

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

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Directors' report

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Introduction from Peter Ventress, Chairman of the Board



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

Peter Ventress
Chairman



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

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

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

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

The challenges faced over the past 18 months have brought into sharp focus the importance of a healthy culture for maintaining resilience, managing risk and as a driver of success. As a Board we are committed to ensuring that the Company's purpose, values and high standards are set from the top and, with the support of the executive directors and the executive management team, embedded throughout the Group. The Board understands the importance of monitoring the culture of the Company and therefore assesses culture through a variety of mechanisms to ensure alignment with our purpose, values and strategy.

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

At Bunzl we want every employee to have a sense of belonging and pride that they are part of the Bunzl Group and during the year we undertook our employee engagement survey to ascertain the level of employee engagement and enhance our understanding of the employee voice. The positive results received are set out

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

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

Peter Ventress
Chairman
28 February 2022



Annual listening sessions

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

The right balance of skills and experience



Peter Ventress
Chairman



Frank van Zanten
Chief Executive
Officer



Richard Howes
Chief Financial
Officer

Appointment		
<p>Chairman of the Board since April 2020, having been Chairman designate since June 2019. Chair of the Nomination Committee.</p>	<p>Chief Executive Officer since April 2016, having been appointed as an executive director in February 2016.</p>	<p>Chief Financial Officer and a member of the Board since January 2020, having been appointed Chief Financial Officer designate in September 2019.</p>
Experience		
<p>He was formerly a non-executive director of Premier Farnell plc, Staples Solutions NV and Softcat plc and was Chief Executive Officer of Berendsen plc from 2010 to 2016. Prior to this he held several senior executive roles including International President of Staples Inc and Chief Executive Officer of Corporate Express NV, a Dutch quoted company which was subsequently acquired by Staples. He is currently Chairman of Galliford Try Holdings plc.</p>	<p>He joined Bunzl in 1994 when Bunzl acquired his family owned business in the Netherlands and he subsequently assumed responsibility for a number of businesses in other countries. In 2002 he became Chief Executive Officer of PontMeyer NV, a listed company in the Netherlands, before rejoining Bunzl in 2005 as the Managing Director of the Continental Europe business area. He is a member of the Supervisory Board of Koninklijke Ahold Delhaize N.V.</p>	<p>He qualified as a Chartered Accountant with Ernst & Young before moving to the investment bank Dresdner Kleinwort Benson. During his career he has held a number of senior positions at Geest plc and Bakkavor Group plc, including that of Chief Financial Officer of Bakkavor Group. He was Chief Financial Officer of Coats Group plc between 2012 and 2016 and prior to joining Bunzl was Chief Financial Officer of Inchcape plc.</p>
Committee		
<p>○</p>	<p>–</p>	<p>–</p>

Committee membership

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



Vanda Murray OBE
Senior Independent Director

Lloyd Pitchford
Non-executive director

Stephan Nanninga
Non-executive director

Vin Murria OBE
Non-executive director

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

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

Non-executive director since May 2017.

Non-executive director since June 2020.

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

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

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

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

Formerly Chief Executive Officer of Computer Software Group plc from 2002 until 2007, she subsequently founded and was Chief Executive Officer of Advanced Computer Software Group plc from 2008 until 2015. She was appointed OBE in 2018 for services to the digital economy. She is Chair of AdvancedAdvT Limited, Deputy Chair of M&C Saatchi plc and a non-executive director of Softcat plc and Plum Acquisition Corp. I.



Governance overview

Board

Meetings

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

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

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



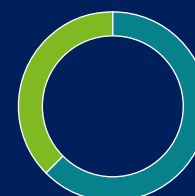
0 - 3 years	3
3 - 6 years	2
6+ years	1

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



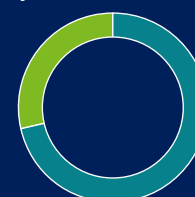
Executive	2
Non-executive (inc. Chairman)	6

Board gender
(year ended 31 December 2021)



Male	5
Female	3

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



Independent	5
Other	2

What we bring → Succession planning priorities

Core industry experience	Digital/technology
Senior executive experience	Diversity
Finance, audit and risk	Prior leadership in a multinational business
Legal	Scale and complexity experience
IT/cyber security	
Health & safety	
Supply chain	
Digital/technology	
Retail	
International	
Other current plc experience	
Media/communications	
Sustainability	

Matters reserved for the Board

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

<p>Shareholders </p> <ul style="list-style-type: none"> • Matters requiring shareholder approval. • Circulars and significant shareholder communications. 	<p>Capital allocation and structure </p> <ul style="list-style-type: none"> • Significant capital expenditure/disposals. • Significant business acquisitions/disposals. • Material changes to the Group's capital structure. • Major property leases. • Material increases in borrowing and loan facilities. 	<p>Policies and statements </p> <ul style="list-style-type: none"> • Material Group policies and statements and major changes thereto, for example: <ul style="list-style-type: none"> - tax strategy; - treasury policy; - modern slavery statement; - Diversity, Equity and Inclusion policy; and - risk appetite.
<p>People and leadership </p> <ul style="list-style-type: none"> • Appointment/removal of directors and Company Secretary. • Non-executive directors' remuneration. • Executive directors' remuneration. • Board Committee constitution and terms of reference. 	<p>Strategy and management </p> <ul style="list-style-type: none"> • The Group's strategic aims and objectives. • Annual budget and strategic plan. 	<p>Financial reporting, risk and controls </p> <ul style="list-style-type: none"> • Financial results and announcements relating thereto. • Final and interim dividends. • Auditor appointment/removal. • Risk management and internal controls.

Key activities and decisions of the Board



UK Corporate Governance Code compliance statement

It is the Board's view that, for the year ended 31 December 2021, with the exception of provision 38 which states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce, the Company has been fully compliant with all of the relevant principles and provisions set out in the Code. The Code came into force after the Company had contractually agreed that the Company's Chief Executive Officer

was entitled to a cash allowance in lieu of pension contributions equal to 25% of his salary. However, in order to align the Company's position with the requirements of the Code, a programme of reductions has been agreed which will bring the cash allowance in lieu of pension contributions for the Company's Chief Executive Officer in line with the wider workforce by the beginning of 2023 and the Company will therefore be fully compliant with the Code during 2023. Further information concerning the Company's approach to pension

contribution rates for executive directors can be found on page 144 of the Directors' remuneration report. The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the Financial Conduct Authority's Listing Rules and to report if it does not reflect such compliance. No such report has been made.

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

Governance structure

The Board has ultimate responsibility for the overall leadership of the Group. To ensure the directors maintain overall control over strategic, financial, operational and compliance issues, the Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for consideration. Further details of the matters reserved for the Board can be found on page 99.

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

Board composition

As at 31 December 2021, the Board was made up of eight members comprising a Chairman, a Chief Executive Officer, a Chief Financial Officer and five non-executive directors.

Brief biographical details of the current directors are given on pages 96 and 97 and further information on the Nomination Committee's approach to succession planning can be found in its report on pages 110 to 115.

None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board and all of them are considered by both the Board and the criteria set out in the Code to be independent. Each of the non-executive directors is considered to have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses, further details of which can be found in the skills matrix on page 98.

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

In accordance with the terms of the Code, each of the directors in office at the date of this Annual Report will be subject to re-election at the 2022 AGM and the reasons for each director's re-election will be set out in the forthcoming Notice of Meeting.

Board

Nomination Committee

Chair

Peter Ventress

Members

Vanda Murray
Lloyd Pitchford
Stephan Nanninga
Vin Murria

Key responsibilities

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

**FOR MORE INFORMATION
SEE PAGES 110 TO 115**



Audit Committee

Chair

Lloyd Pitchford

Members

Vanda Murray
Stephan Nanninga
Vin Murria

Key responsibilities

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

**FOR MORE INFORMATION
SEE PAGES 116 TO 124**



Remuneration Committee

Chair

Vanda Murray

Members

Lloyd Pitchford
Stephan Nanninga
Vin Murria

Key responsibilities

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

**FOR MORE INFORMATION
SEE PAGES 125 TO 149**



Purpose, values and how we monitor culture

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


ownership of and accountability for the achievement of the Company's purpose, which is successfully realised and adopted throughout the business.

In order to achieve the Company's purpose, the Board recognises the importance of a healthy corporate culture. At the centre of Bunzl's corporate culture are the championed values of

humility, responsiveness, reliability and transparency. These values are reflected in the Board's decision making and embedded throughout the Company, underlying the way Bunzl conducts its business.

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

Our values

Humility	Responsiveness	Reliability	Transparency
<p>Humility in action</p> <p>Bunzl is committed to giving back, doing better, and sharing its success with the communities in which the Group operates while promoting the drive towards a more sustainable world. As part of the International Day of Awareness of Food Loss and Waste, colleagues from Bunzl Australasia teamed up with OzHarvest to raise awareness about food waste, food security and sustainability, becoming part of a global effort to reduce food wastage.</p> <p>SCAN THE QR CODE TO VIEW VIDEO</p> 	<p>Responsiveness in action</p> <p>Bunzl is agile and offers bespoke solutions, working with its customers to provide innovative products that respond to their needs. Bunzl continually partners with customers and suppliers to improve products and find more sustainable solutions in response to environmental concerns for a better world.</p> <p>See page 18 for an example of our responsiveness to a customer's needs.</p>	<p>Reliability in action</p> <p>Bunzl is a reliable, expert partner with an unrivalled value-added offering of on-time and in-full delivery.</p> <p>As referenced on page 19, during 2021 we secured a new customer, Andron. A key factor in this success was our vast branch network, as Bunzl Cleaning & Hygiene Supplies has a large selection of branches around the UK that offer a vast, reliable, and accurate delivery service to over 1,000 customer sites.</p>	<p>Transparency in action</p> <p>Bunzl and its leaders believe that a culture of openness, honesty and transparency is the only effective way to conduct business and these values engender confidence in the Company. We communicate openly with stakeholders, and the Board and senior management are visible, embody the values espoused by the Company and are accessible to stakeholders.</p> <p>See our section 172 table on pages 58 to 63 which shows how we have engaged with stakeholders throughout the year.</p>

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

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

Employee engagement statement

Employee involvement in the Company's performance is encouraged through a variety of different means, including the operation of all employee share plans, bonus and commission schemes and other incentive arrangements. The Board regards employee engagement as a matter of the utmost importance and, during the year, the directors were involved in a number of initiatives aimed at further enhancing their understanding of the views and interests of Bunzl's employees. More information about these initiatives and the relevance of such engagement in the context of the Company's strategy can be found on pages 58 to 63 and in the Sustainability report on page 52.

In accordance with Provision 5 of the Code, the Board has decided to use alternative arrangements to engage with our colleagues. Bunzl is a global business with operations in multiple locations and our employees fulfil a broad range of roles with many different perspectives. It is therefore essential that our engagement methods suit the nature of our business and our workforce. We strongly believe that this holistic approach to engagement is the most effective method and allows the Board to understand, monitor and assess the culture of the business.

Further information concerning the arrangements in place to communicate and consult with Bunzl's employees can also be found in the Sustainability report and in the Other statutory information section on page 152.

Engagement with customers, suppliers and others

Understanding the views of the Company's stakeholders is a key priority for the Board and Bunzl as a whole. It helps to focus the Company's resources, engagement and reporting activities by addressing those issues that matter most to the Group's businesses and to the Company's wider stakeholders. Fostering strong business relationships is an intrinsic part of the Company's long established, consistent, proven and successful compounding strategy and a key consideration in all decision making. More information about Bunzl's engagement with its suppliers, customers and wider stakeholder groups can be found on pages 58 to 63 and in the Sustainability report on pages 46 to 57.



Examples of how we engaged with colleagues during 2021

2021 Employee engagement survey

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PAGE 53



Visits to UK and North America sites

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PAGE 107



Non-executive director listening groups

READ MORE
PAGE 95



Diversity, equity and inclusion sessions

READ MORE
PAGE 63



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

Board activity in 2021

The Board meets formally at least seven times a year and normally at least two of these meetings are held at or near Group locations around the world where the directors have the opportunity to meet and interact with employees from different businesses within the Group's portfolio, as well as observe the operations in situ.

At each meeting, Bunzl's operational and financial performance is discussed and presentations are made by the Chief Executive Officer, the Chief Financial Officer and, by invitation, the heads of the business areas. The Director of Corporate Development frequently presents to the Board on potential acquisitions and the Board receives regular updates on risk, health & safety, environment, sustainability, governance and people matters. During 2021, a

number of the Group's executives made presentations to the Board about a diverse range of topics and a variety of the Company's professional advisers provided training and updates to the Board on pertinent matters. Further, following the outcome of the Board evaluation, knowledge sharing sessions for the Board were scheduled, focusing on each business area.

Board agendas are set by the Chairman in consultation with the Chief Executive Officer and with the assistance of the Company Secretary, who maintains a rolling programme of items for discussion by the Board to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time. During 2021, the Board agendas were also constructed to react to and anticipate developments in relation to the Covid-19 pandemic.

Each Board meeting is structured to accommodate sufficient challenge and contribution by all participants. The Board is supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. Briefing papers are prepared and circulated to directors approximately one week before the scheduled Board meeting to enable informed decision making. All directors have access to the advice and services of the Company Secretary who is tasked with ensuring that Board procedures are complied with, and the Board is fully briefed on relevant legislative, regulatory and corporate governance developments. Directors may also take independent professional advice at the Company's expense where they judge this to be necessary in the furtherance of their duties to discharge their responsibilities as directors.

Governance in action – acquisition process

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

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

1

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

2

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

3

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

4

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

Board roles and responsibilities

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

Role	Responsibilities
Chairman	<p>The primary job of the Chairman is to be responsible for the leadership of the Board and to ensure its effectiveness in all aspects of its role. The Chairman:</p> <ul style="list-style-type: none"> • takes overall responsibility for the composition and capability of the Board and its Committees; • consults regularly with the Chief Executive Officer and is available on a flexible basis to provide advice, counsel and support to the Chief Executive Officer; and • ensures corporate governance is conducted in accordance with current best practice, as appropriate to the Group. <p>The Chairman is also viewed by investors as the ultimate steward of the Group and the guardian of the interests of all the shareholders.</p>
Chief Executive Officer	<p>The Chief Executive Officer is responsible for the leadership and the operational and performance management of the Company within the strategy agreed by the Board. The Chief Executive Officer is also the designated member of the Board responsible for environmental, social and governance matters and reports to the Board in relation to such matters. The Chief Executive Officer:</p> <ul style="list-style-type: none"> • manages the executive director and the Group's management and day-to-day activities; • prepares and presents to the Board the strategy for growth in shareholder value; • sets the operating plans and budgets required to deliver the agreed strategy; • ensures that the Group has in place appropriate risk management and control mechanisms; and • communicates with the Company's shareholders on a day-to-day basis as necessary.
Chief Financial Officer	<p>The Chief Financial Officer supports the Chief Executive Officer and is responsible for managing the Group's funding strategy, financial reporting, non-financial reporting, risk management and internal controls, investor relations programme and the leadership of the finance function. The Chief Financial Officer communicates with the Company's analysts on a day-to-day basis as necessary.</p>
Senior Independent Director	<p>A key role of the Senior Independent Director is to be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate. The Senior Independent Director is also available to the other directors should they have any concerns which are not appropriate to raise with the Chairman or which have not been satisfactorily resolved by the Chairman.</p>
Independent non-executive directors	<p>The non-executive directors play an important role in corporate governance and accountability through both their attendance at Board meetings and their membership of the various Board Committees. The non-executive directors bring a broad range of business and financial expertise and experience to the Board which complements and supplements the experience of the executive directors. This enables them to offer strategic guidance, evaluate information provided and constructively challenge management's viewpoints, assumptions and performance.</p>

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which is set out in writing and has been agreed by the Board.

External appointments and time commitment of directors

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

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

The Board is satisfied with the commitment and contribution of all directors. The results of the Board evaluation confirmed that the Board is

working effectively and that the directors are engaged and continue to contribute to the success of the Company.

Engagement with shareholders following significant votes against

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

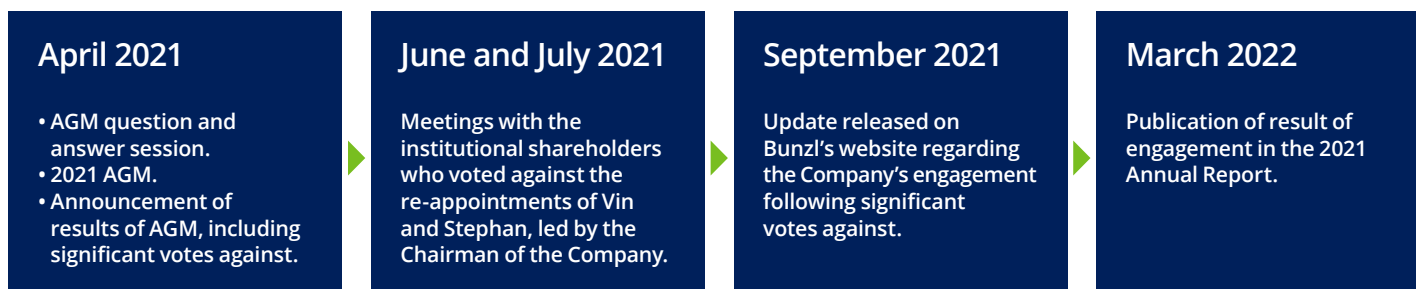
As a result of the engagement, the Board understood that the negative votes concerned the external appointments of Vin and Stephan and the perceived ability of Vin and Stephan to commit sufficient time to the Company due to overboarding concerns. The Board clarified that some of the external appointments held by both Vin and Stephan are on boards of special purpose acquisition vehicles, which are not full-time roles and involve considerably less time commitment than

would ordinarily be associated with positions in other listed companies. The Board reiterates that it is unanimously satisfied with the commitment of both Vin and Stephan, both of whom have impeccable attendance records, contribute effectively to the long term success of the Company, offer wise counsel, constructive challenge, diverse views and provide appropriate oversight of management.

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

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

Engagement timeline



Performance evaluation

A well-functioning Board of directors needs diversity of experience and perspectives and the Chairman is responsible, with support from the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, knowledge, experience and diversity and that directors have sufficient time available to discharge their duties effectively. In furtherance of this, the Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. The Code requires that the

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

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

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

This year, another external evaluation was carried out by Lintstock which included a detailed questionnaire. The Chairman also held individual discussions with each director. A number of key priorities to improve the Board's performance further were subsequently agreed and any progress in respect of such priorities will be reported on formally in next year's Annual Report. Details of the priorities identified as part of this year's evaluation can be found below.

Key priorities identified during 2020

Examples of action taken

Outcome

<p>1 Monitoring the progress being made in key strategic pillars, most notably sustainability, digitalisation, people and growth.</p>	<p>At each Board meeting the Board receives updates on the progress being made in digitalisation and sustainability initiatives as part of the business review. The Board also receives regular updates on talent management and succession planning in line with the current strategy and future opportunities of the Company. Opportunities for acquisition growth for each business area was a key element of the Company's 2021 strategic planning process, and during 2021 the performance of acquisitions made in 2019 was reviewed against the relevant acquisition case. Strategic planning sessions for the Board and senior management team also included presentations on organic profit growth and accelerating growth through use of technology.</p>	<p>The Board is satisfied that the priorities identified following the evaluation carried out in 2020 have been adequately addressed during 2021.</p>
<p>2 Focusing on longer term strategy and trends.</p>	<p>During the year the Board undertook a comprehensive review of the Company's strategic planning tools and materials in order to encourage management to continue to take a long term view and to take account of sectoral and geographic trends.</p>	
<p>3 The post Covid-19 transition, including returning to face-to-face meetings and site visits.</p>	<p>Board meetings and strategic planning sessions have focused on Bunzl's business post Covid-19, including:</p> <ul style="list-style-type: none"> • Bunzl learnings from Covid-19; • non Bunzl-specific post Covid-19 trends; • how Bunzl may be impacted in the short term as the Company emerges from the pandemic; and • the lasting trends Bunzl can expect and how the Company is reacting. <p>Further, the Board has met seven times during the year, with four of these meetings being held virtually and three being held in person. The Board has adapted well to reinstating face-to-face meetings and has met in London and Lisbon. The Board looks forward to meeting in more Group locations during 2022 and being afforded the opportunity to meet and engage with Bunzl's diverse workforce.</p>	
<p>4 Finalising non-executive recruitment, with a particular focus on diversity, experience in North America and expertise in the fields of sustainability and technology.</p>	<p>The following appointments were made to the Board during 2020:</p> <ul style="list-style-type: none"> • Vin Murria, who has extensive experience in the digital and technology sectors; and • Maria Fernanda Mejía, who has experience in the Americas and a background in marketing and communications. <p>These appointments strengthened the breadth of the overall skills, knowledge and experience on the Board in line with the 2020 evaluation findings. Both non-executive directors took part in an immersive induction programme throughout 2021, details of which can be found on page 107.</p> <p>The Board understands and champions the benefits that diversity of mind brings. The composition of the Board is reviewed continually, with succession planning and developing a diverse pipeline of talent remaining high on the agenda. The Board skills matrix on page 98 maps out the current range of skills of the directors and the succession planning priorities for prospective Board candidates.</p>	

Key priorities identified during 2021

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

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

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

Induction

Upon appointment, all new directors undertake an induction programme which is designed to facilitate their understanding and awareness of the Group's businesses, people and processes and of their roles and responsibilities as directors of the Company. The induction programme is regularly reviewed and is tailored to each director's individual needs.

A typical induction programme normally includes:

- a detailed information pack which includes details of directors' duties and responsibilities, procedures for dealing in Bunzl plc's shares and a number of other governance related issues;
- one-to-one meetings with the other members of the Board and the Company Secretary;
- meetings with Committee chairs, as appropriate;
- meetings with senior management;
- visits to some of the Group's locations;
- information on the main areas of the Company's business activity and risks; and
- information on the Company's approach to sustainability and stakeholder engagement.

Having both joined the Board in 2020, due to the prevalence of Covid-19 Vin Murria and Maria Fernanda Mejía were unable to undertake key site visits and meet Bunzl's workforce in person. Fortunately, as

restrictions have eased throughout 2021, Vin and Maria Fernanda have been afforded the opportunity to engage with Bunzl's workforce and witness Bunzl's operations in situ through an immersive and comprehensive induction programme. This engagement has enabled both Vin and Maria Fernanda to gain a valuable and in-depth understanding of the Group's operations, the strategic priorities of, and risks faced by, Bunzl's different businesses, Bunzl's diverse talent pipeline, the culture of the Company and the progress being made by such businesses in relation to environmental, social and governance matters.

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

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

2021 training & development activities

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

Example induction**August 2021 UK tour**

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

November 2021 North America tour

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

Activities:

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

Conflicts of interest

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

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

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

Financial and business reporting

The responsibilities of the directors in respect of the preparation of the Group and parent company financial statements are set out on page 213 and the auditors' report on pages 214 to 221 includes a statement by the external auditors about their reporting responsibilities. As set out on page 162, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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

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

Fair, balanced and understandable – Bunzl's assurance framework

The Board considered whether the 2021 Annual Report, taken as a whole, was fair, balanced and understandable and provided sufficient information to enable the reader to assess the Group's position and performance, business model and strategy.

In carrying out its review, the Board considered:

- the information and assurance provided by the ongoing work of the internal audit department;
- the reviews conducted by the external auditors in relation to both the half year and full year results;
- the Board's understanding of the Group's business; and
- the information provided by the senior executive management team.

The Board also took account of the preparation and verification processes that had been undertaken, including the review that had been carried out by one of the Company's senior executives who had not been involved in the Annual Report's preparation. As a result of its deliberations the Board concluded that, taken as a whole, the 2021 Annual Report is fair, balanced and understandable.

Risk management and internal control

The directors acknowledge that they have overall responsibility for identifying, evaluating, managing and mitigating the emerging and principal risks faced by the Group and for monitoring the Group's risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with the Code and the related guidance, the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives (its 'risk appetite'). The directors confirm that such procedures have been in place for the year ended 31 December 2021 and up to the date of approval of these financial statements and that the Group's risk management and internal control systems have been monitored during the year.

Further information about the Group's approach to risk management and the principal risks and uncertainties facing the Group can be found on pages 64 to 72. A summary of the principal control processes and procedures in place to manage such risks is set out below.

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

- a procedure for monitoring the effectiveness of the internal control system through a tiered management structure with clearly defined lines of responsibility and delegation of authority;
- clearly defined authorisation procedures for capital investment and acquisitions;
- strategic plans and comprehensive budgets which are prepared annually by the business areas and approved by the Board;

- formal standards of business conduct (including code of conduct, anti-bribery and corruption and whistle blowing policies) based on honesty, integrity, fair dealing and compliance with the local laws and regulations of the countries in which the Group operates;
- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses;
- a well-established consolidation and reporting system for the statutory accounts and monthly management accounts; and
- detailed manuals covering Group accounting policies and procedures for the Group's treasury operations supplemented by internal control procedures at a business area level.

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

- central management holds regular meetings with business area management to discuss strategic, operational and financial issues, including a review of the principal risks affecting each of the business areas and the policies and procedures by which these risks are managed;
- the Executive Committee reviews the outcome of the discussions held at business area meetings on internal control and risk management issues;
- the Board in turn reviews the outcome of the Executive Committee discussions on internal control and risk management issues, which ensures a documented and auditable trail of accountability;
- each business area, the Executive Committee and the Board carry out an annual fraud risk assessment;
- actual results are reviewed monthly against budget, forecasts and the previous year and explanations are obtained for all significant variances;
- all treasury activities, including in relation to the management of foreign exchange exposures and Group borrowings, are reported and reviewed monthly;
- the Group's bank balances around the world are monitored on a weekly basis and significant movements are reviewed centrally;
- the internal audit department periodically reviews individual businesses and procedures, makes recommendations to improve controls and follows up to ensure that management implements the recommendations made. The internal audit department's work is determined on a risk assessment basis and its findings are reported to Group and business area management as well as to the Audit Committee and the external auditors;
- an annual self-assessment of the status of internal controls measured against a prescribed list of minimum standards is performed by every business and action plans are agreed where remedial action is required;
- the appointment of a Head of Internal Controls during 2021;
- the Audit Committee, which comprises all of the independent non-executive directors of the Company, meets regularly throughout the year. Further details of the work of the Committee, which includes a review of the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system, are set out in the Audit Committee report on pages 116 to 124;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- management committees, known as the Group Sustainability Committee, the Environment, Health & Safety Committee and the Supply Chain Committee which oversee issues relating principally to environment, health & safety and business continuity planning matters, set relevant policies and practices and monitor their implementation;
- health & safety risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out; and
- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers.

The directors confirm that they have reviewed the effectiveness of the Company's risk management and internal control systems in operation during 2021 and are satisfied that these systems are operating effectively.

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

Assessment of the prospects of the Company and its viability statement

In accordance with provision 31 of the Code, details of how the directors have assessed the prospects of the Company, over what period the prospects have been assessed and the Company's formal viability statement are included in the Strategic report on page 73.

By order of the Board

Suzanne Jefferies
Secretary
28 February 2022

Nomination Committee report



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

Peter Ventress
Chairman and Chair of
the Nomination Committee

Introduction from Peter Ventress

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

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

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

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

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

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

The need to refresh the Board but at the same time maintain a knowledgeable and experienced team of non-executive directors is essential and is something that we have continued to address in our succession planning discussions this year. As part of its remit, the Committee has also continued to monitor the development of Bunzl’s Executive Committee, which sits below the Board, to ensure that there is a diverse supply of senior executives and potential future Board members with appropriate skills and experience.

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

As a business, we have put various initiatives into practice to address gender and ethnic diversity and I am pleased with the considerable progress that we have made in these areas at Board and Executive Committee level. The Board and the Committee are nevertheless mindful that ethnic diversity remains a challenge and that more work needs to

be done in this area. The benefits of having a diverse Board and workforce are considerable and we intend to continue to support and develop our talent pipeline in relation to gender, cultural and ethnic diversity and other under-represented groups to ensure that Bunzl harnesses the benefits of a diversified Board and workforce.

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

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

In order to ensure that the Committee remains effective, an evaluation of the performance of the Board and the Committees is undertaken every year. In accordance with the requirements of the UK Corporate Governance Code (the 'Code') and the associated guidance, an independent, externally facilitated review is undertaken at least every three years. An externally facilitated evaluation was performed in 2021 and concluded that the Board members considered the Committee to be thorough and fully effective in fulfilling its responsibilities. A more comprehensive external evaluation, including interviews with every Board member and the Company Secretary, was performed in 2020. Further information concerning the

performance evaluation process and the key priorities identified following the reviews in 2020 and 2021 can be found in the Corporate governance report on pages 106 and 107.

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

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

As detailed on page 95, I sought to engage with a number of different stakeholder groups during the year and will continue to do so whenever necessary or appropriate so that the stakeholder voice continues to get the right audience and attention. If you wish to discuss any aspect of the Committee's activities, I will

be attending Bunzl's forthcoming Annual General Meeting ('AGM') and would welcome your questions. Questions relating to the AGM can also be submitted via our dedicated AGM email address, BunzlAGM@bunzl.com.

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

Peter Ventress

Chairman and Chair of the
Nomination Committee
28 February 2022

Composition

During 2021, the Nomination Committee comprised the Chairman of the Company, who chairs the Committee (unless the Committee is dealing with the matter of succession of the Chairman of the Company), the Chief Executive Officer and all of the independent non-executive directors. In accordance with the provisions of the Code, the majority of the members are independent non-executive directors. The Secretary to the Committee is the Company Secretary. On 8 December 2021, the Chief Executive Officer stepped down as a member of the Committee.

Meetings

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

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

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

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

Key areas of focus in 2022

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

Role and support

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

It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness. In the performance of its duties, the Committee has been authorised to enlist the services of external executive search firms to assist with the recruitment process, including the identification of potential candidates, to fill Board positions and vacancies.

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

Performance evaluation

The Committee's performance and effectiveness are reviewed annually by both the Committee and as part of the Board performance evaluation. The Chair of the Committee also meets with each Committee member independently to ensure that their individual views about the operation of the Committee are taken into account. Additional information concerning the results of the 2021 performance evaluation is set out on page 107.

Principal responsibilities of the Committee

Board structure

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

Succession

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

Appointments

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

Evaluation

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

Activities

Succession planning

The Committee recognises that having the right directors and senior management in place is fundamental to the Group's long term, sustainable success. In furtherance of this, a key responsibility of the Committee is to satisfy itself that a robust and rigorous succession planning process is in place, over both the medium and long term, to ensure that there is the right mix of skills and experience on the Board as the Company evolves. The Company's succession plans, together with the Board skills matrix and tenure tracker are considered regularly and allow the Committee to identify potential gaps, including in relation to director rotation and in respect of the skills needed to deliver the Group's strategic priorities. Effective and proactive succession planning and assessment also enable the Committee and the Board to ensure that changes to the Board are proactively planned and coordinated.

The Committee also continues to take an active interest in the quality and development of talent and capabilities below Board level and during the year the Chief Executive Officer presented his annual management succession plan to the Committee for its consideration. This process helps to ensure that high performing individuals within senior management can be developed and nurtured in order to strengthen the succession pipeline further, while at the same time increasing diversity in senior roles across the Group. The Committee also maintains regular interaction with senior management across the Group and within each business area. Such interaction enables the Committee to familiarise itself with the teams, thereby facilitating the identification of high performing talent and informing succession planning.

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

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

Inclusion and diversity

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

The Committee embraces the importance of diversity and inclusion in all Board and senior management recruitment and challenges external search consultants where necessary to ensure that diversity of gender, social and ethnic backgrounds and cognitive and personal strengths is always considered in the selection of candidates. In addition, the Committee seeks to engage firms that are signatories to the Voluntary Code of Conduct for executive search firms and encourages them to look further afield and access talent from wide and diverse pools.

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

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

The Board and the Committee's approach to inclusion and diversity in the composition of the Board and senior management is set out in the Board's diversity policy, which is reviewed regularly and which can be found on the following page.

Diversity policy

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

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

Looking beyond the Board to the Group's wider workforce, Bunzl is committed to treating people fairly and equally by accepting and embracing their diversity and ensuring there is an inclusive and positive working environment for all

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

Monitoring and reporting

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

DIVERSITY IN ACTION

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

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

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

Shelly Jones
Bunzl North America

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

Matt Hall
Woodway UK & Ireland



Driving diversity and inclusion at Bunzl



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

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

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

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

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

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



Audit Committee report



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

Lloyd Pitchford
Chair of the Audit Committee

Introduction from Lloyd Pitchford

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

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

The Committee fulfils a vital role in the Company's governance framework, providing valuable independent challenge and oversight across the Company's financial reporting and internal control procedures. During the year, we continued to discharge our duties effectively and to the highest standards, providing appropriate challenge and oversight of the decisions, assumptions and key judgements made by management to make certain that stakeholder interests are protected. Our meeting agendas were designed to anticipate key risk areas, including those significant matters most impacted by Covid-19, which provided ample opportunity for early scrutiny and challenge.

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

Audit and internal controls

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

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

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

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

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

Cyber threat and information security

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

Governance and regulatory developments

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

Performance evaluation

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

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

Stakeholder engagement

As Committee chair, I place great emphasis on the views and sentiment of our shareholders and other key stakeholders. I avail myself of all opportunities to engage with these groups when appropriate in order to obtain their feedback and discuss any concerns that they may have concerning the Committee's operations and oversight. While the results of the Company's proactive engagement with stakeholders during the year did not identify any concerns relating to the Group's risk profile and management thereof, or the Committee's discharge of its responsibilities, I do not take this for

granted and will continue to monitor stakeholder sentiment closely and ensure that engagement is sought whenever it is needed. I will also be attending the Company's forthcoming Annual General Meeting ('AGM') to answer any questions that shareholders may have. Further information concerning stakeholder engagement can be found on pages 58 to 63.

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

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

Lloyd Pitchford

Chair of the Audit Committee
28 February 2022

Q&A

with Lloyd Pitchford, Chair of the Audit Committee

How has the Committee navigated Covid-19?

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

What do you think makes an effective audit committee?

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

Diversity in terms of skills, experience and perspectives among committee members is also an essential characteristic of an effective committee. While financial expertise and literacy are important, so is the ability of audit committee members to understand a company's business, its strategy and its risk profile and a fundamental part of

this is listening. It is the prerequisite to balanced analysis, judgement and challenge and without the right degree of openness and debate, an audit committee can quickly become blinkered to the financial, operational and strategic risks within a business.

What are the top concerns faced by audit committees today?

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

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

Composition and experience

The Committee comprises all of the independent non-executive directors, who were appointed to the Committee by the Board following recommendations by the Nomination Committee. The Secretary to the Committee is the Company Secretary.

All members contribute to the work of the Committee and bring an appropriate balance of financial, risk management and commercial acumen and experience in multinational organisations, combined with a good understanding of the Company's business and are therefore considered by the Board to be collectively competent in the sector in which the Company operates.

As the serving Chief Financial Officer of Experian plc, the Chair of the Committee, Lloyd Pitchford, is considered by the Board to have recent and relevant financial experience. The Committee members are of an independent mindset and bring a diversity of perspectives, knowledge and experience to the Committee's deliberations, which in turn ensures that the Committee is able to provide an appropriate amount of scrutiny, challenge and support to management. Independent thinking is an essential aspect of the Committee's role and is crucial in assessing the work of management and the assurance provided by the internal and external audit functions. Further information concerning the directors' skills and experience can be found in the Corporate governance report on pages 92 to 109.

Meetings

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

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

* While the Company Chairman and the executive directors are not members of the Committee, they normally attend Committee meetings by invitation, together with the Head of Internal Audit and Risk, representatives from the external auditors and members of the Group finance team.

Key areas of focus in 2022

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

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

Role and support

The role of the Audit Committee is to act independently of management to ensure that the interests of shareholders are properly protected in relation to the Company's financial reporting and internal control arrangements and to provide appropriate oversight, review and challenge of the decisions and approach taken by management in respect of the content and disclosures within the Company's financial reports. There are a number of key aspects to this, including the use of appropriate accounting policies and practices and the implementation of a robust assurance framework.

The Committee ensures that the Company has effective governance over the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions and the management of the Group's systems of internal control and business risk management and related compliance activities. It also considers whether the disclosures made in the financial statements are set properly in context.

In the performance of its duties, the Committee has independent access to the services of the Company's internal audit function and to the external auditors and may obtain outside professional advice as necessary.

The Committee's terms of reference, which were reviewed in 2021 but remain

unchanged, are available on the Company's website, www.bunzl.com.

Performance evaluation

The Committee's performance and effectiveness are reviewed annually by both the Committee and as part of the Board performance evaluation. The Chair of the Committee also meets with each Committee member independently to ensure that their individual views about the operation of the Committee are taken into account. Additional information concerning the results of the 2021 performance evaluation is set out on pages 106 and 107.

Principal responsibilities of the Committee

Financial reporting

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

Risk management and internal control

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

Internal audit

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

External audit

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

Assurance framework

Bunzl's assurance framework comprises a number of important elements, including:

- the Company's risk management and internal control systems;
- the internal and external audit functions; and
- the regular reporting of the Company's performance against budgets, forecasts and prior year results.

Financial statements and significant accounting matters

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

As part of its work, the Committee considered a number of significant accounting matters in relation to the Company's financial statements, together with the adequacy of the associated disclosures and challenged the judgements being made in relation thereto. These significant accounting matters are summarised in the table below and further information can be found in the relevant Notes to the consolidated financial statements.

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

Significant matters considered in relation to the financial statements

Issue	Review and conclusion
Accounting for business combinations	<p>For business combinations, the Group has a long-standing process for the identification of the fair values of the assets acquired and liabilities assumed, including separate identification of intangible assets using external valuation specialists where required. The Committee reviewed this process and discussed with management and the external auditors the methodology and assumptions used to value the assets and liabilities of the acquisitions completed in 2021. The Committee concluded that it was satisfied with management's valuations of these assets and liabilities, including the degree to which such valuations are supported by professional advice from external advisers. For business combinations where less than 100% of the issued share capital of a subsidiary is acquired and the acquisition includes an option to purchase the remaining share capital of the subsidiary, for which there were five such business combinations during the year, the Group has an established process to assess whether a non-controlling interest should be recognised. The Committee reviewed the Group's assessment of these five business combinations, noting that no non-controlling interest had been recognised, and concluded that it was satisfied with management's conclusion that the risks and rewards associated with the options to purchase the remaining shares had transferred to the Group on each acquisition. Details of the Company's approach to accounting for acquisitions are set out in Note 28 to the consolidated financial statements.</p>
The carrying value of goodwill, customer relationships and brands intangible assets	<p>Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. The Committee critically reviewed and discussed management's report on the impairment testing of the carrying value of goodwill of each of the Group's CGUs. The Committee also critically reviewed and discussed management's consideration of the impairment risk on customer relationships and brands intangible assets. In both regards, the Committee considered the sensitivity of the outcome of impairment testing to the use of different assumptions and considered the external auditors' testing thereof.</p> <p>After due challenge and debate, the Committee concluded that it was satisfied with the assumptions and judgements applied in relation to the impairment testing and agreed that there was no impairment to goodwill or on customer relationships and brands intangible assets. Details of the key assumptions and judgements used are set out in Note 11 to the consolidated financial statements.</p>
Defined benefit pension schemes	<p>The Committee considered reports from management and the external auditors in relation to the valuation of the defined benefit pension schemes and reviewed the key actuarial assumptions used in calculating the defined benefit pension liabilities, especially in relation to discount rates, inflation rates and mortality/life expectancy. The Committee discussed the reasons for the movement in the net pension deficit to a net pension surplus and was satisfied that the assumptions used were appropriate and were supported by independent actuarial experts.</p> <p>The Committee considered the Company's withdrawal from three multi-employer pension plans ('MEPPs') relating to the Group's US entities, for which a provision for the withdrawal liability had been made in the prior year. The Committee noted that the Group had exited one of the schemes and agreed to pay a lump sum to settle the liability at the amount equal to that provided for (£3.3 million). It was further noted that the exit vote in respect of one of the other schemes had been passed and that negotiations for the withdrawal liability were now underway. It was acknowledged that negotiations relating to the Group's exit from the remaining scheme were ongoing. The Committee noted that no provision was held in relation to three other MEPPs to which the Group's US entities continue to contribute. Having considered these matters thoroughly and following discussions with the external auditors, the Committee concluded that it agreed with the accounting treatment and disclosures made in relation to these matters. Further details on these matters and the key assumptions used are given in Note 23 to the consolidated financial statements.</p>
Taxation	<p>The Committee reviewed a report and received a presentation from the Head of Tax highlighting the principal tax risks that the Group faces and a detailed risk assessment relating to the tax risks identified, including the judgements underpinning the provisions for potential tax liabilities. The Committee noted the reduction of the previously identified risk concerning the application of the European Union State aid provisions to the UK tax regime, as a result of HMRC's conclusion that the Group was not a beneficiary of these provisions. The Committee also considered management's review of other risks associated with inter-company finance arrangements.</p> <p>The Committee noted management's activities in monitoring changes to tax rates around the world, including those arising from the OECD's recommendations for a global minimum tax rate of 15% and a change in taxing rights for high-margin multinational businesses. The Committee also reviewed the results of the external auditors' assessment of provisions for income taxes.</p> <p>Following appropriate debate and challenge, the Committee was satisfied with the key judgements and proposed disclosures related to tax made by management.</p>
Inventory and receivable provisions	<p>The Committee noted that during 2021 the Group has seen a further increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25 million in the year to increase slow moving inventory provisions whilst additional provisions were required as a result of market price deflation on certain Covid-19 products. This has been partially offset by a net release of approximately £5 million relating to expected credit losses on trade receivables.</p>

Internal controls and risk management

As mentioned earlier in this report, the Committee is responsible for reviewing, on behalf of the Board, the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system. These controls and procedures are designed to manage, but not eliminate, the risk of failure of the Company to meet its business objectives and, as such, provide reasonable, but not absolute, assurance against material misstatement or loss. During the year, the Committee reviewed the process by which management assessed the control environment, in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC.

The Committee monitored the effectiveness of the internal financial controls framework through reports from the CFO, the Head of Internal Audit and Risk and the external auditors. In particular, the Committee considered the scope and results of the work of the internal audit function, the findings of the external auditors in relation to the year end audit, the assessment of fraud risk carried out by management, the controls over the Company's financial consolidation and reporting system, the treasury controls, the tax risks and the process for monitoring the ongoing performance of the Company. It is the responsibility of managers to provide confirmation that the controls and processes are being adhered to throughout the business and this is continually tested by the work of the internal audit function as part of its annual plan of work, which the Committee approves each year. Compliance with the internal control system is monitored annually by the completion of a controls self-assessment questionnaire by senior managers in consultation with their teams. The results are then reviewed and audited on a sample basis by the internal audit function and reported to the Committee.

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

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

Meetings and activities

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

The Committee has a structured, rolling, forward-looking planner which is developed with the Company Secretary and is designed to ensure that the Committee's responsibilities are discharged in full during the year and to facilitate more in-depth reviews of those topics which are of particular importance or pertinence. Items on the agenda are set with consideration of regulatory requirements, the Company's reporting timetable and after considering key issues identified by the CFO, management, the Head of Internal Audit and Risk and the external auditors.

The Chair of the Committee holds preparatory discussions with the Company's senior management, the Head of Internal Audit and Risk and the external auditors prior to Committee meetings to discuss the items to be considered at the meetings.

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

Standing agenda items/activities

The standard agenda items/activities dealt with by the Committee include:

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

Audit Committee meetings and activities

Financial reporting

- Receiving and, where appropriate, challenging reports from management and the external auditors in relation to the half yearly financial report and the annual financial statements.
- Reviewing the half yearly financial report and the annual financial statements and the formal announcements relating thereto.
- Reviewing the amendments made by management to the definitions of APMs and considering the appropriateness of disclosures made in the half yearly financial report and annual financial statements.
- Considering thematic reviews and guidance from the FRC concerning annual report disclosures.

Risk management and internal controls

- Reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to risk management systems, including receiving and considering a Risk and Assurance Map.
- Reviewing the Company's annual controls self-assessment process and related controls framework.
- Reviewing the effectiveness of the risk management process.
- Reviewing the principal tax risks applicable to the Company and the steps taken to manage such risks.
- Considering an update from the CFO and the Head of Internal Controls on the Group's Internal Controls Programme which is supported by an external professional services firm.
- Receiving updates from the Group CIO concerning the Group's Information Security Policy and activities in 2021, covering matters such as the results of reviews by external professional services firms of the Group's approach to Information Security, the development of a new Governance Programme (including the establishment of a Group Information Security Risk Committee).
- Considering a paper from the Head of Internal Audit and Risk on Information Security assurance, including the results of the 2021 Information Security audit and approving the proposed future Information Security Assurance Audit Plan.
- Receiving updates from the Head of Internal Audit and Risk relating to the Group's Information Security Assurance Audit Plan and associated audit results, including progress on GDPR and data privacy, and the Group's risk-based security framework.

Audit matters

- Reviewing the effectiveness of both the external auditors and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company.
- Making recommendations to the Board concerning the re-appointment of the external auditors and approving the remuneration and terms of engagement of the auditors, including the audit strategy.
- Reviewing and approving changes to the policy for the provision of non-audit services by the external auditors.
- Reviewing and approving the level and nature of non-audit work which the external auditors performed during the year, including the fees paid for such work, and planning process for the current financial year.
- Reviewing and approving the internal audit work programme for the coming year.
- Receiving and considering a report concerning the progress being made in addressing the points raised during an external quality assessment of the internal audit function.
- Receiving and considering reports from the Head of Internal Audit and Risk concerning the work undertaken by the internal audit function, including in relation to the function's ongoing quality assurance and improvement programme.
- Reviewing and approving changes to the Company's internal audit charter.

Governance and other

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

Internal audit

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

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

Internal audit reports are provided regularly to the Committee and include details of the audit findings, the relevant management actions required in order to address any issues arising, as well as updates on management's progress in

addressing any outstanding recommendations from previously reported findings. In addition, the internal audit function reports on any significant issues relating to the processes for controlling the activities of the Group and the adequacy and effectiveness of such processes. Overall, the work of the internal audit function provides the Committee with a further means of monitoring the processes and actions to manage and mitigate those risks identified as posing the greatest threat to the Company.

The quality and effectiveness of the internal audit function's work is monitored continually using a variety of formal and informal inputs, including discussions with management, reviews and assessments of the quality of testing results and reporting, questionnaires and feedback from the external auditors. Further information concerning the formal process undertaken to assess the effectiveness of both the internal audit function and the external auditors can be found below.

External auditors

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

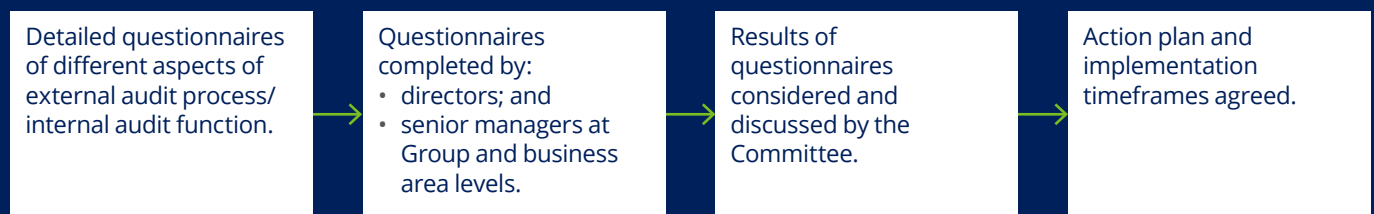
Auditors' effectiveness reviews

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

During 2021, the Committee undertook reviews of the effectiveness of both the Company's external audit process for the 2020 financial statements and the Company's internal audit function. Each of the reviews followed a broadly similar process, as summarised in the

diagram below. In addition, the external audit partner and the Head of Internal Audit and Risk attend and table reports at each scheduled Audit Committee meeting, which ensures that the Committee members have the opportunity to provide real-time feedback and, where appropriate, challenge in relation to all audit related matters, including the auditors' assurance procedures, the level of challenge and professional scepticism applied by the auditors, the audit scope, the execution of audit plans and any

future audit plans. Both the Head of Internal Audit and Risk and the external auditors have direct access to the Chair of the Committee who held a number of meetings with each of them during the year outside formal Committee meetings. The Chair of the Committee also liaises with the CFO as necessary to ensure robust oversight and challenge in relation to financial control and risk management and to ensure that the Committee is kept informed of any changes in response to new issues or changing circumstances.



External audit process

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

Internal audit function

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

Following these assessments, the Committee concluded that it was satisfied with the effectiveness of the external audit process relating to the 2020 financial statements and that the internal audit function continued to be effective, efficient and appropriately resourced.

The Committee will carry out similar effectiveness reviews in 2022 in respect of the audit of the 2021 financial statements and the internal audit function.

Auditor appointment – key considerations

Conflicts of interest

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

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

+ Non-audit services

Bunzl has a detailed policy relating to the provision of non-audit services by the external auditors which is overseen by the Committee. It is the Company's policy to assess the non-audit services to be performed by the Company's auditors on a case-by-case basis to ensure adherence to the prevailing ethical standards and regulations.

In the main, Bunzl uses other firms to provide non-audit services. However, if the provision of a service by the Company's auditors is permitted and adequate safeguards are in place, it is sometimes appropriate for this additional work to be carried out by the Company's auditors.

Details of the fees paid to the external auditors in 2021 in respect of the audit and for non-audit services are set out in Note 5 to the consolidated financial statements. The fees relating to non-audit services work in 2021 equated to 6.0% of the fees relating to audit services.

+ Tenure and effectiveness

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

In accordance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('CMA Order') the Company is required to put the external audit contract out to tender every 10 years. In addition, in accordance with the CMA Order, the external auditors are required to rotate the audit partner responsible for the Company's audit every five years.

PwC were first appointed as Bunzl's external auditors in 2014. The Committee anticipates that the next competitive tender will be conducted no later than 2023 in accordance with current regulation that requires a tender every 10 years. Given the continuing effectiveness of PwC in their role as external auditors, the Committee believes it is in the best interests of shareholders for PwC to remain in role for the next two years pending the outcome of the tender process. The current audit partner, Neil Grimes, took over the position as audit partner with effect from 1 January 2019. Accordingly, the Company confirms that it has complied with the provisions of the CMA Order for the 2021 financial year.

+ Internal assessment of audit quality

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

+ External assessment of audit quality

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

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

+ Recommendation

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

As a consequence of its satisfaction with the results of its review of the external auditors' activities during the year, the Committee has again recommended to the Board that a resolution proposing the re-appointment of PwC as external auditors for the year ending 31 December 2022 be put to shareholders at the forthcoming AGM.