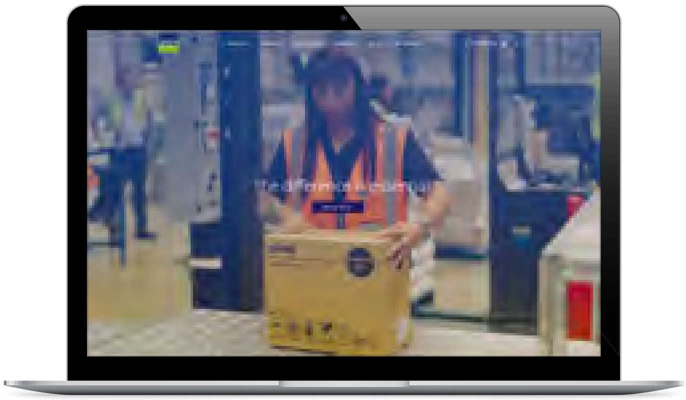
Bunzl plc Annual Report 2021

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

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

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



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Focused on sustainability

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Engaging digital solutions

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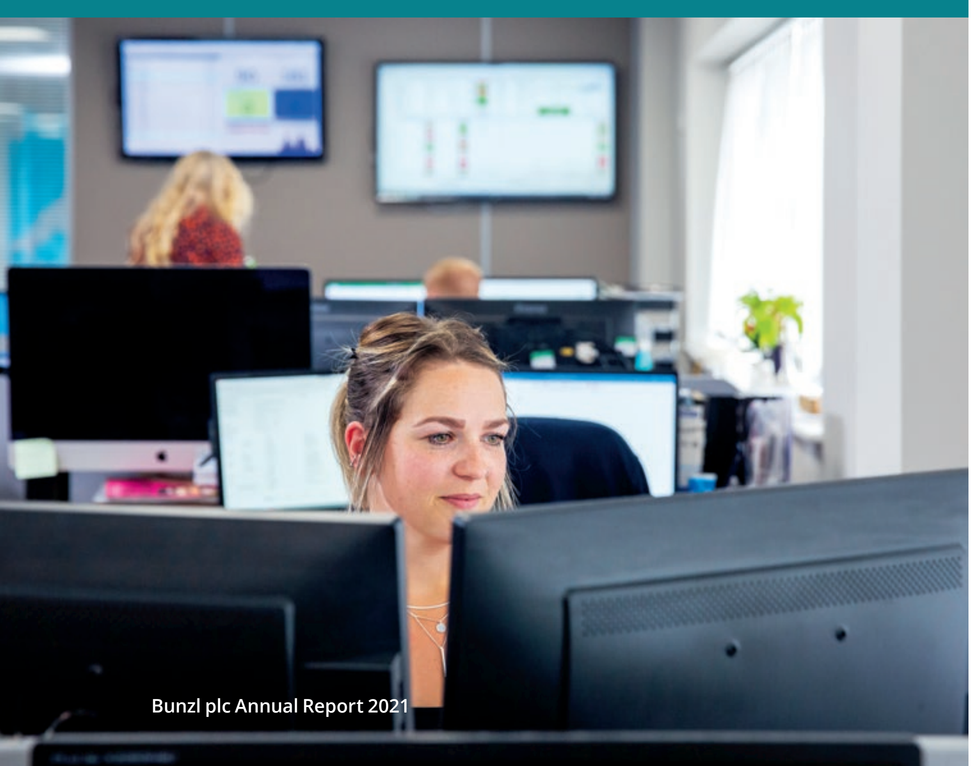

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Supporting a more circular economy: Transitioning our customer Driscoll's to alternative products.

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Strategic report

Strong results with a focus on sustainability

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

Financial performance: Highlights

Revenue

£10,285.1m

(2020: £10,111.1m)

+7.1%

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

Adjusted operating profit*

£752.8m

(2020: £778.4m)

+2.8%

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

Operating profit

£623.3m

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

Adjusted earnings per share*

162.5p

(2020: 164.9p)

+4.9%

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

Basic earnings per share

132.7p

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

Dividend per share

57.0p

(2020: 54.1p)

+5.4%

Cash conversion*

102%

(2020: 103%)

Committed acquisition spend

£508m

Net debt : EBITDA **

1.6x

(2020: 1.5x)

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

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

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

This review refers to alternative performance measures which exclude charges for customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and the profit or loss on disposal of businesses and any associated tax, where relevant. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and they are removed in calculating the profitability measures by which management assesses the performance of the Group. Further details of these alternative performance measures can be found in Note 3 on page 170.

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

Sustainability performance: Highlights

1.5°C

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

12%

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

754

754 ethical audits conducted in Asia

84%

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

22%

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

2%

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

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

Facilitating businesses globally with essential products and services

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

Grocery

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

Foodservice

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

Safety

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

Cleaning & Hygiene

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

Retail

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

Healthcare

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

Other

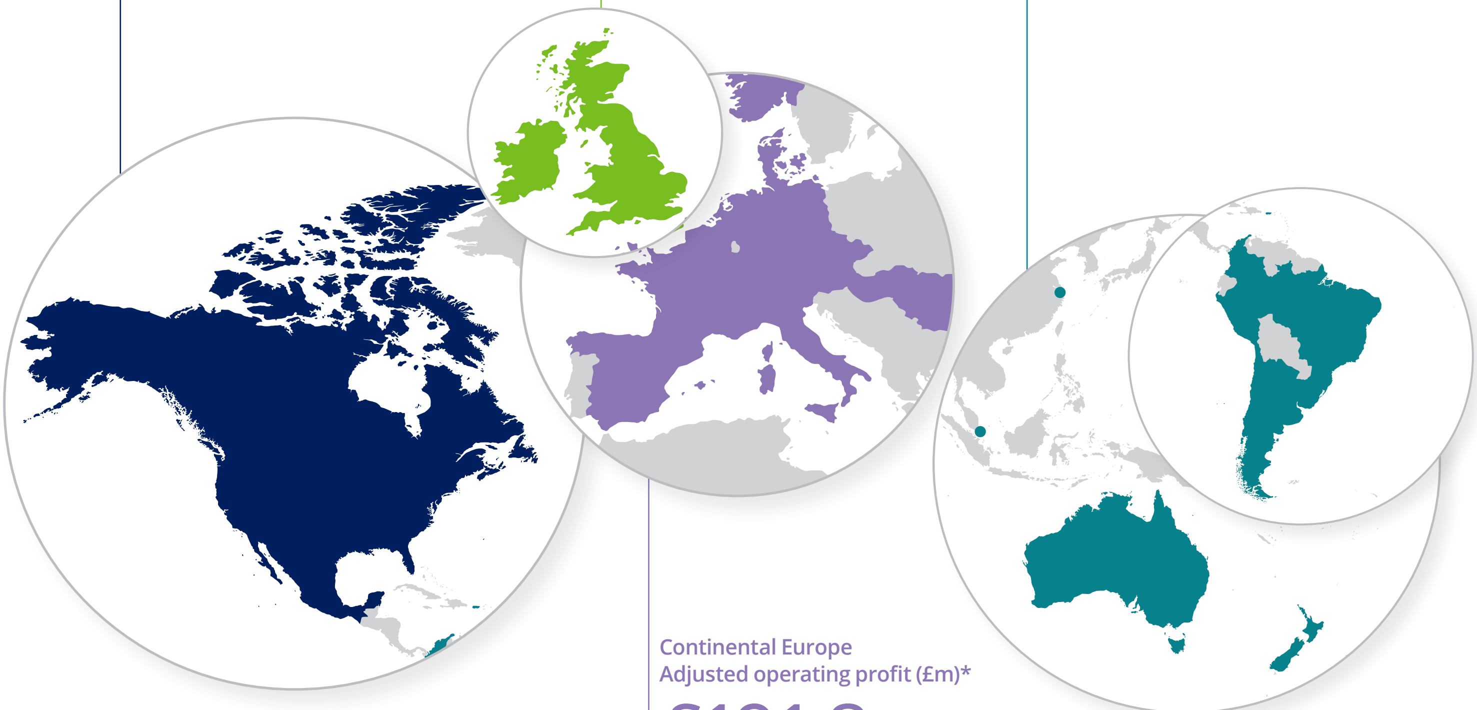
A variety of product ranges to other end user markets.

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

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

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

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

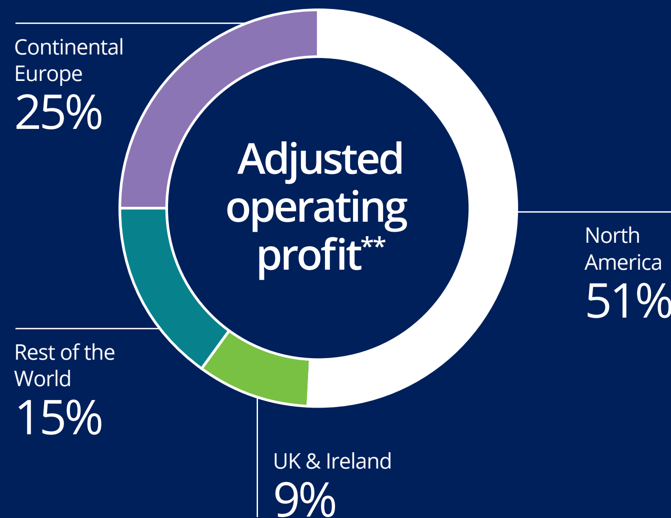


Continental Europe
Adjusted operating profit (£m)*
£191.8m
2020: £238.1m

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

Our business regions

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



183
Acquisitions since 2004

31
Countries

29
Years of dividend growth

21,021
Employees

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

Our people and culture continue to be key to our success

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

Peter Ventress
Chairman

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

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

Strategic priorities

We continue to pursue a consistent and proven strategy of developing the business through a combination of organic growth, operational improvements and acquisition growth. The 14 acquisitions made in 2021 are complementary to our existing businesses and demonstrate the quality of acquisition opportunities in the pipeline, as well as the breadth of opportunity, with acquisitions made across all of our business areas. Alongside this, we officially launched the next phase of our sustainability ambitions in October at our Capital Markets Day and

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

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

People and culture

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

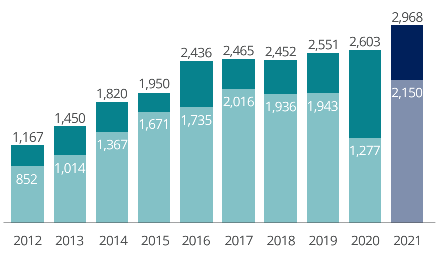
Within our people strategy, diversity is a key focus, and I am pleased that we are expanding our diversity programmes. We are encouraging more women into leadership roles through focused and targeted activities, with the UK & Ireland demonstrating the power of these initiatives as the number of women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

Shareholder returns

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

Peter Ventress
Chairman
28 February 2022

Share price range (p)



2021 share price

High

2,968p

Low

2,150p

Thank you to our people

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

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

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A strong track record for delivering growth

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

A diversified, balanced and resilient business

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

Revenue CAGR since 2004

9%

Adjusted operating profit[1] CAGR since 2004

9%

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

23.2%

A consistent and proven compounding strategy

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

Average underlying revenue growth[1] since 2004

2.5%

Self-funded committed acquisition spend since 2004

£4.4bn

Acquisitions since 2004

183

Significant opportunities for future growth

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

Committed acquisition spend in 2021

£508m

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

1.6x

Sustainable and equitable growth

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

In-person supplier audits in Asia over 2021

754

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

↓c.60%

% of Group revenue generated by consumables facing regulation

2%

Proportion of female members of Board and Executive Committee during 2021

c.40%

Disciplined financial management

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

Return on invested capital[1]

15.1%

Return on average operating capital[1]

43.3%

Cash conversion[1]

102%

A long term track record of returns for shareholders

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

Annual consecutive dividend growth

29 years

Adjusted earnings per share[1]

31.7p in 2004
to
162.5p in 2021

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

Driving the transition to better solutions

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

Frank van Zanten
Chief Executive Officer

Overview

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

Committing to ambitious climate action

Today

Tomorrow

Beyond

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

Operating performance

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

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

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

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

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

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

- Net zero by 2050 at the latest[3]

Our focus areas to 2025

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

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

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

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

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

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

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

Helping customers with alternative packaging solutions

Our role in supporting the circular economy

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

2021 highlights

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

2%

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

84%

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

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

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

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

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

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

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

Underlying growth and operational efficiency

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

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

Acquisitions

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

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

Ensuring a responsible supply chain

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

c.98%

of spend in Asia audited every 2 years

754

ethical audits conducted in Asia in 2021

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

SCAN TO LEARN MORE ABOUT OUR SHANGHAI OPERATIONS

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

Sustainable solutions

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

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

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

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

Prospects

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

Looking ahead, the Group's longer term prospects remain attractive, with the last two years reinforcing the resilience and quality of the Bunzl model by demonstrating the agility that comes with our decentralised business model, the critical role we play in supply chains and for our customers, and our highly cash generative nature. We expect to see further normalisation in the near-term as we continue to see base business recovery at varying speed across sectors and attractive longer-term growth opportunities in the sectors that we serve, particularly in safety, cleaning & hygiene and healthcare. Further, we believe the merits of joining the Bunzl family have only been strengthened as a result of the pandemic and this is reflected in our recent acquisition success and the conversations we are having with a number of acquisition targets. The Group remains committed to creating value through its proven and consistent strategy of driving organic growth, delivering operational improvements and further consolidating our markets through strategic acquisitions.

Frank van Zanten
Chief Executive Officer
28 February 2022

Our leadership team

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

READ MORE
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Frank van Zanten*
Chief Executive Officer

Diana Breeze*
Director of Group Human Resources

Richard Howes*
Chief Financial Officer

Andrew Mooney*
Director of Corporate Development

Suzanne Jefferies*
General Counsel and Company Secretary

* Members of the Executive Committee

Jim McCool
Chief Executive Officer, North America

Andrew Tedbury
Managing Director, UK & Ireland

Alberto Grau
Managing Director, Continental Europe

Jonathan Taylor
Managing Director, Latin America

Kim Hetherington
Managing Director, Asia Pacific

Mark Jordan
Group Chief Information Officer

Supporting our customers with sustainable solutions

James Pitcher
Group Head of Sustainability

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

WATCH THE FILM:
TAILORED SOLUTIONS
FOR A BETTER WORLD

Ensuring products are made from alternative materials

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

Sustainability as a competitive advantage

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

Supporting a more circular economy

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

Continued focus and investment in our people

Diana Breeze
Group HR Director

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

Bunzl’s ‘We Believe’ employment brand articulates our culture

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

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

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

82%

of employees believe that leaders support diversity & inclusion here.

Improving efficiency with engaging digital solutions

Mark Jordan
Chief Information Officer

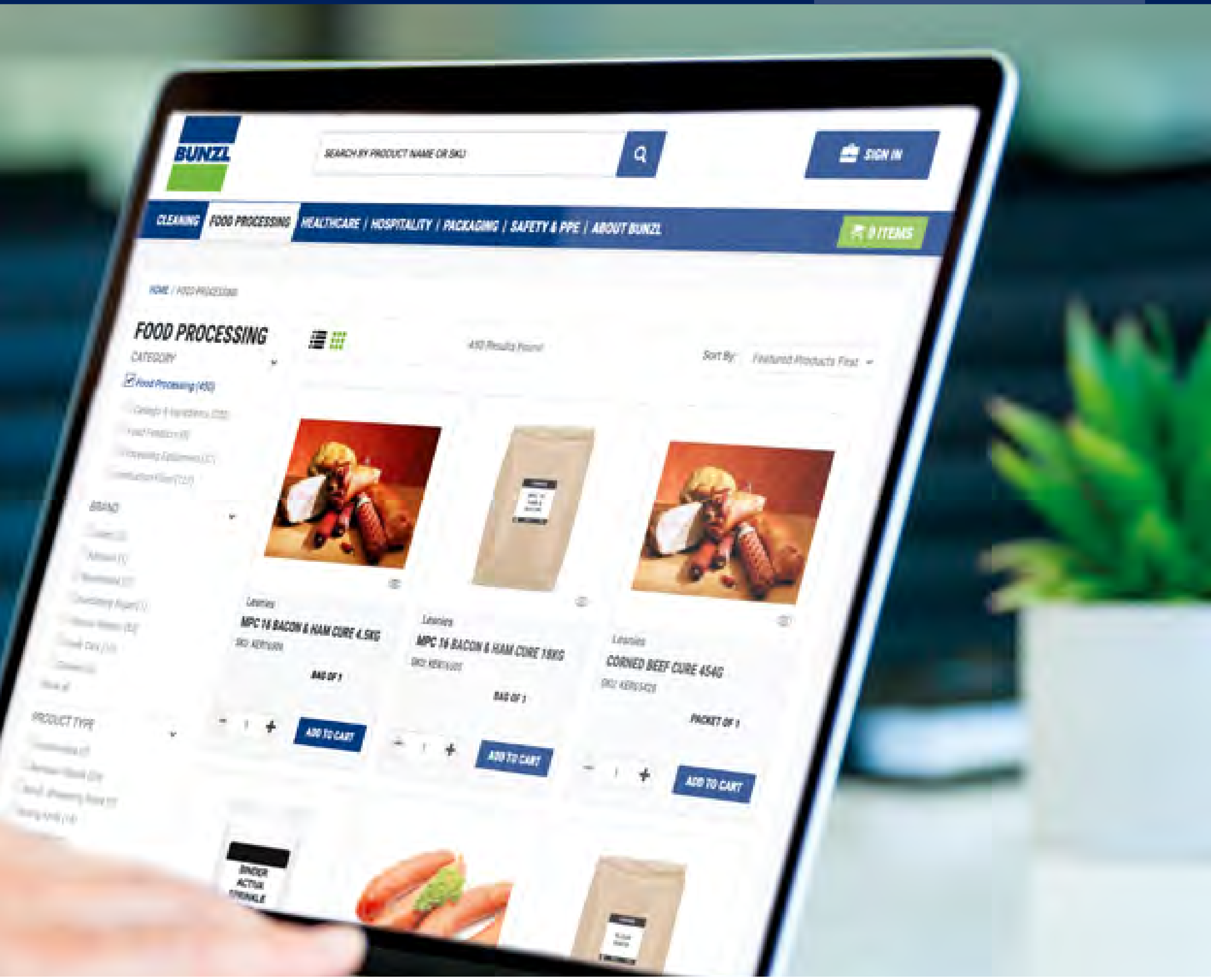
'Complex customer journeys necessitate smart digital solutions that simplify ordering but also provide customer enhancing insights.'

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

Customised dynamic dashboards

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

67%
Group orders placed digitally in 2021



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

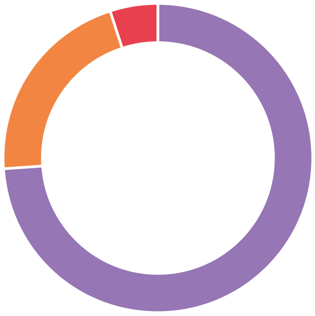
Across many of our businesses we are now providing our customers with the data they need to understand the mix of packaging that they source and how this packaging is ranked against alternatives. Our data insights allow customers to accurately measure their progress in transitioning products to those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

Example customer output

Products at risk of legislation

High	4%
Medium high	8%
Medium low	26%
Low	62%

Product recyclability



Widely recyclable	74%
Recyclable through specialist provision*	21%
Not recyclable	5%

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

Agile response to evolving market dynamics

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

Summary of performance over the pandemic

2020

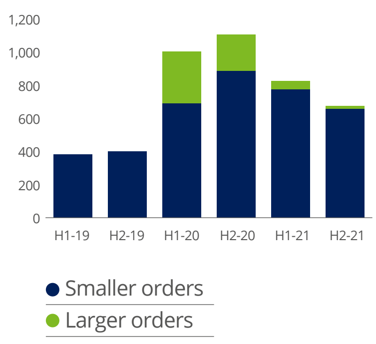
Strength of Covid-19 related sales more than offset material declines in our base business, with impact across all our core sectors and particularly foodservice and retail.

2021

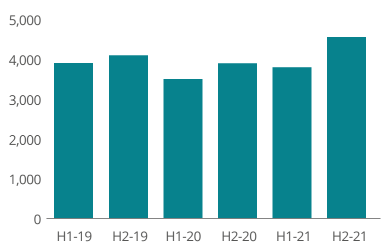
Reversing trends with year-on-year decline in Covid-19 related sales offset by base business recovery, inclusive of inflation support. Due to varied levels of restrictions and sector mix, recovery in the base business has been mixed across countries, but by the final quarter of 2021 all business areas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

Resilience through mix

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



Absolute base business[2] revenue (£m)



Underlying revenue growth[3] of

4.8%

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

Underlying revenue growth[3] of

3.6%

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

17%

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

23%

adjusted operating profit[3] growth 2019–2021

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

Transition to normalisation

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

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

Safety

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

Cleaning & Hygiene

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

Healthcare

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

Grocery

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

Foodservice

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

Retail

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

Beyond the pandemic

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

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

Supporting our customers with the omnichannel shift

Grocery

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

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

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

Foodservice

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

Retail

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

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

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

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

Delivering long term sustainable value

Our purpose

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

Through our core values

- Humility
- Responsiveness
- Reliability
- Transparency

What

Essential business solutions...

One-stop-shop

We source

We consolidate

We deliver

We ensure:

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

How
Create long term sustainable value...

A compounding strategy that consistently delivers...

- Profitable organic growth
- Operating model improvements
- Acquisition growth

READ MORE PAGE 32

We deliver:

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

...with sustainability a vital part of the equation

- Responsible supply chains
- Investing in a diverse workforce
- Taking action on climate change
- Providing tailored alternative solutions

READ MORE PAGE 46

We provide:

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

Why
For the benefit of all stakeholders

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

READ MORE PAGE 58

Essential business solutions

Our tailored service model

Bunzl offers tailored solutions that utilise varied resources and capabilities.

We source

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

We consolidate

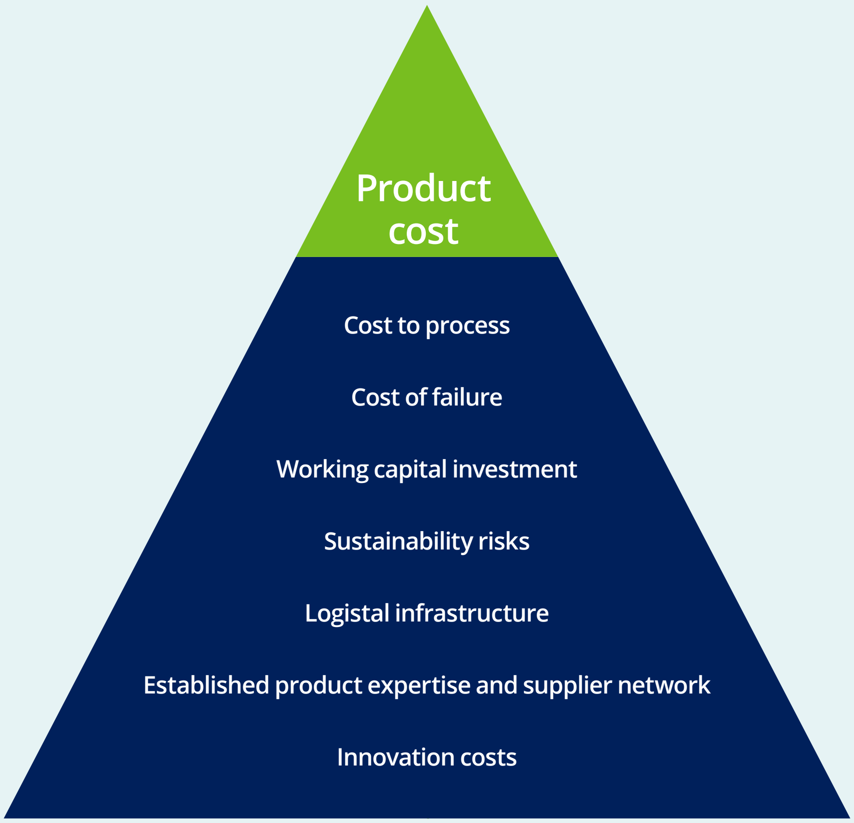
- One-stop-shop for all products in a single delivery
- Customised digital solutions
- Integrated ordering systems
- Analytical support to improve efficiencies
- Carbon savings through consolidated deliveries

We deliver

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

Our service and value proposition for our customers

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



Saving our customers more than just the cost of products

Our sources of competitive advantage

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

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

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

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

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

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

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

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

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

Our capital allocation priorities

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

Reinvestment
We continue to reinvest in our operations, including in our IT systems and e-commerce applications, vehicle routing and warehouse management systems and by consolidating and upgrading our warehouses.

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

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

Delivering value for all of our stakeholders

A consistent compounding strategy

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

Consistent compounding strategy

Profitable organic growth

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

MORE INFORMATION ON PAGE 33

Operating model improvements

Daily focus on making our business more efficient

MORE INFORMATION ON PAGE 34

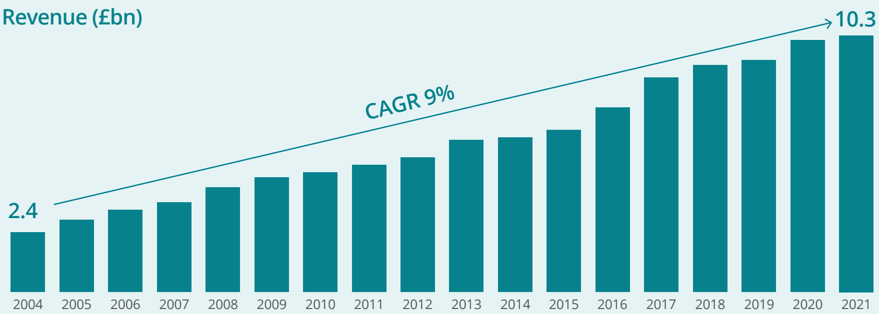
Acquisition growth

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

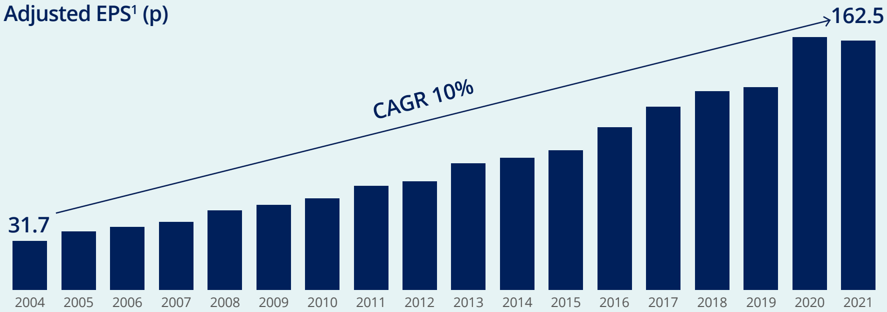
MORE INFORMATION ON PAGE 35

Proven track record

Revenue (£bn)



Adjusted EPS[1] (p)



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

Profitable organic growth

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

Our organic growth drivers

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

STRATEGY IN ACTION

How our model drove success during the pandemic

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

Underlying revenue growth[1]
2021 vs 2019

+8.5%

Operating model improvements

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

Operating cost efficiencies continually assessed

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

Digital a key enabler to driving efficiencies

Supply chain efficiencies

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

Optimising our operations

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

STRATEGY IN ACTION

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

Warehouse consolidations: six small warehouses into one efficient warehouse

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

Use of energy efficient lighting reducing energy usage by 70%

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

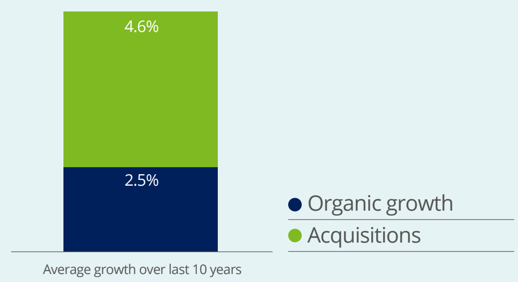
Acquisition growth

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

Success of acquisition strategy

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

Average components of revenue growth over last 10 years



STRATEGY IN ACTION

50 safety acquisitions since 2000

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

Acquisition of McCue Corporation (October 2021)

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

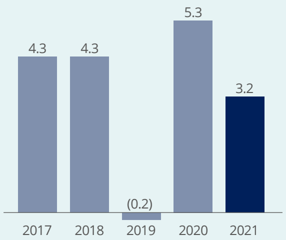
- >20% historical sales CAGR (2018-2021)
- Strong margins; above typical group safety margins
- Exciting growth opportunity:
  - growth of e-commerce based distribution activities;
  - importance of health and safety measures in operating environments;
  - increasing prevalence of higher value warehouse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

Measuring our strategic progress

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

Profitable organic growth

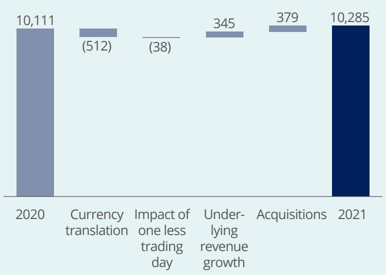
Organic revenue growth (%)



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

Organic revenue increase of 3.2% was driven by the strong recovery in the base business.

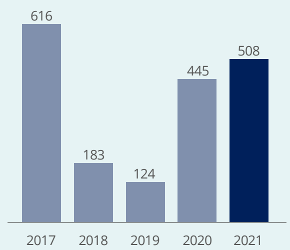
Reconciliation of revenue growth between 2020 and 2021 £m



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

Acquisition growth

Acquisition spend £m



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

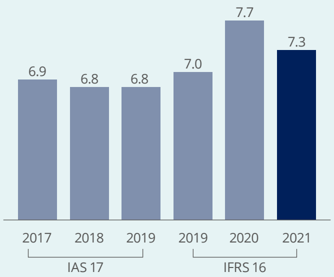
Committed acquisition spend of £508 million with 14 announced acquisitions.

Annualised revenue from acquisitions £m

Estimated revenue which would have been contributed by acquisitions agreed during the year if such acquisitions had been completed at the beginning of the relevant year (see Note 28 on page 201).

Operating model improvements

Operating margin %Δ

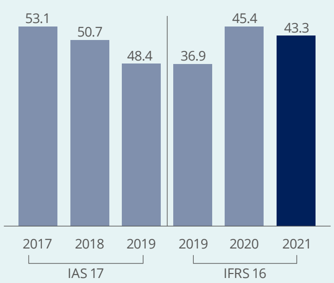


Ratio of adjusted operating profitΔ to revenue.

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

Excluding the impact of acquisitions during the first 12 months of ownership, the 2021 operating marginΔ was 7.1%, down from 7.6% in 2020 (restated at constant exchange rates).

Return on average operating capital %Δ

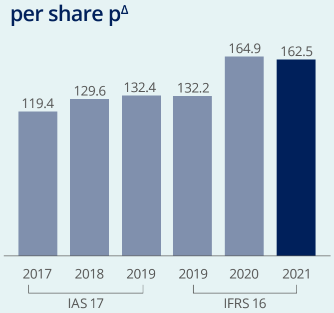


Ratio of adjusted operating profitΔ to the average of the month end operating capital employed (being property, plant and equipment, software, right-of-use assets, inventories and trade and other receivables less trade and other payables).

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

Financial

Adjusted earnings per share pΔ



Adjusted profit for the yearΔ divided by the weighted average number of ordinary shares in issue (see Note 8 on page 177).

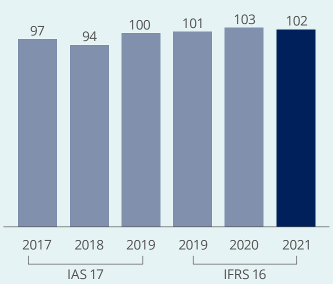
At constant exchange rates, adjusted eps up 4.9% from a 2.8% increase in adjusted operating profitΔ, a reduction in net interest expense and a decrease in the effective tax rate.

Return on invested capital %Δ

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

ROIC down to 15.1% driven by a lower operating margin and reflective of a more normal revenue mix for the Group as Covid-19 related sales have decreased.

Cash conversion %Δ



Operating cash flowΔ as a percentage of lease adjusted operating profitΔ (see Consolidated cash flow statement on page 160).

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

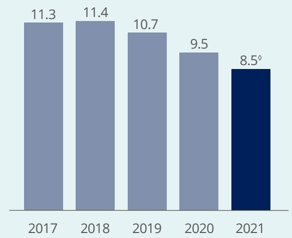
These KPIs reflect our strategic priorities of developing the business through organic and acquisition led growth and improving the efficiency of our operations as well as other financial and environmental metrics.

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

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

Existing non-financial key performance indicators

Scope 1 carbon emissions
Tonnes of CO_2e per £m revenue

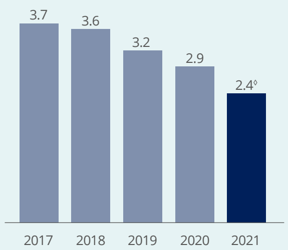


Measured in accordance with the Greenhouse Gas Protocol applying BEIS conversion factors.

Scope 1 carbon emissions down 14% at constant exchange rates (down 11% at actual exchange rates) primarily due to unusual business circumstances, with activity in some businesses impacted by pandemic-related restrictions.

12 months to 30 September.

Scope 2 carbon emissions
Tonnes of CO_2e per £m revenue

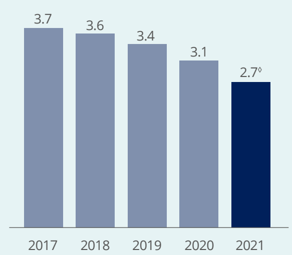


Measured in accordance with the Greenhouse Gas Protocol applying BEIS UK conversion factors and IEA factors for overseas electricity.

Scope 2 carbon emissions down 18% at constant exchange rates (down 15% at actual exchange rates) driven by the continued implementation of energy efficiency improvements such as low energy lighting.

12 months to 30 September.

Fuel usage
Litres per £000 revenue



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

Fuel usage down 14% at constant exchange rates (down 11% at actual exchange rates) primarily due to unusual business circumstances with activity in some businesses impacted by pandemic-related restrictions.

12 months to 30 September.

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

Responsible supply chains

Target

90%

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

Investing in our people and a diverse workforce

Target

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

40%

Taking further action on climate change

Target

25%

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

Target for 2030

50%

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

Providing tailored alternative solutions

Target

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

North America

208
Locations

7,936
Employees

'Our strong network has been resilient against supply challenges'

Jim McCool
Chief Executive Officer
North America

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

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

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

Revenue

£6,144.7m

(2020: £5,843.8m)

Growth at constant exchange rates

12.4%

Underlying growth*

9.2%

Adjusted operating profit*

£401.3m

(2020: £395.7m)

Growth at constant exchange rates

8.5%

* Alternative performance measure (see Note 3)

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

Operating margin*

6.5%

(2020: 6.8%)

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

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

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

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

SUSTAINABILITY IN ACTION

Supporting customers to meet industry-leading targets

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

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

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

Number of clamshells supplied made from recycled content

300m

Continental Europe

175
Locations

5,221
Employees

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

Alberto Grau
Managing Director, Continental Europe

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

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

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

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

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

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

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

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

Operating margin*
9.7%
(2020: 11.2%)

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

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

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

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

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

SUSTAINABILITY IN ACTION

Independent advice when transitioning from one material to another

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

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

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

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

UK & Ireland

94
Locations

3,812
Employees

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

Andrew Tedbury
Managing Director
UK & Ireland

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

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

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

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

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

Revenue

£1,254.2m

(2020: £1,287.7m)

Growth at constant exchange rates

(2.4)%

Underlying growth*

(6.2)%

Adjusted operating profit*

£67.0m

(2020: £68.6m)

Growth at constant exchange rates

(2.2)%

* Alternative performance measure (see Note 3)

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

Operating margin*

5.3%

(2020: 5.3%)

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

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

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

SUSTAINABILITY IN ACTION

Driving carbon efficiencies through optimised and consolidated deliveries

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

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

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

Increase in average order value to reduce carbon emissions

100%

Rest of the World

112
Locations

3,368
Employees

‘Our acquisition strategy has continued to support growth’

Jonathan Taylor
Managing Director
Latin America

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

Kim Hetherington
Managing Director
Asia Pacific

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

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

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

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

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

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

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

Operating margin*
12.8%
(2020: 12.2%)

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

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

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

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

SUSTAINABILITY IN ACTION

Enabling faster transition with Bunzl own-brand solutions

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

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

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

Number of consumable products transitioned to alternative materials
20m

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

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

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

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

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

Strong track record of transitioning customers

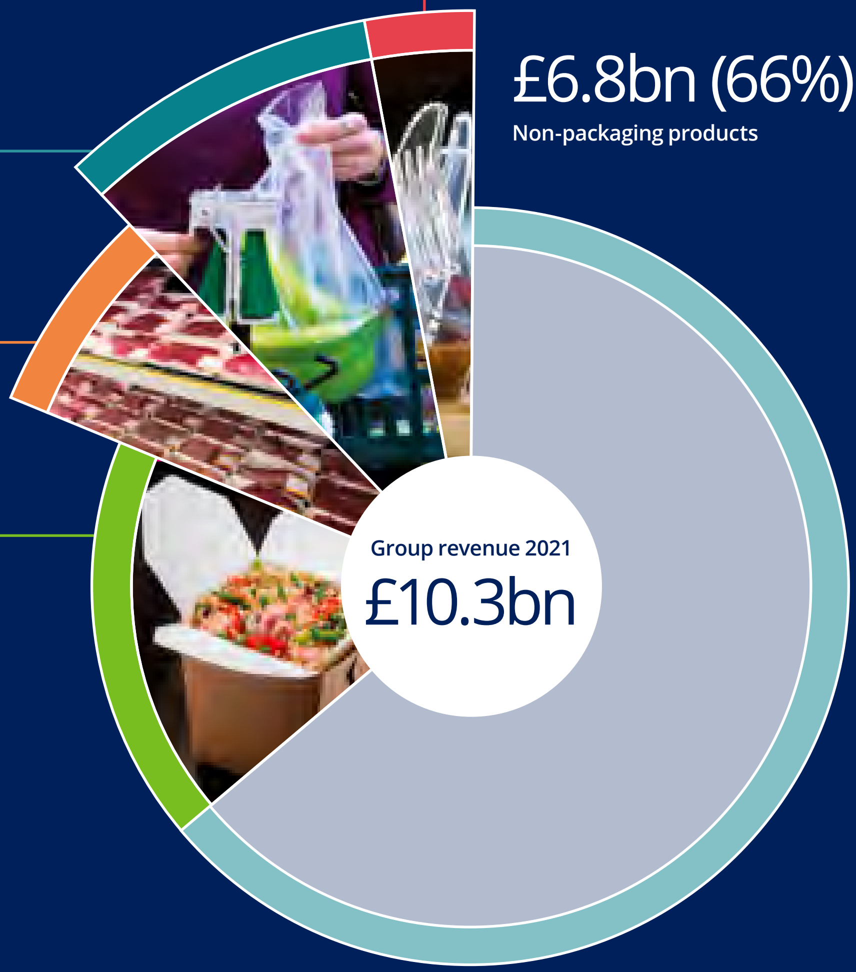
The majority of our packaging is recyclable, compostable, renewable or reusable

£0.2bn (2%)◊
Consumables facing regulation

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

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

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



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

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

84%

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

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

Responsible supply chains

Highlights

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

Our progress

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

Supporting the UN Sustainable Development Goals (SDGs)

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

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

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

Investing in our people and a diverse workforce

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

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

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

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

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

Taking action on climate change

Highlights

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

Our progress

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

Supporting the UN SDGs

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

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

Wilco Nederkoorn,
Commercial Director
Professional Hygiene Benelux
at Essity

Providing tailored alternative solutions

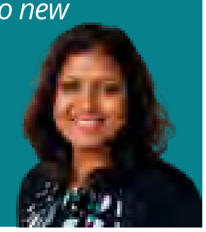
- Proactively developing products made from alternative materials to help customers meet their targets
- Transitioning customers to materials that support a more circular economy
- Assessing full lifecycle impact to ensure transitioning does not cause unintended environmental consequences

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

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

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

Shifrah Jacobs,
Chief Impact Officer
at Plastics for Change



Responsible supply chains

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

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

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

Respecting Human Rights

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

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

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

Our progress in 2021

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

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

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

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

Our new commitments

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

Today

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

Tomorrow

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

Beyond

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

Our supply chain auditing and assessment programme

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

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

Investing in our people and a diverse workforce

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

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

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

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

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

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

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

Our progress in 2021

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

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

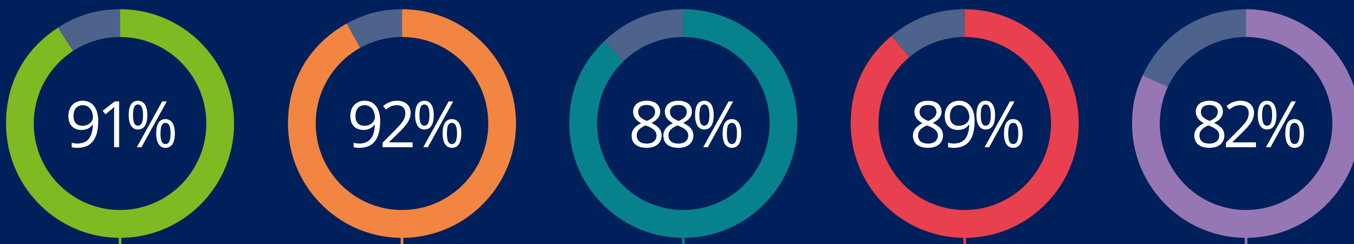
In 2020 we launched our new Employment Brand 'We Believe' which we are now using internally and externally across the Group. This has enabled us to bring to life the benefits of working for a local business that is part of a powerful network under the Global Bunzl umbrella. The 'We Believe' campaign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

Our talent objectives for the next few years are:

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

Excellent engagement scores

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



"My work is meaningful to me."

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

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

"I enjoy the work I do."

"Leaders support diversity and inclusion here."

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

Question: What do you value most about working here?

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

Taking action on climate change

Our carbon efficient business model

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

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

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

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

Our progress in 2021

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

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

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

Assessing climate change scenarios and their impact on our business

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

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

Our new commitments

Today

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

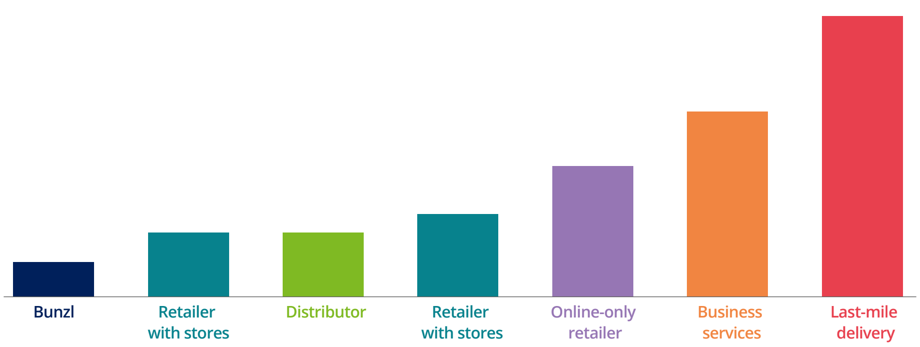
Tomorrow

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

Beyond

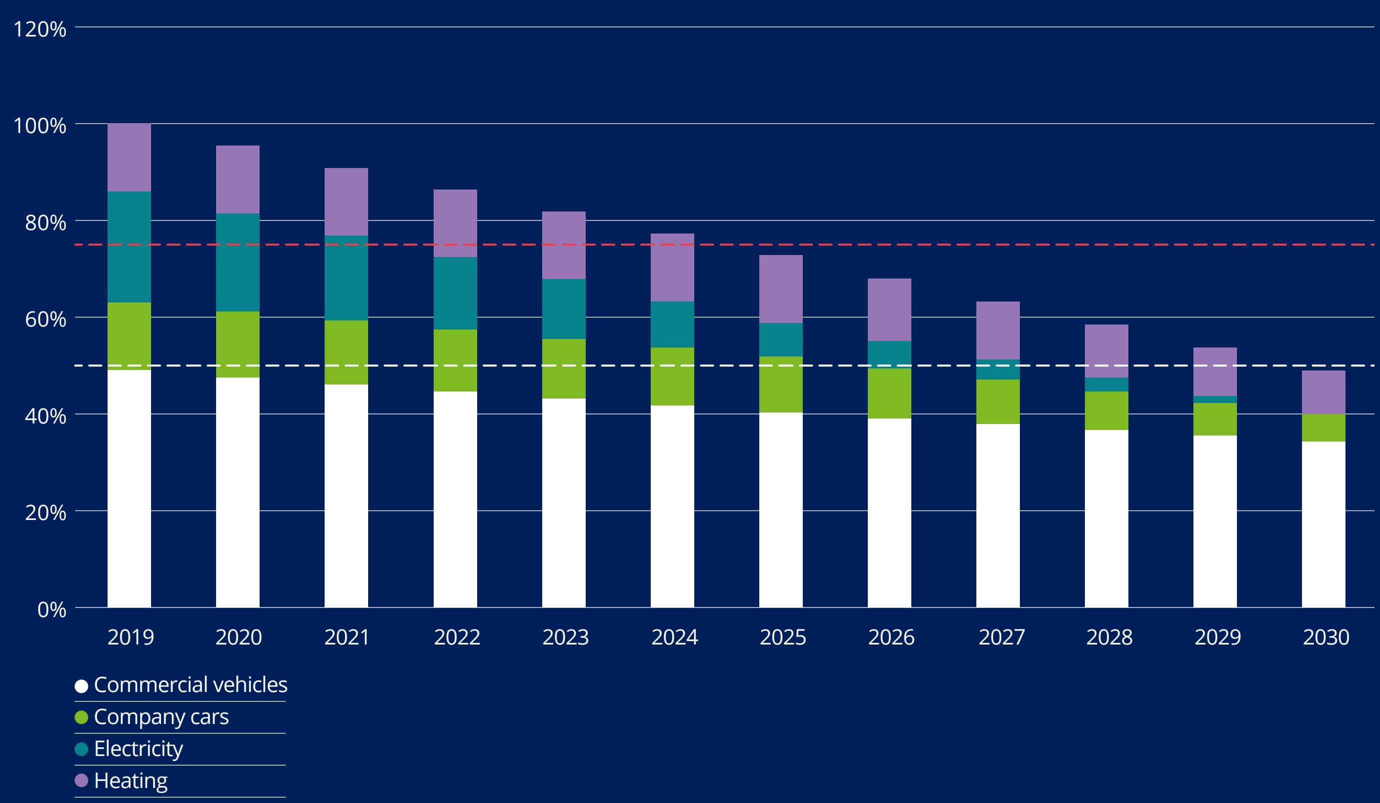
- Net zero by 2050 at the latest, including scope 3.

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



Our carbon roadmap to 2030

Carbon emissions intensity projection



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

Providing tailored solutions

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

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

Our progress in 2021

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

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

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

Our new commitments

Today

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

Tomorrow

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

Beyond

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

1 Smart material choices

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

IN ACTION

PlanetScore: Gathering information on sustainability

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

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

2
Designing for circularity not waste

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

3
Promoting responsible usage and reusable options

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

4
Partnering to support closed loop solutions

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

IN ACTION

Transitioning a North American business to recycled materials

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

IN ACTION

Reducing plastic use with soluble cleaning sachets

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

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

IN ACTION

Recycling thermoforms to create fresh berry packaging

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

A strategy that benefits all our stakeholders

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

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

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

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

	Customers	Colleagues
Why do we engage?	Our business and livelihood depend upon our customers. Building strong relationships with them, using the expertise of our commercial teams, ensures that we gain a deep understanding of their varying and complex needs, allowing us to provide a customised service and bespoke solutions to different customers.	Our people underpin everything we do and are the focus of our business. Nurturing the talent that we need to drive future growth is a business priority and we create an inclusive and supportive environment in which each individual can contribute to our success. We implement action plans to address points raised by colleagues to create a collaborative workplace in which we attract and retain the best talent.
How do we engage?	• Our businesses use 'hotlines' and seminars and host launch days to engage with customers and increase their awareness of our product and service solutions. • We work with our customers in the development of new, redesigned, or substantially improved products. • Our 6,000 customer service specialists and sales experts use their deep and detailed knowledge to work with customers to provide the best possible advice on all product and service related matters. • We work with our customers to ensure strong, ethical supply chains.	• We use a range of methods to engage with our employees, including listening groups, regular team briefings, site visits, digital apps, engagement surveys, video messaging and meetings with workforce representatives. • The Board ensures that it understands the views of Bunzl's workforce through director attendance at, and participation in, employee consultation forums, senior leadership programmes and other employee-focused events. • Board meetings are periodically held at or near Group locations where the directors meet with local management and employees. • We have accelerated our diversity, equity and inclusion employer practices and established working groups and targeted events throughout the business. • Social media updates are provided on employee initiatives. • 'The Source' magazine is published frequently, updating colleagues on company initiatives, acquisitions, career moves, new customers, community efforts, and sustainability progress.

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

Environment	Shareholders	Suppliers	Communities
Our goal is for Bunzl to be a responsible and resilient organisation that inspires and proactively implements solutions that protect the environment, while being commercially successful for our stakeholders. Engagement is essential for our proactive approach to sustainability so we can accelerate our focus on sustainability for tomorrow and beyond.	Engagement with shareholders helps us to understand their views and priorities. The feedback that we receive informs our decision making and influences the long term strategy of the Company.	Bunzl regards suppliers as partners and collaboration between Bunzl and its suppliers ensures strategic alignment which enables us to meet our customers' individual needs, promote innovation and drive ambitious business solutions for new and existing customers.	We believe that, in order to maintain their social licence to operate, companies must invest in and benefit the places and communities in which they work. It is clear to us that we can only deliver for our customers and grow our business when our employees, suppliers and communities succeed alongside us.
• We seek to reduce our, our suppliers' and our customers' impacts on the environment by reducing carbon emissions, promoting the reduction of waste and providing innovative products and services to meet our customers' sustainability needs. • We work in partnership with customers and suppliers to source and promote alternatives to single use plastics and to support the development of innovative products to increase compostability, circularity and recyclability. • We aim to reduce our impact on the environment, including factors contributing to climate change, through a commitment to continual improvement. • Bunzl commits to ambitious climate change action targets and joins global alliances on climate change.	• Bunzl updates shareholders six times per year on trading performance. • Presentations of the half year and annual results with question and answer sessions are also given. • Executive directors meet regularly with major shareholders and report their views to the Board. • The Chairman, Senior Independent Director and other non-executive directors are available to meet with major shareholders on request. • The Board reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's brokers and investor relations consultants. • Shareholders are encouraged to participate in the AGM, are invited to ask questions at the meeting or via a dedicated email address, if they are unable to attend, and are given the opportunity to meet all of the directors informally. • The Board engages with shareholders before and after the AGM to understand voting intentions and votes cast.	• We work with our suppliers to build long term relationships, capability and trust, increase sustainability within our supply chain and provide products and solutions to customers that are sourced and delivered efficiently, safely and sustainably. • Supplier conferences are held to showcase examples of good practice and build awareness of social compliance issues. • Our quality assurance/quality control team in Shanghai monitors and works with our key suppliers in Asia and elsewhere to ensure that they meet international standards. • Bunzl's supplier code of conduct is in operation across our supplier base.	• We encourage and provide resources and opportunities for Bunzl people to get involved in local community projects and to contribute to social impact causes. • We align the focus of our charitable support with key environmental activities relevant to our business. • We have supported our local communities with tailored support during the Covid-19 pandemic, including donating PPE to hospitals and providing face masks to schools. • We support the communities where our employees live and work and encourage fundraising activities championed by our businesses and their employees locally.

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

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

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

The likely consequences of any decision in the long term
- Company purpose: page 28
- Acquisitions: page 104
- Our business model: page 30
- Our strategy: page 32
- Shareholder returns: page 9

The impact of the Company's operations on the community and the environment
- Sustainability: pages 46 to 57
- TCFD disclosures: page 82
- Carbon emissions: pages 86 to 88
- Community investment: pages 58 to 63

The interests of the Company's employees
- Employment policies: page 152
- Employee engagement: page 103
- Diversity, equity and inclusion: page 48
- Our people: pages 20 and 21

The desirability of the Company maintaining a reputation for high standards of business conduct
- Audit Committee report: pages 116 to 124
- Independent auditors' report: pages 214 to 221
- Whistle blowing: page 86
- Culture and values: page 102
- Non-financial information statement: page 91

The need to foster the Company's business relationships with suppliers, customers, and others
See our 'Policy hub' at www.bunzl.com to access:
- Business Code of Conduct Policy
- Bunzl Anti Bribery and Corruption Policy
- Bunzl Ethical Sourcing Policy
- Modern Slavery Statement
- Supplier Code of Conduct

The need to act fairly as between members of the Company
- Shareholder engagement: pages 58 to 63
- The Company's Annual General Meeting: page 63

SUSTAINABILITY IN ACTION

Tailored solutions that support the circular economy and climate change agenda

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

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

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

CASE STUDY

Diversity listening events

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

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

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

CASE STUDY

Bunzl's AGM: engaging with shareholders

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

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

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

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

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

CASE STUDY

The Board's ethical supplier policy

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

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

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

A robust approach to risk management

Bunzl operates in six core market sectors in 31 countries which exposes it to many risks and uncertainties. The Group sees the management of risk, both positive and negative, as critical to achieving its strategic objectives.

Risk assessment

Risk identification

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

Inherent risk assessment

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

Risk response and residual risk assessment

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

Risk management process

To deliver the Group's strategic objectives successfully, and provide value for shareholders and other stakeholders, it is critical that Bunzl maintains an effective process for the management of risk. The Company has a risk management policy which ensures a consistent process is followed by every business and business area as well as the Executive Committee and ultimately the Board, firstly to assess and then subsequently to manage both current and emerging risks. These interrelated aspects of the Group's risk management policy are explained below*. Additional details are also provided on the key risk management activities undertaken during 2021.

Risk management

The Board

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

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

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

The Audit Committee

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

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

Executive Committee

Holds regular meetings with business area management to discuss strategic, operational and financial issues and ensures policies and procedures are in place to identify and manage the principal risks affecting each of the Group's businesses. Business area management present risk assessments to the Executive Committee annually, focusing on the key risks in their region, processes they have in place to identify risk and any areas of heightened concern or any emerging risks for the future

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

Business area management

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

Business management

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

* The 'Risk management and internal control' section of the Corporate governance report on pages 108 and 109 includes further information on the specific procedures designed to identify, manage and mitigate risks which could have a material impact on the Group's business, financial condition or results of operations and for monitoring the Company's risk management and internal control systems.

Principal risks and uncertainties

The Group operates in six core market sectors in 31 countries which exposes it to many risks and uncertainties, many of which are not fully within the Group's control. The risks summarised below represent the principal risks and uncertainties faced by the Group, being those which are material to the development, performance, position or future prospects of the Group, and the steps taken to mitigate such risks. However, these risks do not comprise all of the risks that the Group may face and accordingly this summary is not intended to be exhaustive.

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

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

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

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

Monitoring risks

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

Emerging risks

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

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

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

Covid-19 impact

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

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

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021

Strategic risks

1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• The Group operates in highly competitive markets and faces price competition from international, national, regional and local companies in the countries and markets in which it operates • Unforeseen changes in the competitive landscape could also occur, such as an existing competitor or new market entrant introducing disruptive technologies or changes in routes to market • Customers, especially large or growing customers, could exert pressure on the Group's selling prices, thereby reducing its margins, switch to a competitor or ultimately choose to deal directly with suppliers • Any of these competitive pressures could lead to a loss of market share and a reduction in the Group's revenue and profits	• The Group's geographic and market sector diversification allow it to withstand shifts in demand, while this global scale across many markets also enables the Group to provide the broadest possible range of customer specific solutions to suit their exacting needs • The Group maintains high service levels and close contact with its customers to ensure that their needs are being met satisfactorily. This includes continuing to invest in e-commerce and digital platforms to enhance further its service offering to customers • The Group maintains strong relationships with a variety of different suppliers, thereby enabling the Group to offer a broad range of products to its customers, including own brand products, in a consolidated one-stop-shop offering at competitive prices	• The Group's large sales force connected with customers to help them understand the range of products available to meet their needs • The Group continued to invest in technology to streamline customers' experience • The Group continued to develop its sustainable product assortment and tools to assist customers in meeting their sustainability goals
2. Financial collapse of either a large customer and/or a significant number of small customers Revenue and profits are reduced as the Group loses customers **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• An unexpected insolvency of either a large customer or a significant number of small customers, particularly within the retail and foodservice sectors, could lead to a sudden reduction in revenue and profits, including the cost of impairing any irrecoverable receivables balances, as well as operating margin erosion due to under-used capacity • The Group's revenue and profits may be affected as well as receivables and inventory (if customer specific inventory is held)	• The Group monitors significant developments in relationships with key customers, including credit checks and limits set for each customer • Delegation of authority limits mean that there is oversight of all material customer contracts at business area and local level	• In 2021, the Group did not encounter insolvencies of either a large customer or a significant number of smaller customers. However, this remains a significant risk as the world is still not out of the Covid-19 pandemic • In 2021, provisions relating to the Group's credit exposure from customers remained broadly unchanged

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021

Strategic risks continued

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
3. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• In the event of indexed or cost plus contracts, a reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper) or other price reductions, lower trade tariffs and/or foreign currency fluctuations, coupled with actions of competitors, may require the Group to pass on such cost reductions to customers, resulting in a reduction in the Group's revenue and profits • Operating profits may also be lower due to the above factors if operating costs are not reduced commensurate with the reduction in revenue	• The Group uses its considerable experience in sourcing and selling products to manage prices during periods of deflation in order to minimise the impact on profits • Focus on the Group's own brand products, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs	• In 2021, the Group experienced a higher level of price volatility compared to recent years. In particular, there was deflation on Covid-19 related products, especially gloves • In order to oversee the price fluctuations in disposable gloves, a working group was set up in 2021. The group, consisting of purchasing directors from around the world, hold regular meetings to understand the price variations in the market and take the appropriate actions for the Group
4. Cost inflation Profits are reduced from the Group's inability to pass on product or operating cost increases **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper) or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers • Operating profits may also be lower due to the above factors if selling prices are not increased commensurate with the increases in operating costs	• The Group sources its products from a number of different suppliers based in different countries so that it is not dependent on any one source of supply for any particular product, or overly exposed to a particular country changing trade tariffs, and can purchase products at the most competitive prices • The majority of the Group's transactions are carried out in the functional currencies of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility • The Group will, where possible, pass on price increases from its suppliers to its customers • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs	• The Group experienced inflation of both product cost and operating costs in 2021 at a higher rate than in the recent past. Selling prices to customers were continually evaluated and updated to ensure that profitability levels were at least maintained. In addition, cost plus arrangements facilitate the automatic increase in prices • The Group continues to focus on own brand product development as part of the discussion with customers about price increases • To mitigate the operating costs increases, the Group drives efficiencies by consolidating facilities and implementing IT systems and solutions to improve productivity

Strategic risks continued

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
5. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having made 183 acquisitions since 2004 • Insufficient acquisition opportunities, through a lack of availability of suitable companies to acquire or an unwillingness of business owners to sell their companies to Bunzl, could adversely impact future profit growth	• The Group maintains a large acquisition database which continues to grow with targets identified by managers of current Bunzl businesses, research undertaken by the Group's dedicated and experienced in-house corporate development team and information received from banking and corporate finance contacts • The Group has a strong track record of successfully making acquisitions. At the same time the Group maintains a decentralised management structure which facilitates a strong entrepreneurial culture and encourages former owners to remain within the Group after acquisition, which in turn encourages other companies to consider selling to Bunzl	• The acquisition pipeline is closely monitored with continued research of any available opportunities for investment • 2021 has been the second most acquisitive year for the Group, with committed spend of £508 million
6. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• Inadequate pre-acquisition due diligence related to a target company and its market, or an economic decline shortly after an acquisition, could lead to the Group paying more for a company than its fair value • Furthermore, the loss of key people or customers, exaggerated by inadequate post-acquisition integration of the business, could in turn result in underperformance of the acquired company compared to pre-acquisition expectations which could lead to lower profits as well as a need to record an impairment charge against any associated intangible assets	• The Group has established processes and procedures for detailed pre-acquisition due diligence related to acquisition targets and the post-acquisition integration thereof • The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has, or can develop, competitive advantage and which have good growth opportunities • The Group endeavours to maximise the performance of its acquisitions through the recruitment and retention of high quality and appropriately incentivised management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management	• The Board reviews performance of recent acquisitions annually. In 2021 the Board reviewed the principal acquisitions made in 2019 and noted that performance was in line with expectations

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021

Strategic risks continued

7. Sustainability driven market changes Revenue and profits are reduced from the Group's inability to offer sustainable products in response to changes in legislation, consumer preferences or the competitive environment **Risk owner:** CEO and Business Area Heads **Change to risk level:** → **Included in viability statement:** Yes	• Over the last year we have seen new legislation introduced across Australia, New Zealand and Canada that mirrors (and in some cases goes further than) the legislation previously introduced in Europe and the UK. The scope of new legislation tends to cover a wider range of products than that previously introduced and has largely been welcomed by consumers and viewed as governments doing the right thing • Consumer awareness of the environmental impact of certain single-use plastic products continues to grow and the concept of single-use consumable items and societies' reliance on them is starting to be questioned more widely, regardless of the material that these items are made from. These changes are likely to lead to a reduction in demand for single-use plastic-based products that the Group sells while, at the same time, increase demand for sustainably sourced, recyclable or reusable alternatives • The Group's revenue and profits could be reduced if it is unable to offer more sustainably sourced, recyclable, compostable, biodegradable or reusable alternatives that replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences	• Bunzl's scale and unique position as a distributor at the centre of the supply chain, supported by dedicated sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are sustainably sourced, recyclable, compostable, biodegradable or reusable, or a combination of these • The Group has access to an extensive global supply chain of product and packaging manufacturers who are innovating the range of products they produce to satisfy the increased focus on sustainability. This means the Group can offer the broadest possible range of products whether in response to legislative changes, consumer preference driven changes or a desire to offer market-leading products to the Group's customers • The Group maintains high service levels and close contact with its customers. Data on customer product usage, coupled with the Group's detailed product knowledge, ensures that the Group is well-positioned to be able to support its customers in shaping and achieving their sustainability strategies (such as a reduction in single-use plastics or an introduction of reusable products systems)	• The majority of the Group's businesses in the retail, foodservice and grocery sectors now employ material footprint tools that explain how legislation will impact the products and packaging a customer uses, while promoting the alternatives we have in our range • In response to a larger number of customers setting increasingly ambitious targets for their packaging, the Group has developed proprietary tools that support customers to report effectively against their goals and participation in industry-leading external schemes, such as the New Plastics Economy and B-Corp certification • The Group continued to expand and introduced new ranges of own brand products made from alternative materials. In Europe, we launched Verive and the new range not only provides solutions which comply with the EU Single Use Plastics Directive but also offers leading sustainability advice and training via a new digital webshop platform

Operational risks

8. Cyber security failure Revenue and profits are reduced as the Group is unable to operate and serve its customers' needs due to being impacted by a cyber-attack **Risk owner:** CIO **Change to risk level:** ↗ **Included in viability statement:** Yes	• The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its connectivity with third parties and its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems • Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers and/or a fine under applicable data protection legislation	• Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats • Cyber security awareness campaigns have been deployed across all regions to enhance the knowledge of Bunzl personnel and their resilience to phishing attacks • IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. The Group Chief Information Officer and Group Head of Information Security coordinate activity in this area	• The Group continued to improve cyber security and data privacy governance, architecture, and controls, along with increasing awareness of both cyber security and data privacy across the Group • Investments were made in modern cyber security technologies that address current and emerging threats while improving operational processes and procedures • The Group focused on improving cyber security and data privacy due diligence processes during the acquisition process, along with improving security posture

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021

Financial risks

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
9. Availability of funding Insufficient liquidity in financial markets leading to insolvency **Risk owner:** CFO **Change to risk level:** → **Included in viability statement:** Yes	• Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends	• The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term	• No new debt was issued in 2021 but the Group has significant liquidity available and continues to monitor forecast cash flows to ensure future requirements can be met
10. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants **Risk owner:** CFO **Change to risk level:** → **Included in viability statement:** No	• The majority of the Group's revenue and profits are earned in currencies other than sterling, the Group's presentation currency • As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group's reported results and/or lead to a breach of net debt to EBITDA banking covenants	• The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks • The Group's borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group's EBITDA. This reduces the volatility of the ratio of net debt to EBITDA from foreign exchange movements. In addition, net debt for the purposes of covenant calculations in the Group's financing documents is calculated using average rather than closing exchange rates. Consequently, any significant movement in exchange rates towards the end of an accounting period should not materially affect the ratio of net debt to EBITDA. Both these factors minimise the risk that banking covenants will be breached as a result of foreign currency fluctuations	• In 2021, currency translation had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 5% and 8% • The Group's results are reviewed at constant exchange rates to show the underlying performance of the Group excluding the currency translation impact

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021

Financial risks continued

11. Increase in taxation Increases in Group tax rate and/or cash tax **Risk owner:** CFO **Change to risk level:** → **Included in viability statement:** Yes	• The resolution of uncertain prior year tax matters or the introduction of legislative changes could cause a higher tax expense and higher cash tax payments, thereby adversely affecting the Group's profits and cash flows	• Oversight of the Group's tax strategy is within the remit of the Board and tax risks are assessed by the Audit Committee • The Group seeks to plan and manage its tax affairs efficiently but also responsibly with a view to ensuring that it complies fully with the relevant legal obligations in the countries in which the Group operates while endeavouring to manage its tax affairs to protect value for the Company's shareholders in line with the Board's broader fiduciary duties • The Group manages and controls these risks through an internal tax department made up of experienced tax professionals who exercise judgement and seek appropriate advice from specialist professional firms • At the same time the Group monitors international developments in tax law and practice, adapting its approach where necessary to do so	• HMRC concluded that the Group was not subject to State aid rules for periods up to 2018, which removed a significant uncertainty • The Organisation for Economic Co-operation and Development (OECD) proposals for a global minimum tax rate of 15% have been widely agreed to take effect from 2023 and model provisions have been published. The Group will monitor the legislative changes which many countries will take to enact this during 2022 and will take action where required • Significant proposals for tax reform have been presented by the US government and are the subject of debate in the US Congress. The financial implications of such changes have been modelled and the Group will update its expected tax expense in light of any enacted changes

Viability

Assessment of the prospects of the Company and its viability statement

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

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

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

In particular:
- Bunzl has a geographically balanced and diversified business portfolio operating in 31 countries;
- the Company operates across six core, fragmented market sectors, many of which are growing and resilient to challenging economic conditions; and
- the business model and strategy minimise the volatility of the Company's results, enabling Bunzl to deliver consistently good results with high returns on capital and cash conversion.

With regard to the time frame specifically, the directors considered the above factors as well as the Group's strategic planning process. Comprehensive budgets are prepared annually by the business areas and approved by the Board. Strategic plans focusing on two years beyond the forecast for the current year are also prepared annually and reviewed by the Board. While the directors have no reason to believe the Company will not be viable over a longer period, given the inherent uncertainty involved, the period over which the directors consider it possible to form a reasonable expectation as to the Group's longer-term viability is the three year period to 31 December 2024.

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

In making a viability statement, the directors are required to consider the Company's ability to meet its liabilities as they fall due, taking into account the Company's current position and principal risks. The Company has significant financial resources including committed and uncommitted banking facilities, US private placement notes and senior bonds, further details of which are set out in Note 16 to the consolidated financial statements. As a result, the directors believe that the Company is well placed to manage its business risks successfully.

The resilience of the Group to a range of possible scenarios, in particular the impact on key financial ratios and its ongoing compliance with financial covenants, was factored into the directors' considerations through stress testing against the Group's current base case financial projections. The base case financial projections start with the Group's 2022 Budget and look ahead over the three year assessment period to include an expected level of organic growth and acquisition activity. These stress tests included the following:
- the impact of the crystallisation of the principal strategic and operational risks to the Group's organic growth resulting in a 20% reduction in adjusted operating profit and a 20% increase in working capital;and
- the impact of the crystallisation of the principal strategic and operational risks to the Group's organic growth as above, together with the impact of the crystallisation of the principal risks to the Group's acquisition growth, and a significant increase the effective tax rate, without mitigating actions.

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

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

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

Confirmation of longer term viability

In accordance with the provisions of the Corporate Governance Code, the directors have taken account of the Group's current position and principal risks and uncertainties referred to above in assessing the prospects of the Company and they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2024.

Financial review

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

Richard Howes
Chief Financial Officer

Revenue
Up 1.7% at actual exchange rates

£10,285.1m

(2020: £10,111.1m)

+7.1%†

Operating profit
Up 0.8% at actual exchange rates

£623.3m

(2020: £618.5m)

+7.7%†

Adjusted operating profit*
Down 3.3% at actual exchange rates

£752.8m

(2020: £778.4m)

+2.8%†

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

162.5p

(2020: 164.9p)

+4.9%†

Cash conversion*
Continued strong cash conversion

102%

(2020: 103%)

Dividend per share
Long track record of dividend growth continues

57.0p

(2020: 54.1p)

+5.4%

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

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

As in previous years this review refers to a number of alternative performance measures which management uses to assess the performance of the Group. Details of the Group's alternative performance measures are set out in Note 3 to the consolidated financial statements on page 170.

Currency translation

Currency translation has had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 5% and 8%. The adverse exchange rate impact was principally due to the effect on average exchange rates of the strengthening of sterling against certain currencies during the year, particularly the US dollar, Euro and Brazilian real, partly offset by the weakening of sterling against the Australian dollar.

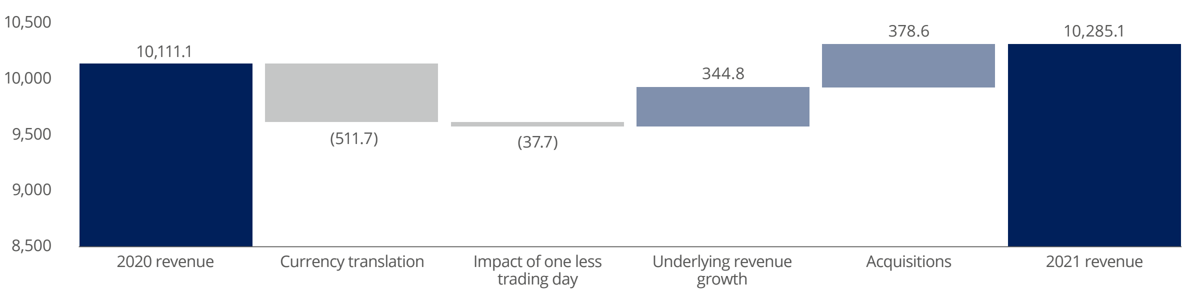
Average exchange rates	2021	2020
US$	**1.38**	1.28
Euro	**1.16**	1.12
Canadian$	**1.72**	1.72
Brazilian real	**7.42**	6.61
Australian$	**1.83**	1.86

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

Revenue

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

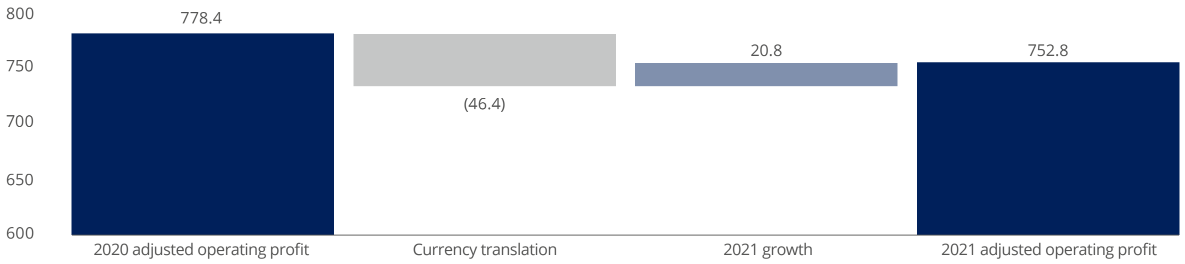
Movement in revenue (£m)



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

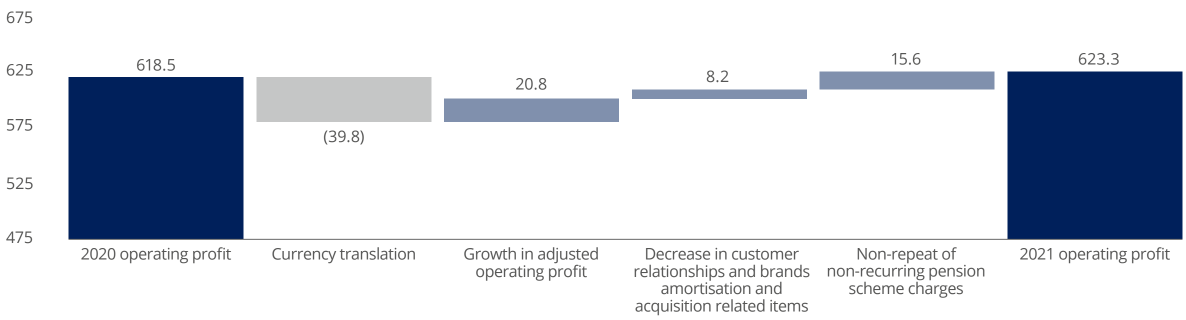
During 2021, the Group saw a further increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25 million in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

Movement in adjusted operating profit (£m)



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

Movement in operating profit (£m)



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

Net finance expense
The net finance expense for the year was £54.6 million, a decrease of £5.2 million at constant exchange rates (down £8.2 million at actual exchange rates), mainly due to a change in the mix of debt towards currencies with lower interest rates and higher interest income on cash deposits held in the subsidiaries through the year.

Profit before income tax
Adjusted profit before income tax was £698.2 million (2020: £715.6 million), up 3.9% at constant exchange rates (down 2.4% at actual exchange rates), due to the growth in adjusted operating profit and the reduction in net finance expense. Profit before income tax was £568.7 million (2020: £555.7 million), an increase of 9.6% at constant exchange rates (up 2.3% at actual exchange rates).

Taxation

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

The effective tax rate (being the tax rate on adjusted profit before income tax) for the year was 22.3% (2020: 23.1%) and the reported tax rate on statutory profit was 22.1% (2020: 22.6%). Both the effective and reported tax rates for 2021 are lower than for 2020 due to a reduction in the expected tax liabilities for prior periods. In 2022 the Group's effective tax rate is expected to be approximately 24%, reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures. Looking beyond 2022, we expect our effective tax rate to increase to between 24% and 25% due to the rise in the UK tax rate from 19% to 25% from April 2023 and enforcement of a minimum tax rate for corporate profits globally. Based on current proposals we do not expect proposed federal tax changes in the US to have a significant impact to the Group if implemented.

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

Earnings per share

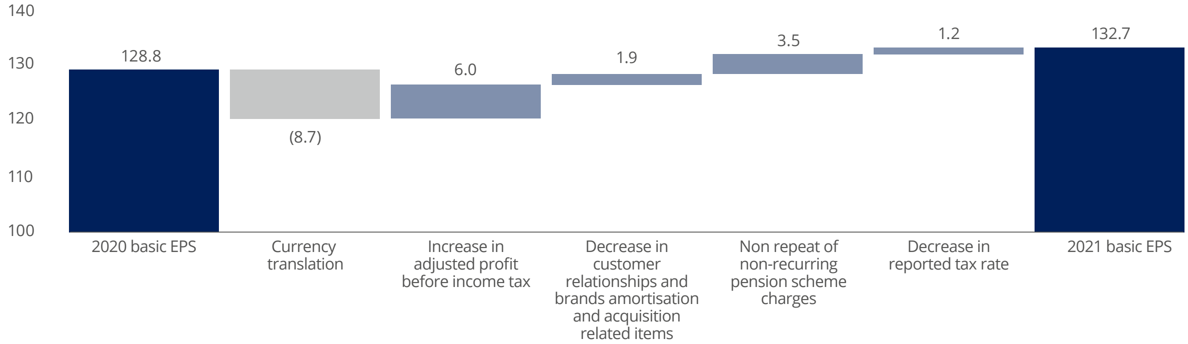
Profit after tax increased to £442.8 million (2020: £430.0 million), up 10.4% and an increase of £41.8 million at constant exchange rates (up 3.0% at actual exchange rates), due to a £49.8 million increase in profit before income tax, partly offset by an £8.0 million increase in the tax charge at constant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

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

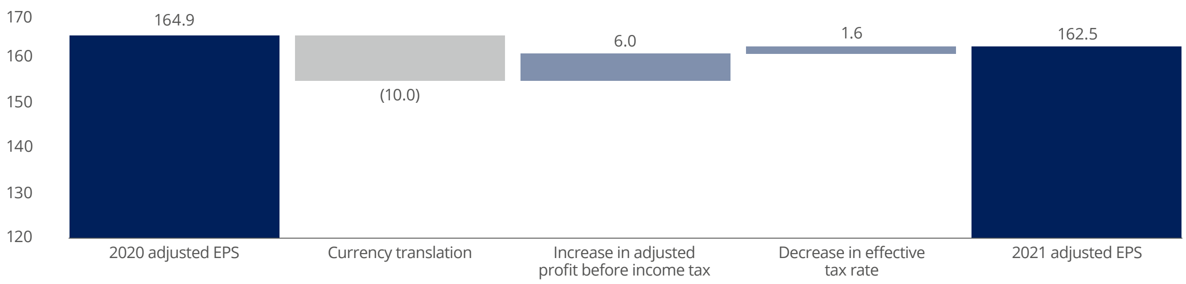
The weighted average number of shares of 333.8 million is unchanged from 2020 with employee share option exercises offset by share purchases into the employee benefit trust.

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

Movement in basic eps (p)



Movement in adjusted eps (p)



Dividends

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

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

The Company's practice in recent years has been to pay a progressive dividend, delivering year-on-year increases with the dividend usually growing at a similar rate to the growth in adjusted earnings per share. The Board is proposing a 2021 final dividend of 40.8p, an increase of 6.5% on the amount paid in relation to the 2020 final dividend. The 2021 total dividend of 57.0p is 5.4% higher than the 2020 total dividend.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA, the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Group's long term track record of strong cash generation, coupled with the Group's substantial borrowing facilities, provides the Company with the financial flexibility to fund a growing dividend. After the further growth in 2021, Bunzl has sustained a growing dividend to shareholders over the past 29 years.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in the Principal risks and uncertainties on pages 64 to 72. The Group has substantial distributable reserves within Bunzl plc and there is a robust process of distributing profits generated by subsidiary undertakings up through the Group to Bunzl plc. At 31 December 2021 Bunzl plc had sufficient distributable reserves to cover more than five years of dividends at the levels of those delivered in 2021, which is expected to be approximately £191 million.

Acquisitions

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

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

A summary of the effect of acquisitions is as follows:

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

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

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

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

Cash flow

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

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

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

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

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

Net debt

Net debt excluding lease liabilities increased by £82.4 million during the year to £1,337.4 million (2020: £1,255.0 million), due to a net cash outflow of £88.2 million partly offset by a £5.8 million decrease due to currency translation. Net debt including lease liabilities was £1,826.1 million (2020: £1,752.5 million).

Net debt to EBITDA calculated at average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants, was 1.6 times (2020: 1.5 times). Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.9 times (2020: 1.8 times).

Balance sheet

Summary balance sheet at 31 December:

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

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

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

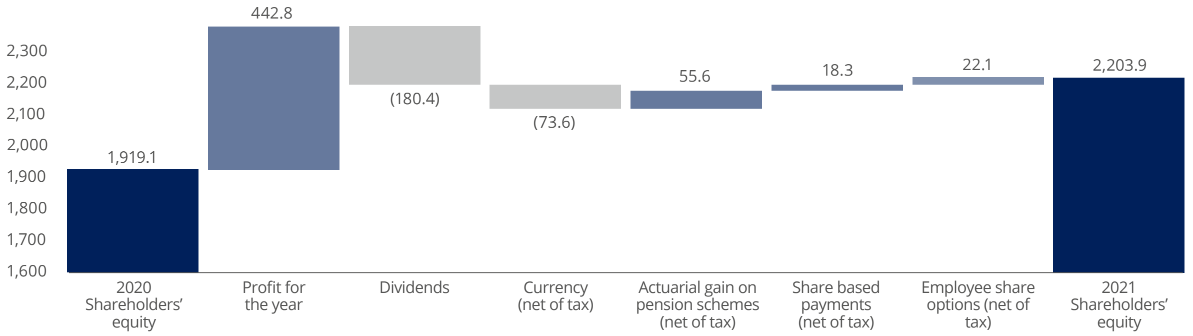
Right-of-use assets decreased by £5.1 million to £448.3 million due to a depreciation charge of £134.8 million and a decrease from currency translation of £7.0 million, partly offset by additional right-of-use assets from new leases during the year of £112.6 million, an increase from acquisitions of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

Working capital increased from the prior year end by £6.2 million to £1,027.6 million due to increases from acquisitions, partly offset by a decrease in the underlying business and a decrease from currency translation.

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

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

Movement in shareholders' equity (£m)



Capital management

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

Treasury policies and controls

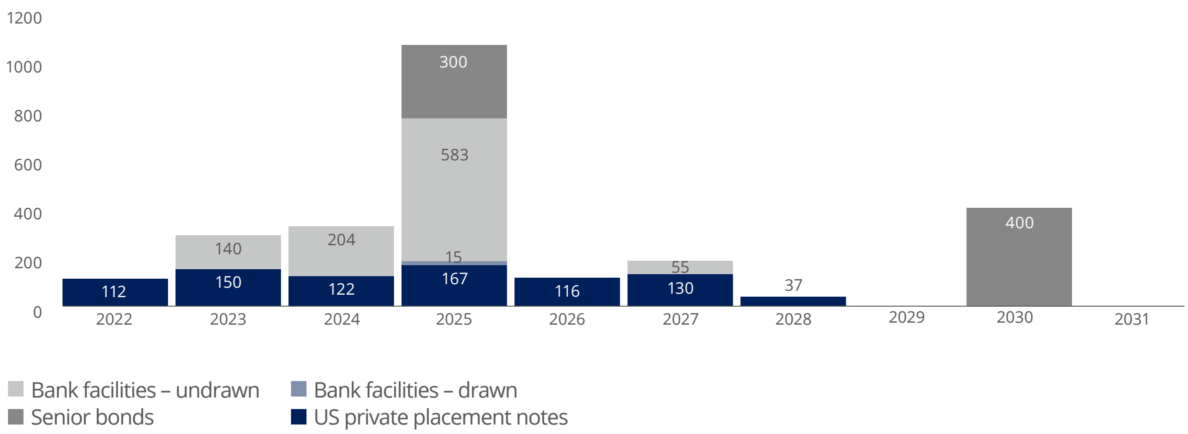
The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate, foreign currency and credit risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed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

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

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During the year ended 31 December 2021 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and senior bonds. At 31 December 2021 the nominal value of US private placement notes outstanding was £834.7 million (2020: £916.3 million) with maturities ranging from 2022 to 2028. At 31 December 2021 the available committed bank facilities totalled £996.2 million (2020: £978.0 million) of which £14.5 million (2020: £45.0 million) was drawn down, providing headroom of £981.7 million (2020: £933.0 million). During the year, £188 million of bank facilities were extended to 2025 and we expect to extend 2025 maturities further using the bank and/or capital markets in due course. The Group expects to make repayments in 2022 of approximately £112 million relating to maturing US private placement notes.

Committed facilities maturity profile by year (£m)



Further details of the Group's capital management and treasury policies and controls are set out in Note 16 on pages 183 to 190.

Going concern

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. In reaching this conclusion, the directors noted the Group's strong cash performance in the year, the substantial funding available to the Group as described above and the resilience of the Group to a range of severe but plausible downside scenarios. Further details are set out in Note 1 on page 162.

Richard Howes
Chief Financial Officer
28 February 2022

TCFD Index

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

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

Topic	Disclosure summary	Disclosure	Bunzl response
Governance	Disclose the organisation's governance around climate related risks and opportunities.	a) Describe the Board's oversight of climate related risks and opportunities.	Governance report: pages 98-99, 108-109 Principal risks: pages 64-66 TCFD statement.
		b) Describe management's role in assessing and managing climate related risks and opportunities.	Governance report: pages 98-99, 108-109 Principal risks: pages 64-66 TCFD statement.
Strategy	Disclose the actual and potential impacts of climate related risks and opportunities on the organisation's businesses, strategy and financial planning.	a) Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.	Principal risks: page 66 Sustainability report: page 54 TCFD statement.
		b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Principal risks: page 66 Sustainability report: page 54 TCFD statement.
		c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios including a 2°C or lower temperature scenario.	Principal risks: page 66 Sustainability report: page 54 TCFD statement.
Risk management	Disclose how the organisation identifies, assesses and manages climate related risks.	a) Describe the organisation's processes for identifying and assessing climate related risks.	Principal risks: pages 64-66 Sustainability report: page 54 TCFD statement.
		b) Describe the organisation's processes for managing climate related risks.	Principal risks: page 66 TCFD statement.
		c) Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.	Principal risks: pages 64-66 TCFD statement.
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities.	a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	ESG appendix: pages 86-88 TCFD statement.
		b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	ESG appendix: pages 86-88 TCFD statement.
		c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	ESG appendix: pages 86-87 Sustainability report: page 54-55 TCFD statement.

SASB Reporting for Bunzl Sustainability Metrics

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

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

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

ESG Appendix

Packaging categories

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

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

Code of conduct

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

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

Suppliers

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

	2019	2020	2021	Comment
Number of supplier audits and assessments covering environmental and social standards	707	680	**754**	The number of audits increased due to travel restrictions being relaxed in Asia. We have ceased our relationship with 10 suppliers that did not make sufficient progress to resolve non-acceptable non-conformities.

Greenhouse gas emissions data (Group)

Data for the period 1 October to 30 September	2019 (baseline year)	2020	2021
Scope 1			
Total emissions (tonnes of CO_2e)	99,193	90,568	**87,125**◊
Emission intensity (tonnes of CO_2e/£m revenue	10.7	9.5	**8.5**◊
Natural gas usage (m^3)	8,912,413	8,082,813	**8,272,123**
Fuel usage (ltr)	31,523,097	29,306,537	**28,060,702**
Scope 2 – Location based			
Emissions (tonnes of CO_2e)	29,594	27,421	**25,043**◊
Emission intensity (tonnes of CO_2e/£m revenue)	3.2	2.9	**2.4**◊
Electricity usage (MWh)	83,062	80,276	**79,057**
Scope 2 – Market based			
Emissions (tonnes of CO_2e)	29,835	26,183	**25,025**
Emission intensity (tonnes of CO_2e/£m revenue)	3.2	2.7	**2.4**
Total gross emissions – location based			
Emissions (tonnes of CO_2e)	128,787	117,989	**112,168**◊
Emission intensity (tonnes of CO_2e/£m revenue)	13.9	12.4	**10.9**◊
Total energy (MWh)	516,775	480,711	**470,941**

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

Scope 1:

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

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

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

Scope 2:

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

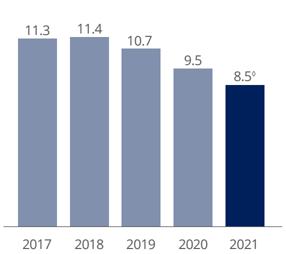
The 2021 scope 2 location based intensity figure of 2.4 tonnes of CO_2e/£m revenue represents a 23% reduction in Scope 2 emissions versus 2019, including the effect of foreign exchange rate fluctuation. At constant exchange rates the reduction in emissions is 26%. These Scope 2 emissions take into account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

Scope 1 and 2:

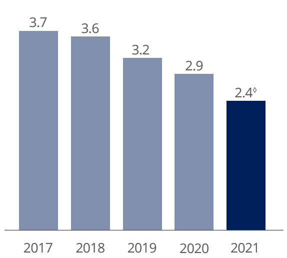
Target for 2021: Reduce emission intensity by 6% against 2019 (target excludes any foreign exchange translation effect on revenue numbers).

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

Scope 1 carbon emissions
Tonnes of CO_2 per £m revenue
Measured in accordance with the Greenhouse Gas Protocol applying DEFRA conversion factors



Scope 2 carbon emissions (location based)
Tonnes of CO_2 per £m revenue
Measured in accordance with the Greenhouse Gas Protocol applying DEFRA conversion factors



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

Greenhouse gas emissions data (UK)*

Data for the period 1 October to 30 September	2019	2020	2021
Scope 1			
Total emissions (tonnes of CO_2e)	17,211	15,261	**14,845**
Natural gas usage (m^3)	469,573	486,661	**419,138**
Fuel usage (ltr)	6,271,182	5,606,760	**5,572,556**
Scope 2			
Emissions (tonnes of CO_2e)	2,660	2,847	**2,511**
Electricity usage (MWh)	10,405	11,140	**9,823**
Total gross emissions			
Emissions (tonnes of CO_2e)	19,871	18,108	**17,356**
Total energy consumption (MWh)	82,084	75,812	**73,815**
Emission intensity (tonnes of CO_2e/£m revenue)	17.0	14.9	**14.6**

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

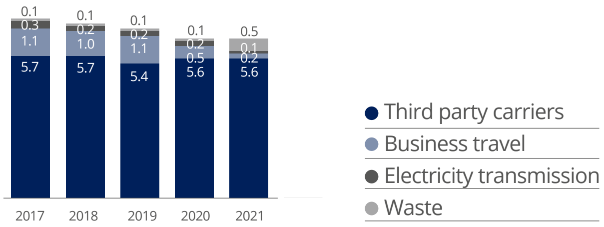
Our reported environmental data includes all businesses that are subsidiaries of the Group for financial reporting purposes, except for recent acquisitions where there has been insufficient opportunity for the businesses to adopt our reporting guidelines. The revenue from these businesses is not included when calculating the indexed emissions. The reported data covers 99.3% of the Group by revenue.

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

Scope 3:

Our reporting comprises emissions from third party carriers, business flights, waste and electricity transmission losses. The bar graph shows that third party carriers produce the largest proportion of our reported Scope 3 emissions. These emissions arise due to some of our businesses not having their own fleet and, in addition, all our businesses, irrespective of whether they have their own fleet, will distribute a proportion of goods by third party carriers where it is more efficient and cost-effective to do so. In 2022, we will undertake a screening of our scope 3 emissions sources and estimate the quantity of emissions from other scope 3 sources.

Scope 3 carbon emissions
Tonnes of CO_2e per £m revenue



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

Waste

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

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

Water

Direct water usage is not a significant environmental impact for our business as it is principally confined to staff hygiene and workplace cleaning. Our estimated water usage is 175,000 m^3 of water per year. The usage is higher than last year due to increased number of FTEs in the group and increased operational hours at some of our sites. As we do not manufacture any of the goods we sell, water discharges, apart from internal sanitation, are limited to rainwater run-off from the yards of our locations.

Environmental management system certification

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

Health & safety

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

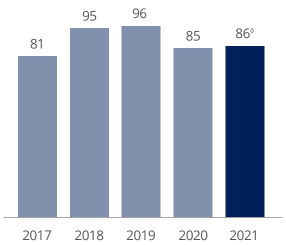
◊ Included in the external auditors' limited assurance scope see Data Assurance statement which is available on our website, www.bunzl.com. The data for previous years was also assured as detailed in the respective Annual Reports.

Targets for 2021:
Reduce the Group accident incidence rate by 5% from 2019. Reduce the Group accident severity rate by 5% from 2019.
The 2021 group accident incidence rate of 86 represents a 10% improvement versus 2019. The 2021 group accident severity rate of 2,615 represents a 16% improvement versus 2019.

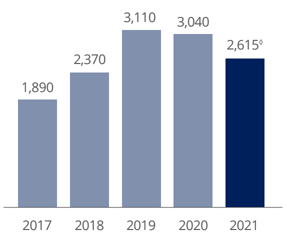
Despite the continued challenging conditions due to the Covid-19 pandemic, we have continued the work to minimise our health and safety risks, particularly relating to the operation of our warehouses and vehicles, such as manual handling, falling, slipping and tripping and impact with equipment which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

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

Incidence rate
Average number of incidents per month per 100,000 employees



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



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

Employees

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

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

Senior management (%) and employees

Males	81%	374
Females	19%*	88

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

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

Total workforce (%) and employees

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

Source:
HR from BRMS

Average number of employees (%)

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

Source:
Note 24 on page 199

Total workforce age profile (%)

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

Source:
HR from BRMS

Charitable contributions

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

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

In 2019, we realigned our corporate charity programme to focus on environmental projects related to recycling, litter prevention, clean-up and waste management infrastructure. During 2021 we continued to support activities in these three areas:

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

In addition to some of the projects referenced throughout this report (see page 49) we have funded a number of other environmental initiatives:

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

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

Non-financial information statement

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

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

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

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

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

FIND OUT MORE IN OUR POLICY HUB ON OUR WEBSITE