

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance. This report describes how the principles of corporate governance set out in the Combined Code issued by the Financial Reporting Council ('the Code') have been applied by the Company during the year ended 31 December 2010. The Company confirms that, with the exception of the short period referred to below when the Company had not appointed a senior independent director, it has complied throughout 2010 with the provisions of the Code, a copy of which is available at www.frc.org.uk. The revised UK Corporate Governance Code which was published by the Financial Reporting Council in June 2010 ('the New Code') will apply to the Company for the 2011 financial year.

The Board

The Board currently comprises a Chairman, a Chief Executive, two other executive directors and four non-executive directors who have wide experience and are, together with the Chairman, considered by both the Board and the criteria set out in the Code to be independent. Mr J F Harris, who was the senior independent director and acted as Interim Chairman following Mr A J Habgood's retirement in 2009, retired from the board on 28 February 2010. The appointment of a senior independent director to succeed Mr J F Harris was considered by the Board after Mr P G Rogerson had assumed the role of Chairman on 1 March 2010, and accordingly, Mr P W Johnson was appointed as senior independent director on 21 April 2010. None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board. Brief biographical details of the directors are given on page 23. Information relating to the conduct of Board meetings and the procedures implemented to ensure that the Board retains overall control and accountability for all strategic, financial, operational and compliance issues are set out in the internal control section below and in the Financial review on pages 16 to 18. The Board has Audit, Remuneration and Nomination Committees which comply with the provisions of the Code. The Chief Executive is the designated member of the Board responsible for environmental, social and governance matters and reports to the Board in relation to such matters. The Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. This includes completion of self-assessment forms by, and individual discussions with, each director. 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. The Chairman periodically holds meetings with the non-executive directors without the executive directors present. These processes were carried out satisfactorily during the year as a result of which the Board concluded that both it and its Committees are operating effectively. The Board also oversees the process for reviewing any potential conflicts of interest which may arise in relation to each member of the Board and this process was carried out satisfactorily during the year. Finally, the Chief Executive annually presents a management succession plan which is discussed with the Chairman and the non-executive directors. Detailed information concerning the directors' remuneration is given in the Directors' remuneration report on pages 32 to 40.

In accordance with the terms of the New Code, each of the directors will be subject to re-election at the forthcoming Annual General Meeting.

Audit Committee

The Audit Committee comprises all of the independent non-executive directors and is chaired by Mr D J R Sleath who is considered by the Board to have recent and relevant financial experience. While the Chairman of the Company, the Finance Director and the Chief Executive are not members of the Committee, they normally attend meetings of the Committee by invitation together with the Head of Internal Audit and representatives from the external auditor.

The Committee's principal role is to:

- monitor the integrity of the financial statements of the Group and review significant reporting judgements;
- review the effectiveness of the Company's internal financial controls;
- review the process for the management of risk and the assurance procedures over controls designed to manage key risks;
- monitor and review the effectiveness of the Company's internal audit function;
- make recommendations to the Board in relation to the appointment of the external auditor;
- monitor and review auditor independence; and
- develop and implement a policy on the engagement of the external auditor to supply non-audit services.

The Committee Chairman holds preparatory meetings with the Company's senior management and, when appropriate, the Head of Internal Audit and the external auditor prior to Committee meetings to discuss the items to be considered at the Committee meetings. In addition, separate discussions are held between the Committee and the Head of Internal Audit and the external auditor without management present. The Committee Chairman also attends the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities. During the year the Committee met on three occasions and its activities included:

- receiving and considering reports from the external auditor in relation to the half year and annual financial statements;
- reviewing the half year and annual financial reports and the formal announcements relating thereto;
- receiving and considering reports from the Head of Internal Audit in relation to the work undertaken by the internal audit function and reviewing and approving the internal audit work programme for the year;
- reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management systems;
- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- reviewing the Committee's terms of reference and the Committee's effectiveness;
- reviewing the effectiveness of both the external auditor 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 appointment of the external auditor and approving the remuneration and terms of engagement of the auditor;
- reviewing and approving the level and type of non-audit work which the external auditor performs, including the fees paid for such work; and
- reviewing the processes and procedures applied by the Company in relation to the integration of newly acquired businesses into the Group.

CORPORATE GOVERNANCE continued

The Committee ensures that the external auditor remains independent of the Company and receives written confirmation from the external auditor as to whether it considers itself independent within the meaning of its own internal and the relevant regulatory and professional requirements. Key members of the audit team rotate off the Company's audit after a specific period of time.

In order to ensure that the objectivity and independence of the external auditor is not compromised, the Committee has also pre-approved the non-audit service categories that can be provided by the external auditor and agreed monetary amounts for each service category that can be provided by them, subject to a maximum individual engagement value. A service requires specific authorisation from the Committee or the Committee Chairman where it does not fall within the pre-approved categories or where its value exceeds the maximum pre-approved individual engagement value. Such non-audit service categories which are pre-approved principally comprise tax services and further assurance services relating to pre-acquisition due diligence and other duties carried out in respect of acquisitions and disposals of businesses. The Committee believes that given the external auditor's detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed due diligence as part of the acquisition process, it is often appropriate for this additional work to be carried out by the Company's auditors. However other firms are also used by the Company to provide non-audit services and it is the Company's policy to assess the services required on a case by case basis to ensure that the best placed adviser is retained. Details of the fees paid to the external auditor in 2010 in respect of the audit and for non-audit services are set out in Note 4 to the financial statements.

As part of the decision to recommend to the Board the re-appointment of the external auditor, the Committee takes into account the tenure of the auditor in addition to the results of its review of the effectiveness of the external auditor and considers whether there should be a full tender process. There are no contractual obligations restricting the Committee's choice of external auditor.

As a consequence of its satisfaction with the results of its review of the external auditor's activities during the year, the Committee has recommended to the Board that a resolution proposing the re-appointment of KPMG Audit Plc as external auditor be put to shareholders at the forthcoming Annual General Meeting.

The Committee's terms of reference are available on the Company's website, www.bunzl.com.

Remuneration Committee

The Remuneration Committee comprises all of the independent non-executive directors and is chaired by Mr C A Banks. While neither the Chairman of the Company nor the Chief Executive are members of the Committee, they normally attend meetings by invitation except when the Committee is considering matters concerning themselves. Further details of the Remuneration Committee, the Company's remuneration policy and how it is applied are set out in the Directors' remuneration report on pages 32 to 40. The terms of reference of the Committee are available on the Company's website.

Nomination Committee

The Nomination Committee comprises the Chairman of the Company, who chairs the Committee, the Chief Executive and all of the non-executive directors. The majority of the members are independent non-executive directors. The Committee meets as necessary to enable it to make recommendations to the Board on new appointments of executive and non-executive directors. An external search consultancy is retained by the Company to assess potential candidates to be considered as prospective non-executive directors and, when appropriate, executive directors. Candidates are then interviewed by members of the Committee before an appropriate recommendation is made to the Board. On joining the Board, new directors are given an induction into the business of the Company and training as necessary. The terms of reference of the Committee are set out on the Company's website.

Meetings attendance

The following table shows the attendance in 2010 of directors at Board meetings and at meetings of the Board Committees of which they are members:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	8	3	4	2
P G Rogerson	8			2
M J Roney	8			2
J F Harris*	2			
C A Banks	7	3	4	1
U Wolters	7	3	3	2
P L Larmon	8			
B M May	8			
P W Johnson	8	3	4	2
D J R Sleath	8	3	4	2

*Mr J F Harris retired as a director on 28 February 2010 having attended both of the Board meetings held between 1 January 2010 and that date. There were no Nomination Committee meetings during this period.

Relations with shareholders

The Company reports formally to shareholders twice a year with the half year results announced normally at the end of August and the annual results announced normally at the end of February. In addition the Company publishes two interim management statements a year as required by the Disclosure and Transparency Rules.

The Chief Executive and Finance Director have regular meetings with representatives of institutional shareholders and report to the Board the views of major shareholders. Additional forms of communication include presentations of the half year and annual results. The Chairman and the senior independent director and the other non-executive directors are available to meet with major shareholders on request. The Board also periodically reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's own brokers. Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the Meeting. All shareholders are encouraged to participate in the Annual General Meeting, are invited to ask questions at the Meeting and are given the opportunity to meet all of the directors informally. Shareholders are given the option to withhold their vote on the proxy form. At the Annual General Meeting held in 2010, the Board decided that each of the resolutions put to the meeting would be taken on a poll rather than on a show of hands. The same procedure will be followed at the forthcoming Annual General Meeting as directors believe that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account. The results of the poll will be publicly announced and made available on the Company's website as soon as practicable following the Annual General Meeting.

Internal control and risk management

The directors acknowledge that they have overall responsibility for identifying and managing the risks faced by the Group and for the Group's system of internal control relating to those risks. However, such a system is 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 Turnbull guidance the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating significant risks to the Group. The directors confirm that such procedures have been in place for the year ended 31 December 2010 and up to the date of approval of these financial statements and have been reviewed during the year.

To ensure that the directors maintain overall control over all significant 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 decision. These include the approval of the annual and half year results of the Group, the Group's strategic plans, annual budget, larger capital expenditure and acquisition/divestment proposals, material increases to borrowing and loan facilities, treasury policies and the terms of reference for the Board Committees.

The Board has delegated to management the 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 a code of ethics and whistle blowing procedure) based on honesty, integrity and fair dealing;
- a well established consolidation and reporting system for the statutory accounts and monthly management accounts;
- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses; and
- detailed manuals covering Group accounting policies and policies and procedures for the Group's treasury operations.

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 significant risks affecting each of the business areas and the policies and procedures by which these risks are managed;
- an Executive Committee, consisting of the Chief Executive, Finance Director and other functional managers, meets twice per month and also 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;
- both 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 obtained for all significant variances;
- 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 implement the recommendations made. The internal audit department's work is determined on a risk assessment basis and their findings are reported to Group and business area management as well as to the Audit Committee;
- 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 are set out on pages 29 and 30;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- the management committee, which oversees issues principally relating to environment, health and safety, insurance and business continuity planning matters, sets relevant policies and practices and monitors their implementation;
- 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 system of internal control and risk management in operation during 2010.

The external auditor is engaged to express an opinion on the financial statements. The audit includes the review and test 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.

On behalf of the Board

P N Hussey

Secretary

28 February 2011