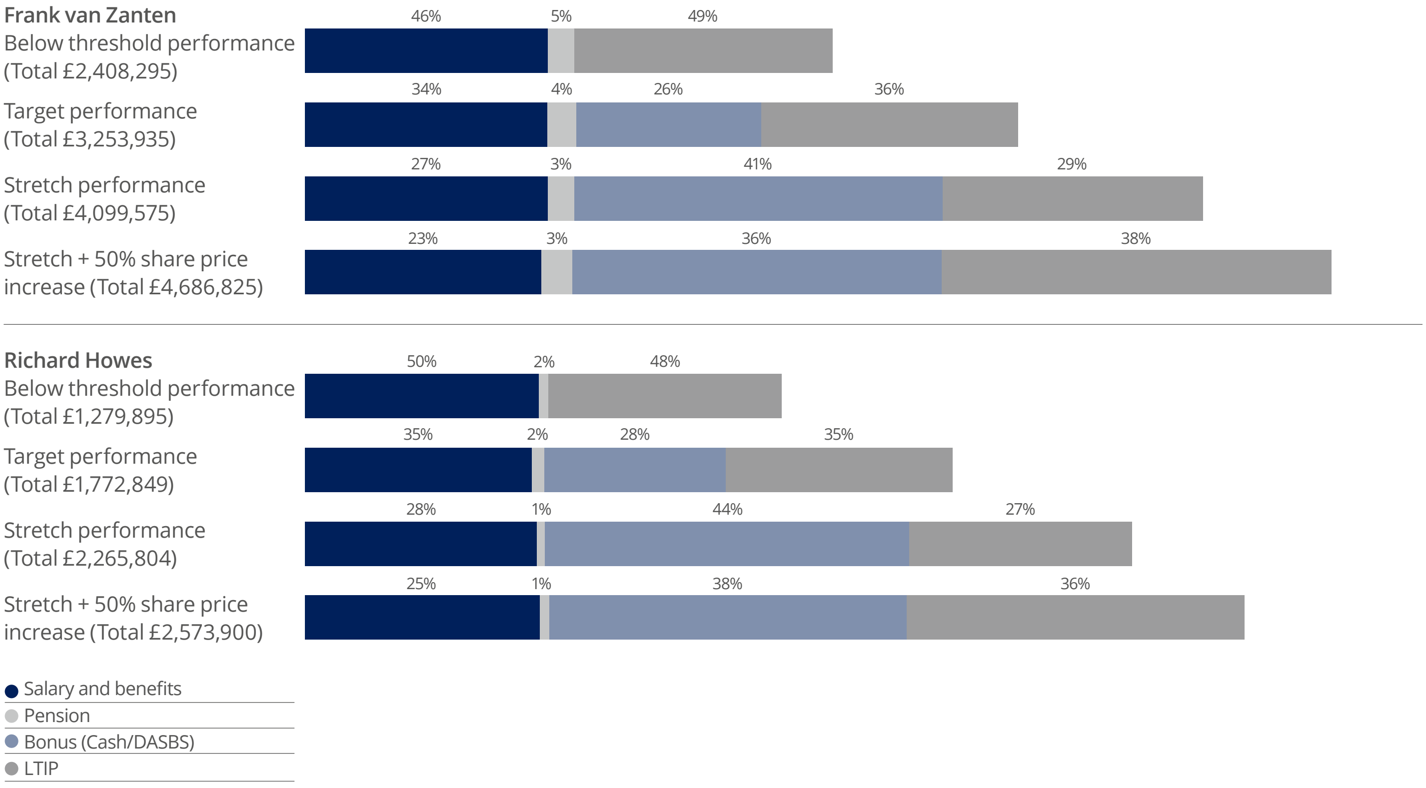
Statement of consideration of employment conditions elsewhere in the Group

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. Members of the Committee held feedback sessions with employees in all regions and part of the discussion sought the employee's view on the executive remuneration approach and application. In addition, the Company monitors 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 2022, in line with the remuneration policy, is illustrated in the bar charts below.



Notes

a) Salary represents annual salary for 2022. Benefits such as a car or car allowance and private medical insurance have been included based on 2021 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 2022 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 2022 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 2022 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.

Vanda Murray OBE
Chair of the Remuneration Committee
28 February 2022

Other statutory information

Annual General Meeting

The Notice convening the Company's Annual General Meeting ('AGM'), to be held at The Great Hall, 60 Victoria Embankment, London, United Kingdom, EC4Y 0JP on Wednesday 20 April 2022 at 2.00 pm, is set out in a separate letter from the Chairman to shareholders.

Dividends

An interim dividend of 16.2p was paid on 5 January 2022 in respect of 2021 and the directors are recommending a final dividend of 40.8p, making a total for the year of 57.0p per share (2020: 54.1p). Dividend details are given in Note 20 to the consolidated financial statements. Subject to shareholder approval at the 2022 AGM, the final dividend will be paid on 4 July 2022 to those shareholders on the register at the close of business on 20 May 2022.

Share capital

The Company has a single class of share capital which is divided into ordinary shares of 32 1⁄7p 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 19 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 19 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 2021 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 12 March 2021, 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 2021, 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 he has 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 2021 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 2021, the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2020 AGM and no shares have been purchased between 31 December 2021 and 28 February 2022. As a result, directors again propose to seek the equivalent authority at the 2022 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 96 and 97. 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 22 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 2021. 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 125 to 149.

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 2021 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 a 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 46 to 57.

Greenhouse gas emissions
Information relating to greenhouse gas emissions has been set out in the ESG appendix on pages 85 to 90.

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 are periodically circulated to give details of corporate and employee matters, together with a number of subsidiary or business area publications dealing with activities in specific parts of the Group.

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 46 to 57.

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 the Main Market and 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 2021, 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 74 to 81 and in the Notes to the financial statements on pages 162 to 204.

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 19 to the consolidated financial statements on page 192, there are no disclosures required to be made under UK Listing Rule 9.8.4.

Substantial shareholdings
As at 31 December 2021, 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 2021 and 28 February 2022.

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 2 to 91.

Strategic report and Directors' report

Pages 2 to 91 inclusive consist of the Strategic report and pages 92 to 153 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 2 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 28 February 2022.

By order of the Board

Suzanne Jefferies
Secretary
28 February 2022

MCR Safety was one of 50 safety businesses acquired since 2000. For details on the 2021 acquisitions see Note 28.

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Financial Statements

Consolidated income statement

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Revenue	4	**10,285.1**	10,111.1
Operating profit	4	**623.3**	618.5
Finance income	6	**10.7**	10.4
Finance expense	6	**(65.3)**	(73.2)
Profit before income tax		**568.7**	555.7
Income tax	7	**(125.9)**	(125.7)
Profit for the year attributable to the Company's equity holders		**442.8**	430.0
Earnings per share attributable to the Company's equity holders			
Basic	8	**132.7p**	128.8p
Diluted	8	**131.8p**	128.3p

Alternative performance measures†			
Operating profit	4	**623.3**	618.5
Adjusted for:			
Customer relationships and brands amortisation	4	**106.5**	100.4
Acquisition related items	4	**23.0**	42.7
Non-recurring pension scheme charges	4	**–**	16.8
Adjusted operating profit		**752.8**	778.4
Finance income	6	**10.7**	10.4
Finance expense	6	**(65.3)**	(73.2)
Adjusted profit before income tax		**698.2**	715.6
Tax on adjusted profit	7	**(155.7)**	(165.1)
Adjusted profit for the year		**542.5**	550.5
Adjusted earnings per share	8	**162.5p**	164.9p

† See Note 3 on page 170 for further details of the alternative performance measures.

The Accounting policies and other Notes on pages 162 to 204 form part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Profit for the year		**442.8**	430.0
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	23	**74.1**	(16.2)
Gain/(loss) recognised in cash flow hedge reserve		**4.4**	(8.5)
Tax on items that will not be reclassified to profit or loss	7	**(19.3)**	4.6
Total items that will not be reclassified to profit or loss		**59.2**	(20.1)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		**(89.8)**	(63.5)
Gain/(loss) taken to equity as a result of effective net investment hedges		**11.5**	(15.9)
Tax on items that may be reclassified to profit or loss	7	**–**	0.3
Total items that may be reclassified subsequently to profit or loss		**(78.3)**	(79.1)
Other comprehensive expense for the year		**(19.1)**	(99.2)
Total comprehensive income attributable to the Company's equity holders		**423.7**	330.8

Consolidated balance sheet
at 31 December 2021

	Notes	2021 £m	2020 £m
Assets			
Property, plant and equipment	9	**120.9**	122.7
Right-of-use assets	10	**448.3**	453.4
Intangible assets	11	**2,766.8**	2,441.9
Defined benefit pension assets	23	**63.6**	0.4
Derivative financial assets		**6.9**	17.0
Deferred tax assets	18	**2.8**	2.5
Total non-current assets		**3,409.3**	3,037.9
Inventories	13	**1,474.0**	1,432.2
Trade and other receivables	14	**1,431.0**	1,395.8
Income tax receivable		**8.0**	6.6
Derivative financial assets		**14.9**	12.6
Cash at bank and in hand	26	**776.9**	944.3
Total current assets		**3,704.8**	3,791.5
Total assets		**7,114.1**	6,829.4
Equity			
Share capital	19	**108.4**	108.3
Share premium		**194.2**	187.7
Translation reserve		**(269.2)**	(190.9)
Other reserves		**19.0**	14.3
Retained earnings		**2,151.5**	1,799.7
Total equity attributable to the Company's equity holders		**2,203.9**	1,919.1
Liabilities			
Interest bearing loans and borrowings	26	**1,433.7**	1,615.2
Defined benefit pension liabilities	23	**32.4**	45.2
Other payables	15	**72.9**	50.2
Income tax payable		**1.5**	2.0
Provisions	17	**56.3**	55.7
Lease liabilities	25	**359.6**	368.4
Derivative financial liabilities		**27.9**	0.8
Deferred tax liabilities	18	**151.0**	105.1
Total non-current liabilities		**2,135.3**	2,242.6
Bank overdrafts	26	**551.6**	514.6
Interest bearing loans and borrowings	26	**111.9**	79.9
Trade and other payables	15	**1,921.3**	1,836.3
Income tax payable		**42.1**	75.7
Provisions	17	**8.5**	8.5
Lease liabilities	25	**129.1**	129.1
Derivative financial liabilities		**10.4**	23.6
Total current liabilities		**2,774.9**	2,667.7
Total liabilities		**4,910.2**	4,910.3
Total equity and liabilities		**7,114.1**	6,829.4

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 28 February 2022 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 2021

				Other reserves			Retained earnings		
	Share capital £m	Share premium £m	Translation reserve £m	Merger £m	Capital redemption £m	Cash flow hedge £m	Own shares £m	Earnings £m	Total equity £m
At 1 January 2021	**108.3**	**187.7**	**(190.9)**	**2.5**	**16.1**	**(4.3)**	**(73.4)**	**1,873.1**	**1,919.1**
Profit for the year								**442.8**	**442.8**
Actuarial gain on defined benefit pension schemes								74.1	74.1
Foreign currency translation differences on foreign operations			(89.8)						(89.8)
Gain taken to equity as a result of effective net investment hedges			11.5						11.5
Gain recognised in cash flow hedge reserve						4.4			4.4
Income tax charge on other comprehensive income			–			(0.8)		(18.5)	(19.3)
Total comprehensive income			**(78.3)**			**3.6**		**498.4**	**423.7**
2020 interim dividend								(52.8)	(52.8)
2020 final dividend								(127.6)	(127.6)
Movement from cash flow hedge reserve to inventory						1.1			1.1
Issue of share capital	0.1	6.5							6.6
Employee trust shares							15.5		15.5
Movement on own share reserves							5.0	(5.0)	–
Share based payments								18.3	18.3
At 31 December 2021	**108.4**	**194.2**	**(269.2)**	**2.5**	**16.1**	**0.4**	**(52.9)**	**2,204.4**	**2,203.9**

				Other reserves			Retained earnings		
	Share capital £m	Share premium £m	Translation reserve £m	Merger £m	Capital redemption £m	Cash flow hedge £m	Own shares £m	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

Consolidated cash flow statement

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Cash flow from operating activities			
Profit before income tax		**568.7**	555.7
Adjusted for:			
net finance expense	6	**54.6**	62.8
customer relationships and brands amortisation	11	**106.5**	100.4
acquisition related items	4	**23.0**	42.7
non-recurring pension scheme charges	4	**–**	16.8
Adjusted operating profit		**752.8**	778.4
Adjustments:			
depreciation and software amortisation	29	**171.2**	171.7
other non-cash items	29	**4.4**	13.2
working capital movement	29	**2.1**	5.0
Cash generated from operations before acquisition related items		**930.5**	968.3
Cash outflow from acquisition related items	28	**(16.0)**	(24.3)
Income tax paid		**(181.4)**	(153.8)
Cash inflow from operating activities		**733.1**	790.2
Cash flow from investing activities			
Interest received		**8.7**	15.1
Purchase of property, plant and equipment and software	9,11	**(32.7)**	(33.1)
Sale of property, plant and equipment		**2.7**	1.2
Purchase of businesses	28	**(436.7)**	(363.2)
Cash outflow from investing activities		**(458.0)**	(380.0)
Cash flow from financing activities			
Interest paid excluding interest on lease liabilities		**(43.5)**	(56.6)
Dividends paid	20	**(180.4)**	(171.5)
Increase in borrowings		**14.5**	444.5
Repayment of borrowings		**(134.9)**	(133.5)
Realised gains/(losses) on foreign exchange contracts		**25.0**	(37.1)
Payment of lease liabilities – principal	25	**(138.6)**	(137.1)
Payment of lease liabilities – interest	25	**(20.3)**	(22.5)
Proceeds from issue of ordinary shares to settle share options		**6.6**	3.7
Proceeds from exercise of market purchase share options		**47.1**	37.0
Purchase of employee trust shares		**(34.2)**	(49.1)
Cash outflow from financing activities		**(458.7)**	(122.2)
(Decrease)/increase in cash and cash equivalents		**(183.6)**	288.0
Cash and cash equivalents at start of year		**429.7**	140.8
(Decrease)/increase in cash and cash equivalents		**(183.6)**	288.0
Currency translation		**(20.8)**	0.9
Cash and cash equivalents at end of year	26	**225.3**	429.7

Consolidated cash flow statement continued

for the year ended 31 December 2021

Alternative performance measures[†]	Notes	2021 £m	2020 £m
Cash generated from operations before acquisition related items		**930.5**	968.3
Purchase of property, plant and equipment and software		**(32.7)**	(33.1)
Sale of property, plant and equipment		**2.7**	1.2
Payment of lease liabilities	25	**(158.9)**	(159.6)
Operating cash flow		**741.6**	776.8
Adjusted operating profit		**752.8**	778.4
Add back depreciation of right-of-use assets	10	**134.8**	134.8
Deduct payment of lease liabilities	25	**(158.9)**	(159.6)
Lease adjusted operating profit		**728.7**	753.6
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)		**102%**	103%
Operating cash flow		**741.6**	776.8
Net interest excluding interest on lease liabilities		**(34.8)**	(41.5)
Income tax paid		**(181.4)**	(153.8)
Free cash flow		**525.4**	581.5

† See Note 3 on page 170 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

On 31 December 2020, International Financial Reporting Standards ('IFRSs') as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards ('IASs'), with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted IASs in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements for the year ended 31 December 2021 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with UK-adopted IASs in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. 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 operating cash flow 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 18 month period from the date of these financial statements to the end of June 2023 starting with a base case projection derived from the Group's 2022 Budget excluding any non-committed acquisition spend or changes in funding. The resilience of the Group to a range of severe but plausible downside scenarios was factored into the directors' considerations through two levels of stress testing against the base case projection.

These severe but plausible downside scenarios included the following assumptions:

- A 10% reduction in adjusted operating profit from the potential for adverse impacts from the crystallisation of the principal strategic and operational risks to the Group's organic growth and a 10% increase in working capital
- A 20% reduction in adjusted operating profit from a more severe impact from the crystallisation of the principal strategic and operational risks to the Group's organic growth and a 20% increase in working capital

In addition, the Group has carried out reverse stress tests against the base case to determine the level of performance that would result in a breach of financial covenants. In order for a breach of covenants to occur during the 18 month period to the end of June 2023 the Group would need to experience a reduction in EBITDA of over 50% compared to the base case.

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 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 2021

During 2021, the Group has seen a further increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25m in the year to increase slow moving inventory provisions whilst additional provisions were required as a result of market price deflation on certain Covid-19 products. This has been partially offset by a net release of approximately £5m relating to expected credit losses on trade receivables.

Further details on the impact of the Covid-19 pandemic on the financial results for the Group for the year ended 31 December 2021 are included elsewhere in this report, notably in the Chief Executive Officer's review and the Financial review.

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 2022 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 222 to 230 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.

Notes continued

2 Accounting policies continued

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.

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 19 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 – 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.

2 Accounting policies continued

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.

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 3 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 and market price movements where appropriate.

Notes continued

2 Accounting policies continued

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.

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.

2 Accounting policies continued

p. Financial instruments continued

(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.

(iv) Other derivative instruments

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does 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.

Notes continued

2 Accounting policies continued

u. Retirement benefits continued

(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.

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 2021, 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 was limited to the following item:

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 23. The Group's net pension asset balance as at 31 December 2021 was £31.2m (2020: £44.8m deficit).

The following estimates or assumptions were also used in applying the Group's accounting policies:

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 28.

2 Accounting policies continued

y. Sources of estimation uncertainty continued

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 2021 the goodwill balance was £1,698.5m (2020: £1,494.6m), the amount of customer relationships intangible assets was £1,022.0m (2020: £912.7m) and the amount of brands intangible assets was £24.0m (2020: £12.5m).

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. In 2020, the Group saw a number of customers either entering insolvency processes or illustrating specific credit stress indicators that impacted the recoverability of receivables and customer specific inventory in the foodservice and retail sectors. In 2020, the Group also saw 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. During 2021, the Group has seen a further increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25m in the year to increase slow moving inventory provisions whilst additional provisions were required as a result of market price deflation on certain Covid-19 products. This has been partially offset by a net release of approximately £5m related to expected credit losses on trade receivables. As at 31 December 2021, the Group carried trade receivables provisions of £27.4m (2020: £35.2m) and provisions for slow moving, obsolete or defective inventories of £179.9m (2020: £132.5m).

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 £43.6m (2020: £77.7m) 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.

Management does not consider there to be any 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.

Notes continued

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:

Underlying revenue growth	Revenue excluding the incremental impact of acquisitions and disposals compared to revenue in prior years at constant exchange and adjusted for differences in trading days between years (reconciled in the Financial review)
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 (as shown in the Consolidated cash flow statement)
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)
Working capital	Inventories and trade and other receivables less trade and other payables, excluding non-operating related receivables, non-operating related payables (including those relating to acquisition payments) and dividends payable (reconciled in Note 12)
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 26)
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for prior years at the average rates for the year ended 31 December 2021 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2021 and 2020 can be found in the Financial review on page 75

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.

3 Alternative performance measures continued

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 2021 there have been no non-recurring pension scheme charges. In the year ended 31 December 2020, these non-recurring pension scheme charges comprised 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. However it should be noted that they do exclude charges that nevertheless do impact the Group's cash flow and GAAP financial performance.

Other alternative performance measures, including the Group's key performance indicators which are set out and defined on pages 36 and 37, 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 2020. The Group's alternative performance measures remain consistent with the prior year with the exception of two new alternative performance measures, being underlying revenue growth and working capital. The addition of these alternative performance measures, alongside an assessment of the relevance of the existing alternative performance measures, were agreed with the Audit Committee.

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 2021

		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	752.8	(106.5)	(23.0)	–	623.3	**Operating profit**
Finance income	10.7				10.7	Finance income
Finance expense	(65.3)				(65.3)	Finance expense
Adjusted profit before income tax	698.2	(106.5)	(23.0)	–	568.7	**Profit before income tax**
Tax on adjusted profit	(155.7)	27.3	2.5	–	(125.9)	Income tax
Adjusted profit for the year	542.5	(79.2)	(20.5)	–	442.8	**Profit for the year**
Adjusted earnings per share	162.5p	(23.7)p	(6.1)p	–	132.7p	**Basic earnings per share**

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

Notes continued

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 2021

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	6,144.7	1,972.9	1,254.2	913.3		10,285.1
Adjusted operating profit/(loss)	401.3	191.8	67.0	116.5	(23.8)	752.8
Customer relationships and brands amortisation	(44.5)	(36.4)	(9.1)	(16.5)		(106.5)
Acquisition related items	(7.6)	(8.2)	(3.1)	(4.1)		(23.0)
Non-recurring pensions scheme charges	–				–	–
Operating profit/(loss)	349.2	147.2	54.8	95.9	(23.8)	623.3
Finance income						10.7
Finance expense						(65.3)
Profit before income tax						568.7
Adjusted profit before income tax						698.2
Income tax						(125.9)
Profit for the year						442.8
Operating margin	6.5%	9.7%	5.3%	12.8%		7.3%
Return on average operating capital	42.9%	47.3%	38.4%	48.9%		43.3%
Purchase of property, plant and equipment	7.7	8.1	4.3	4.6	0.1	24.8
Depreciation of property, plant and equipment	9.7	8.8	5.2	4.2	0.1	28.0
Additions to right-of-use assets	55.2	32.0	8.8	16.6	–	112.6
Depreciation of right-of-use assets	65.1	31.8	22.3	15.1	0.5	134.8
Purchase of software	2.8	2.9	1.6	0.6	–	7.9
Software amortisation	3.5	2.4	1.0	1.3	0.2	8.4

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
Operating margin	6.8%	11.2%	5.3%	12.2%		7.7%
Return on average operating capital	41.3%	59.6%	41.4%	50.9%		45.4%
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

4 Segment analysis continued

Acquisition related items	2021 £m	2020 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**15.0**	13.2
Transaction costs and expenses	**8.3**	7.3
Adjustments to previously estimated earn outs	**(0.3)**	1.0
	23.0	21.5
Goodwill impairment charges (Note 11)	**–**	12.1
Customer relationships impairment charges (Note 11)	**–**	9.1
	23.0	42.7

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 2021 the Group had no customer that represented 10% or more of total Group revenue (2020: 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	2021 £m	2020 £m
Foodservice	**2,879.8**	2,500.2
Grocery	**2,623.5**	2,590.3
Safety	**1,564.9**	1,426.1
Cleaning & Hygiene	**1,048.3**	1,320.3
Retail	**1,011.2**	1,021.1
Healthcare	**809.9**	1,008.7
Other	**347.5**	244.4
	10,285.1	10,111.1

Revenue attributable to the UK, the parent company's country of domicile, for the year ended 31 December 2021 was £1,165.9m, representing 11% of the Group's total (2020: £1,192.6m, representing 12% of the Group's total). Revenue attributable to foreign countries in total was £9,119.2m, representing 89% of the Group's total (2020: £8,918.5m, 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 (2020: 75%).

Non-current assets attributable to the UK, the parent company's country of domicile, for the year ended 31 December 2021 were £569.8m, representing 17% of the Group's total (2020: £441.2m, representing 15% of the Group's total). Non-current assets attributable to foreign countries in total were £2,839.5m, representing 83% of the Group's total (2020: £2,596.7m, 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 (2020: 66%).

Notes continued

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 2021

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	2,952.4	1,614.9	968.3	692.3		6,227.9
Unallocated assets					886.2	886.2
Total assets	2,952.4	1,614.9	968.3	692.3	886.2	7,114.1
Segment liabilities	1,138.0	607.9	508.9	220.8		2,475.6
Unallocated liabilities					2,434.6	2,434.6
Total liabilities	1,138.0	607.9	508.9	220.8	2,434.6	4,910.2

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

5 Analysis of operating income and expenses

	2021 £m	2020 £m
Cost of goods sold	7,762.5	7,526.3
Employee costs (Note 24)	934.8	935.1
Depreciation of property, plant and equipment (Note 9)	28.0	26.6
Depreciation of right-of-use assets (Note 10)	134.8	134.8
Amortisation of intangible assets (Note 11)	114.9	110.7
Acquisition related items (Note 4)	23.0	42.7
Non-recurring pension scheme charges (Note 23)	–	16.8
Net impairment (reversals)/losses on trade receivables (Note 14)	(4.7)	15.9
(Profit)/loss on disposal of property, plant and equipment	(0.9)	0.8
Expense relating to short term leases and low value assets	6.2	8.0
Lease and sublease income	(2.3)	(2.1)
Other operating expenses	665.5	677.0
Net operating expenses	9,661.8	9,492.6

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.

5 Analysis of operating income and expenses continued

Auditors' remuneration	UK 2021 £m	Overseas 2021 £m	Total 2021 £m	UK 2020 £m	Overseas 2020 £m	Total 2020 £m
Audit of these financial statements	0.8	–	0.8	0.5	–	0.5
Amounts receivable by the Company's auditors* in respect of:						
audit of financial statements of subsidiaries of the Company	0.5	2.9	3.4	0.4	3.0	3.4
audit related assurance services	0.1	–	0.1	0.1	–	0.1
all other services	0.2	–	0.2	0.1	–	0.1
Total auditors' remuneration	1.6	2.9	4.5	1.1	3.0	4.1

* 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. In addition to the amounts shown in the table above, an additional £0.3m was incurred in 2021 in relation to the finalisation of the 2020 audit.

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 98 to 109.

6 Finance income/(expense)

	2021 £m	2020 £m
Interest on cash and cash equivalents	3.5	2.6
Interest income from foreign exchange contracts	5.0	5.3
Net interest income on defined benefit pension schemes in surplus	0.1	0.3
Interest related to income tax	0.7	0.1
Other finance income	1.4	2.1
Finance income	10.7	10.4
Interest on loans and overdrafts	(40.7)	(44.2)
Lease interest expense	(20.3)	(22.5)
Interest expense from foreign exchange contracts	(1.5)	(2.4)
Net interest expense on defined benefit pension schemes in deficit	(0.8)	(1.0)
Fair value gain/(loss) on US private placement notes and senior bond in a hedge relationship	33.3	(15.2)
Fair value (loss)/gain on interest rate swaps in a hedge relationship	(33.1)	15.4
Foreign exchange (loss)/gain on intercompany funding	(25.3)	3.5
Foreign exchange gain/(loss) on external debt and foreign exchange forward contracts	25.2	(4.0)
Interest related to income tax	(0.5)	(1.1)
Other finance expense	(1.6)	(1.7)
Finance expense	(65.3)	(73.2)
Net finance expense	(54.6)	(62.8)

The foreign exchange loss on intercompany funding arises as a result of the retranslation of foreign currency intercompany loans. This loss on intercompany funding is substantially matched by the foreign exchange gain on external debt and foreign exchange forward contracts not in a hedge relationship which minimises the foreign currency exposure in the income statement.

Notes continued

7 Income tax

	2021 £m	2020 £m
Current tax on profit		
current year	152.9	161.1
adjustments in respect of prior years	(14.1)	(12.5)
	138.8	148.6
Deferred tax on profit		
current year	(10.6)	(19.7)
adjustments in respect of prior years	(2.3)	(3.2)
	(12.9)	(22.9)
Income tax on profit	125.9	125.7

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.

	2021 £m	2020 £m
Income tax on profit	125.9	125.7
Tax associated with adjusting items	29.8	39.4
Tax on adjusted profit	155.7	165.1
Profit before income tax	568.7	555.7
Adjusting items	129.5	159.9
Adjusted profit before income tax	698.2	715.6
Reported tax rate	22.1%	22.6%
Effective tax rate	22.3%	23.1%

			2021			2020
Tax on other comprehensive income/(expense) and equity	Gross £m	Tax (charge)/ credit £m	Net £m	Gross £m	Tax (charge)/ credit £m	Net £m
Actuarial gain/(loss) on defined benefit pension schemes	74.1	(18.5)	55.6	(16.2)	3.0	(13.2)
Foreign currency translation differences on foreign operations	(89.8)	–	(89.8)	(63.5)	0.3	(63.2)
Gain/(loss) taken to equity as a result of effective net investment hedges	11.5	–	11.5	(15.9)	–	(15.9)
Gain/(loss) recognised in cash flow hedge reserve	4.4	(0.8)	3.6	(8.5)	1.6	(6.9)
Other comprehensive expense	0.2	(19.3)	(19.1)	(104.1)	4.9	(99.2)
Dividends	(180.4)	–	(180.4)	(171.5)	–	(171.5)
Movement from cash flow hedge reserve to inventory	1.4	(0.3)	1.1	6.1	(1.1)	5.0
Issue of share capital	6.6	–	6.6	3.7	–	3.7
Employee trust shares	15.5	–	15.5	(9.4)	–	(9.4)
Share based payments	12.7	5.6	18.3	14.9	1.3	16.2
Other comprehensive expense and equity	(144.0)	(14.0)	(158.0)	(260.3)	5.1	(255.2)

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% (2020: 19.0%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2021 £m	2020 £m
Profit before income tax	**568.7**	555.7
Tax charge at weighted average rate (2021: 24.9%; 2020: 24.7%)	**141.7**	137.4
Effects of:		
non-deductible expenditure	**2.4**	5.8
impact of intercompany finance	**(0.2)**	(2.1)
change in tax rates	**(0.7)**	(0.3)
prior year adjustments from acquisitions	**–**	(5.1)
other prior year adjustments	**(16.4)**	(10.6)
other current year items	**(0.9)**	0.6
Income tax on profit	**125.9**	125.7

During the year, legislation was passed to increase the UK Corporation tax rate to 25% from 1 April 2023. UK taxable profits earned before that date will be subject to the current tax rate of 19% but UK temporary differences at 31 December 2021 have been calculated at the rate of 25% because reversal is expected after April 2023. The impact of this change in tax rate on the income statement was not significant.

Deferred tax in the income statement	2021 £m	2020 £m
Property, plant and equipment	**(0.9)**	(0.1)
Defined benefit pension schemes	**1.7**	(2.6)
Goodwill and customer relationships	**(13.0)**	(16.7)
Provisions and accruals	**4.3**	(4.4)
Inventories	**(5.5)**	1.7
Leases	**0.2**	0.2
Other	**0.3**	(1.0)
Deferred tax on profit	**(12.9)**	(22.9)

In March 2021 the Group received communication from HM Revenue & Customs ('HMRC') regarding the potential application of State aid rules to the UK tax regime, which was described in the 2020 Annual Report. HMRC's conclusion, with which the European Commission agreed, was that no Bunzl Group company was a beneficiary under the State aid decision of the European Commission. This means that the risk of having to pay additional tax plus interest of up to £37m in connection with the matter is now remote, whatever the EU General Court's eventual ruling.

8 Earnings per share

	2021 £m	2020 £m
Profit for the year	**442.8**	430.0
Adjusted for:		
customer relationships and brands amortisation	**106.5**	100.4
acquisition related items	**23.0**	42.7
non-recurring pension scheme charges	**–**	16.8
tax credit on adjusting items	**(29.8)**	(39.4)
Adjusted profit for the year	**542.5**	550.5

Notes continued

8 Earnings per share continued

	2021	2020
Basic weighted average number of ordinary shares in issue (million)	333.8	333.8
Dilutive effect of employee share plans (million)	2.2	1.3
Diluted weighted average number of ordinary shares (million)	336.0	335.1
Basic earnings per share	132.7p	128.8p
Adjustment	29.8p	36.1p
Adjusted earnings per share	162.5p	164.9p
Diluted basic earnings per share	131.8p	128.3p
Adjustment	29.7p	36.0p
Adjusted diluted earnings per share	161.5p	164.3p

9 Property, plant and equipment

2021	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	93.9	159.6	107.1	360.6
Acquisitions (Note 28)	0.9	5.3	1.0	7.2
Additions	2.2	9.9	12.7	24.8
Disposals	(3.7)	(6.5)	(3.7)	(13.9)
Currency translation	(1.8)	(0.7)	(6.6)	(9.1)
End of year	91.5	167.6	110.5	369.6
Accumulated depreciation				
Beginning of year	49.0	110.4	78.5	237.9
Charge in year	4.7	13.4	9.9	28.0
Disposals	(2.4)	(6.0)	(3.7)	(12.1)
Currency translation	(0.7)	(1.0)	(3.4)	(5.1)
End of year	50.6	116.8	81.3	248.7
Net book value at 31 December 2021	40.9	50.8	29.2	120.9

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 28)	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

10 Right-of-use assets

2021	Property £m	Motor vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	358.3	66.4	28.7	453.4
Acquisitions (Note 28)	12.5	0.1	–	12.6
Additions	81.3	24.3	7.0	112.6
Depreciation charge in the year	(96.4)	(28.6)	(9.8)	(134.8)
Remeasurement adjustments	16.5	(3.5)	(1.5)	11.5
Currency translation	(5.8)	(0.9)	(0.3)	(7.0)
Net book value at 31 December 2021	366.4	57.8	24.1	448.3

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 28)	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

11 Intangible assets

2021	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Total £m
Cost					
Beginning of year	1,506.7	1,874.2	12.8	85.5	3,479.2
Acquisitions (Note 28)	240.8	234.8	11.8	0.5	487.9
Additions				7.9	7.9
Disposals		–	–	(1.9)	(1.9)
Currency translation	(36.6)	(53.8)	0.4	(1.8)	(91.8)
End of year	1,710.9	2,055.2	25.0	90.2	3,881.3
Accumulated amortisation and impairment					
Beginning of year	12.1	961.5	0.3	63.4	1,037.3
Amortisation charge in year		105.5	1.0	8.4	114.9
Disposals		–	–	(1.9)	(1.9)
Currency translation	0.3	(33.8)	(0.3)	(2.0)	(35.8)
End of year	12.4	1,033.2	1.0	67.9	1,114.5
Net book value at 31 December 2021	1,698.5	1,022.0	24.0	22.3	2,766.8

Notes continued

11 Intangible assets continued

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 28)	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

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 28.

Customer relationships include three businesses with individually significant customer relationships assets, McCue Corporation acquired in October 2021 and based in North America, 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 McCue Corporation as at 31 December 2021 was £107.9m with a remaining useful economic life of 14.7 years. The net book value of customer relationships in MCR Safety as at 31 December 2021 was £90.0m (2020: £95.5m) with a remaining useful economic life of 13.7 years (2020: 14.7 years). The net book value of customer relationships in Hedis as at 31 December 2021 was £90.8m (2020: £105.4m) with a remaining useful economic life of 11.9 years (2020: 12.9 years).

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. The discount rates used are determined with assistance provided by external valuation specialists.

The Group allocates goodwill across seven CGUs (2020: seven). Based on our impairment testing, no impairments were identified to the carrying value of goodwill within the Group.

11 Intangible assets continued

As at 31 December 2021 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 2021 the carrying value of goodwill in respect of North America was £649.3m (2020: £490.9m), UK & Ireland was £325.3m (2020: £282.4m), France was £245.0m (2020: £260.3m) and Rest of Continental Europe was £199.1m (2020: £195.6m). As at 31 December 2021 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, UK & Ireland, France and Rest of Continental Europe, was £279.8m (2020: £265.4m), 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 2021 was in the range of 2.5%–3.7% (2020: 2.5%–3.5%) reflecting anticipated revenue and profit growth. A pre-tax discount rate in the range of 8%–10% (2020: 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% (2020: 2.5%–5.9%) and discount rates ranging from 7%–14% (2020: 7%–14%).

As part of the annual impairment testing for goodwill, the Group also considered whether there were any indicators that individual customer relationships and brands intangible assets were impaired. 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. Based on our impairment testing, no impairments were identified to the carrying value of customer relationships and brands intangible assets within the Group.

The Group has also considered whether climate change would have a significant impact on the approach taken to the annual impairment testing. As part of this the Group has assessed three alternative climate change scenarios up to 2050. Two of our scenarios align with the global warming trajectory of 2ºC by 2100 but differ in the speed and extent of decarbonisation over the next 30 years (orderly and disorderly). Our final scenario assessed the potential impacts of a world in which global warming exceeds 3ºC by 2100 (hot-house world scenario). Having assessed these scenarios the Group has concluded that, while climate change is an emerging risk, it is not currently expected to have a material financial impact and does not warrant any amendments 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 Working capital

	2021 £m	2020 £m
Inventories (Note 13)	**1,474.0**	1,432.2
Trade and other receivables (Note 14)	**1,431.0**	1,395.8
Trade and other payables - current (Note 15)	**(1,921.3)**	(1,836.3)
Add back net non-trading related receivables and payables	**43.9**	29.7
	1,027.6	1,021.4

See Note 29 for the cash flow impact of movements in working capital which exclude the impact from foreign exchange movements and acquisitions.

13 Inventories

	2021 £m	2020 £m
Goods for resale	**1,474.0**	1,432.2

During the year £8.5m (2020: £10.1m) was written off from inventories due to obsolescence or damage. Inventory provisions, including provisions for slow moving, obsolete or defective inventories and market price movements, as at 31 December 2021 were £179.9m (2020: £132.5m). During the year the Group saw an increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in an increase in the level of provisions required, including a net charge of approximately £25m (2020: approximately £15m) to increase provisions for slow moving inventory, whilst additional provisions were required as a result of market price deflation on certain Covid-19 products.

Notes continued

14 Trade and other receivables

	2021 £m	2020 £m
Trade receivables	1,173.3	1,138.0
Prepayments	86.8	96.1
Other receivables	170.9	161.7
	1,431.0	1,395.8

The Group does not have any significant contract assets.

The ageing of trade receivables at 31 December was:

	2021		2020	
	Gross £m	Provision £m	Gross £m	Provision £m
Current	983.8	4.8	936.1	6.6
0–30 days overdue	147.6	2.1	163.0	1.8
31–90 days overdue	43.5	2.4	43.2	2.7
Over 90 days overdue	25.8	18.1	30.9	24.1
	1,200.7	27.4	1,173.2	35.2

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:

	2021 £m	2020 £m
Beginning of year	35.2	23.9
Acquisitions	1.5	4.1
Charge	5.7	16.9
Released	(10.4)	(4.3)
Utilised	(3.7)	(4.4)
Currency translation	(0.9)	(1.0)
End of year	27.4	35.2

The movement in the year includes a net release of £4.7m (2020: net charge of £12.6m) reflecting a reduction in the level of recoverability risk from customers as businesses begin to recover from the impacts of the Covid-19 pandemic. The total net impairment reversals on trade receivables during the year were £4.7m (2020: net impairment losses of £15.9m) comprising the net reversal of £4.7m (2020: net charge of £12.6m) relating to the trade receivables provision and a nil charge (2020: charge of £3.3m) relating to the write-off of gross trade receivable balances not previously provided for.

15 Trade and other payables

Current

	2021 £m	2020 £m
Trade payables	1,216.6	1,080.4
Other tax and social security contributions	28.0	34.0
Other payables	222.4	235.8
Accruals and contract liabilities	454.3	486.1
	1,921.3	1,836.3

Other payables includes £46.5m (2020: £30.3m) related to deferred consideration on acquisitions.

The Group's contract liabilities are limited to deferred income of £34.5m (2020: £82.9m). This arises from contracts with customers in the form of consideration that has been received in advance of the satisfaction of performance obligations. The reduction in contract liabilities compared to 2020 is a result of the majority of customer prepayments at the end of the prior year relating to large orders having been recognised as revenue in 2021, offset by additional customer prepayments during the year relating to orders which are yet to be satisfied.

Non-current
Other payables greater than one year of £72.9m (2020: £50.2m) includes £61.3m (2020: £38.6m) related to deferred consideration on acquisitions.

16 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 170) as well as the level of total shareholders' equity and sets 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 2021 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 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 189.

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 2021 in relation to the interest rate swaps or the forward currency contracts.

Notes continued

16 Risk management and financial instruments continued

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.

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.

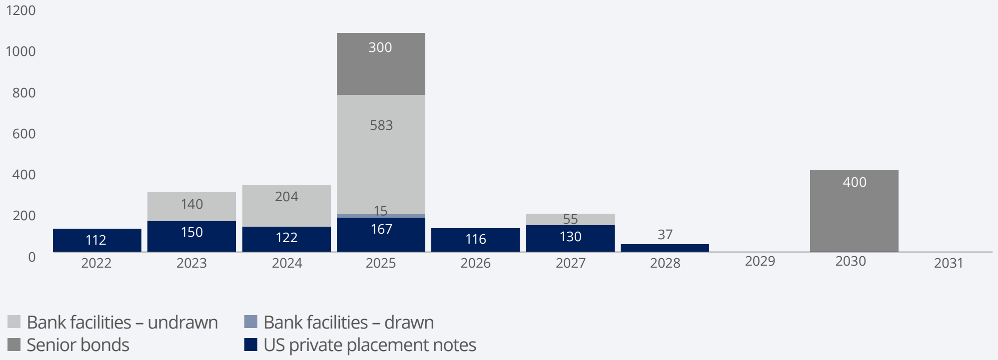
Loans, borrowings and net debt

	2021 £m	2020 £m
Bank overdrafts	**(551.6)**	(514.6)
Bank loans	**–**	(0.5)
US private placement notes	**(111.9)**	(79.4)
Borrowings due within one year	**(663.5)**	(594.5)
Bank loans	**(14.6)**	(45.1)
US private placement notes	**(750.5)**	(874.8)
Senior bonds	**(668.6)**	(695.3)
Borrowings due after one year	**(1,433.7)**	(1,615.2)
Derivatives managing the interest rate risk and currency profile of the debt	**(17.1)**	10.4
Gross debt	**(2,114.3)**	(2,199.3)
Cash at bank and in hand	**776.9**	944.3
Net debt excluding lease liabilities	**(1,337.4)**	(1,255.0)
Lease liabilities	**(488.7)**	(497.5)
Net debt including lease liabilities	**(1,826.1)**	(1,752.5)

Further information on the movement in net debt and lease liabilities is shown in Note 27.

The total available committed funding at 31 December 2021 was £2,530.9m (2020: £2,594.3m). The committed funding maturity profile at 31 December 2021 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:

	2021 £m	2020 £m
Expiring within one year	**–**	105.0
Expiring after one year but within two years	**139.8**	160.0
Expiring after two years	**841.9**	668.0
	981.7	933.0

During the year, all of the Group's committed bank facilities, which previously referenced the discontinued GBP LIBOR, have been renegotiated to reference SONIA, the new GBP benchmark. This has not had an impact on the financial results for the year ended 31 December 2021.

In addition, the Group maintains overdraft and uncommitted facilities to provide short term flexibility. As at 31 December 2021 there were no loans secured by fixed charges on property (2020: none).

16 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 SONIA and USD LIBOR 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				
2021	**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	**(551.6)**	**(551.6)**			
Bank loans	**(14.9)**	**(0.1)**	**(0.2)**	**(14.6)**	
US private placement notes	**(939.8)**	**(140.0)**	**(174.5)**	**(450.6)**	**(174.7)**
Senior bonds	**(781.1)**	**(12.8)**	**(12.8)**	**(331.5)**	**(424.0)**
Lease payments	**(562.2)**	**(143.9)**	**(108.2)**	**(186.9)**	**(123.2)**
Trade and other payables	**(1,966.2)**	**(1,893.3)**	**(72.9)**		
	(4,815.8)	**(2,741.7)**	**(368.6)**	**(983.6)**	**(721.9)**
Derivative financial instruments					
Net settled:					
Interest rate swaps	**10.9**	**2.1**	**2.1**	**6.3**	**0.4**
Gross settled:					
Foreign exchange inflows	**2,081.5**	**2,081.5**			
Foreign exchange outflows	**(2,075.6)**	**(2,075.6)**			
	16.8	**8.0**	**2.1**	**6.3**	**0.4**
Total	**(4,799.0)**	**(2,733.7)**	**(366.5)**	**(977.3)**	**(721.5)**

	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)

Notes continued

16 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 £862.4m (2020: £954.2m), there are US dollar denominated amounts totalling £95.8m (2020: £100.4m), 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 £668.6m (2020: £695.3m), an amount totalling £369.9m (2020: £396.9m), with a maturity of 2030, has been swapped to floating rates using interest rate swaps which reprice daily.

The US private placement notes of £862.4m include a fair value adjustment of £20.8m (2020: £25.1m) related to interest rate swaps terminated in previous years. The terminations resulted in discontinuation 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. The amortisation of the fair value adjustment in 2021 was £4.3m (2020: £2.1m). During 2020 the termination of interest rate swaps resulted in a cash inflow of £15.1m within increase in borrowings on the consolidated cash flow statement. There were no terminations in 2021.

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 EURIBOR and are repriced every three months.

Bank loans are drawn for periods up to one month at interest rates linked to SONIA.

Fixed vs floating interest rate table

	2021 £m	2020 £m
Fixed rate debt		
US private placement notes	**(862.4)**	(954.2)
Senior bonds	**(668.6)**	(695.3)
Total fixed rate debt	**(1,531.0)**	(1,649.5)
Interest rate swaps (fixed leg)	**465.7**	497.3
Fixed rate liability	**(1,065.3)**	(1,152.2)
Floating rate debt		
Bank overdrafts	**(551.6)**	(514.6)
Bank loans	**(14.6)**	(45.6)
Total floating rate debt	**(566.2)**	(560.2)
Interest rate swaps (floating leg)	**(465.7)**	(497.3)
Floating rate liability	**(1,031.9)**	(1,057.5)
Derivatives managing the interest rate risk and currency profile of the debt	**(17.1)**	10.4
Gross debt	**(2,114.3)**	(2,199.3)

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:

	2021	2020
Interest rate swaps		
Net carrying amount (liability/(asset)) (£m)	**(21.3)**	11.8
Notional amount (£m)	**488.9**	487.6
Maturity date range	**2026–2030**	2026–2030
Hedge ratio	**1:1**	1:1
Fair value gain/(loss) on US private placement notes and senior bond in a hedge relationship (£m)	**33.3**	(15.2)
Fair value (loss)/gain on interest rate swaps in a hedge relationship (£m)	**(33.1)**	15.4

16 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
2021	**1.3**	**(0.3)**	**1.3**	**(0.3)**
2020	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	
	2021	2020	**2021**	2020
US dollar	**1.38**	1.28	**1.35**	1.37
Euro	**1.16**	1.12	**1.19**	1.12

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 2021, all foreign exchange cash flow hedges were effective with a cumulative pre-tax gain of £0.5m (2020 cumulative pre-tax loss of £5.3m) recognised in equity at the end of the year and this will affect the income statement during 2022.

Effects of hedge accounting on the financial position and performance

	2021	2020
Forward foreign currency hedges in relation to inventory purchases		
Net carrying amount asset/(liability) (£m)	**0.5**	(5.3)
Notional amount at 31 December 2021 (£m)	**149.3**	143.9
Maturity date range	**2022**	2021
Hedge ratio	**1:1**	1:1
Change in value of hedged items since 1 January (£m)	**(5.8)**	2.4
Change in fair value of outstanding foreign currency forward contracts since 1 January (£m)	**5.8**	(2.4)

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.

Notes continued

16 Risk management and financial instruments continued

The currency profile of the Group's net debt excluding lease liabilities at 31 December is set out in the table below:

	2021 £m	2020 £m
US dollar	**572.1**	458.0
Sterling	**135.1**	308.5
Euro	**502.4**	398.4
Other	**127.8**	90.1
	1,337.4	1,255.0

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.

Sensitivity to movements in foreign exchange rates

For the year ended 31 December 2021, 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 £0.9m respectively (2020: £2.0m and £1.2m) and adjusted profit before income tax by £2.3m and £1.2m respectively (2020: £2.5m and £1.5m).

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
2021	**0.4**	**(0.5)**	**(177.0)**	**212.9**
2020	0.4	(0.5)	(192.7)	200.9

(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 190) and trade and other receivables (see Note 14) 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 14 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 (2020: none).

16 Risk management and financial instruments continued

(e) Financial instruments

Financial assets and liabilities

	2021 £m	2020 £m
Financial assets held at amortised cost		
Cash at bank and in hand	776.9	944.3
Trade and other receivables	1,344.2	1,299.7
Financial assets held at fair value		
Interest rate derivatives in fair value hedges	6.6	12.6
Foreign exchange derivatives in cash flow hedges	1.4	–
Foreign exchange derivatives in net investment hedges	7.0	4.6
Other foreign exchange and interest rate derivatives	6.8	12.4
Total financial assets	2,142.9	2,273.6
Financial liabilities held at amortised cost		
Bank overdrafts	(551.6)	(514.6)
Bank loans	(14.6)	(45.6)
US private placement notes	(862.4)	(954.2)
Senior bonds	(668.6)	(695.3)
Lease liability	(488.7)	(497.5)
Trade and other payables	(1,866.6)	(1,793.6)
Financial liabilities held at fair value		
Interest rate derivatives in fair value hedges	(27.9)	(0.8)
Foreign exchange derivatives in cash flow hedges	(0.9)	(5.3)
Foreign exchange derivatives in net investment hedges	(3.9)	(16.3)
Other foreign exchange derivatives	(5.6)	(2.0)
Other payables	(99.6)	(58.9)
Total financial liabilities	(4,590.4)	(4,584.1)

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 2021 the fair values, based on unadjusted market data, of the US private placement notes was £882.1m (2020: £991.9m) and of the senior bonds was £694.0m (2020: £731.6m).

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.

Notes continued

16 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.

2021	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	21.8	–	21.8	(12.1)	9.7
Derivative financial liabilities	(38.3)	–	(38.3)	12.1	(26.2)
2020					
Derivative financial assets	29.6	–	29.6	(19.4)	10.2
Derivative financial liabilities	(24.4)	–	(24.4)	19.4	(5.0)

17 Provisions

	2021 £m	2020 £m
Current	8.5	8.5
Non-current	56.3	55.7
	64.8	64.2

	2021				2020			
	Properties £m	MEPP withdrawal £m	Other £m	Total £m	Properties £m	MEPP withdrawal £m	Other £m	Total £m
Beginning of year	24.3	15.3	24.6	64.2	18.7	–	21.7	40.4
Charge	1.6	–	4.4	6.0	5.9	16.4	2.6	24.9
Acquisitions	2.1	–	2.6	4.7	1.0	–	3.4	4.4
Utilised or released	(2.5)	(3.2)	(3.1)	(8.8)	(1.7)	–	(2.5)	(4.2)
Currency translation	(0.3)	0.2	(1.2)	(1.3)	0.4	(1.1)	(0.6)	(1.3)
End of year	25.2	12.3	27.3	64.8	24.3	15.3	24.6	64.2

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 23 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.

18 Deferred tax

	2021 Asset £m	2021 Liability £m	2021 Net £m	2020 Asset £m	2020 Liability £m	2020 Net £m
Property, plant and equipment	**1.4**	**(9.4)**	**(8.0)**	1.2	(10.6)	(9.4)
Defined benefit pension schemes	**7.8**	**(15.7)**	**(7.9)**	11.4	(0.1)	11.3
Goodwill and customer relationships	**4.1**	**(195.6)**	**(191.5)**	3.2	(160.4)	(157.2)
Share based payments	**12.8**	**–**	**12.8**	7.1	–	7.1
Leases	**6.9**	**–**	**6.9**	7.1	(0.1)	7.0
Provisions and accruals	**33.7**	**(2.2)**	**31.5**	33.2	(2.0)	31.2
Inventories	**10.9**	**(7.1)**	**3.8**	10.5	(10.4)	0.1
Other	**8.2**	**(4.0)**	**4.2**	10.7	(3.4)	7.3
Deferred tax asset/(liability)	**85.8**	**(234.0)**	**(148.2)**	84.4	(187.0)	(102.6)
Set-off of tax	**(83.0)**	**83.0**	**–**	(81.9)	81.9	–
Net deferred tax asset/(liability)	**2.8**	**(151.0)**	**(148.2)**	2.5	(105.1)	(102.6)

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 £1.4m (2020: £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 £4.1m (2020: £6.2m).

No deferred tax has been recognised in respect of unutilised capital losses of £94.6m (2020: £94.6m) 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:

	2021 £m	2020 £m
Beginning of year	**102.6**	123.8
Acquisitions	**51.7**	6.6
Credit to income statement	**(12.9)**	(22.9)
Recognised in other comprehensive income and equity	**16.1**	(4.3)
Reclassified to current tax	**(5.8)**	0.9
Currency translation	**(3.5)**	(1.5)
End of year	**148.2**	102.6

Notes continued

19 Share capital and share based payments

	2021 £m	2020 £m
Issued and fully paid ordinary shares of 32 1⁄7p each	**108.4**	108.3

Number of ordinary shares in issue and fully paid	2021	2020
Beginning of year	**336,998,961**	336,792,607
Issued – option exercises	**399,835**	206,354
End of year	**337,398,796**	336,998,961

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 Bunzl plc Sharesave Scheme, was approved by shareholders at the 2011 Annual General Meeting ('AGM') and renewal amendments were approved by shareholders at the 2021 AGM. It is an HMRC tax advantaged scheme and is open to all eligible UK employees, including UK based executive directors.

The Bunzl Irish Sharesave Plan, which is approved by the Irish Revenue Commissioners, and the Bunzl plc International Sharesave Plan, were first introduced in 2006 and have since been extended, most recently following the renewal of the Bunzl plc Sharesave Scheme in 2021.

The Bunzl plc Sharesave Scheme, Bunzl plc International Sharesave Plan and the Bunzl 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 (2020: £500) per month (or the equivalent value in other currencies under the Bunzl plc International Sharesave Plan) or €500 (2020: €500) per month under the Bunzl 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 and restricted share awards both of which are conditional rights to receive shares in the Company for nil consideration. Performance share awards and restricted awards will usually vest (i.e. become exercisable) on the third anniversary of their 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). The extent to which a restricted share award will vest is usually subject to the extent to which the applicable underpin condition has been satisfied. There are no set measures or targets in relation to the underpin condition. The basis of assessment is at the absolute discretion of the Remuneration Committee.

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 2021 the trust held 1,831,893 (2020: 3,006,186) shares, upon which dividends have been waived, with an aggregate nominal value of £0.6m (2020: £1.0m) and market value of £52.9m (2020: £73.4m).

19 Share capital and share based payments continued

IFRS 2 disclosures

Options granted during the year have been valued using a Black-Scholes model. The fair value per option granted during the year and the assumptions used in the calculations are as follows:

	2021	2020
Grant date	**31.03.21–15.09.21**	10.03.20–30.10.20
Share price at grant date (£)	**23.23–25.28**	15.55–25.21
Exercise price (£)	**nil–26.03**	nil–23.92
Number of options granted during the year (shares)	**2,405,719**	3,418,392
Vesting period (years)	**3–5**	3–5.2
Expected volatility (%)	**19–21**	18–24
Option life (years)	**3.0–10**	3.0–10
Expected life (years)	**3.0–6.5**	3.0–6.7
Risk free rate of return (%)	**0.1–0.6**	0.0–0.2
Expected dividends expressed as a dividend yield (%)	**0.0–2.3**	2.1–3.3
Fair value per option (£)	**2.87–18.54**	1.34–22.34

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 £26.37 (2020: £24.29). The total charge for the year relating to share based payments was £12.7m (2020: £14.9m). After tax the total charge was £8.4m (2020: £11.2m).

Details of share options and awards which have been granted and exercised, those which have lapsed during 2021 and those outstanding and available to exercise at 31 December 2021, 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 01.01.2021	Grants/ awards 2021		Exercises 2021		Lapses* 2021	Options outstanding at 31.12.21		Options available to exercise at 31.12.21
	Number	Number	Price (£)	Number	Price (£)	Number	Number	Price (£)	Number
Sharesave Scheme (2011)	649,528	313,410	17.81	222,897	15.28-19.16	86,314	653,727	15.28-19.16	2,497
International Sharesave Plan	267,493	110,154	17.81	82,420	15.28-19.16	30,950	264,277	15.28-19.16	1,998
Irish Sharesave Plan	39,355	14,166	17.81	19,100	15.28-19.16	3,901	30,520	15.28-19.16	–
2004 LTIP Part A	562,335	–	–	295,644	8.13-15.66	–	266,691	10.90-15.66	266,691
2014 LTIP Part A	10,114,066	1,705,506	26.03	2,029,037	16.38-24.01	207,747	9,582,788	16.38-26.03	3,358,418
2014 LTIP Part B	1,479,090	262,483	nil	295,238	nil	109,350	1,336,985	nil	56,895
	13,111,867	**2,405,719**		**2,944,336**		**438,262**	**12,134,988**		**3,686,499**

* Share option lapses relate to those which have either been forfeited or have expired during the year.

For the options outstanding at 31 December 2021, the weighted average fair values and the weighted average remaining contractual lives (being the time period from 31 December 2021 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)	4.31	2.29
International Sharesave Plan	4.29	2.00
Irish Sharesave Plan	4.57	1.98
2004 LTIP and 2014 LTIP Part A	2.82	7.27
2004 LTIP and 2014 LTIP Part B	16.12	4.22

The outstanding share options and performance share awards are exercisable at various dates up to September 2031.

Notes continued

20 Dividends

Total dividends for the years in which they are recognised are:

	2021 £m	2020 £m
2019 interim		51.7
2019 additional interim*		119.8
2020 interim	**52.8**	
2020 final	**127.6**	
Total	**180.4**	171.5

Total dividends per share for the year to which they relate are:

	Per share	
	2021	2020
Interim	**16.2p**	15.8p
Final	**40.8p**	38.3p
Total	**57.0p**	54.1p

The 2021 interim dividend of 16.2p per share was paid on 5 January 2022 and comprised £54.3m of cash. The 2021 final dividend of 40.8p per share will be paid on 4 July 2022 to shareholders on the register at the close of business on 20 May 2022. The 2021 final dividend will comprise approximately £137m 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 2020, 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.

21 Contingent liabilities

	2021 £m	2020 £m
Bank guarantees	**1.5**	1.3

22 Directors' ordinary share interests

The interests of the directors, and their connected persons, in the share capital of the Company at 31 December were:

	2021	2020
Peter Ventress	**2,608**	2,608
Frank van Zanten	**153,116**	122,428
Richard Howes	**30,117**	8,363
Vanda Murray	**3,000**	3,000
Lloyd Pitchford	**4,000**	4,000
Stephan Nanninga	**–**	–
Vinodka Murria	**–**	–
Maria Fernanda Mejía	**–**	–
	192,841	140,399

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 2021 and 28 February 2022.

23 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 2021 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 March 2019 to 30 June 2022. The triennial valuation as at 5 April 2021 is ongoing.

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 2021 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 2021 and showed that there was a required annual contribution of $3.4m. In 2022, the Group plans to contribute $6.0m which also includes a contribution prior to the termination of one of the schemes. In 2021, Bunzl paid a contribution of $1.1m for the 2020 plan year. The annual review as at 1 January 2022 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.

Notes continued

23 Retirement benefits continued

Risks 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 of the UK scheme 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	2021 £m	2020 £m
Defined contribution pension schemes	23.0	22.0
Defined benefit pension schemes		
current service cost (net of contributions by employees)	5.7	6.2
past service cost	0.1	–
losses on curtailment and settlement	0.7	–
Total included in employee costs excluding non-recurring pensions scheme charges	29.5	28.2
Defined benefit pension schemes		
past service cost recognised in non-recurring pension scheme charges	–	0.4
Total included in employee costs	29.5	28.6
Amounts included in finance (income)/expense		
Net interest income on defined benefit pension schemes in surplus	(0.1)	(0.3)
Net interest expense on defined benefit pension schemes in deficit	0.8	1.0
Total charge to the income statement	30.2	29.3

Amounts recognised in the statement of comprehensive income	2021 £m	2020 £m
Actual return less expected return on pension scheme assets	26.1	57.9
Experience gain on pension scheme liabilities	20.1	2.0
Impact of changes in financial assumptions relating to the present value of pension scheme liabilities	20.1	(77.4)
Impact of changes in demographic assumptions relating to the present value of pension scheme liabilities	7.8	1.3
Actuarial gain/(loss) on defined benefit pension schemes	74.1	(16.2)

The cumulative amount of net actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2021 was £41.9m (2020: £116.0m).

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 were:

UK	2021	2020
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)	21.6	21.4

			UK			US
	2021	2020	2019	2021	2020	2019
Rate of increase in salaries	3.8%	3.4%	3.4%	3.0%	3.0%	3.0%
Rate of increase in pensions	2.8%	2.4%	2.2%	–	–	–
Discount rate	1.8%	1.4%	2.1%	2.6%	2.3%	3.1%
Inflation rate	2.8%	2.4%	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.

23 Retirement benefits continued

Financial information continued

The increase/(decrease) that would arise on the overall net pension surplus as at 31 December 2021 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	(14.8)	15.6	(9.5)	9.1	17.2	(18.9)
US	(3.7)	3.8	–	–	3.0	(3.2)

The market value of pension scheme assets and the present value of retirement benefit obligations at 31 December were:

2021	UK £m	US £m	Other £m	Total £m
Equities	149.9	52.1	3.0	205.0
Bonds	308.8	46.4	9.9	365.1
Other	0.3	16.1	13.9	30.3
Total market value of pension scheme assets	459.0	114.6	26.8	600.4
Present value of funded obligations	(396.2)	(122.4)	(28.1)	(546.7)
Present value of unfunded obligations	–	(11.2)	(11.3)	(22.5)
Present value of funded and unfunded obligations	(396.2)	(133.6)	(39.4)	(569.2)
Defined benefit pension schemes in deficit	–	(19.0)	(13.4)	(32.4)
Defined benefit pension schemes in surplus	62.8	–	0.8	63.6
Total surplus/(deficit) before tax	62.8	(19.0)	(12.6)	31.2
Deferred tax	(15.7)	4.4	3.4	(7.9)
Total surplus/(deficit) after tax	47.1	(14.6)	(9.2)	23.3

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)

There is a net surplus of £47.1m (£62.8m before deferred tax) (2020: £0.3m (£0.4m before deferred tax)) on the UK scheme, which is recorded separately as a defined benefit pension asset on the balance sheet. In accordance with IFRIC 14, the surplus on the scheme is recognised as a defined benefit asset because the Group considers that it has an unconditional right to a refund of any surplus from the UK scheme.

Of the pension scheme assets, £574.9m (2020: £566.6m) are valued based on a quoted market prices.

Movement in net surplus/(deficit)	2021 £m	2020 £m
Beginning of year	(44.8)	(36.0)
Current service cost	(5.7)	(6.2)
Past service cost	(0.1)	(0.4)
Contributions	8.4	14.6
Net interest expense	(0.7)	(0.7)
Actuarial gain/(loss)	74.1	(16.2)
Net benefit obligation attributable to settlement	(0.7)	–
Currency translation	0.7	0.1
End of year	31.2	(44.8)

Notes continued

23 Retirement benefits continued

Financial information continued

Changes in the present value of defined benefit pension scheme liabilities	2021 £m	2020 £m
Beginning of year	637.1	572.6
Current service cost	5.7	6.2
Past service cost	0.1	0.4
Interest expense	9.8	12.9
Contributions by employees	0.5	0.6
Benefit obligation attributable to settlement	(7.7)	–
Actuarial (gain)/loss	(48.0)	74.1
Benefits paid	(27.7)	(26.1)
Currency translation	(0.6)	(3.6)
End of year	569.2	637.1

Changes in the fair value of defined benefit pension scheme assets	2021 £m	2020 £m
Beginning of year	592.3	536.6
Interest income	9.1	12.2
Actuarial gain	26.1	57.9
Contributions by employer	8.4	14.6
Contributions by employees	0.5	0.6
Benefits paid due to settlement	(8.4)	–
Benefits paid	(27.7)	(26.1)
Currency translation	0.1	(3.5)
End of year	600.4	592.3

The actual return on pension scheme assets was a gain of £35.2m (2020: gain of £70.1m).

The Group expects to pay approximately £12.0m in contributions to the defined benefit pension schemes in the year ending 31 December 2022 (expected as at 31 December 2020 for the year ending 31 December 2021: £15.3m) including £6.8m for the UK (expected as at 31 December 2020 for the year ending 31 December 2021: £7.0m).

The weighted average duration of the defined benefit pension scheme liabilities at 31 December 2021 was approximately 18.2 years (2020: 19.4 years) for the UK and 10.4 years (2020: 11.7 years) for the US.

The total defined benefit pension scheme liabilities are divided between active members (£155.5m (2020: (£206.8m)), deferred members (£186.0m (2020: £204.2m)) and pensioners (£227.7m (2020: £226.1m)).

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 2020 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, recognising a provision for the estimated withdrawal liability for these three plans of £15.3m as at 31 December 2020, as shown in Note 17. During the year, the Group has agreed to pay a lump sum to settle the liability at the amount equal to that provided (£3.2m) for one of these plans. Negotiations on the Group's exit from the other two plans remain ongoing.

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 2022 expected to be no more than £2m per annum.

24 Directors and employees

Number of employees	Closing 2021	Closing 2020	Average 2021	Average 2020
North America	**8,189**	7,618	**7,936**	7,078
Continental Europe	**5,292**	5,151	**5,221**	5,042
UK & Ireland	**4,082**	3,671	**3,812**	3,808
Rest of the World	**3,386**	3,348	**3,368**	3,248
	20,949	19,788	**20,337**	19,176
Corporate	**72**	65	**69**	63
	21,021	19,853	**20,406**	19,239

Employee costs	2021 £m	2020 £m
Wages and salaries	**801.8**	801.2
Social security costs	**90.8**	90.8
Pension costs	**29.5**	28.2
Share based payments	**12.7**	14.9
	934.8	935.1
GMP equalisation charge	**–**	0.4
MEPP withdrawal liability charge	**–**	16.4
	934.8	951.9

In addition to the above, acquisition related items for the year ended 31 December 2021 include deferred consideration payments of £15.0m (2020: £13.2m) relating to the retention of former owners of businesses acquired.

Key management remuneration	2021 £m	2020 £m
Salaries and short term employee benefits	**6.7**	7.1
Share based payments	**2.7**	2.5
Retirement benefits	**0.7**	0.7
	10.1	10.3

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	2021 £m	2020 £m
Non-executive directors	**0.8**	0.7
Executive directors:		
remuneration excluding performance related elements	**1.7**	1.7
annual bonus	**1.3**	1.3
	3.8	3.7

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 nil (2020: £0.1m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £1.8m (2020: £0.8m). The aggregate market value of share awards exercised by directors under the DASBS was £0.5m (2020: £0.2m).

Notes continued

25 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

	2021 £m	2020 £m
Beginning of year	**497.5**	480.0
Acquisitions (Note 28)	**12.9**	35.2
New leases	**112.6**	100.1
Interest charge in the year	**20.3**	22.5
Payment of lease liabilities	**(158.9)**	(159.6)
Remeasurement adjustments	**11.5**	24.2
Currency translation	**(7.2)**	(4.9)
End of year	**488.7**	497.5
Ageing of lease liabilities:		
Current lease liabilities	**129.1**	129.1
Non-current lease liabilities	**359.6**	368.4
End of year	**488.7**	497.5

As at 31 December 2021, the Group had £21.2m (2020: £8.6m) 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 2021. In relation to leases which are included in lease liabilities, there are potential further future cash flows of £28.5m (2020: £26.5m) if termination options are not exercised and extension options are exercised.

The cash outflow for low value and short term leases was £6.2m for the year ended 31 December 2021 (2020: £8.0m).

26 Cash and cash equivalents and net debt

	2021 £m	2020 £m
Cash at bank and in hand	**776.9**	944.3
Bank overdrafts	**(551.6)**	(514.6)
Cash and cash equivalents	**225.3**	429.7
Interest bearing loans and borrowings – current liabilities	**(111.9)**	(79.9)
Interest bearing loans and borrowings – non-current liabilities	**(1,433.7)**	(1,615.2)
Derivatives managing the interest rate risk and currency profile of the debt	**(17.1)**	10.4
Net debt excluding lease liabilities	**(1,337.4)**	(1,255.0)
Lease liabilities	**(488.7)**	(497.5)
Net debt including lease liabilities	**(1,826.1)**	(1,752.5)

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:

	2021 £m	2020 £m
Cash at bank and in hand net of amounts in the cash pool	**274.6**	475.3
Bank overdrafts net of amounts in the cash pool	**(49.3)**	(45.6)
Cash and cash equivalents	**225.3**	429.7

27 Movement in net debt

2021	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of year excluding lease liabilities	**(1,255.0)**	**429.7**	**(1,684.7)**
Net cash outflow	**(88.2)**	**(183.6)**	**95.4**
Realised gain on foreign exchange contracts	**25.0**	**–**	**25.0**
Currency translation	**(19.2)**	**(20.8)**	**1.6**
End of year excluding lease liabilities	**(1,337.4)**	**225.3**	**(1,562.7)**
Lease liabilities	**(488.7)**	**–**	**(488.7)**
End of year including lease liabilities	**(1,826.1)**	**225.3**	**(2,051.4)**

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)

The net cash inflow of £95.4m (2020: outflow of £273.9m) on other components of net debt comprises an increase in borrowings of £14.5m (2020: £444.5m), a repayment of borrowings of £134.9m (2020: £133.5m) and the impact of a realised gain of £25.0m on foreign exchange contracts (2020: loss of £37.1m).

28 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. At 31 December 2021 the allocation period for all acquisitions completed since 1 January 2021 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. During the year ended 31 December 2021 adjustments have been recognised to the fair value of assets and liabilities acquired related to acquisitions made in the prior year, resulting in a net increase to goodwill of £3.4m. Given the immaterial amounts involved the fair value of assets and liabilities acquired as reported in the prior year have not been restated.

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.

Notes continued

28 Acquisitions continued

2021

Summary details of the businesses acquired during the year ended 31 December 2021 are shown in the table below:

Business	Sector	Country	Acquisition date 2021	Annualised revenue £m
Deliver Net	Healthcare	UK	31 January	19.5
Pinnacle	Cleaning & Hygiene	Canada	1 February	11.3
Disposable Discounter[1]	Foodservice	Netherlands	2 February	23.6
Comax	Cleaning & Hygiene	UK	31 May	16.4
Harvey Distributors	Cleaning & Hygiene	Australia	31 May	4.4
Obex Medical Holdings[2]	Healthcare	New Zealand	1 June	28.7
Proin Pinilla	Safety	Spain	22 July	14.3
Arprosa	Safety	Spain	31 July	6.6
Medshop[3]	Healthcare	Australia	8 September	14.4
Intergro	Foodservice	US	30 September	22.3
McCue Corporation[4]	Safety	US	15 October	72.6
Workwear Express[5]	Safety	UK	26 October	33.2
Hydropac[6]	Foodservice	UK	4 November	8.4
Tingley Rubber	Safety	US	21 December	46.7
Acquisitions agreed and completed in the current year				**322.4**

1 Acquisition of 75.1% of share capital.
2 Acquisition of 99.1% of share capital.
3 Acquisition of 75.1% of share capital.
4 Acquisition of 96.9% of share capital.
5 Acquisition of 96.3% of share capital.
6 Located in the UK, but reporting through Continental Europe.

The acquisition of McCue Corporation is considered to be individually significant due to its impact on intangible assets. The acquisition is therefore separately disclosed in the table below. In 2020 the acquisition of MCR Safety was considered to be individually significant and is shown separately in the table below. A summary of the effect of acquisitions in 2021 and 2020 is shown below:

	McCue £m	Other £m	2021 Total £m	MCR Safety £m	Other £m	2020 Total £m
Customer relationships	**107.1**	**127.7**	**234.8**	104.5	67.7	172.2
Brands	**8.6**	**3.2**	**11.8**	13.7	–	13.7
Property, plant and equipment and software	**1.2**	**6.5**	**7.7**	6.5	4.1	10.6
Right-of-use assets	**3.4**	**9.2**	**12.6**	18.0	17.2	35.2
Inventories	**10.1**	**22.7**	**32.8**	62.0	40.2	102.2
Trade and other receivables	**25.1**	**38.7**	**63.8**	35.0	54.6	89.6
Trade and other payables	**(18.5)**	**(42.4)**	**(60.9)**	(20.2)	(44.0)	(64.2)
Net cash	**5.0**	**6.3**	**11.3**	7.4	1.5	8.9
Provisions	**(0.4)**	**(4.3)**	**(4.7)**	(0.2)	(4.2)	(4.4)
Lease liabilities	**(3.6)**	**(9.3)**	**(12.9)**	(18.0)	(17.2)	(35.2)
Derivative liabilities	**–**	**(0.1)**	**(0.1)**	–	–	–
Income tax payable and deferred tax liabilities	**(29.1)**	**(28.2)**	**(57.3)**	(0.1)	(9.8)	(9.9)
Fair value of net assets acquired	**108.9**	**130.0**	**238.9**	208.6	110.1	318.7
Goodwill	**132.5**	**108.3**	**240.8**	71.8	37.0	108.8
Consideration	**241.4**	**238.3**	**479.7**	280.4	147.1	427.5
Satisfied by:						
cash consideration	**234.3**	**208.5**	**442.8**	245.2	122.7	367.9
deferred consideration	**7.1**	**29.8**	**36.9**	35.2	24.4	59.6
	241.4	**238.3**	**479.7**	280.4	147.1	427.5
Contingent payments relating to retention of former owners	**8.4**	**22.5**	**30.9**	1.4	17.7	19.1
Net cash acquired	**(5.0)**	**(6.3)**	**(11.3)**	(7.4)	(1.5)	(8.9)
Transaction costs and expenses	**1.7**	**6.6**	**8.3**	2.1	5.2	7.3
Total committed spend in respect of acquisitions agreed and completed in the current year	**246.5**	**261.1**	**507.6**	276.5	168.5	445.0

28 Acquisitions continued

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

	McCue £m	Other £m	2021 Total £m	MCR Safety £m	Other £m	2020 Total £m
Cash consideration	234.3	208.5	442.8	245.2	122.7	367.9
Net cash acquired	(5.0)	(6.3)	(11.3)	(7.4)	(1.5)	(8.9)
Deferred consideration payments	–	5.2	5.2	–	4.2	4.2
Net cash outflow in respect of acquisitions	229.3	207.4	436.7	237.8	125.4	363.2
Transaction costs and expenses paid	1.5	7.6	9.1	1.3	5.8	7.1
Payments relating to retention of former owners	–	6.9	6.9	–	17.2	17.2
Total cash outflow in respect of acquisitions	230.8	221.9	452.7	239.1	148.4	387.5

Acquisitions completed in the year ended 31 December 2021 contributed £123.2m (2020: £356.0m) to the Group's revenue, £17.3m (2020: £22.5m) to the Group's adjusted operating profit and £10.6m (2020: £18.0m) to the Group's operating profit for the year ended 31 December 2021.

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:

	2021 £m	2020 £m
Revenue	322.4	601.8
Adjusted operating profit	46.3	50.0

The total amount of goodwill expected to be deductible for tax purposes in relation to acquisitions completed during the year is £9.3m (2020: £78.6m).

2020

Summary details of the businesses acquired or agreed to be 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[1]	Other	Ireland	30 September	20.3
ICM[2]	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 2020				**601.8**

1 Acquisition of 80% of share capital.
2 Acquisition of 78.9% of share capital.

Notes continued

29 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	2021 £m	2020 £m
Depreciation of right-of-use assets	134.8	134.8
Other depreciation and software amortisation	36.4	36.9
	171.2	171.7

Other non-cash items	2021 £m	2020 £m
Share based payments	12.7	14.9
Provisions	(8.0)	4.7
Retirement benefit obligations	(1.9)	(8.4)
Other	1.6	2.0
	4.4	13.2

Working capital movement	2021 £m	2020 £m
Increase in inventories	(32.9)	(192.5)
Increase in trade and other receivables	(10.7)	(81.0)
Increase in trade and other payables	45.7	278.5
	2.1	5.0

30 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 23 and Note 24 respectively. All transactions with subsidiaries are eliminated on consolidation.

Company balance sheet

at 31 December 2021

	Notes	2021 £m	2020 £m
Fixed assets			
Property, plant and equipment	3	**0.3**	0.4
Right-of-use assets	4	**0.2**	0.7
Intangible assets	3	**0.8**	1.1
Investments	5	**729.8**	718.4
		731.1	720.6
Current assets			
Deferred tax asset	6	**–**	1.8
Defined benefit pension asset	11	**62.8**	0.4
Debtors: amounts falling due after more than one year	7	**837.9**	837.9
Debtors: amounts falling due within one year	7	**764.9**	647.7
Cash at bank and in hand		**30.6**	0.2
		1,696.2	1,488.0
Current liabilities			
Creditors: amounts falling due within one year	8	**(98.8)**	(98.1)
Lease liabilities	10	**(0.2)**	(0.7)
Net current assets		**1,597.2**	1,389.2
Total assets less current liabilities		**2,328.3**	2,109.8
Non-current liabilities			
Provisions	9	**(1.0)**	(1.6)
Lease liabilities	10	**–**	(0.2)
Deferred tax liability	6	**(12.0)**	–
Net assets		**2,315.3**	2,108.0
Capital and reserves			
Share capital	12	**108.4**	108.3
Share premium		**194.2**	187.7
Other reserves		**5.6**	5.6
Capital redemption reserve	13	**16.1**	16.1
Profit and loss account†	13	**1,991.0**	1,790.3
Total shareholders' funds		**2,315.3**	2,108.0

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 28 February 2022 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 207 to 212 form part of these financial statements.

† Profit and loss account includes a net profit after tax for the year of £304.1m (2020: £268.1m). 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 2021

	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 2021	**108.3**	**187.7**	**5.6**	**16.1**	**(73.4)**	**1,863.7**	**2,108.0**
Profit for the year						**304.1**	**304.1**
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						**4.6**	**4.6**
Actuarial gain on defined benefit pension scheme						**58.0**	**58.0**
Income tax charge on other comprehensive income						**(15.6)**	**(15.6)**
Total comprehensive income						**351.1**	**351.1**
2020 interim dividend						**(52.8)**	**(52.8)**
2020 final dividend						**(127.6)**	**(127.6)**
Issue of share capital	**0.1**	**6.5**					**6.6**
Employee trust shares					**15.5**		**15.5**
Movement on own share reserves					**5.0**	**(5.0)**	**–**
Share based payments						**14.5**	**14.5**
At 31 December 2021	**108.4**	**194.2**	**5.6**	**16.1**	**(52.9)**	**2,043.9**	**2,315.3**

	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

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 2021. 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 163 to 169 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 2021 are disclosed in the Related undertakings Note in the Shareholder information section on pages 222 to 228.

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 19 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.

Notes to the Company financial statements continued

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 expected credit losses. The Group measures expected credit 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 (2020: 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 2021, 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 and End of year	0.1	1.7	1.8	2.1
Accumulated depreciation and amortisation				
Beginning of year	0.1	1.3	1.4	1.0
Charge in year	–	0.1	0.1	0.3
End of year	0.1	1.4	1.5	1.3
Net book value at 31 December 2021	–	0.3	0.3	0.8
Net book value at 31 December 2020	–	0.4	0.4	1.1

4 Right-of-use assets: Property

Net book value	2021 £m	2020 £m
Beginning of year	0.7	1.2
Depreciation charge in the year	(0.5)	(0.5)
End of year	0.2	0.7

5 Investments

Investments in subsidiary undertakings	2021 £m	2020 £m
Cost		
Beginning of year	721.7	710.3
Additions	11.4	11.4
End of year	733.1	721.7
Impairment provisions		
Beginning and end of year	3.3	3.3
Net book value at 31 December	729.8	718.4

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 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 2020/1 January 2021	(0.1)	1.7	0.2	1.8
Recognised in profit or loss	–	–	–	–
Recognised in other comprehensive income or directly in equity	(15.6)	1.8	–	(13.8)
31 December 2021	(15.7)	3.5	0.2	(12.0)

No deferred tax asset has been recognised in respect of unutilised capital losses of £68.5m (2020: £68.5m).

During the year, legislation was passed to increase the UK Corporation tax rate to 25% from 1 April 2023. UK taxable profits earned before that date will be subject to the current tax rate of 19% but UK temporary differences at 31 December 2021 have been calculated at the rate of 25% because reversal is expected after April 2023. The impact of this change in tax rate on the income statement was not significant.

7 Debtors

	2021 £m	2020 £m
Debtors: amounts falling due within one year		
Amounts owed by Group undertakings	760.3	644.5
Prepayments and other debtors	4.6	3.2
	764.9	647.7
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.

Notes to the Company financial statements continued

8 Creditors: amounts falling due within one year

	2021 £m	2020 £m
Trade creditors	**1.1**	0.7
Amounts owed to Group undertakings	**83.0**	82.1
Other tax and social security contributions	**0.8**	0.3
Income tax payable	**0.5**	0.5
Accruals	**13.4**	14.5
	98.8	98.1

Amounts due to Group undertakings are repayable on demand and are not interest bearing.

9 Provisions

	2021 £m	2020 £m
Beginning of year	**1.6**	1.7
Utilised or released	**(0.6)**	(0.1)
End of year	**1.0**	1.6

The provisions relate to properties, where amounts are held against liabilities for repairs and dilapidations, and other claims.

10 Lease liabilities

	2021 £m	2020 £m
Beginning of year	**(0.9)**	(1.6)
Interest charge in the year	**–**	(0.1)
Payments of lease liabilities	**0.7**	0.8
End of year	**(0.2)**	(0.9)
Ageing of lease liabilities:		
Current lease liabilities	**(0.2)**	(0.7)
Non-current lease liabilities	**–**	(0.2)
End of year	**(0.2)**	(0.9)

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 23 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	2021 £m	2020 £m
Current service cost (net of contributions by employees)	**2.4**	2.2
Past service cost	**–**	0.4
Net interest income	**(0.1)**	(0.3)
Contributions paid by participating subsidiaries linked to service	**(1.0)**	(1.2)
Total charge to profit for the year	**1.3**	1.1

11 Retirement benefits continued

Amounts recognised in other comprehensive income	2021 £m	2020 £m
Actual return less expected return on pension scheme assets	**18.5**	44.6
Experience gain on pension scheme liabilities	**20.7**	–
Impact of changes in assumptions relating to the present value of pension scheme liabilities	**18.8**	(59.5)
Actuarial gain/(loss) on defined benefit pension scheme	**58.0**	(14.9)
Contributions paid by participating subsidiaries not linked to service	**4.6**	4.5
Total credit/(charge) to other comprehensive income	**62.6**	(10.4)

Movement in defined benefit pension scheme surplus/(deficit)	2021 £m	2020 £m
Beginning of year	**0.4**	10.8
Current service cost	**(2.4)**	(2.2)
Past service cost	**–**	(0.4)
Contributions	**6.7**	6.8
Net interest income	**0.1**	0.3
Actuarial gain/(loss)	**58.0**	(14.9)
End of year	**62.8**	0.4

Changes in the present value of defined benefit pension scheme liabilities	2021 £m	2020 £m
Beginning of year	**437.9**	379.2
Current service cost	**2.4**	2.2
Past service cost	**–**	0.4
Interest expense	**6.1**	7.9
Contributions by employees	**0.5**	0.5
Actuarial (gain)/loss	**(39.5)**	59.5
Benefits paid	**(11.2)**	(11.8)
End of year	**396.2**	437.9

Changes in the fair value of defined benefit pension scheme assets	2021 £m	2020 £m
Beginning of year	**438.3**	390.0
Interest income	**6.2**	8.2
Actuarial gain	**18.5**	44.6
Contributions by the Company	**1.1**	1.1
Contributions by participating subsidiaries	**5.6**	5.7
Contributions by employees	**0.5**	0.5
Benefits paid	**(11.2)**	(11.8)
End of year	**459.0**	438.3

The actual return on pension scheme assets was a gain of £24.7m (2020: gain of £52.8m). The market value of scheme assets and the present value of retirement benefit obligations at 31 December are detailed in Note 23 to the consolidated financial statements. The total defined benefit pension liability is divided between active members (£77.9m (2020: £102.9m)), deferred members (£156.5m (2020: £172.9m)) and pensioners (£161.8m (2020: £162.1m)).

12 Share capital

	2021 £m	2020 £m
Issued and fully paid ordinary shares of 32¹⁄₇p each	**108.4**	108.3

Number of ordinary shares in issue and fully paid	2021	2020
Beginning of year	**336,998,961**	336,792,607
Issued – option exercises	**399,835**	206,354
End of year	**337,398,796**	336,998,961

Notes to the Company financial statements continued

13 Reserves
The capital redemption reserve of £16.1m (2020: £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 £52.9m (2020: £73.4m) 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 19 to the consolidated financial statements.

The dividends paid and declared in the current and prior year are detailed in Note 20 to the consolidated financial statements.

14 Contingent liabilities
Borrowings by subsidiary undertakings totalling £1,549.2m (2020: £1,661.3m) 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 56 (2020: 53) and the aggregate employee costs relating to these persons were:

	2021 £m	2020 £m
Wages and salaries	**11.1**	11.0
Social security costs	**1.7**	1.8
Share based payments	**(0.2)**	2.3
Pension costs	**0.8**	0.8
	13.4	15.9

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 19 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 23 and Note 24 to the consolidated financial statements and the Related undertakings Note in the Shareholder information section on pages 222 to 228.

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 regulation.

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 UK-adopted International Accounting Standards ('IASs') 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 International Financial Reporting Standards ('IFRSs'), issued by the International Accounting Standards Board ('IASB') ('IFRSs as issued by the 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 for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted IASs and IFRSs as 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 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 also 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 96 and 97 of the Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted IASs and IFRSs as issued by the 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 and financial position 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
28 February 2022

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 2021 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 UK-adopted international accounting standards;
- 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 2021; the Consolidated income statement, the 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 ('IFRS') as issued by the International Accounting Standards Board ('IASB')

As explained in note 1 to the financial statements, the Group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

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.

Other than those disclosed in note 5 to the Group financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope	• We performed full scope audits and other procedures of the financial information of 86 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 carrying value of goodwill and intangible assets, were performed by the Group audit team centrally.
Key audit matters	• Carrying value of goodwill (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)
Materiality	• Overall Group materiality: £34 million (2020: £30 million) based on 5% of adjusted profit before tax. • Overall Company materiality: £23 million (2020: £20 million) based on 1% of net assets. • Performance materiality: £25.5 million (2020: £22.5 million) (Group) and £17.2 million (2020: £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.

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.

Covid-19 and provisions for corporate tax exposure, which were key audit matters last year, are no longer included. We exclude the Covid-19 key audit matter as the impact of the pandemic to the Group was primarily on the retail and foodservice sectors and we have considered the implication of this in the valuation of inventory provisions and expected credit loss provisions against trade receivables key audit matter. As for the provisions for corporate tax exposure, the key audit matter is excluded as the risk has reduced in 2021. In addition, the key audit matter in relation to the carrying value of goodwill included other intangible assets in the prior year but the risk around intangibles has been removed as the risk has reduced in 2021. 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 (Group)	
Refer to the Audit Committee report, Note 2 and Note 11 of the Group financial statements. The Group has material goodwill balances of £1,698.5m (2020: £1,494.6m) 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 which are identified on a 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. Management's impairment assessments involve significant estimation, principally relating to short and long-term revenue growth, future profitability and discount rates. Management's impairment assessment also takes into account the impact of climate change. Due to the acquisitive nature of the Group and the magnitude of the aggregated related goodwill, together with the subjectivity of the principal assumptions, a significant amount of audit effort was required.	In our testing of management's annual goodwill impairment calculations, we used valuation experts to assist our evaluation of the appropriateness of the discount rates used by management. We evaluated the reasonableness of the directors' cash flow forecasts by comparing the key assumptions made to board reviewed 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 assessed 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; • We challenged the extent to which the impact of climate change risk identified by management in its TCFD scenario analysis and the Group's net zero commitment were consistent with the assumptions within the impairment assessment. We also performed sensitivity analysis to ascertain whether downward adjustments to the forecast assumptions would result in a material impairment. Management concluded that there was no impairment. We concur with this assessment. Based on managements' own sensitivity calculations, no other reasonably possible change in assumptions would lead to an impairment of goodwill assets. Having ascertained the extent of changes in key assumptions either individually or collectively that would be required for goodwill assets to be materially impaired, we considered such a change in those key assumptions to be unlikely.
Accounting for business combinations (Group)	
Refer to the Audit Committee report, Note 2 and Note 28 of the Group financial statements. 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.	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. We focused in particular on the following areas: • We assessed the methodology and key assumptions used in determining the value of the customer relationship 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; • We also evaluated the consideration paid or payable in respect of acquisitions made. 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 the Audit Committee report, Note 2 and Note 23 of the Group financial statements. The Group has defined benefit pension schemes (with material schemes in the US and the UK) with a net surplus of £31.2m at the current year end (2020: combined net deficit of £44.8m). The gross assets and liabilities in each scheme 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. In each case we considered the assumptions made by management to be reasonable in light of the available evidence. We also 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. Based on the procedures performed, we noted no material issues arising from our work.
Valuation of inventory provisions and expected credit loss provisions against trade receivables (Group)	
Refer to the Audit Committee report, Note 1, Note 2, Note 13 and Note 14 of the Group financial statements. The Covid-19 pandemic has significantly increased the risk of loss on trade receivables and inventory particularly in the food service and retail businesses that have been impacted more heavily by the pandemic. The Group has also seen an increased risk of net realisable value risk for certain Covid-19 related products due the price normalisation following the disruption caused by the pandemic. We focused on this area because of the risk surrounding 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 trade receivables balances; • Assessing historical credit loss experience; • Understanding and assessing the impact of 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.

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. In addition, we have identified two material components being the Netherlands and Australia. To achieve the coverage desired, we identified four components across the UK and France 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 79 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 and material components, 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 carrying value of goodwill and other intangible assets, were performed by the Group audit team centrally.

As part of the audit, we inquired of management to understand and evaluate the Group's risk assessment process in relation to climate change. Management has sought advice from external sustainability experts to help them understand the environmental challenges they face, and to source science-based inputs for their assessment of climate risk. We reviewed management's paper which sets out their assessment of climate change risk to the Group and the impact, if any, on the financial statements and impairment testing. In evaluating the completeness of the risks identified, we assessed the objectivity and competence of management's experts, we engaged our internal climate change experts to review management's assessment, we considered the return submitted to the Carbon Disclosure Project by the Group and challenged management on how they considered the Group's net zero commitment in their assessment. In responding to the risk identified, we specifically considered how climate change risk would impact the assumptions made in the forecasts prepared by management used in their assessment of the carrying value of goodwill. Our procedures in relation to the assessment of the carrying value of goodwill are described in the key audit matters section above. We read the disclosures in relation to climate change made in the other information within the Annual Report to ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit. Our responsibility over other information is further described in the Reporting on other information section of our report.

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	£34 million (2020: £30 million).	£23 million (2020: £20 million).
How we determined it	5% of adjusted profit before tax	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 £21.7 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% (2020: 75%) of overall materiality, amounting to £25.5 million (2020: £22.5 million) for the Group financial statements and £17.2 million (2020: £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 at the upper end 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) (2020: £1.5 million) and £1.5 million (Company audit) (2020: £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 2021 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 climate change risk 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 directors' 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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 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 posting of inappropriate journal entries to increase revenue or reduce expenditure, 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).

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.

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 March 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2014 to 31 December 2021.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Neil Grimes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 February 2022

Shareholder information

Related undertakings as at 31 December 2021

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 2021 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 226 to 228. 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	7
Bunzl Australasia Limited	6
Bunzl Brands & Operations Pty Limited	4
Bunzl Catering Supplies Limited	7
Bunzl Food Processor Supplies Pty Limited	3
Bunzl Outsourcing Services Limited	7
Fire Rescue Safety Australia Pty Ltd (80%)	2
Inkell Pty. Limited	5
Interpath Services Pty. Ltd.	6
Multipoint Technologies Pty Ltd (75.1%)	8
Network Packaging Pty Limited	4
Obex Medical Holdings Pty Limited	6
Protect-A-Clean Pty Ltd	7
Robertsons Lifting & Rigging Pty Limited	4
Sanicare Australia Pty Limited	6
Star Wholesale Distribution Pty Limited	7
Worksense Workwear and Safety Pty Limited	4
Austria	
Bunzl Holdings Austria GmbH	9
Meier Verpackungen GmbH	9
Belgium	
Établissements Glorieux SA	10
King Belgium NV	14
Polaris Chemicals SRL	12
Total Safety Supply Belgium BVBA	13
Varia-Pack NV	11
Brazil	
B2B Web Distribuicao De Produtos Ltda	17
Bunzl Equipamentos para Proteção Individual Ltda.	19
Dental Sorria Ltda.	23
DVT Comércio, Importação E Exportação Ltda.	21
Labor Import Comercial Importadora Exportadora Ltda	22
MCR Safety de Brasil Distribuiacao de Equipamentos	20
Medcorp Saúde tecnologia Ltda	15
SP Equipamentos de Proteção ao trabalho e MRO Ltda.	16
VCH – Importadora, Exportadora E Distribuição De Produtos Ltda.	18
Canada	
8948399 Canada Inc. d/b/a Sur-Seal Packaging(iii)	28
Bunzl Canada, Inc.	29
Dura Plus Inc.	26
Ghost Distribution Inc.	25
McCue Corporation Canada (96.9%)	27
Pinnacle Paper & Sanitation Inc.(ii)	28
Snelling Paper & Sanitation Ltd.(iii)	28
Tingley Inc.	24
Chile	
B2B Web Distribuicao de Produtos Chile SpA	30
Bunzl Chile Holdings SpA	30
DPS Chile Comercial Limitada	32
Enepack SpA	32
Tecno Boga Comercial Limitada	31
Vicsa Safety Comercial Limitada	30
China	
Beijing HSESF Safety Technology Co., Ltd.	38
Bunzl Trading (Shanghai) Limited	35
Diversified Distribution Systems Trading (Shanghai) Ltd.	40
Keenpac (Shenzhen) Trading Company Limited	41
McCue Xiamen Trading Co., Ltd. (96.9%)	44
MCR Safety Foshan South Co., Ltd.	45
MCR Safety Hangzhou Co., Ltd.	46
Shanghai BeiZhi Industrial Technology Co., LTD	37
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France Sécurité SAS	68
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PKA Klöcker GmbH[iii]	86
Protemo GmbH	88
Hong Kong	
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DDS of Hong Kong Limited	91
Keenpac Asia Limited	93
MCR Safety Asia Company Limited	92
Hungary	
Bunzl CEE Kft	95
Bunzl Magyarország Kft.	95
Ireland	
Abco Kovex Limited (80%)	96
Bunzl Ireland Limited	96
Thomas McLaughlin (Ireland) Limited	96
Israel	
M.S. Global Limited	97
Meichaley Zahav Packages Ltd	98
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Netherlands	
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Bunzl Outsourcing Services B.V.	123
Bunzl Verpakkingen Arnhem B.V.	115
De Ridder B.V.	118
King Nederland B.V.	117
Le Roux Verpakkingen & Disposables B.V. (75.1%)	122
Majestic Products B.V.	119
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Worldpack Trading B.V.	116
New Zealand	
Bunzl New Zealand Holdings Limited[iii] (99.1%)	125
Bunzl Outsourcing Services NZ Limited	127
Corded Strap (NZ) Limited	128
Downs Distributors Limited (99.1%)	129
Fire Rescue Safety New Zealand Limited (80%)	127
ICB Cleaning Supplies Limited	126
Isobex Medical Limited (99.1%)	129
Nelson Packaging Supplies Limited	128
Obex (NZ) Limited (99.1%)	129
Obex Medical Limited (99.1%)	129
OXC (NZ) Limited[ii] (99.1%)	129
Norway	
Art Trading AS	131
Culina AS	131
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Riise & G G Storkjøkken AS	132
Skien Storkjøkken AS (51%)	130
Peru	
B2B WEB DISTRIBUICAO DE PRODUTOS PERU SPA S.A.C	133
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Puerto Rico	
Melissa Sales Corp.	134
Romania	
Bunzl Romania SRL	135
Singapore	
LSH Industrial Solutions Pte. Ltd	136
Medshop Holdings Pte. Ltd. (75.1%)	137
Medshop Singapore Pte. Ltd. (75.1%)	137
Slovakia	
Eurobal, spol. s.r.o.	138
Spain	
Artículos de Protección, S.A.	147
Bunzl Distribution Spain, S.A.U.	141
Bunzl Mallorca 2018, S.L.U.	142
Faru, S.L.U.	146
Guantes Juba, S.A.U.	148
Juba Personal Protective Equipment, S.L.U.	148
Lovilia Spain, S.L.U.	141
Marca Proteccion Laboral, S.L.U.	144
PROIN-PINILLA, S.L.	139
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Safety Quickers Europe, S.L.U.	141
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Switzerland	
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United Kingdom	
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Aggora (Technical) Limited[iii]	160
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Aggora Limited	160
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Workwear Express Limited[iii] (96.3%)	160
Wycombe Marsh Paper Mills Limited[i]	160
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United States	
Arch Logistics, LLC	177
Banner Stakes LLC (96.9%)	179
Bunzl Corporate Holdings, Inc.	177
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Bunzl Processor Distribution, LLC	177
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Bunzl US Holdings LLC	162
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Bunzl Utah, LLC	164
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McCue International, Inc. (96.9%)	174
MCQ Holdings, Inc.(iii) (96.9%)	167
MCQ Protective Solutions Inc. (96.9%)	167
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R3 Safety, LLC	177
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Revco Industries, Inc.(iii)	169
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Steiner Industries, Inc.	178
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Other shareholdings	Registered office address
Viner-Pack Gyarto Kereskedelmi Es Szolgaltato Korlatolt Felelossegu Tarsasag(iii) (20%)	94
MCR Hanvo Safety Products (Nantong) Co., Ltd. (20%)	39

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
(iv) Holding of preference shares

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
Bunzl Australia & New Zealand, Unit 1/52 Fox Drive, Dandenong South VIC 3175, Australia	5
Level 2, 700 Springvale Road, Mulgrave VIC 3170, Australia	6
Unit 1, 52 Fox Drive, Dandenong South VIC 3175, Australia	7
Unit 3, 110 Chifley Drive, Preston VIC 3072, Australia	8
Diepoldsauer Straße 37, 6845, Hohenems, Austria	9
1 Rue du Bois des Hospices, 2iémé étage, 7522 Tournai, Belgium	10
Aarschotsesteenweg 114 3012 Leuven (Wilsele), Belgium	11
Avenue Sabin 23, 1300 Wavre, Belgium	12
Oudenaardsesteenweg 19 9000 Ghent, Belgium	13
Rue du Cerf 190 1332 Genval, Belgium	14
Av. Fagundes de Oliveira 538, Warehouse A5, Piraporinha, Cidade de diadema, CEP, 09950-300, Brazil	15
Avenida do Cursino, 3.365 SL/06, Saúde, City of São Paulo, CEP, 04133-300, Brazil	16
Avenida Doutor Alberto Jackson Byington, 1435 Industrial Anhanguera, City of Osasco, São Paulo, CEP 06276-000, Brazil	17
Avenida Doutor Alberto Jackson Byington, 1435 Jardim Santa Fe, City of Osasco, São Paulo, CEP 06273-050, Brazil	18
Estrada Velha de Guarulhos - São Miguel, 5135, Box 301 - Jardim Arapongas, city of Guarulhos, São Paulo, CEP 07210-250, Brazil	19
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	20
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	21
Rua Padre Damaso 165, 173 e 187, Osasco, São Paulo, CEP 06016-010, Brazil	22
Via Expressa de Contagem, 3115, galpão 1, Bairro Agua Branca, City of Contagem, Minas Gerais, CEP 32370-485, Brazil	23
#310, 5700 Boul. Des Galeries, Québec G2K 0H5, Canada	24
1212 – 1175 Douglas St, Victoria, BC V8W 2E1, Canada	25
160 Elgin Street, Suite 2600 , Ottawa, CA, ON K1P 1C3, Canada	26
1801 Hollis St Ste 1800, Halifax NS B3J 3N4, Canada	27
Dentons Canada LLP, 2500 Stantec Tower, 10220 – 130 Avenue NW, Edmonton AB T5J 0K4, Canada	28
Parlee McLaws LLP, 3300 TD Canada Trust Tower, 421-7th Avenue, SW, Calgary AB T2P 4K9, Canada	29
Av. Presidente Eduardo Frei Montalva 5151, Conchalí, 8550678 Santiago, Chile	30
Avenida Boulevard, Aeropuerto Norte #9649, Pudahuel, Santiago, Chile	31
Camino Coquimbo N' 16.000, Colina, Sanitago, Chile	32
2F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	33
3F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	34

Registered office address	Key
Floor 9, Xinpeng Plaza, No. 200, Lane 91, E'shan Road, Pudong New Area, Shanghai, 200127, China	35
No. 181 Zhongshe Road, Maogag Town, Songjiang District, Shanghai, China	36
No. 301 Rongle East Road, Songjiang District, Shanghai, China	37
No. 9 Fuqian Road, Shandong Zhuang Town, Pinggu District, Beijing, China	38
No.128 Jinshajiang Road, Rudong Economic Development Zone, Jiangsu, China	39
Room 1509, Building 2, No. 1266 Nanjing West Road, Jingan District, Shanghai, China	40
Room 1805, Central Business Tower, 88 Fuhua 1st Road, Futian, Shenzhen Guangdong, China	41
Room 3123, Building 3, 112-118 Gaoyi Road, Baoshan District, Shanghai, China	42
Room 368, Part 302, No. 211 Fute North Road, Free Trade Zone, Shanghai, China	43
Room 901, No. 595 West Lianqian Road, Siming District, Xiamen, Fujian Province, China	44
Room 908, Building 16, Zone 2, International Chuangzhi Park, No.8 Gangkou Road, Guicheng Street, Nanhai District, Foshan, Guangdong, China	45
Room A39, Floor 6, Building 2, Dongfang MAO Business Center, Xiacheng District, Hangzhou, Zhejiang, China	46
Southwest of No.1 House, 3F, Building A, Tower 2, Xinhaiyi, No. 58 Heshun Road, Suzhou Industrial Park, Jiangsu, China	47
Carrera 30 No. 15-30, Bogota D.C., Colombia	48
CR 71 No 94 - 23 AP, 1134 TO 9, Colombia	49
Km 7 Vía Medellín, Parque Empresarial Celta, Módulo 1, Bodega 49, Funza (Cundinamarca), Colombia	50
Dolnokrčská 2029/54a, Krč, Praha 4, 140 00, Czech Republic	51
Přátelstvi 1011/17, Uhřiněves, Praha 10, 10 400, Czech Republic	52
Greve Main 30, 2670 Greve, Denmark	53
Indkildevej 2 c, DK-9210, Aalborg SØ, Denmark	54
Kærvej 25, DK-2970 Hørsholm, Denmark	55
Kirkebjergvej 17, 4180 Sorø, Denmark	56
11 C rue des Aulnes, 69410 Champagne-au-Mont-d'or, France	57
13 rue des Battants RN 20, 31140, Saint-Alban, France	58
130-136 rue Victor Hugo, 92300 Levallois-Perret, France	59
17 Boulevard du Trieux, Zone d'aménagement Concerté les touches, 35740, Pacé, France	60
191-195 Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, Paris, France	61
26/28 rue Jean Perrin, 28300, Mainvilliers, France	62
29 avenue des Morillons, ZA des Doucettes, 95140 Garges les Gonesses, France	63
440 route de Rosporden, Le Grand Guelen, 29000 Quimper, France	64
50 Avenue d'Allemagne, Rond Point de L'Europe ZA Albasud, 82000 Montauban, France	65
530 rue Jacqueline Auriol ZA de Saint Thudon, 29490, Guipavas, France	66
556 Chemin du Mas de Cheylon, CAP Delta 30941, Nimes, France	67

Registered office address	Key
585, Rue Alain Colas, 29200, Brest, France	68
7 route de Villiers, 77780, Bourron-Marlotte, France	69
725 Route des Vernes Pringy, 74370, Annecy, France	70
Boulevard Francois-Xavier Faffeur, Zone Industrielle Lannolier, 11000, Carcassonne, France	71
La Fregate, 19 avenue Jacques Cartier, 44800, Saint-Herblain, France	72
Lieudit la Trentaine, 77690, La Genevraye, France	73
Parc d'activité Des Lacs, 22 rue Saint Exupéry, 33 290 Blanquefort, France	74
Quai Louis Aulagne, 69 190 Saint Fons, France	75
Route Nationale 97, ZA Les Plantades, 83130 La Garde, France	76
Route Nationale, 57420, Louvigny, France	77
Rue Charles Remi Arnoult, 21700 Nuits Saint Georges, France	78
Rue de Pau, 40500 Saint-Server, France	79
Rue Edouard Branly, ZAC des Chamonds 58640 Varennes-Vauzelles, France	80
Rue Nungesser et Coli, D2a Nantes Atlantique, 44860, Saint-Aignan de Grand Lieu, France	81
Rue Pierre Pascal Fauvelle, 66000 Perpignan, France	82
ZI Maison Dieu RN 74, 21220 Fixin, France	83
Zone Artisanale Maritime du Bassin de Thau, Route de Séte, 34540 Ballaruc Les Bains, France	84
Elbestraße 1-3, 45768 Marl, Germany	85
Friedrichstrasse 2, 40699 Erkrath, Germany	86
Kitzingstr. 15-19, 12277, Berlin, Germany	87
Maysweg 11, 47918 Tönisvorst, Germany	88
Stadtweide 17, 46446 Emmerich, Germany	89
11th Floor, One Pacific Place, 88 Queensway, Hong Kong	90
Room 2103, Futura Plaza, 111 How Ming Street, Kwun Tong, Hong Kong	91
Unit 26, 22/F, Metro Centre II, Lam Hing St., Kowloon Bay, Kowloon, Hong Kong	92
Unit 3-4 18F Tower 6, China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong	93
2336 Dunavarsány, 071/33 hrsz, Hungary	94
Vendel Park, Erdőalja út 3, 2051 Biatorbágy, Hungary	95
10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland	96
4 Kinneret Street, POB 1139, Airport City, Ben Gurion Airport, 7019802, Israel	97
Emek Ha'Ela 250, Modi'in, P.O.B 553, LOD 7110601, Israel	98
Corsa Italia n.6, 50123 Florence, Italy	99
Via 8 Marzo n. 6, 42025 Corte Tegge di Cavriago, Reggio Emilia, Italy	100
Via Brigata Reggio no. 24, Reggio Emilia, Italy	101
8.03, 8th Floor Plaza First Nationwide 161, Jalan Tun H.S. Lee 50000 Kuala LUMPUR, Malaysia	102
Av. del sauce número 1600, Col. La angostura, City of San Luis Potosí, S.L.P, 78117, Mexico	103

Registered office address	Key
Avenida Cafetales No. 1702, Interior 201, between streets Rancho Recoveco and Rancho Estopila, Hacienda de Coyoacán, Coyoacán, 04970, Mexico	104
Calle Rio San Lorenzo No. 503, Col. Fuentes del Valle, CP 6620, CD San Pedro Garza Garcia, Nuevo León, Mexico	105
Carretera al CUCBA No. 400 Interior 5, Colonia La Venta del Astillero, C.P. 45221 Zapopan, Jalisco, Mexico	106
Carretera Corredor Tijuana Rosarito 2000 Exterior 15202., Interior Mt3 A, Colonia Zona Cerril General, Tijuana, Baja California, Mexico	107
Carretera Miguel Alemán KM21 Edificio 4C Prologis Park, Apodaca, N.L., México C.P, 66627, Mexico	108
Galileo # 11, Colonia Polanco V Secc., Delagación Miguel Hidalgo, 11560, Ciudad de México, Mexico	109
Nicaragua 205, Arbide, León, Guanajuato, 37360, Mexico	110
Pablo A. Gonzalez Garza Pte., 820, Chepevera, Monterrey, Nuevo León, 64030, Mexico	111
Rio San Lorenzo No. 503 Local I, Col. Fuentes Del Valle, San Pedro Garza Garcia, C.P. 66220, Mexico	112
C/O CAE, ILOT 43B Bureau 9/18, Zone Franche d'Exportation, 90000 Tanger, Morocco	113
Bijsterhuizen 3005C, 6604 LP Wijchen, Netherlands	114
Delta 57, 6825 ML Arnhem, Netherlands	115
Esp 125, 5633 AA Eindhoven, Netherlands	116
Grotewei 2, 4004 LW Tiel, Netherlands	117
Industrieweg 11B, 1566JN, Assendelft, Netherlands	118
Jan Campertlaan 6, 3201AX, Spijkenisse, Netherlands	119
Keizersgracht 241, 1016EA, Amsterdam, Netherlands	120
Koivistokade 80, 1013 BB, Amsterdam, Netherlands	121
Portugallaan 3, 9403DR, Assen, Netherlands	122
Rondebeltweg 82, 1329 BG Almere, Netherlands	123
Spanjelaan 1, 9403DN, Assen, Netherlands	124
109 Carlton Gore Road, Newmarket, Auckland 1023, New Zealand	125
686 Rosebank Road, Avondale, Auckland, 1026, New Zealand	126
97 Sawyers Arm Road, Christchurch, 8052, New Zealand	127
KPMG Level 5, 79 Cashel Street, Christchurch, 8140, New Zealand	128
Level 3, 109 Carlton Gore Road, Newmarket, Auckland, 1023, New Zealand	129
Bedriftsveien 24, 3735 Skien, Norway	130
c/o Enor AS, Holmaveien 20, 1339 Vøyenenga, Norway	131
Holmaveien 20, 1339 Vøyenenga, Norway	132
Av. Santa Rosa 350. Ate., Lima, Peru	133
PO Box 6494, PR 00914-6494, San Juan, Puerto Rico	134
Sat Dragomiresti-Deal, Comuna Dragomiresti-Vale, DE 287/1, Bucharest West Logistic Park, Cladirea C, Unitatea C01, Ilfov, Romania	135
1 Penjuru Close, 608617, Singapore	136
190 Middle Road #16-01, Fortune Centre, 188979, Singapore	137
Na pántoch 18, 831 06 Bratislava, Slovakia	138

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Calle Ana Abarca de Bolea 22, Nave A, polígono industrial El Pilar, Zaragoza, Spain	139
Calle Castilla-León, Parcela 45 Onda, 12200, Castellón, Spain	140
Calle Filats, 8 Polg. Industrial Prologis Park, 08830 Sant Boi de Llobregat, Barcelona, Spain	141
Calle las Palmeras 7, Polígono Industrial La Sendeilla, 28350 Ciempozuelos, Spain	142
Carretera de Madrid Km 314 – Nave 3ª, polígono industrial Jesús Vicente, Zaragoza, Spain	143
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Bruselas, 30353, esquina calle Amsterdam, parcela R 100, Spain	144
Corretger No 115-117-119, Parque Empresarial Táctica, Paterna, 46980, Valencia, Spain	145
Edificio Plaza, Nave 5, Ali-4 Plataforma Logistica de Zaragoza, 50197, Zaragoza, Spain	146
Rosalia de Castro, 5, As Pontes de García Rodríguez, A Coruña, Spain	147
Santo Domingo De La Calzada, La Rioja, 26250, Carretera De Logrono, Spain	148
Güterstrasse, 4313 Möhlin, Switzerland	149
Nordring 2, 4147 Aesch, Switzerland	150
Oberebenestrasse 53, CH-5620 Bremgarten, Switzerland	151
Route des Jeunes 5D, c/o Télios SA, 1227 Les Acacias, Genève, Switzerland	152
Akçaburgaz Mahallesi, 3137. Sokak, No.19, Esenyurt, Istanbul, Turkey	153
Akçaburgaz Mahallesi, 3137. Sokak, No.19, K. 1, Esenyurt, İstanbul, Turkey	154
Arapcami Mah, Tersane Cad, No. 115, Beyoğlu, Istanbul, Turkey	155
Barbaros Mah., Begonya Sk.,, Nidakule Kuzey Ataşehir Apt., No:3/157, Ataşehir, İstanbul, Turkey	156
Arthur Cox, Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS, United Kingdom	157
Middlemore Lane West, Aldridge, Walsall, WS9 8BG, United Kingdom	158
Mount House Bond Avenue, Mount Farm, Milton Keynes, Buckinghamshire, MK1 1SF, United Kingdom	159
York House, 45 Seymour Street, London, W1H 7JT, United Kingdom	160
2915 SR 590, Suite 15, Clearwater FL 33759, United States	161
Corporation Service Company, 100 Shockoe Slip, 2nd Floor, Richmond VA 23219, United States	162
Corporation Service Company, 10300 Greenbriar Place, Oklahoma City OK 73159, United States	163
Corporation Service Company, 15 West South Temple, Suite 600, Salt Lake City UT 84101, United States	164
Corporation Service Company, 211 E. 7th Street, Suite 620, Austin TX 78701, United States	165
Corporation Service Company, 2345 Rice Street, Suite 230, Roseville MN 55113, United States	166
Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States	167
Corporation Service Company, 2595 Interstate Drive, Suite 103, Harrisburg PA 17710, United States	168
Corporation Service Company, 2710 Gateway Oaks Drive, Suite 150N, Sacramento CA 95833-3505, United States	169

Registered office address	Key
Corporation Service Company, 2908 Poston Avenue, Nashville TN 37203-1312, United States	170
Corporation Service Company, 300 Deschutes Way SW, Suite 304, Turnwater WA 98501, United States	171
Corporation Service Company, 505 5th Street, Suite 729, Des Moines IA 50309, United States	172
Corporation Service Company, 80 State Street, Albany NY 12207-2543, United States	173
Corporation Service Company, 84 State Street, Boston MA 02109, United States	174
Corporation Service Company, Princeton South Corporate Center, Suite 160, 100 Charles Ewing Boulevard, Ewing NJ 08628, United States	175
Corporation Services Company, 50 West Broad Street, Suite 1330, Columbus OH 43215, United States	176
CSC-Lawyers Incorporating Service Company, 221 Bolivar Street, Jefferson City MO 65101, United States	177
Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield IL 62703-4261, United States	178
The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	179
César Cortinas 2037, Montevideo, Uruguay	180

Financial calendar

	2022
Annual General Meeting	20 April
Results for the half year to 30 June 2022	30 August

	2023
Results for the year to 31 December 2022	February
Annual Report circulated	March

Dividend payments are normally made on the second working day of the following months:

Ordinary shares (final)	July
Ordinary shares (interim)	January

Analysis of ordinary shareholders

At 31 December 2021 the Company had 4,839 (2020: 4,923) registered shareholders who held 337.4 million (2020: 337.0 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,132	2
10,001 – 100,000	441	4
100,001 – 500,000	180	13
500,001 – 1,000,000	40	8
1,000,001 and over	46	73
	4,839	100

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone +44 (0) 370 889 3257
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 https://www-uk.computershare.com/Investor/#ShareDealingInfo or by telephoning +44 (0) 370 889 3257.

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

York House
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		
	2021 £m	2020 £m	2019 £m	2019◊ £m	2018 £m	2017 £m
Revenue	**10,285.1**	10,111.1	9,326.7	9,326.7	9,079.4	8,580.9
Operating profit	**623.3**	618.5	528.4	506.0	466.2	456.0
Finance income	**10.7**	10.4	12.4	12.4	11.6	10.6
Finance expense	**(65.3)**	(73.2)	(87.5)	(64.2)	(66.6)	(57.3)
Profit on disposal of businesses	**–**	–	–	–	13.6	–
Profit before income tax	**568.7**	555.7	453.3	454.2	424.8	409.3
Income tax	**(125.9)**	(125.7)	(104.1)	(104.3)	(98.3)	(98.8)
Profit for the year attributable to the Company's equity holders	**442.8**	430.0	349.2	349.9	326.5	310.5
Basic earnings per share	**132.7p**	128.8p	104.8p	105.0p	98.4p	94.2p
Alternative performance measures†						
Adjusted operating profit	**752.8**	778.4	653.3	630.9	614.0	589.3
Adjusted profit before income tax	**698.2**	715.6	578.2	579.1	559.0	542.6
Adjusted profit for the year	**542.5**	550.5	440.6	441.3	429.9	393.4
Adjusted earnings per share	**162.5p**	164.9p	132.2p	132.4p	129.6p	119.4p

◊ 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 ending 31 December 2019 and onwards are not directly comparable with those reported in the prior years under the previous applicable accounting standard, IAS 17 'Leases'. To provide a meaningful comparative for the year ended 31 December 2019, the results for 2019 have been presented under both IAS 17 and IFRS 16 accounting standards.

† See Note 3 on page 170 for further details of the alternative performance measures.

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Visit our new website at
bunzl.com

Bunzl plc
York House
45 Seymour Street
London
W1H 7JT