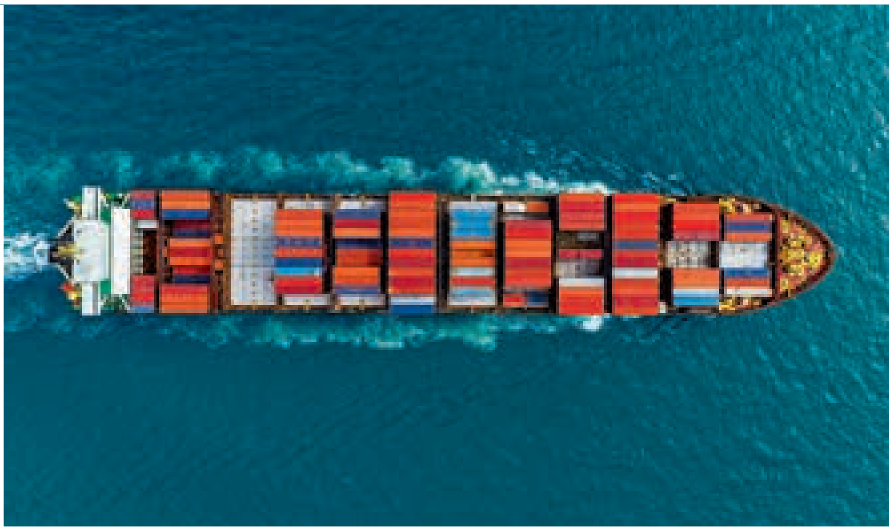
DELIVERING VALUE FOR OUR CUSTOMERS

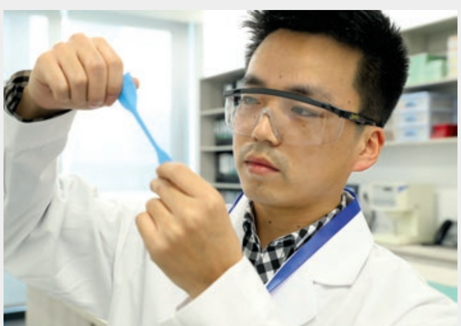
BUNZL

Bunzl plc Annual Report 2020



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

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



RESPONSIBLE SOURCING

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SMART CONSOLIDATION

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EFFICIENT DELIVERY

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DELIVERING ON OUR PURPOSE AND VALUES

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HIGHLIGHTS

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

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

Cash conversion*
103%
(2019: 101%)

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

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

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

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

Committed acquisition spend
£445m

Sustainability materiality assessment conducted and priorities set
54
External stakeholders interviewed

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

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

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

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

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

SUPPORTING BUSINESSES GLOBALLY WITH A VARIETY OF ESSENTIAL PRODUCTS

MARKETS SERVED

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

GROCERY

26%
of Group revenue

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

FOODSERVICE

25%
of Group revenue

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

SAFETY

14%
of Group revenue

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

CLEANING & HYGIENE

13%
of Group revenue

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

RETAIL

10%
of Group revenue

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

HEALTHCARE

10%
of Group revenue

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

OTHER

2%
of Group revenue

A variety of product ranges to other end user markets.

28
Years of dividend growth

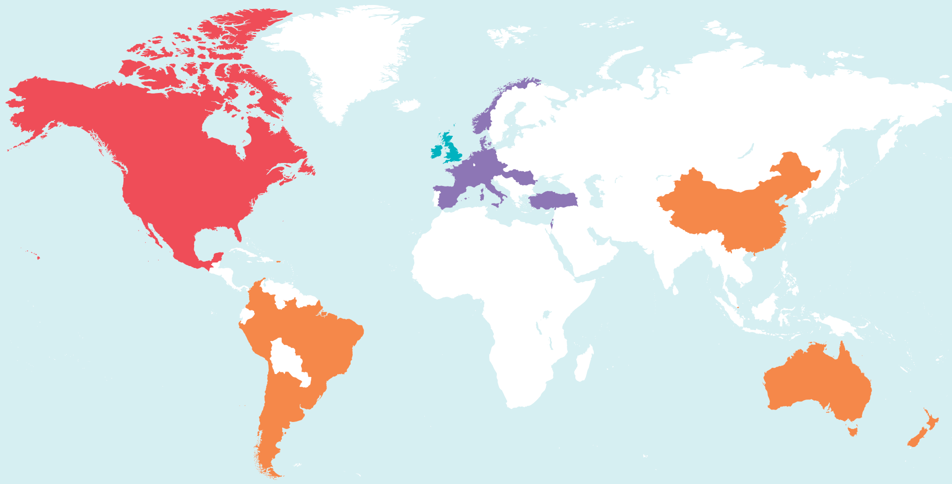
19,853
Employees

31
Countries

172
Acquisitions since 2004

OUR BUSINESS REGIONS

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



Rest of the World

Adjusted operating profit (£m)*

£104.2m

2019: £61.6m

North America

Adjusted operating profit (£m)*

£395.7m

2019: £343.6m

Continental Europe

Adjusted operating profit (£m)*

£238.1m

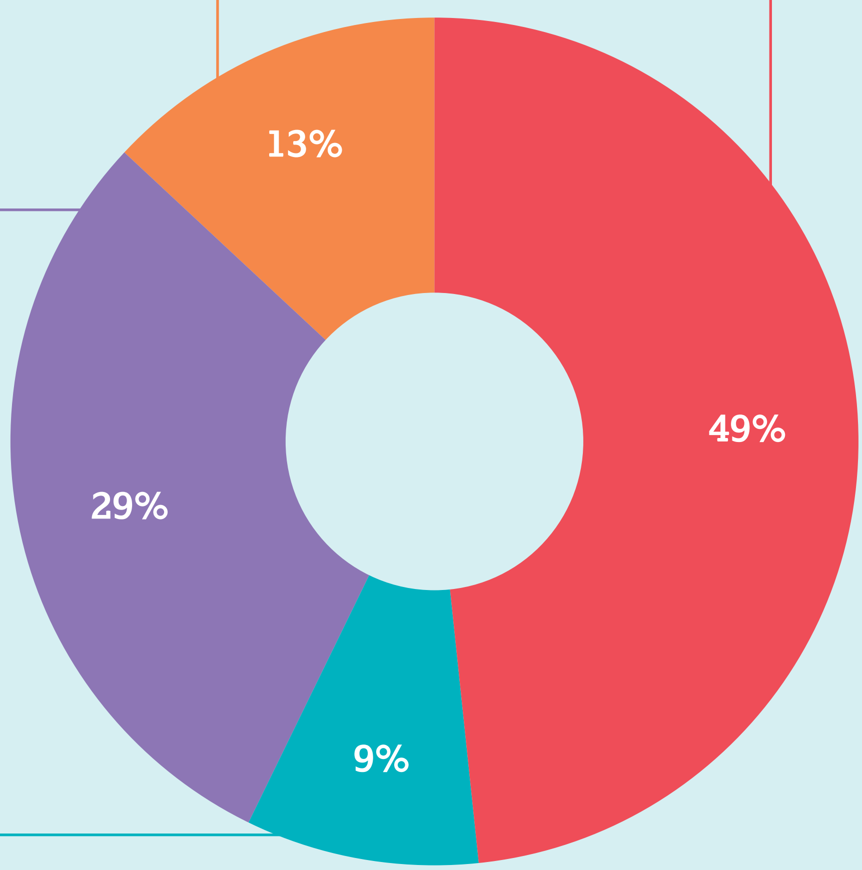
2019: £182.1m

UK & Ireland

Adjusted operating profit (£m)*

£68.6m

2019: £87.1m



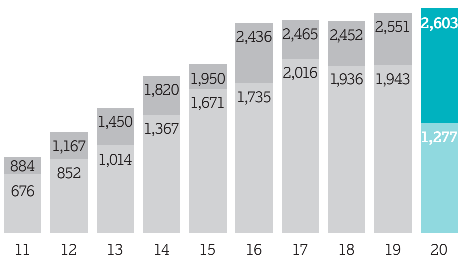
* Alternative performance measure (see Note 3 on page 158). Percentages stated are the business areas' adjusted operating profit compared to the Group's adjusted operating profit before corporate costs.

DEMONSTRATING THE RESILIENCE OF OUR PORTFOLIO

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

Peter Ventress
Chairman

Share price range p



High
2,603p

Low
1,277p

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

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

Strategic priorities

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

OUR PEOPLE IN ACTION IN 2020

Colleagues

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

Customers

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

Communities

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

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

People and culture

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

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

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

Shareholder returns

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

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

Governance

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

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

Peter Ventress
Chairman
1 March 2021

RESPONDING TO CHALLENGING CIRCUMSTANCES

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

OUR RESILIENCE COMES FROM…

Strength of our of business model

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

Read more page 18 →

Strong global supply chains

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

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Diversified sector portfolio across geographies

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

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Local agility and responsiveness driven by decentralisation

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

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Dedicated and hardworking colleagues

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

Read more page 8 →

Critical supplier status

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

Read more page 8 →

Financial strength of the business and good financial controls

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

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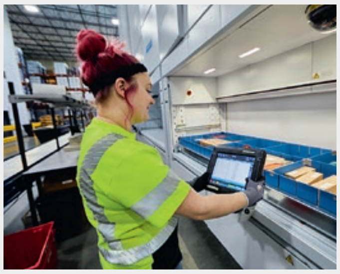
Infrastructure investments capable of supporting digital shift



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

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Strong collaboration and learnings between global teams

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

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Top 8 Covid-19 related products

Masks

Gloves

Sanitisers

Disinfectants

Disposable wipes

Coveralls

Face shields

Eye protection

2.6x

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

STRONG COMMITMENT TO OUR VALUES AND PURPOSE

Thank you to all our Bunzl heroes

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

Key highlights

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

Overview

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

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

Operating performance

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

Regional performance

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

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

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

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

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

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

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

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

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

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

Organic growth and operational efficiency

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

Acquisitions

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

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

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

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

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

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

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

Equitable and sustainable growth

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

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

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

OUR KEY SUSTAINABILITY THEMES

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

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

2
Investing in a diverse workforce and thriving communities

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

3
Taking action on climate change by reducing emissions

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

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

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

Read more page 42 →

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

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

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

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

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

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

Prospects

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

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

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

Frank van Zanten
Chief Executive Officer
1 March 2021

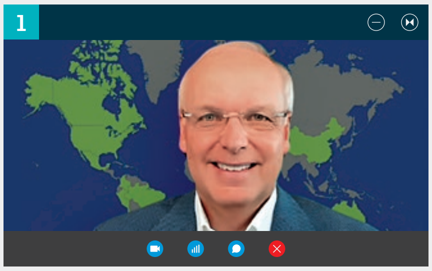
Focus on our Shanghai sourcing office

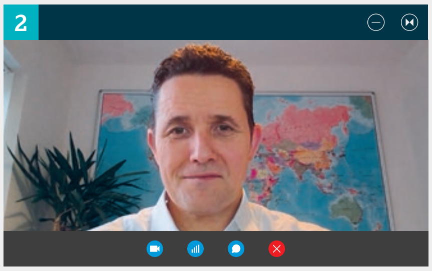
Bunzl's Asia sourcing and auditing operation based in Shanghai is responsible for both sourcing products and for quality assurance and quality control. Each of the c.1,300 suppliers Bunzl works with in the region has to meet strict product quality control thresholds and the Group has a zero tolerance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

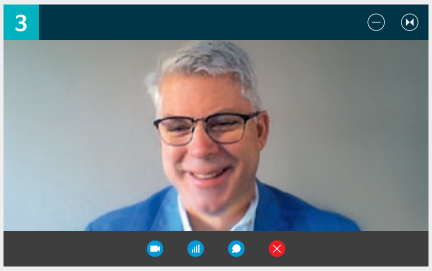
During 2020 the Shanghai team was instrumental to the Group's ability to source large quantities of quality products, despite the unprecedented demand. The team provided customers with crucial assurance around their orders which was especially important given the level of pre-payments required. Products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

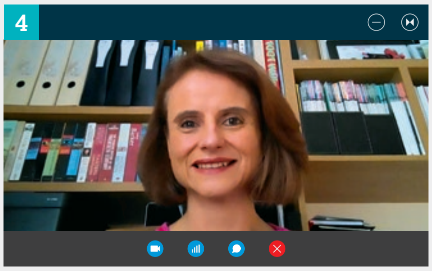
CONNECTED AND COLLABORATIVE: OUR LEADERSHIP TEAM

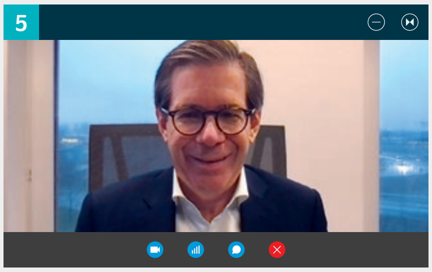
While it might have been virtual in 2020, leaders from across the Group meet regularly to review performance, discuss trends affecting our businesses and seek further opportunities for growth and competitive advantage.

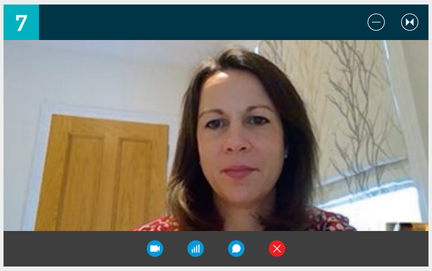


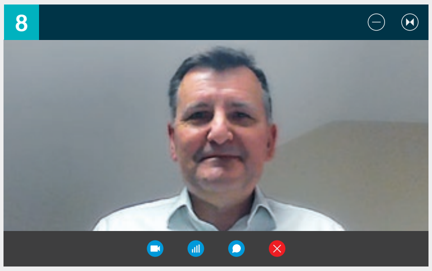


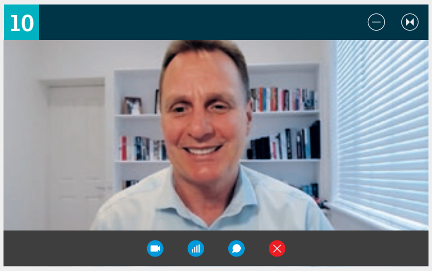












1
Frank van Zanten*
Chief Executive Officer

2
Richard Howes*
Chief Financial Officer

3
Jim McCool
Chief Executive Officer, North America

4
Diana Breeze*
Director of Group Human Resources

5
Alberto Grau
Managing Director, Continental Europe

6
Andrew Mooney*
Director of Corporate Development

7
Suzanne Jefferies*
General Counsel and Company Secretary

8
Andrew Tedbury
Managing Director, UK & Ireland

9
Jonathan Taylor
Managing Director, Latin America

10
Kim Hetherington
Managing Director, Asia Pacific

* Members of the Executive Committee

Board of directors page 92 →

DELIVERING LONG TERM SUSTAINABLE VALUE

OUR PURPOSE

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

Read more page 16 →

THROUGH OUR CORE VALUES

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

WHAT

Essential business solutions...

ONE-STOP-SHOP

WE SOURCE

Read more page 20 →

WE CONSOLIDATE

Read more page 22 →

WE DELIVER

Read more page 24 →

We ensure:

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

HOW
create long term sustainable value...

A COMPOUNDING STRATEGY THAT CONSISTENTLY DELIVERS...

ORGANIC GROWTH
Read more page 28 →

OPERATING MODEL IMPROVEMENTS
Read more page 29 →

ACQUISITION GROWTH
Read more page 30 →

SUSTAINABLE AND EQUITABLE GROWTH
Read more page 31 →

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

WITH SUSTAINABILITY A VITAL PART OF THE EQUATION

RESPONSIBLE SUPPLY CHAINS

INVESTING IN A DIVERSE WORKFORCE

TAKING ACTION ON CLIMATE CHANGE

PROVIDING SUSTAINABLE SOLUTIONS

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

Read more page 42 →

WHY
for the benefit for all stakeholders

Customers

Colleagues

Environment

Shareholders

Suppliers

Communities

Read more page 60 →

AN ETHOS AND VALUES THAT UNITE OUR DIFFERENT GEOGRAPHIES

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

OUR SHARED BELIEFS

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

We Believe...

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

We...

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

Read more page 59 →

A responsible business

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

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

+5%

Group wide employees

ESSENTIAL BUSINESS SOLUTIONS

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

OUR SOURCES OF COMPETITIVE ADVANTAGE

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

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

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

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

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

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

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

OUR CAPITAL ALLOCATION PRIORITIES

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

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

103%
of adjusted operating profit into cash

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

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

Read more page 27 →

DELIVERING LONG TERM SUSTAINABLE VALUE TO OUR STAKEHOLDERS

OUR SERVICE OFFERING

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

WE SOURCE

Read more page 20 →

WE CONSOLIDATE

Read more page 22 →

WE DELIVER

Read more page 24 →

Market sectors

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

WE SOURCE

RESPONSIBLE SUPPLY CHAIN, RESPONSIVE TEAMS

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

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

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

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

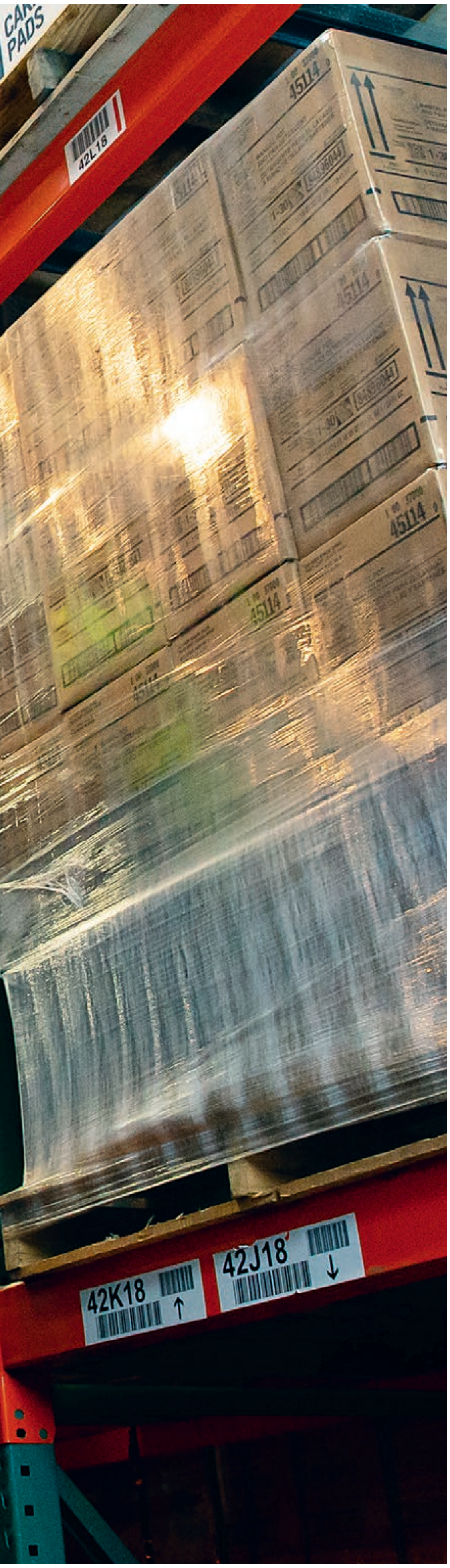
c.150
operating businesses across Bunzl

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

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

WE CONSOLIDATE

SMART, CUSTOMISED SOLUTIONS



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

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

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

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

492
warehouses worldwide

66%
of orders digitally received in 2020

WE DELIVER

DELIVERY MODEL SUPPORTIVE TO CARBON EFFICIENCIES

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

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

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

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

An example relationship with a customer in the US

Key products sourced: Paper items, packaging and cleaning products

Number of suppliers utilised in 2020: 307

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

Level of account manager interaction: Daily

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

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

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

Number of sites delivered to in 2020

c.800

Number of deliveries made in 2020

42,000

Number of SKUs delivered in 2020

2,300

A STRONG TRACK RECORD FOR DELIVERING GROWTH

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

A DIVERSIFIED, BALANCED AND RESILIENT BUSINESS

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

Revenue CAGR since 2004

+9%

Adjusted operating profit CAGR since 2004

+10%

A CONSISTENT AND PROVEN COMPOUNDING STRATEGY

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

Average organic revenue growth since 2004

+c.2%

Acquisitions since 2004

172

Self-funded committed acquisition spend since 2004

£3.9bn

SIGNIFICANT OPPORTUNITIES FOR FUTURE GROWTH

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

Committed acquisition spend in 2020 on businesses in existing markets

£445m

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

1.5x

SUSTAINABLE AND EQUITABLE GROWTH

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

In-person supplier audits in Asia over 2020

680

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

-c.50%

DISCIPLINED FINANCIAL MANAGEMENT

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

ROIC

16.2%

RAOC

45.4%

Cash conversion

103%

A LONG TERM TRACK RECORD OF RETURNS FOR SHAREHOLDERS

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

Annual dividend growth

28 years

Adjusted earnings per share growth

31.7p

in 2004

to

164.9p

in 2020

LONG TERM SUSTAINABLE VALUE

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

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

Organic growth

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

Winning new customers

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

Market leading customers

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

Expanding our offering

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

Digital investment

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

Contract renewal

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

Operating model improvements

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

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

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

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

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

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

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

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

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

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

Acquisition growth

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

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

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

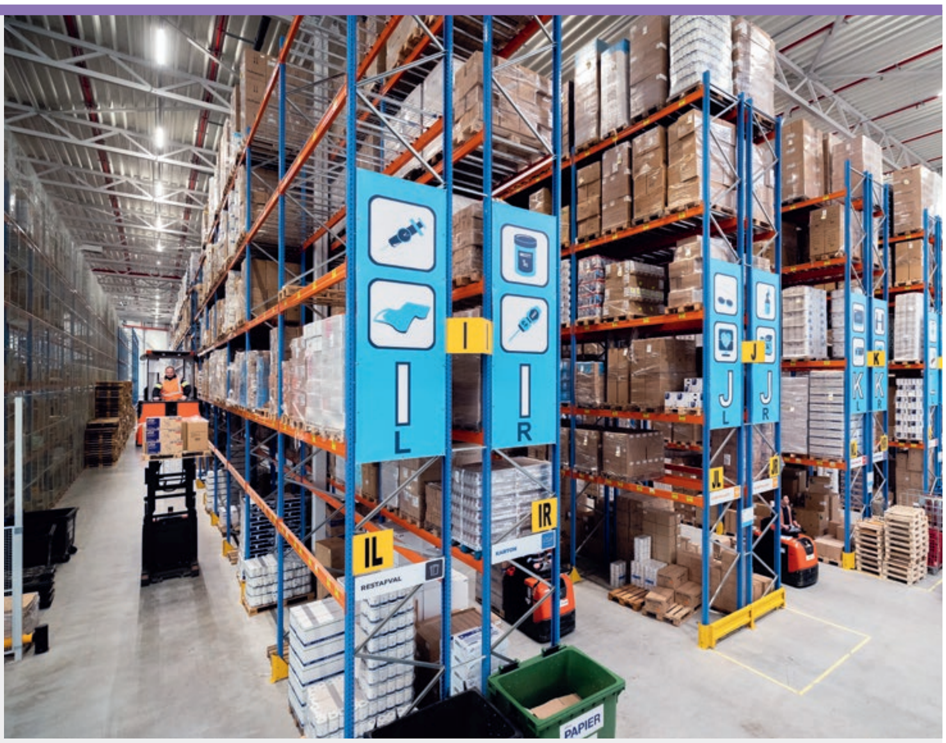
Building our business in the Netherlands

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

14 acquisitions

3x larger than in 2010

25+ years of acquisition growth



- **1994** • Hopa
- **2005** • Gelpa
- **2007** • King
- **2008** • Worldpack • Weerstra
- **2010** • Sleegers • Van't Veer
- **2011** • D-Care • Majestic
- **2014** • Allshoes • De Ridder
- **2015** • Janssen Packaging
- **2018** • QS
- **2019** • Coolpack

Growth in new countries

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

Evolving the US business through acquisition over 10 years

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

Our commitment to grow our strategy
Sustainable and equitable growth

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

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

Unique position in supply chain

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

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

Working with our customers

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

Integral to wider business strategy

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

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

Bunzl's focus pillars

Our priority areas of focus are:

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

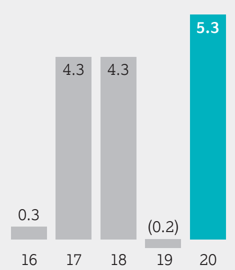
Read more page 42 →

MEASURING OUR STRATEGIC PROGRESS

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

Organic growth

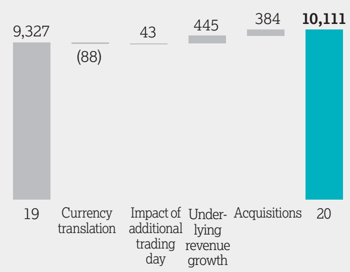
Organic revenue growth %



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

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

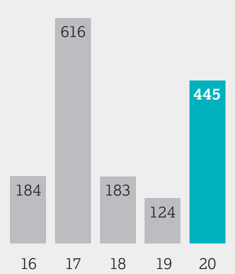
Reconciliation of revenue growth between 2019 and 2020 £m



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

Acquisition growth

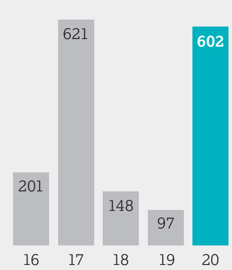
Acquisition spend £m



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

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

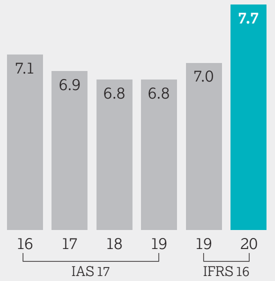
Annualised revenue from acquisitions £m



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

Operating model improvements

Operating margin %$^{\Delta}$

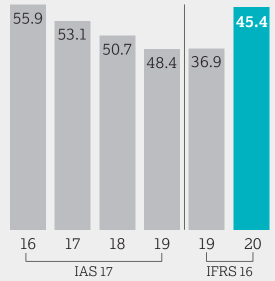


Ratio of adjusted operating profit$^{\Delta}$ to revenue.

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

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

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



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

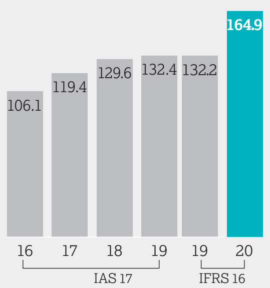
RAOC up to 45.4% from 36.9% in 2019 due to a higher return in the underlying business driven by an increase in adjusted operating profit and lower average operating capital.

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

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

Financial

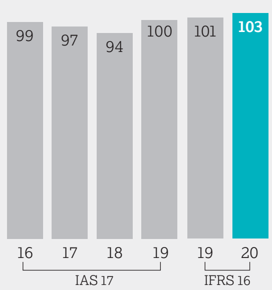
Adjusted earnings per share p^Δ



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

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

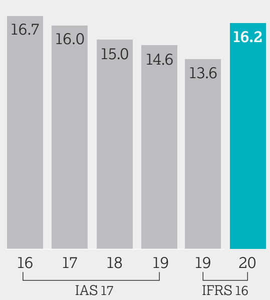
Cash conversion %^Δ



Operating cash flow^Δ as a percentage of lease adjusted operating profit^Δ (see Consolidated cash flow statement on page 148).

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

Return on invested capital %^Δ

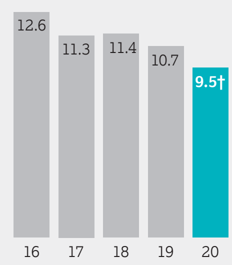


Ratio of adjusted operating profit^Δ to the average of the month end invested capital (being equity after adding back net debt, net defined benefit pension scheme liabilities, cumulative customer relationships and brands amortisation, acquisition related items and amounts written off goodwill, net of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

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

Non-financial

Scope 1 carbon emissions
Tonnes of CO_2e per £m revenue

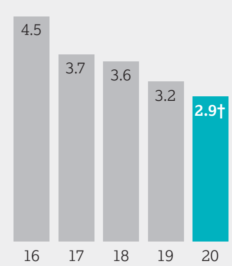


Measured in accordance with the Greenhouse Gas Protocol applying Defra conversion factors.

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

12 months to 30 September.

Scope 2 carbon emissions
Tonnes of CO_2e per £m revenue

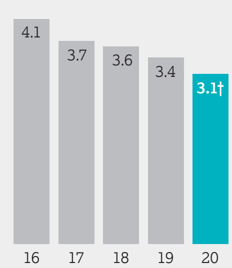


Measured in accordance with the Greenhouse Gas Protocol applying Defra UK conversion factors and IEA factors for overseas electricity.

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

12 months to 30 September.

Fuel usage
Litres per £000 revenue



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

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

12 months to 30 September.

NORTH AMERICA

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

Jim McCool
Chief Executive Officer, North America

MARKET SECTORS

FINANCIAL HIGHLIGHTS

Revenue

£5,843.8m

(2019: £5,473.2m)

7.2%† ↑

Adjusted operating profit*

£395.7m

(2019: £343.6m)

15.7%† ↑

Operating margin*

6.8%

(2019: 6.3%)

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

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

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

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

Wandanext

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

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

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

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

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

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

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

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

Operating review

CONTINENTAL EUROPE

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

Alberto Grau
Managing Director, Continental Europe

MARKET SECTORS

FINANCIAL HIGHLIGHTS

Revenue

£2,127.3m

(2019: £1,829.8m)

15.6%† ↑

Adjusted operating profit*

£238.1m

(2019: £182.1m)

30.8%† ↑

Operating margin*

11.2%

(2019: 10.0%)

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

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

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

excluding the large government Covid-19 related orders.

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

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

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

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

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

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

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

Government Covid-19 orders

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

Operating review

UK & IRELAND

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

Andrew Tedbury
Managing Director, UK & Ireland

MARKET SECTORS

FINANCIAL HIGHLIGHTS

Revenue

£1,287.7m

(2019: £1,242.1m)

3.5%† ↑

Adjusted operating profit*

£68.6m

(2019: £87.1m)

(21.2)%† ↓

Operating margin*

5.3%

(2019: 7.0%)

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

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

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

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

Sustainable packaging mandate in Ireland

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

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

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

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

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

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

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

REST OF THE WORLD

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

Jonathan Taylor
Managing Director, Latin America

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

Kim Hetherington
Managing Director, Asia Pacific

MARKET SECTORS

FINANCIAL HIGHLIGHTS

Revenue

£852.3m

(2019: £781.6m)

21.6%† ↑

Adjusted operating profit*

£104.2m

(2019: £61.6m)

94.0%† ↑

Operating margin*

12.2%

(2019: 7.9%)

3,248
Employees

116
Locations

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

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

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

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

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

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

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

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

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

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

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

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

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

Success of FRSA integration

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

SUSTAINABILITY AT BUNZL: A VITAL PART OF THE EQUATION

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

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

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

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

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

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

OUR FRAMEWORK FOR SUSTAINABILITY

Delivering sustainable solutions

Our suppliers

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

Our business

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

Our customers

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

Our values

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

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

Bunzl customer, materiality assessment feedback

KEY SUSTAINABILITY THEMES

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

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

Read more page 44 →

2
Investing in a diverse workforce and thriving communities

Read more page 46 →

3
Taking action on climate change by reducing emissions

Read more page 48 →

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

Read more page 50 →

MATERIALITY ASSESSMENT

Read more page 54 →

UN SDGs

We have identified 5 priority SDGs:

1

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

SDG ALIGNMENT

Read more on page 56

Why it matters

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

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

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

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

Our focus areas now

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

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

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

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

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

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

Next priorities for action

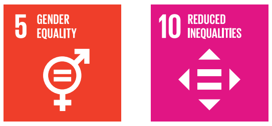
- Continue to focus on enhancing our leading practices relating to supply chain oversight.
- During 2021 we will commission an independent review of our approach to responsible sourcing, including a benchmarking exercise of our current approach against best practice.

680
suppliers in Asia audited during 2020

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

2
INVESTING IN A DIVERSE WORKFORCE AND THRIVING COMMUNITIES

SDG ALIGNMENT



Read more on page 57

Why it matters

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

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

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

Our focus areas now

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

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

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

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

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

Next priorities for action

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

A great place to work

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

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

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

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

Excellent engagement scores

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

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

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

74%
responded during the survey period

82%
would recommend Bunzl to a friend or family member

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

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

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

3
TAKING ACTION ON CLIMATE CHANGE BY REDUCING EMISSIONS

SDG ALIGNMENT

13 CLIMATE ACTION

Read more on page 57

Why it matters

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

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

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

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

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

Our focus areas now

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

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

Efficient lighting technologies

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

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

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

Next priorities for action

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

Impact and assessment

Assessing climate change scenarios and their impact on our business

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

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

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

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

SDG ALIGNMENT

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Read more on page 57

Why it matters

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

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

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

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

Our focus areas now

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

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

Appointed and trained

49

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

In 2020, over

39m

Sustain products were sold into the Australia and New Zealand market

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

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

Bunzl's Circular Footwear Alliance has collected over

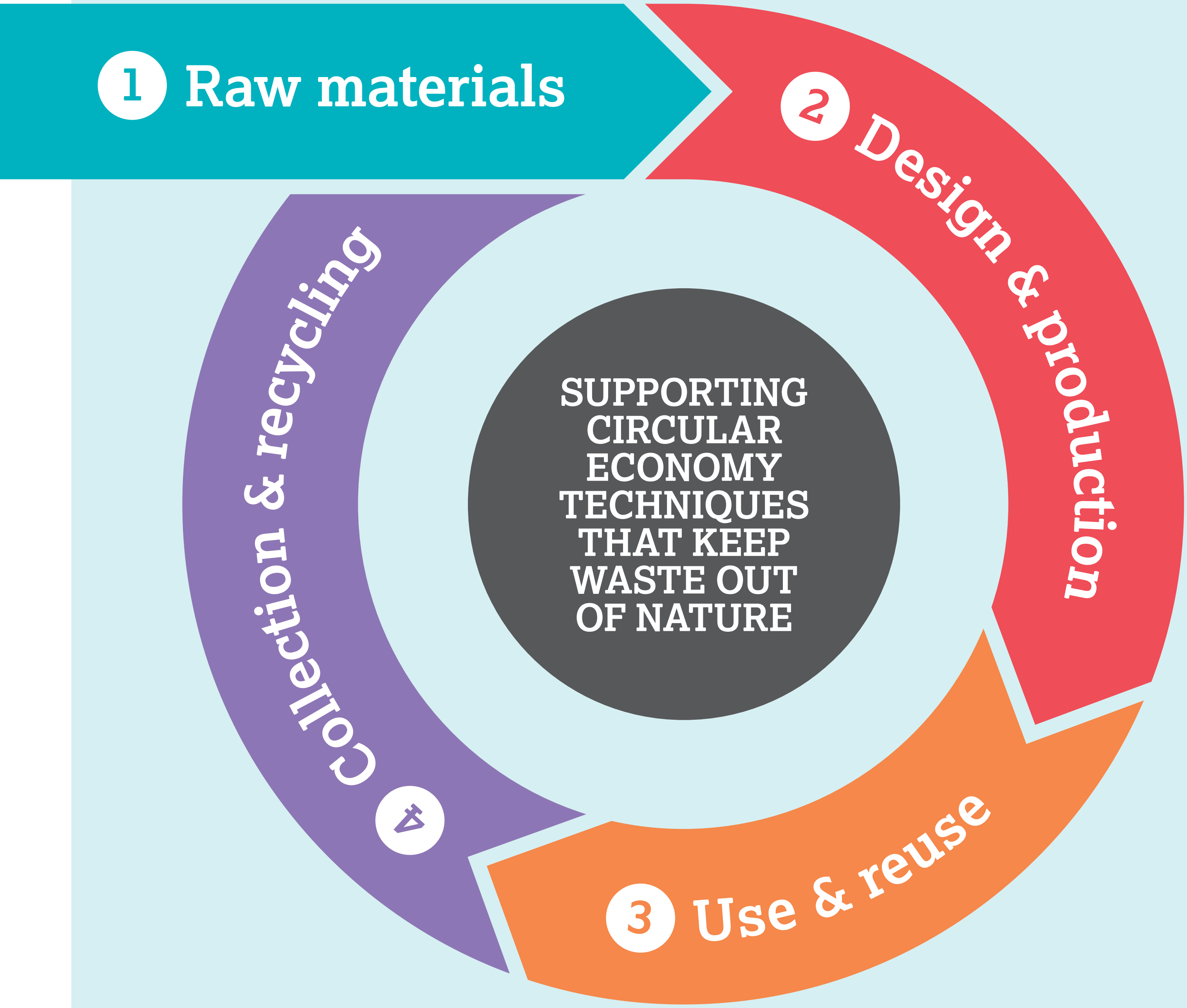
3,500

pairs of shoes from customers for recycling

Next priorities for action

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

SUPPORTING A MORE CIRCULAR ECONOMY



SOME OF THE MANY CASE STUDIES FROM ACROSS THE GROUP

1 Smart material choices

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

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

2 Designing for circularity and doing more with less

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

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

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

3 Promoting responsible usage and reusable options

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

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

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

4 Partnering to support closed-loop solutions

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

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

HOW OUR KEY THEMES WERE IDENTIFIED: MATERIALITY ASSESSMENT

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

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

The purpose of this assessment was to:

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

Step one: Identification of material topics

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

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

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

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

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

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

Step two:
Stakeholders interviewed

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

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

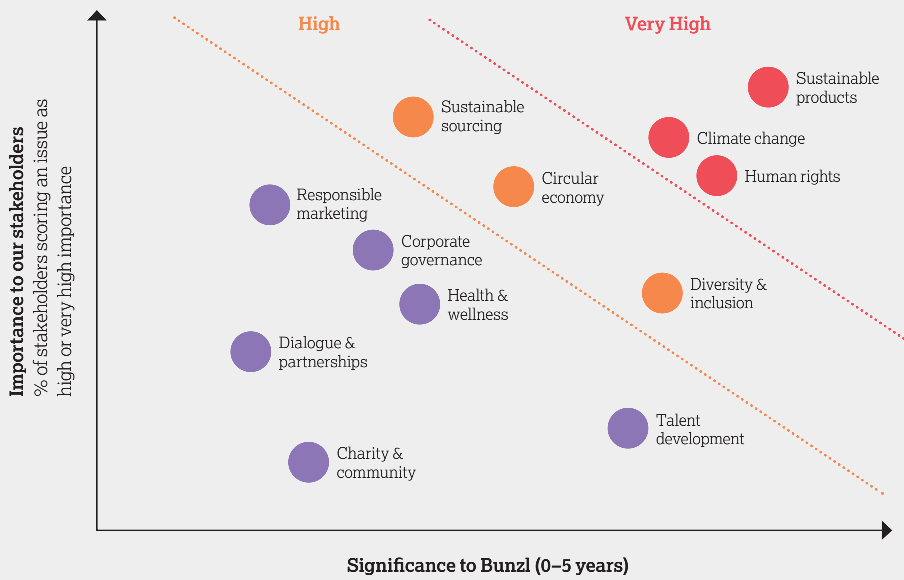
We asked our stakeholders to complete the scoring sheet and rate the importance of each topic using a 1-5 (low to high) score. Their rating was based on whether they perceived the topic to be a priority for Bunzl and whether their perception of our business was significantly influenced by our performance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

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

Read more on page 60 →

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

OUR MATERIALITY MATRIX



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

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

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

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

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

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

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

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

Identifying our priority goals

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

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

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

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

Colin Curtis, Founder and Director, Support the Goals

OUR PRIORITY UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8

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

How we contribute

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

Progress we have made

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

Next steps we will take

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

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

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

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

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

SDG 12
Ensure sustainable consumption and production patterns.

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

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

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

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

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

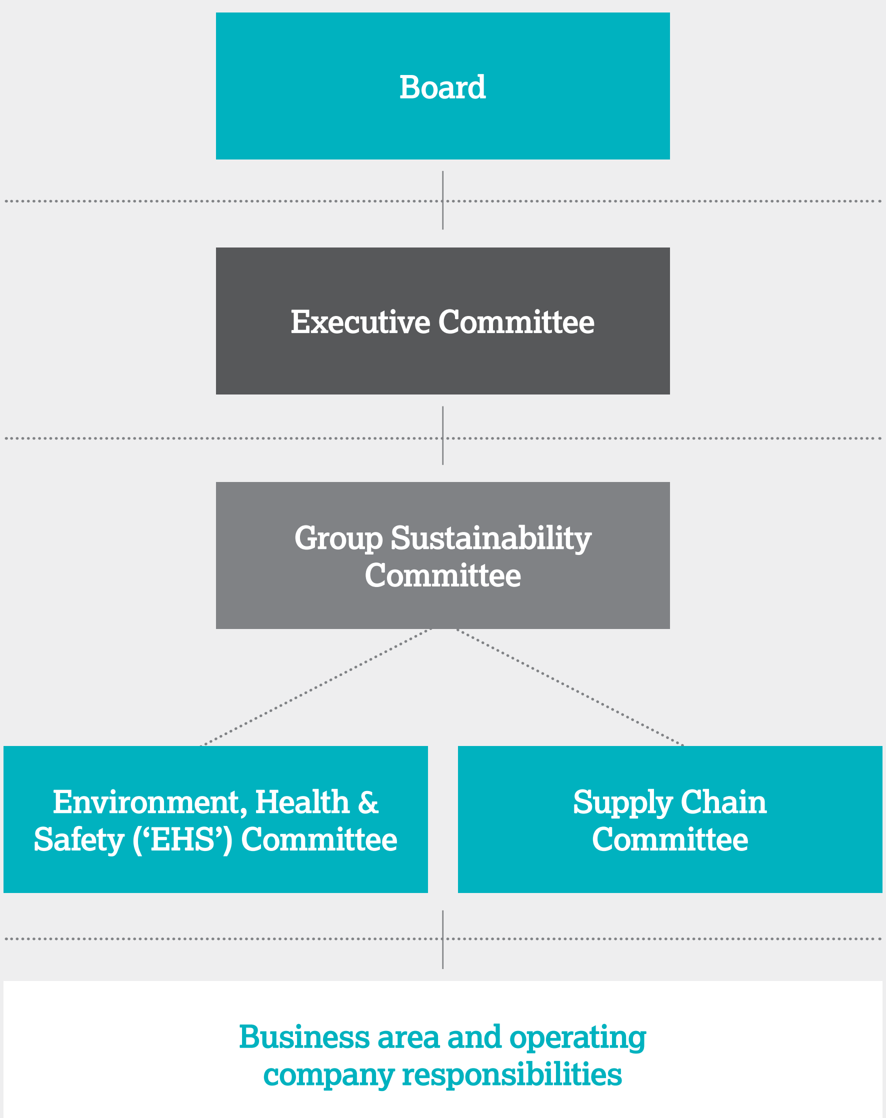
Progress we have made
We are taking action to address a common issue, the under-representation of women in senior roles. In the UK & Ireland we have created a network for a number of women with potential to advance into leadership roles within the Group. The 'Inspiring Women in Bunzl' network's goal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

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

HOW WE GOVERN SUSTAINABILITY

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

SUSTAINABILITY GOVERNANCE STRUCTURE



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

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

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

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

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

We Believe

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

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

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

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

Read more on page 17 →

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

Key sustainability topics discussed by the Board in 2020

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

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

A STRATEGY THAT BENEFITS ALL OUR STAKEHOLDERS

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

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

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

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

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

Customers

Colleagues

Environment

Shareholders

Suppliers

Communities

Customers

Why do we engage?

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

How do we engage?

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

Relevance to strategy

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

How do we monitor the impact of our actions?

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

Colleagues

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

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

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

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

Environment

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

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

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

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

Shareholders

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

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

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

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

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

Bunzl plc dividend decision

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

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

Read more page 5 →

Sustainability materiality assessment

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

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

Read more page 54 →

Acquisition of MCR Safety

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

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

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

Read more page 10 →

A ROBUST APPROACH TO RISK MANAGEMENT

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

RISK ASSESSMENT

RISK IDENTIFICATION

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

INHERENT RISK ASSESSMENT

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

RISK RESPONSE AND RESIDUAL RISK ASSESSMENT

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

Risk management process

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

RISK MANAGEMENT

The Board

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

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

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

The Audit Committee

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

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

Executive Committee

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

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

Business area management

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

Business management

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

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

Principal risks and uncertainties

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

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

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

Organic growth
Acquisition growth
Operating model improvements
Sustainability

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

Monitoring risks

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

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

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

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

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

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

Emerging risks

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

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

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

Covid-19 impact

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

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

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

Strategic risks continued

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

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

Strategic risks continued

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

Operational risks

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

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

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

Financial risks continued

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

Assessment of the prospects of the Company and its viability statement

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

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

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

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

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

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

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

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

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

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

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

Confirmation of longer term viability

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

Financial review

FINANCIAL REVIEW

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

Richard Howes
Chief Financial Officer

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

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

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

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

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

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

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

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

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

Currency translation

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

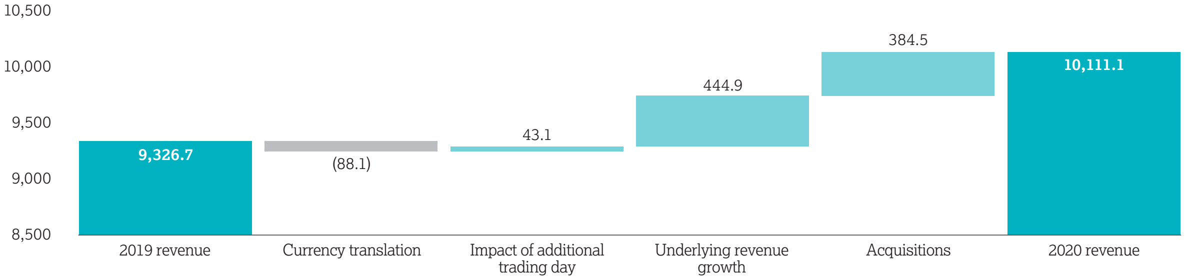
Average exchange rates	2020	2019
US$	**1.28**	1.28
Euro	**1.12**	1.14
Canadian$	**1.72**	1.69
Brazilian real	**6.61**	5.04
Australian$	**1.86**	1.84

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

Revenue

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

Movement in revenue (£m)

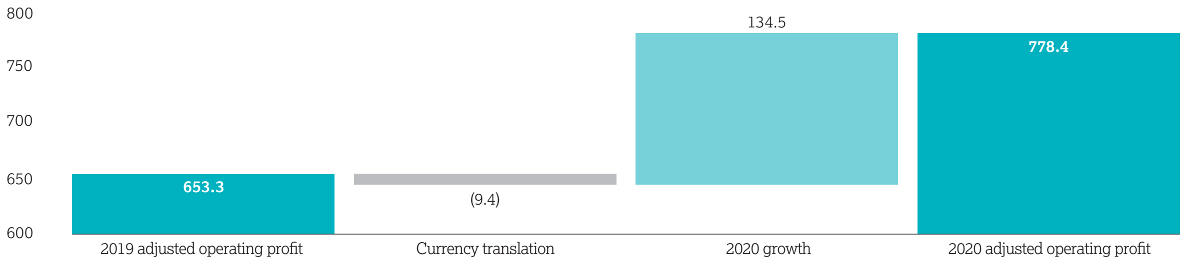


Operating profit

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

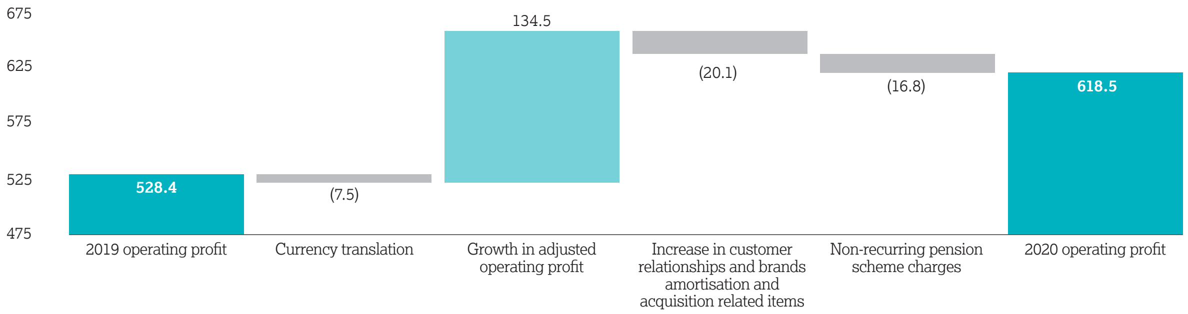
During 2020, the Group has seen a number of customers either entering insolvency processes or showing specific credit stress indicators that have impacted the recoverability of receivables and customer specific inventory particularly in the foodservice and retail sectors. This has resulted in a net charge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

Movement in adjusted operating profit (£m)



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

Movement in operating profit (£m)



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

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

Net finance expense

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

Profit before income tax

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

Taxation

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

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

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

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

Earnings per share

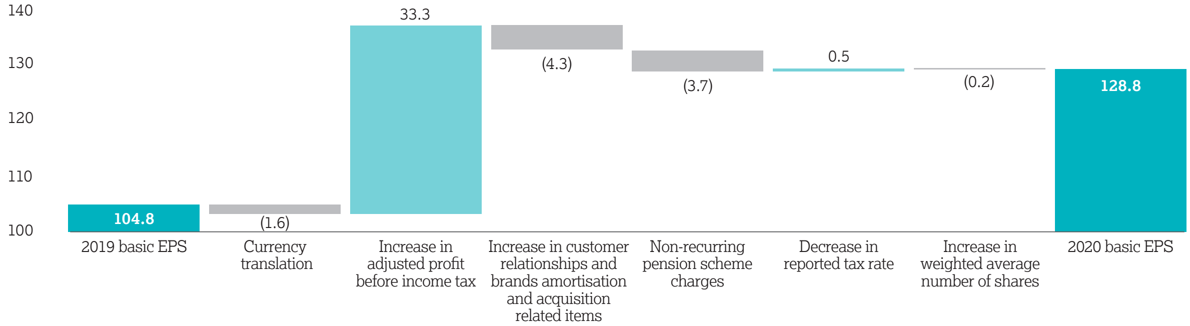
Profit after tax increased to £430.0 million (2019: £349.2 million), up 25% and an increase of £85.9 million at constant exchange rates (up 23% at actual exchange rates), due to a £108.9 million increase in profit before income tax, partly offset by a £23.0 million increase in the tax charge at constant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

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

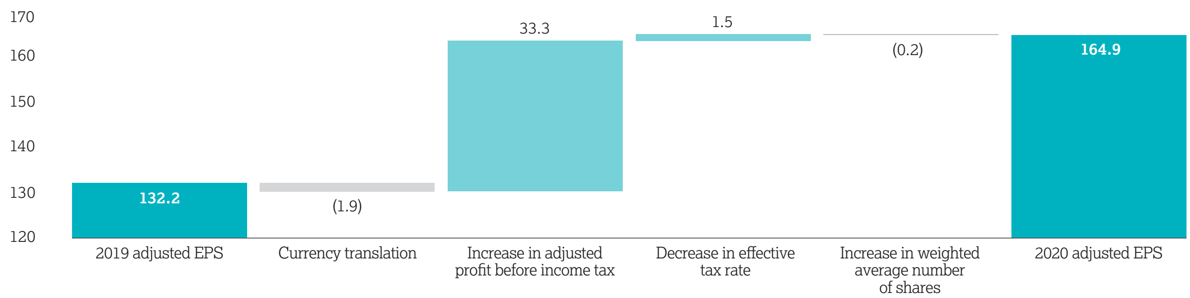
The weighted average number of shares increased to 333.8 million from 333.3 million in 2019 due to employee share option exercises, partly offset by share purchases into the employee benefit trust.

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

Movement in basic eps (p)



Movement in adjusted eps (p)



Dividends

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

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

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

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

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

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

Acquisitions

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

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

A summary of the effect of acquisitions is as follows:

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

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

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

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

Cash flow

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

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

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

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

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

Net debt

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

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

Balance sheet

Summary balance sheet at 31 December:

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

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

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

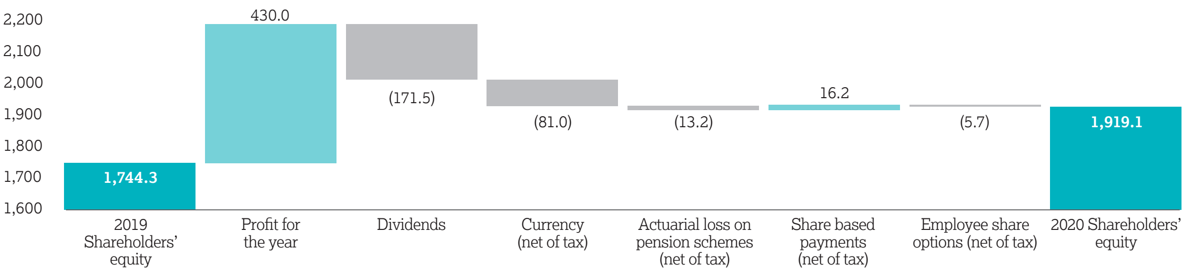
Right-of-use assets increased by £20.5 million to £453.4 million due to additional right-of-use assets from new leases during the year of £100.1 million, an increase from acquisitions of £35.2 million and an increase from remeasurement adjustments of £24.2 million, partly offset by a depreciation charge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

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

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

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

Movement in shareholders' equity (£m)



Capital management

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

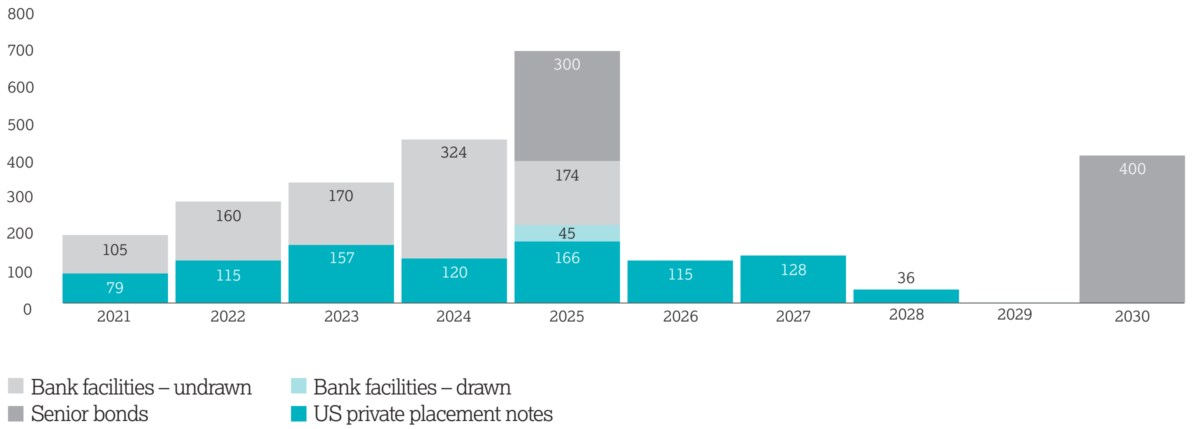
Treasury policies and controls

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

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

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

Committed facilities maturity profile by year (£m)



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

Going concern

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

Richard Howes
Chief Financial Officer
1 March 2021

TCFD INDEX

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

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

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

Non-financial information

ESG APPENDIX

Material ESG issues mapped to our business model

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

Key performance indicators

Code of conduct

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

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

Suppliers

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

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

Greenhouse gas emissions data (Group)

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

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

Scope 1

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

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

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

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

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

Scope 2

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

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

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

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

Scope 1 and 2

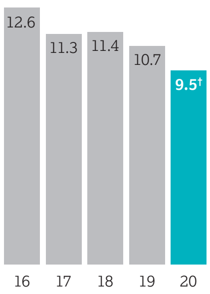
Target for 2020: Reduce emission intensity by 2% against 2019 (target excludes any foreign exchange translation effect on revenue).

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

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

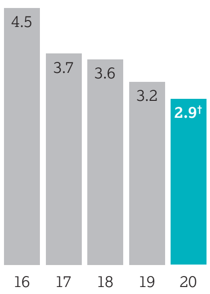
Scope 1 carbon emissions

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



Scope 2 carbon emissions

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



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

Greenhouse gas emissions data (UK) *

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

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

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

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

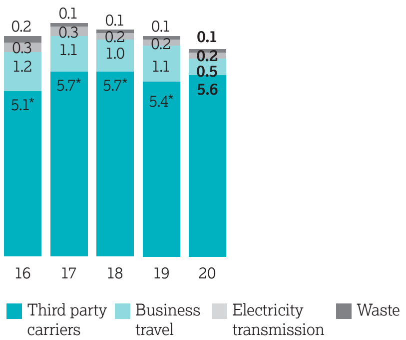
Scope 3

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

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

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

Scope 3 carbon emissions
(tonnes of CO_2 per £m revenue)



12 months to 30 September

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

Waste

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

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

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

Water

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

Environmental management system certification

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

Health & safety

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

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

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

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

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

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

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

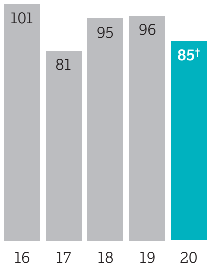
Across the Group we are working on the introduction of leading indicators such as near misses, safety meetings, safety observations and inspections. Consistent focus on, and reporting of, those indicators will prevent issues from becoming more serious and will engage the employees in building a proactive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

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

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

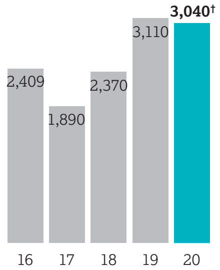
Incidence rate

Average number of incidents per month per 100,000 employees



Severity rate

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



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

People

Key performance indicators

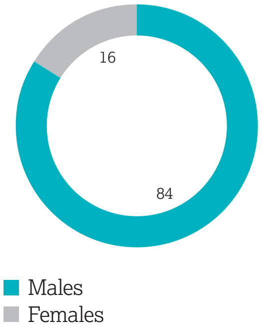
Employees

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

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

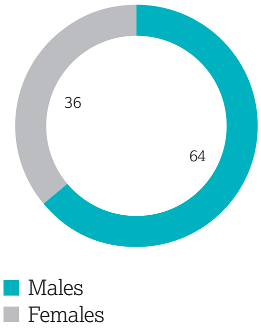
* this figure has been recalculated from 74% as previously stated to be in line with the new methodology of measuring engagement through a new survey provider.

Senior management (%)



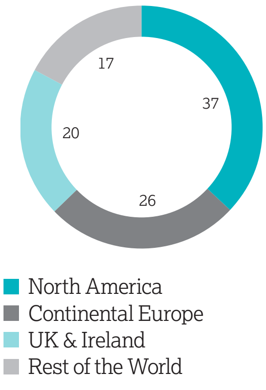
Source: HR from September 2020 (those employees eligible to receive grants of executive share options)

Total workforce (%)



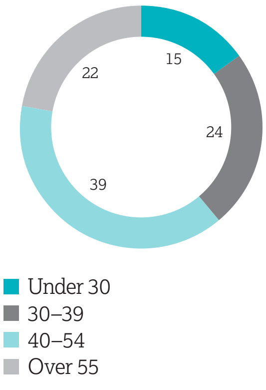
Source: HR from BRMS

Average number of employees (%)



Source: Note 23 on page 187

Total workforce age profile (%)



Source: HR from BRMS

Charitable contributions

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

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

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

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

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

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

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