

# ***TCFD Statement 2021***

*Bunzl plc*

17 March 2022

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## **About this statement**

We recognise climate change as one of the biggest environmental threats the world faces and one which could detrimentally impact us, our customers and their supply chains.

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 risk and opportunities. We are supporting the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and publishing our statement aligned to the TCFD's recommended disclosures.

This statement is structured into three sections: Governance, Risk management and strategy, and Metrics and targets. These topics align to the TCFD's recommended disclosures and provide a comprehensive view into how we understand, assess and manage the risks and opportunities associated with climate change.

# 1. Governance

*TCFD recommendation: Disclose the organisation's governance around climate-related risks and opportunities.*

The Chief Executive Officer (CEO) is the designated member of the Board of Bunzl plc responsible for sustainability. Tackling climate change through emissions reduction is one of the key focus areas in our sustainability strategy. Our Business Area Heads are responsible for identifying the key sustainability and climate change risks at Bunzl and are responsible to the CEO and the Board for the management of those risks.

Our Group Sustainability Committee is a cross-functional leadership committee that engages the management teams and operating companies across our business areas and provides oversight and strategic guidance for our programme. Chaired by our CEO and attended by members of our executive team, the Committee meets quarterly to ensure Bunzl has an ambitious sustainability strategy which is subject to effective governance. This includes setting climate change targets and monitoring of progress. The Committee conducts periodic reviews of performance across a range of indicators that include environmental performance and climate-related issues as part of the standing agenda.



The Environment, Health & Safety (EHS) Committee is responsible to the Group Sustainability Committee for identifying suitable policies, procedures and programmes. The EHS Committee meets quarterly to provide governance over operations related issues and is chaired by the Head of Corporate Responsibility, with EHS Director or Manager level representation from each business area. The EHS Committee is responsible for completing a quarterly review of the Group's performance against agreed environmental targets. Standing agenda items for the meetings and key elements of the quarterly review are the climate-related performance in relation to Scope 1 and 2 emissions reduction targets and an assessment of emission-reduction initiatives, such as site energy efficiency improvements, fuel efficiency programmes and renewable energy purchases.

The Supply Chain Committee is responsible to the Group Sustainability Committee for developing processes and procedures to assess opportunities and mitigate risks within our global supply chain. The Committee is responsible for assessing the greenhouse gas emissions of our supply chains and developing suitable policies and programmes to manage those emissions.

## 2. Risk management and strategy

*TCFD recommendations: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning. Disclose how the organisation identifies, assesses and manages climate-related risks.*

Climate change will present challenges to our business over the short, medium and long term. Bunzl may face increasingly severe physical risks from climate change, including direct damage to our assets from extreme weather and also indirect physical risk in our supply chains or for customers, such as changes to manufacturing yields in regions from which we source our products. In addition to the physical risks associated with climate change, the transition to a low carbon or net zero economy may impact Bunzl's operating and commercial environments through extensive policy, legal, technology and market changes (termed in this statement as 'transition risks').

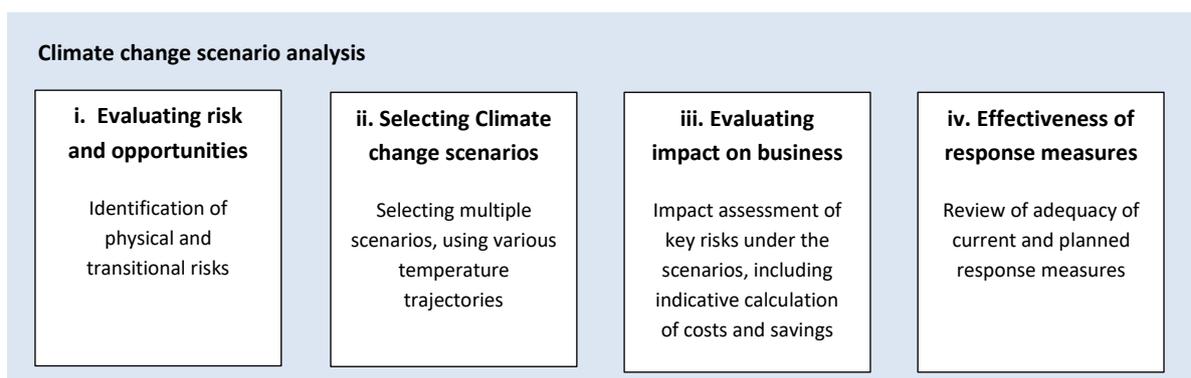
### Our integrated risk management process

The Board, Executive Committee and every business area and business in Bunzl identify and document risks in a consistent way within the categories of strategic, operational, and financial risks. Our process for identifying and assessing risks on an ongoing basis is detailed in our Strategic report of our 2021 Annual Report on pages 64 to 72. These include current and emerging climate-related risks and opportunities and, by doing so, we are ensuring that climate change is integrated into the Group's overall risk management

Management of climate-related risks is distributed throughout the Group depending on where the risk resides. For example, transition risks in relation to fuel efficiency standards are managed by our local fleet management teams who are responsible for leasing appropriate vehicles.

### Using climate scenarios to assess climate change risks

We follow a four-step process to using climate change scenarios to assess the impacts that climate change may have on Bunzl, as shown and described in more detail below.



#### i. Evaluating risks and opportunities

Bunzl's climate-related risks and opportunities were derived from an internal consultation process that involved a wide range of internal stakeholders across all regions and markets, previous assessments (as reported in our CDP response) and desk-based research.

Our company operates globally and the impact on our business varies significantly depending on market sector, geographic location of our businesses and supply chains and our customers and

could be direct (e.g. expenditure, revenue, assets) and indirect (e.g. delay in delivery, drop in demand, disruption of supply chains).

It was determined that climate change could impact Bunzl in the following four thematic areas:

- Shifting customer expectations

Bunzl's customers are setting more and more stringent environmental targets. Bunzl is increasingly expected to help customers achieve their ambitions by setting targets of its own, providing less carbon intensive products and providing advice and information on the carbon-impact of products.

*Risks:* Failing to align with our customers' ambitions could lead to reputational damage and loss of sales.

*Opportunities:* Aligning with customers' ambitions could strengthen customer relationships, build resilience to new environmental legislation and policy, and create brand differentiation.

- Environmental impacts of technology

Technological advances will drive decarbonisation of Bunzl's commercial fleet and shipping suppliers. The extent to which technological change presents a risk or opportunity for Bunzl will be determined by broader economic and energy system shifts, such as the development of long-range fuel cell commercial goods vehicles and the deployment of electric vehicle charging infrastructure. Increased regulatory pressure on the use of fossil fuels for mobility is expected.

*Risks:* Bunzl may need to upgrade to less carbon intensive technologies such as Electric Vehicle technology in our commercial goods vehicles. In the context of transport, regulations could limit Bunzl's access to major urban areas for last mile deliveries which will condition Bunzl's medium- and long-term fleet strategy.

*Opportunities:* New technologies such as energy efficient warehouse lighting may require capital investment in the short term but offer attractive payback periods. Proactive implementation of Electric Vehicle technology presents opportunities for strengthened customer relationships and brand differentiation

- Adaptation to extreme weather

Bunzl's suppliers and operations have already experienced the impacts of extreme weather. For example, hurricanes in the US have disrupted Bunzl's distribution activities and wildfires have threatened Bunzl's Australian operations.

*Risks:* The severity and frequency of extreme weather events is likely to increase in the future. Whilst the flexibility of Bunzl's supply chain provides a degree of operational resilience to the physical impacts of climate change, there could be an impact if several key customers were impacted simultaneously (e.g. customers clustered in specific high-risk geographies such as coastal cities). More chronic impacts of climate change – such as drought or increased rainfall may also lead to resource shortages and price volatility of raw materials and packaging.

*Opportunities:* Our supply chain flexibility and lack of fixed manufacturing assets provide an opportunity to quickly respond to changing operating conditions such as flooding and erosion caused by changed weather patterns and sea level rise.

- Changing market dynamics

The direct (physical) and indirect (transitional) risk may change the dynamics of the markets in which Bunzl operates. A key potential impact will come from carbon pricing, leading to increased costs of carbon intensive products. Climate change may create a demand for low-carbon products or the supply of products which help mitigate the physical impacts of climate change. Certain markets may also be increasingly affected by extreme weather (e.g. disruption to the hospitality industry in tourist areas threatened by wildfires).

*Risks:* Bunzl may also face the risk of increased indirect costs from carbon intensive products where carbon prices increase and no suitable substitute materials exist or if carbon prices could not be passed on to customers.

Certain markets may be increasingly affected by extreme weather (i.e. disruption to the hospitality industry in areas impacted by wildfires) which could impact our commercial strategy.

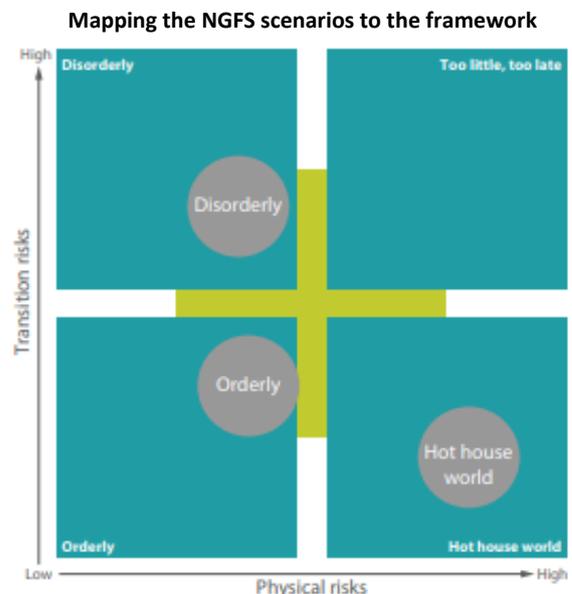
*Opportunities:* Our material agnostic business model and flexible supply chain allows us to benefit from opportunities to source and supply specialist low-carbon products, or to supply products which help mitigate the physical impacts of climate change. Bunzl may even find increasing opportunities to acquire new businesses in specific geographies and markets as an indirect consequence of climate change (i.e. the acquisition of fire safety equipment suppliers).

ii. **Selecting Climate change scenarios**

We focussed our assessment on three alternative climate 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. Our final scenario assessed the potential impacts of a world in which global warming exceeds 3°C by 2100.

Our scenarios broadly align with the environmental and economic conditions represented in the Network for Greening the Financial System (NGFS) scenario framework. This framework is based on the following assumptions:

**Orderly:** Climate policies are introduced early and become gradually more stringent. Physical and transition risks increase gradually. Carbon prices increase steadily in key Bunzl countries and the use of internal combustion engine (ICE) vehicles will be limited by regulations and market pressure. Customers in key sectors such as foodservice and grocery increasingly demand that Bunzl sets science-based targets. Customers will also increasingly desire choice in the type of transportation used by Bunzl to deliver products.



**Disorderly:** Climate policies are not introduced until 2030. Since actions are taken relatively late and are limited by available technologies, emissions reductions need to be greater than in the Orderly scenario to limit warming to the same target. The result is higher transition risk.

**Hot house world:** Governments fail to introduce further policies to address climate change beyond those already known and in place. Global average carbon prices remain low. Emissions grow until 2080 leading to 3°C+ of warming and severe physical risks.

### iii. Evaluating impact on our business

We have applied the three climate change scenarios to our four key risk areas (shifting customer expectations, environmental impacts of technology, adaptation to extreme weather and changing market dynamics) to understand the impact each scenario could have on Bunzl’s business.

We have carried out calculations to determine the financial impacts associated with the various scenarios. Our assessment suggests that the assessed climate-related risks do not present a short term principal 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. Climate change has been identified as an emerging risk with global impact on our markets, business operations and supply chains. These impacts are expected to intensify in the coming years and decades. We will continue to monitor these impacts closely and be ready to accelerate our response measures to ensure that our business continues to be resilient.

Moreover, the transition to a net zero economy will present opportunities to the Group – specifically through the provision of environmentally-friendly products and sustainability expertise to customers.

### iv. Effectiveness of response measures

We will continue to evaluate, and when necessary accelerate, our existing response measures to ensure that our business continues to be resilient to the assessed risks and is able to capitalise on business opportunities that our climate change response may offer.

Risk area	Response measures
Shifting customer expectations	<ul style="list-style-type: none"> <li>- Providing customers with a broad range of product options, including less carbon intensive products</li> <li>- Building sustainability expertise within the Group to help provide advice and information on the carbon impact of products sourced</li> <li>- Pro-active scanning of customer trends and expectations and ensuring our action meets or exceeds expectations</li> <li>- Setting emissions reduction targets to decarbonise our operations in line with climate science</li> </ul>
Environmental impacts of technology	<ul style="list-style-type: none"> <li>- Continuing and accelerating the introduction of technology in our warehouse operations with focus on implementation of energy efficient lighting.</li> <li>- Piloting new low carbon transport technologies (such as electric vehicle technology and biofuels) for use in our commercial fleet, ahead of full adoption once such technologies become technically and economically viable.</li> </ul>
Adaptation to extreme weather	<ul style="list-style-type: none"> <li>- Business continuity planning ensuring continued service to customers</li> <li>- Resilience through supply chain flexibility and lack of fixed manufacturing assets</li> </ul>
Changing market dynamics	<ul style="list-style-type: none"> <li>- Bunzl is largely agnostic to the type of products it sources and supplies. This allows us to follow broader environmental, social and economic trends, entering new markets and seeking new customers where there is a business case for doing so.</li> <li>- Ability to pass through increased cost of products in our supply chain, for example due to carbon pricing mechanisms, to our customers</li> </ul>

### 3. Metrics and targets

*TCFD recommendation: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.*

We recognise that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. The emissions intensity of our business is our primary target for managing Bunzl's climate-related risks and opportunities.

Metric *	Target year	Target (% reduction)	Status
Scope 1 carbon intensity	2021	6% vs 2019	- 23% (target achieved)
Scope 2 carbon intensity	2021	10 % vs 2019	- 26% (target achieved)
Scope 1 and 2 (combined) carbon intensity	2021	6% vs 2019	- 24% (target achieved)

\* Intensity metrics: tonnes of CO2e per £m revenue (excludes any foreign exchange translation effect on revenue numbers).

In 2021 we reduced our total Scope 1 and 2 greenhouse gas emissions by 24% per £m revenue at constant exchange rates relative to 2019. Reduction of these emissions (particularly scope 1) has been impacted by the continued unusual business circumstances due to the Covid-19 pandemic. In addition to this, we continued to implement emission reduction initiatives such as energy efficient lighting and ongoing efficiency improvements. The report scope 2 emissions take into account changes to the average country specific emission factors but do not take into account low carbon electricity purchases.

In 2021 we have announced the following long-term emissions reduction target to decarbonise our operations in line with climate science:

- 25% more carbon efficient by 2025 and 50% by 2030, vs baseline year 2019. <sup>1</sup>
- 100% renewable energy procurement by 2030.
- Net zero by 2050 at the latest, including scope 3.

Scope 3 emissions are indirect greenhouse gas emissions over which Bunzl has no direct control. In 2022 we will set a target to address the carbon emissions of our supply chains and other scope 3 emissions and prioritise where we have the greatest opportunities to influence those emissions.

#### Greenhouse gas emissions data (Group)

	2019	2020	2021
Scope 1			
Total emissions (tonnes of CO2e)	99,193	90,568	87,125
Scope 2 (location based)			
Emissions (tonnes of CO2e) (location based)	29,594	27,421	25,043
Emissions (tonnes of CO2e) (market based)	29,853	26,183	25,025
Total gross emissions			
Emissions (tonnes of CO2e) (location based)	128,787	117,989	112,168
Emission intensity (tonnes of CO2e/£m revenue) (location based)	13.9	12.4	10.9

More details about our climate change reporting procedures can be found in the EHS and Sustainability Reporting guidelines in the Sustainability section of our website, [www.bunzl.com](http://www.bunzl.com).

More information about the independent assurance over our scope 1 and scope 2 carbon emissions and carbon emission intensity (tonnes of CO2e per £m revenue) can be found in the ESG appendix of our 2021 Annual report and in the EHS data assurance statement in the Sustainability section of our corporate website.

<sup>1</sup> Bunzl has committed to the Business Ambition for 1.5°C campaign and joined the Race to Zero. As part of these commitments, we aim to have our targets validated by the Science Based Target Initiative (SBTi) in 2022.