BUNZL

The difference is essential

Trusted, reliable delivery

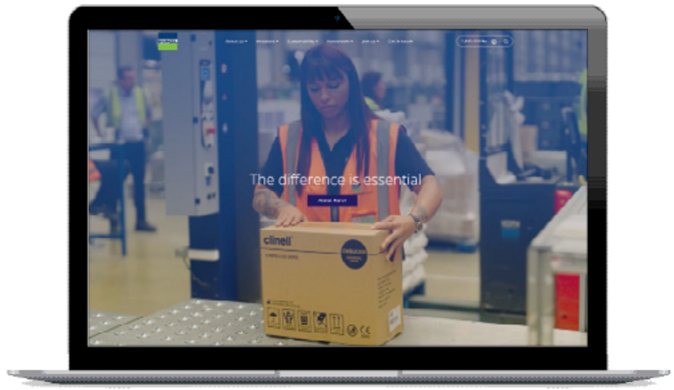
Bunzl plc Annual Report 2022

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.

Our customers trust us to deliver the innovative products, solutions and insights that help them run their businesses more efficiently and sustainably. Our investors trust our track record of dividend growth. Our employees value our customer-focused and inclusive culture. That's why the Bunzl difference is essential.



Visit our website
www.bunzl.com

Trusted...

...to deliver

Page
24

Our strong and ethical supply chain network ensures our customers can always rely on us to deliver

...partnerships

Page
28

Our customer-centric focus and differentiated value-added offering drive new business wins

Inside...

Strategic report

Directors' report

Financial statements

...expertise

Page
44

Our entrepreneurial mindset ensures we always evolve; today our sustainability expertise differentiates our offering

...to perform

Page
84

The consistency of our performance has allowed Bunzl to deliver 30 years of consecutive annual dividend growth

Strategic report

Our business model is strong and flexible. We respond with agility to our customers' needs, delivering essential business solutions around the world and creating long term sustainable value for the benefit of all our stakeholders.


UNZL

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
£12,039.5m
(2021: £10,285.1m)
+9.8%†
Growth at actual exchange rates 17.1%

Adjusted operating profit*
£885.9m
(2021: £752.8m)
+11.1%†
Growth at actual exchange rates 17.7%

Operating profit
£701.6m
(2021: £623.3m)
Growth at actual exchange rates 12.6%

Adjusted earnings per share*
184.3p
(2021: 162.5p)
+7.0%†
Growth at actual exchange rates 13.4%

30th year
of consecutive annual dividend increase

Basic earnings per share
141.7p
(2021: 132.7p)
Growth at actual exchange rates 6.8%

Dividend per share
62.7p
(2021: 57.0p)
+10.0%

Cash conversion*
107%
(2021: 102%)

Committed acquisition spend
£322m

Net debt : EBITDA**
1.2x
(2021: 1.6x)

* Alternative performance measure (see Note 3 to the consolidated financial statements on page 178).
** At average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants.
† At constant exchange rates.

Reconciliation of alternative performance measures to statutory measures for the year ended 31 December 2022

		Adjusting items				
Year ended 31 December 2022	Alternative performance measures £m	Customer relationships, brands and technology amortisation £m	Acquisition related items £m	Disposal of business £m	Statutory measures £m	
Adjusted operating profit	885.9	(128.4)	(55.9)		701.6	**Operating profit**
Finance income	22.3				22.3	Finance income
Finance expense	(90.2)				(90.2)	Finance expense
Disposal of business	–			0.9	0.9	Disposal of business
Adjusted profit before income tax	818.0	(128.4)	(55.9)	0.9	634.6	**Profit before income tax**
Tax on adjusted profit	(201.2)	34.7	6.3	–	(160.2)	Income tax
Adjusted profit for the year	616.8	(93.7)	(49.6)	0.9	474.4	**Profit for the year**
Adjusted earnings per share	184.3p	(28.0)p	(14.8)p	0.2p	141.7p	**Basic earnings per share**

This review refers to alternative performance measures which exclude charges for customer relationships, brands and technology 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, page 178.

Growth at constant exchange rates is calculated by comparing the 2022 results to the results for 2021 retranslated at the average exchange rates used for 2022.

Sustainability performance: highlights

READ MORE PAGE 48

Responsible supply chains

78%
of our spend in high risk regions from assessed and compliant suppliers

930
ethical audits completed

c.96%
of our purchasing spend today is either in low-risk regions, with assessed or compliant suppliers in high-risk regions, or on other non-product related costs

Investing in a diverse workforce

21%
women in senior leadership roles

+2%
increase compared to 2021

Senior leadership defined as the 470 employees who receive share options as part of their remuneration

Taking action on climate change

SBTi*
approval of our Scope 1, 2 and 3 emissions reduction targets

* Science Based Targets initiative

24%
more carbon efficient since 2019 with a 15% reduction in absolute emissions.

Providing sustainable solutions

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

83%
of Group revenue attributable to non-packaging products and packaging products made from alternative materials that are well suited to a circular economy

Helping 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.

Cleaning & Hygiene

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

Other

A variety of product ranges to other end user markets.

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.

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.

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 e-commerce sectors.

Healthcare

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

Sector revenue split

195
acquisitions since 2004

31
countries we operate in

30
years of dividend growth

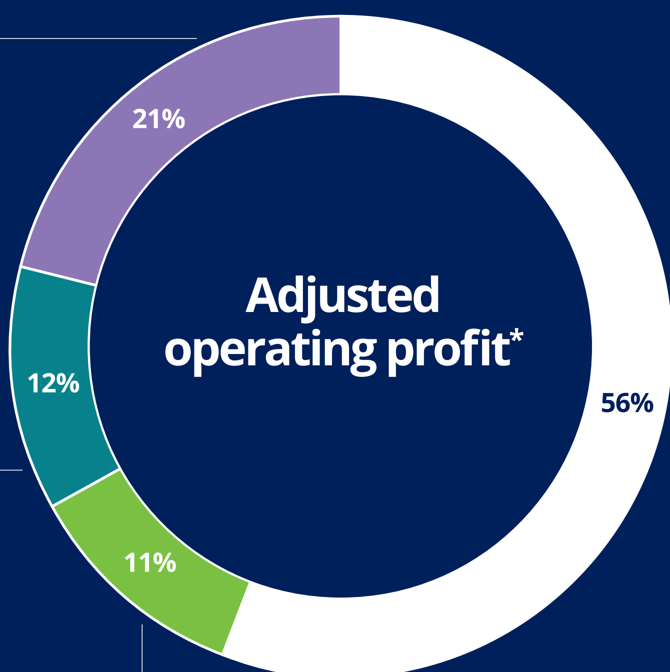
22,451
employees

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.

Continental Europe
£195.1m
2021: £191.8m

Rest of the World
£111.7m
2021: £116.5m



North America
£511.5m
2021: £401.3m

UK & Ireland
£95.3m
2021: £67.0m

* Alternative performance measure (see note 3, page 178). Percentages stated are the business areas' adjusted operating profit compared to the Group's adjusted operating profit before corporate costs.

Our people are the engine of our success

Peter Ventress
Chairman

Bunzl has had another successful year, delivering very strong financial results, making further strategic progress across the business, and announcing a 30th consecutive year of annual dividend growth. At constant exchange rates, Bunzl delivered strong revenue growth in 2022 of 9.8% (17.1% at actual exchange rates), an increase of 11.1% in adjusted operating profit and growth of 7.0% in adjusted earnings per share, with basic earnings per share at actual exchange rates increasing 6.8%. This has resulted, at constant exchange rates, in adjusted operating profit being 37% higher than the comparable period in 2019 and is equivalent to 11% Compound Annual Growth Rate ('CAGR') over that period, which is ahead of the 10% CAGR achieved between 2004 and 2022. The resilience of the Group's performance, despite significant inflation, pandemic-related business mix shifts and supply chain disruptions demonstrates the strength of the Bunzl model. This performance over the last three years gives me even greater confidence in the Group's ability to adapt to changing circumstances, the benefits of the Group's diversification, the dedication of our people, and the depth of our partnerships with customers, all of which continue to support the longer term growth of the business. I am confident these elements will continue to support future performance.

Strategic priorities

We continue to pursue a strategy of developing the business through a combination of organic growth, operational improvements and acquisition growth. 2022 was another year of successful strategic progress, with the Group signing agreements to acquire 12 businesses which span multiple sectors, including specialist healthcare distributors and warehouse solutions providers, from across nine different countries. In July 2022, the Group announced a key acquisition in Germany to provide a platform for expansion into this high-potential market, which we have already built upon with the German acquisition we have announced today. Bunzl's depth of opportunity is significant and further consolidation of its fragmented end markets is a key driver of growth for the Group. Demonstrating Bunzl's focus on portfolio optimisation and returns focused capital allocation, we disposed of our UK healthcare business in 2022. The Group also continued to undertake projects to drive operational efficiencies, including further warehouse relocations and consolidations and investments into automation.

Furthermore, Bunzl's operating companies have continued to enhance their value-added offering by partnering with customers to help them achieve their sustainability goals, including a focus on transitioning to alternative packaging products and materials that are better suited to the circular economy and reducing carbon emissions associated with our deliveries. Packaging made from alternative materials now accounts for 53% of the Group's total packaging revenue. Similarly, a focus on driving digital sales, which improve user experience, customer retention and Bunzl's operational efficiency, has been steadily increasing over the last few years, now accounting for 69% of orders.

Bunzl ended the year with a net debt to EBITDA of 1.2 times, affording us the balance sheet strength to invest in our longer term strategic growth priorities despite some near term macroeconomic uncertainties.

People and culture

Our people are a key asset and it is their commitment to providing customers with a reliable service that has helped Bunzl to navigate the supply chain challenges faced over the year and the impact of inflation. Our decentralised structure also utilised a network of colleagues to drive strategic progress, with a number of acquisitions made over 2022 introduced by our local teams. People at Bunzl continue to find it a fulfilling place to work, and it is pleasing to see the Group's sustainable engagement score increase a further 5% to 85% in 2022. Over the last year we accelerated our diversity, equity and inclusion agenda to ensure that we have a working environment which supports individual well-being, growth and career progression. In 2022 the percentage of women within our senior leadership group (comprising 470 individuals) increased for the sixth year running to 21%, compared to 19% in the prior year, and more than double the level in 2016.

Shareholder returns

The Board is recommending a final dividend of 45.4p, 11.3% higher than the prior year, resulting in a full year dividend of 62.7p. This represents a 10.0% increase compared to the 2021 total dividend and is Bunzl's 30th consecutive year of dividend growth. The Group remains committed to ensuring sustainable dividend growth. Since 2004, Bunzl has returned £2.0 billion to shareholders through dividends and has committed £4.7 billion in acquisitions to support a growth strategy that has delivered an adjusted earnings per share CAGR of 10% over the period.

Governance

In July we announced the appointment of Pam Kirby as a non-executive director with effect from 1 August 2022. Pam has significant knowledge and experience in global businesses, having worked in several international roles for over 30 years. She brings a wealth of international distribution, strategic and UK listed company experience to the Board. In February 2023 Bunzl also announced the appointment of Jacky Simmonds as a non-executive director with effect from 1 March 2023. Jacky has significant knowledge and experience working in international and listed companies, and across all aspects of HR, with particular expertise in employee engagement and talent and succession planning. Following this appointment, the proportion of female directors on the Board will be 44%, whilst representation on our executive committee remains at 40%.

Peter Ventress
Chairman
27 February 2023

Positive feeling amongst our colleagues

85%
sustainable engagement score

+5%
increase year-on-year

READ MORE:
PEOPLE SECTION
PAGE 40

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

10%

Resilience demonstrated by adjusted operating profit[1] growth 2019 – 2022 at constant currency of

37%

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

3%

Self-funded committed acquisition spend 2004 to 2022

£4.7bn

Acquisitions since 2004

195

Significant opportunities for future growth

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

Committed acquisition spend in 2022

£322m

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

1.2x

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 and customer focus

Supplier audits over 2022

930

Scope 1 and 2 tonnes of CO_2e since 2019

↓ 15%

% of Group revenue generated by consumables facing regulation

2%

Proportion of female members of Board and Executive Committee

>40%

Inclusive of the appointment of Jacky Simmonds as a non-executive director with effect from 1 March 2023.

Disciplined financial management

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

Return on invested capital[1]

15%

Return on average operating capital[1]

43%

Cash conversion[1]

107%

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

30 years

Adjusted earnings per share[1]

31.7p in 2004
to
184.3p in 2022

1 Alternative performance measure (see Note 3 to the consolidated financial statements on page 178).
2 On a covenant basis – at average exchange rates and based on historical accounting standards, in accordance with Group's external debt covenants.

A strong performance, reaching a significant dividend milestone

Frank van Zanten
Chief Executive Officer

Overview

The very strong results we have achieved once again demonstrate Bunzl's operational and financial resilience. Our people have been instrumental to our success, with our teams working hard to pass through price increases, while also successfully managing supply chain disruption so that our customers can continue to rely on us to deliver the essential products and solutions they need. Our capabilities in the face of disruption continue to be recognised by customers, and have supported some new business wins over the year. I am very pleased that our acquisition strategy continues to complement the organic growth of the business, with the range and breadth of acquisitions made this year highlighting our opportunities to consolidate across the diversified end markets and regions in which we operate. Over the year we also concluded negotiations with our largest customer by revenue, securing improved structural terms and extending this long-standing partnership. Furthermore, the strength and success of the Group's long term strategy has enabled Bunzl to reach a milestone of 30 years of consecutive annual dividend increases.

Operating performance

With approximately 90% of adjusted operating profit generated outside the UK, profits and earnings were positively impacted between 6% and 7% by currency translation over the period. The commentary below is stated at constant exchange rates unless otherwise highlighted.

In 2022 revenue increased by 9.8% (17.1% at actual exchange rates) to £12,039.5 million. Within this, underlying revenue growth was 6.6%, while acquisitions contributed revenue growth of 3.1%. Our disposal of the UK healthcare business in December 2022 impacted revenue by 0.1%, while excess growth in hyperinflationary economies, largely in Turkey, contributed a small increase of 0.2%.

Underlying revenue growth of 6.6% during the year was driven by very strong growth of the base business, which benefited the Group's underlying revenue growth by 11.6% and was driven by very strong inflation in addition to the benefit of volume recovery in Continental Europe and UK & Ireland earlier in the year. This was partially offset by the expected reduction in sales of the top Covid-19 related products, which contributed an underlying revenue decrease of 5.0%.

"Our people have been instrumental to our success, with our teams working hard to pass through price increases, while also successfully managing supply chain disruption so that our customers can continue to rely on us."

Robust performance

11.1%[1]
adjusted operating profit[2] growth year-on-year

12
acquisitions in 2022

10.0%
dividend per share growth, celebrating our 30th consecutive year of annual dividend growth

69%
of orders placed digitally

83%
of Group revenue attributable to non-packaging products or packaging[3] made from alternative materials

1 At constant exchange rates.
2 Alternative performance measure – see Note 3, page 178.
3 Packaging refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure. See page 240 for further detail.

Inflation

- Successful management of product cost inflation through implementing price increases was strongly supportive to our growth in 2022
- Operating cost inflation more than offset by revenue growth driven by product cost inflation, and operational efficiencies
- Inflation dynamics somewhat supportive to operating margin

Covid-19 related sales have returned to a more typical level, being c.£200 million greater than in 2019 on an underlying basis, and significantly lower than the peak of Covid-19 related sales in 2020.

With both product cost inflation, as well as continued post-pandemic recovery of the base business in Continental Europe and UK & Ireland earlier in the year, the foodservice and retail sectors combined delivered underlying revenue growth of 13% compared to the prior year, despite the decline in Covid-19 related sales. Similarly, total underlying revenue in the grocery and other sectors grew by 9%, driven by product cost inflation. Overall, total underlying revenue in the cleaning & hygiene, safety and healthcare sectors declined by 3% year-on-year due to lower Covid-19 related sales, but remained 6% higher than in 2019, benefiting from Covid-19 related sales remaining higher than in 2019 and good growth delivered in the healthcare sector. Our healthcare base businesses are performing well, with the growing backlog of elective surgeries expected to remain a tailwind. The base business in safety started to see some improvement as supply chain and labour shortages have started to ease for customers; we expect the safety business to benefit from increased infrastructure spend in the medium term. The cleaning & hygiene sector, whilst continuing to be impacted by work from home trends which have hampered the base business recovery, benefited from inflation and saw some improvement in office-based activity towards the end of the year.

The Group has managed inflation on plastics, paper and chemicals well and successfully implemented selling price increases. While inflation trends remained strong to the end of the year, product cost inflation had started to annualise in North America in the second half of the year and inflation in other regions, which had lagged North America, also started to see some annualisation towards the end of the year. Over 2022, tender activity remained below pre-pandemic levels, with this expected to pick up going forward.

Although we experienced operating cost inflation over the year, this has been more than offset by revenue growth driven by implementation of price increases related to product cost inflation, and achieving further operational efficiencies. Operating cost inflation in North America has been high, driven by fuel and freight costs, despite some support from fuel surcharges, as well as wage inflation and property inflation linked to lease renewals. However, wage rates, which rose particularly strongly in 2021, saw their year-on-year impact moderate over the course of the year, and exited the year closer to more typical historical levels of inflation. While wage inflation remained more benign in Continental Europe over 2022, this is starting to increase, although it is expected to be significantly less than the inflation we had experienced in North America. Driving operational efficiencies is a core component of our compounding strategy and is particularly

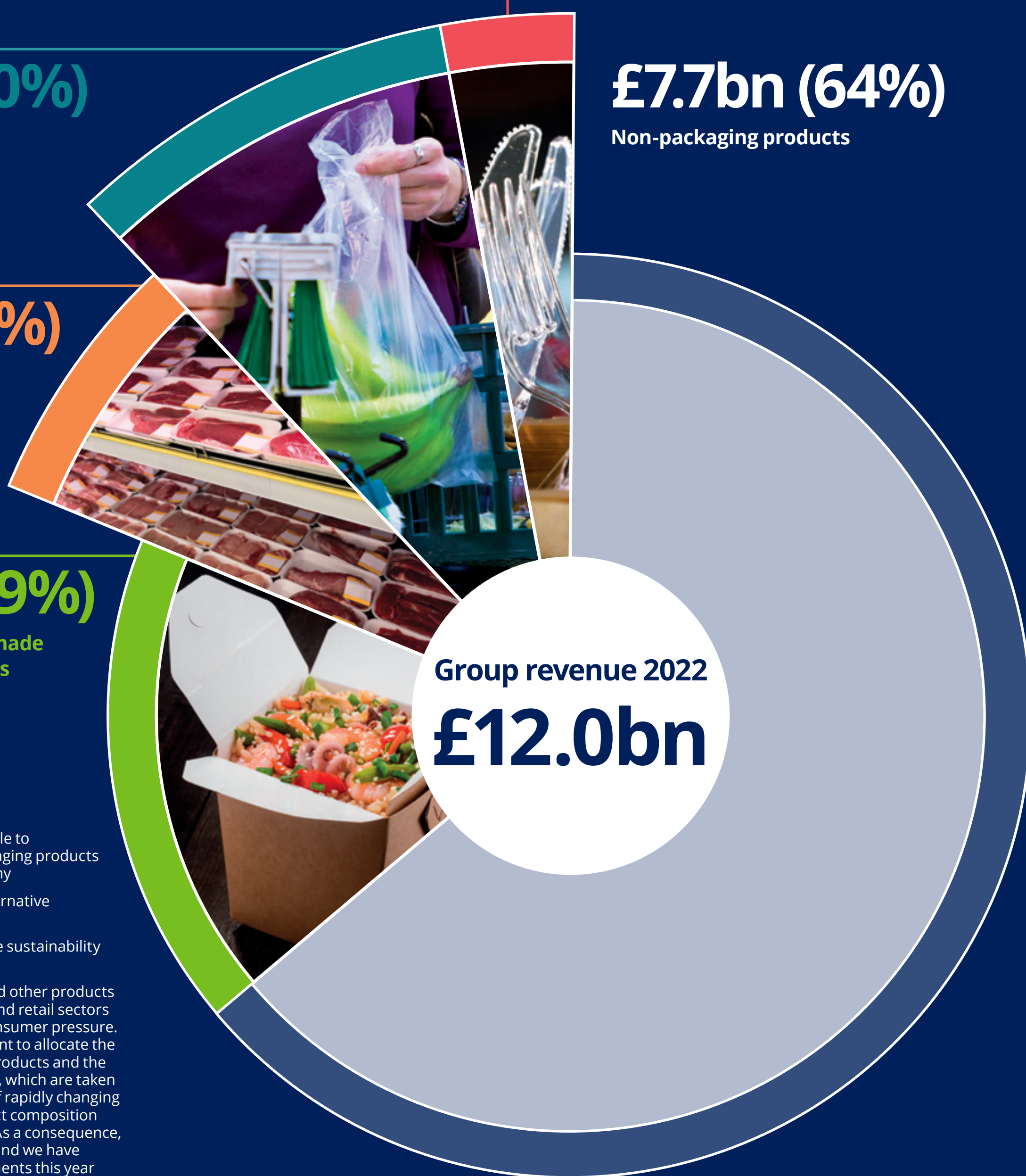
Only 2% of revenue generated from consumables facing regulation

£0.2bn (2%)
Consumables facing regulation

£1.2bn (10%)
Consumables likely to transition

£0.6bn (5%)
Packaging with an important purpose

£2.3bn (19%)
Packaging and products made from alternative materials



£7.7bn (64%)
Non-packaging products

- 83% of Group revenue attributable to non-packaging products or packaging products better suited to a circular economy
- 53% of packaging made from alternative materials in 2022
- New legislation continues to drive sustainability growth opportunities
- Packaging refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure. We continue to exercise judgement to allocate the sales in 2022 to non-packaging products and the four packaging categories shown, which are taken at a point in time in the context of rapidly changing legislation and changes in product composition across a vast range of products. As a consequence, category adjustments are likely, and we have recognised two category adjustments this year that increase "products likely to transition" by £0.2bn, with corresponding reductions of £0.1bn in "packaging with an important purpose" and "products made from alternative materials", which would also have applied last year. More information on our packaging categories, and limitations with respect to the product data and related disclosures, are set out in the ESG Appendix on page 240

FOR MORE INFORMATION SEE PAGES 240 AND 241

important during periods of higher operating cost inflation. Overall, combined with the positive contribution that product cost inflation has made to revenue, inflation dynamics have been somewhat supportive to margins.

Adjusted operating profit was £885.9 million, an increase of 11.1% (17.7% at actual exchange rates), and operating margin increased to 7.4% compared to 7.3% in the prior year, remaining well ahead of historical levels. Within this margin movement, inflation trends and acquisitions more than offset the dilutive impact: of (i) reduced Covid-19 related sales, which are largely own brand or unbranded; (ii) a recovery in typically lower margin sectors within our base business; and (iii) the impact of hyperinflation accounting in Turkey. Reported operating profit was £701.6 million, an increase of 6.0% (12.6% at actual exchange rates), reflecting the 11.1% increase in adjusted operating profit and an increase in customer relationships, brands and technology amortisation and acquisition related items due to acquisition activity over the last 12 months.

Adjusted profit before income tax was £818.0 million, an increase of 10.5% (17.2% at actual exchange rates) due to the growth in adjusted operating profit. The £10.3 million increase in net finance expense, at constant exchange rates, to £67.9 million largely reflected a non-cash charge of £10.7 million from hyperinflation accounting primarily related to operations in Turkey. In total, hyperinflation accounting has impacted adjusted profit before income tax by £18.7 million pounds. The Group expects a net finance expense in 2023 of £90 million to £95 million, predominantly reflecting the non-repeat of financial derivative benefit and higher interest rates on the floating portion of Bunzl's Group debt. Reported profit before income tax was £634.6 million, an increase of 5.0% (11.6% at actual exchange rates).

The effective tax rate of 24.6% was higher than the 22.3% in the prior year, reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures. The effective tax rate is expected to be between 25.0% and 25.5% in 2023, reflective of the UK corporate tax increase. Adjusted earnings per share were 184.3p, an increase of 7.0% (13.4% at actual exchange rates), and basic earnings per share were 141.7p, an increase of 0.5% (6.8% at actual exchange rates).

The Group's cash generation continues to be strong, with £705.7 million of free cash flow generated, representing 34% growth at actual exchange rates compared to the comparable period in 2021. The level of cash generation reflects strong underlying cash generation, but also an improvement in working capital in the second half of the year, enabled by easing supply chain constraints. The strength of our underlying free cash flow generation continues to enable our investment in the business and acquisitions. Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) over the period was 107%. The Group ended the period with net debt, excluding lease liabilities, of £1,160.1 million compared to £1,337.4 million in December 2021. 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 1.2 times compared to 1.6 times at the end of 2021. This provides substantial headroom for further acquisitions. Net debt in 2022 also benefited from disposal proceeds received through the sale of our UK healthcare business; excluding this benefit, net debt to EBITDA would have been 1.3 times. Due to the structure of recent acquisitions, with increasing earn-outs and options to be exercised to buy out minorities in future years, we hold deferred consideration payable on our balance sheet based on the expected earnings to be achieved by these businesses over the respective earn-out and option terms. At the end of the period, a liability of £139.9 million was held compared to £107.8 million at the end of 2021. This liability is not included within the Group's external debt covenant definition. In March the Group successfully completed a US private placement issue of US dollar 400 million which refinances near-term US private placement maturities, extending the Group debt maturity profile.

Return on average operating capital decreased slightly to 43.0% compared to 43.3% at 31 December 2021, driven by an adverse impact from currency. Return on invested capital was 15.0% compared to 15.1% at 31 December 2021, with an adverse impact from currency translation and acquisitions partly offset by higher returns in the underlying business. Return on average operating capital and return on invested capital both remain significantly higher than in December 2019, with 36.9% and 13.6% respectively achieved at the end of 2019.

Digital investments support our consistent strategy

We aim to ensure it is easy and efficient for our customers to work with us

Customer experience

Enhancing customer retention

- Remove pain points
- Self-service solutions
- Fast and easy interaction with Bunzl (B2C feel)

Operational efficiency

Delivering excellent service levels

- Process automation
- Flexible systems
- Scalable tools

Data and analytics

Creating value through the right insights

- Dynamic dashboards for fact-driven decisions
- Predict and prescribe
- New business solutions

Organic growth and operational efficiency

We remain committed to delivering growth through our consistent compounding strategy which focuses on organic growth, operational efficiency and acquisitions. Our colleagues have continued to provide our customers with innovative products and services, with a growing sustainability offering being a particular focus. Furthermore, digital sales accounted for 69% of orders over 2022 compared to 67% in 2021 and 62% in 2019, with penetration above this level in the latter part of the year following the acquisition of hygi.de, a digital business. Our continued focus on operational efficiencies included the consolidation of 10 warehouses and the relocation of five warehouses, as well as the further implementation of technologies and automation that drive more efficient processes.

Acquisitions

In 2022 Bunzl signed 12 acquisitions with total committed spend of £322 million, adding estimated annualised revenue of £299 million. The strength of the Group's cash conversion and balance sheet continues to enable the Group to fund further acquisitions, largely through cash generated in the year.

The high quality acquisitions we made in 2022, spanning 9 countries and 5 sectors, further expand our customer reach and strategic capabilities, as well as geographic and sector diversification. Within this Bunzl acquired hygi.de, a fast growing online distributor in Germany, which materially increased Bunzl's presence in this high potential market, establishing a platform which we are already building upon with the acquisition of Arbeitsschutz-Express, announced today. Furthermore, we have continued to acquire businesses in the specialist healthcare sector in Australia and New Zealand, an attractive end market which we have been expanding into over the last few years and where we see continued opportunity. Acquisitions made during the year have also enhanced the Group's digital capabilities and expanded our own brand and sustainability related product ranges and expertise.

During 2022, Bunzl sold its UK healthcare division, which in 2021 generated £216 million of revenue. This decision reflected Bunzl's commitment to ensuring optimal capital allocation across the Group.

Bunzl ended 2022 with net debt to EBITDA of 1.2 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 where we have opportunity to increase our presence, as well as potential to expand into new markets.

In January 2023, Bunzl completed the acquisition of Capital Paper, a distributor of foodservice packaging and consumables, cleaning & hygiene supplies, and industrial packaging products in Canada. The acquisition of Capital Paper strongly complements our existing business in Canada and in 2022 generated revenue of CAD 26 million (c.£16 million).

Acquisition	Description
USL Completed: May 2022	New Zealand distributor of medical consumables to the healthcare sector, including hospitals, aged care, and community health services, with revenue of NZD114 million (c.£59 million) in 2021
hygi.de Completed: July 2022	Leading and fast-growing online distributor of cleaning and hygiene products in Germany to a fragmented customer base, with revenue of EUR107 million (c.£92 million) in 2021
AFL Groep Completed: July 2022	Distributor of logistics and warehouse related supplies to customers in the Benelux region, with revenue of EUR19 million (c.£16 million) in 2021
London Catering & Hygiene Solutions Completed: July 2022	Distributor of catering supplies and cleaning and hygiene products in the UK with revenue of £5 million in the 12 months to May 2022
Containit Completed: August 2022	Fast-growing distributor of warehouse storage solutions to the resource and defence sectors in Australia, with revenue of AUD17 million (c.£9 million) in 2021
Corsul Group Completed: September 2022	Leading distributor of personal protective equipment ('PPE') in the south of Brazil, with revenue of BRL260 million (c.£35 million) in 2021
Enviropack Completed: October 2022	Online distributor of reusable, recyclable and compostable packaging products to foodservice customers in the UK, with revenue of c.£7 million in the 12 months to August 2022.
VM Footwear Completed: October 2022	Distributor of PPE based in the Czech Republic, specialising in own brand footwear throughout Central and Eastern Europe, with revenue of CZK366 million (c.£13 million) in the 12 months to June 2022
PM Pack Completed: November 2022	Distributor of packaging products in Denmark to food processor customers, with revenue of DKK142 million (c.£16 million) in the 12 months to September 2022
Toomac Ophthalmic & Solutions Completed: December 2022	Distributor of ophthalmology products in New Zealand with revenue of NZD11 million (c.£6 million) in the 12 months to March 2022
Grupo R. Queralto Completed: December 2022	Online distributor of healthcare products based in Spain, with a strong own brand portfolio and revenue of EUR27 million (c.£23 million) in 2022
GRC Completed: January 2023	Distributor of innovative medical technology devices in Australia, with revenue of AUD4 million (c.£3 million) in the 12 months to June 2022

In February 2023, Bunzl also entered into an agreement to acquire Arbeitsschutz-Express, a fast-growing online distributor of workwear and PPE in Germany, which generated EUR 41 million (c.£35 million) of revenue in 2022. This acquisition, combined with hygi.de, will more than double our presence in the market, with significant further opportunity remaining.

Our capital allocation priorities are to: reinvest our cash into the business to support organic growth and operational efficiencies; pay a progressive dividend; and self-fund value accretive acquisitions. Whilst our framework favours these three methods of investment, with £2.0 billion of cash distributed to shareholders through dividends and £4.7 billion committed acquisition spend since 2004, and a return on invested capital of 15.0%, if leverage continues to consistently fall, the Board would consider other mechanisms for distributing excess cash to shareholders.

Equitable and sustainable growth

We understand our role as a proactive leader in the transition to a more sustainable and equitable future. As we have previously laid out, sustainability is a key strategic priority, and we have directed our efforts into four key areas where we believe we can make the greatest positive contribution: providing alternative packaging solutions; ensuring responsible supply chains; investing in our people; and taking action on climate change.

The Group continues to focus on transitioning customers to packaging that is better suited to a circular economy, with revenue from packaging made from alternative materials accounting for 53% of the Group's total packaging sales. The proportion of total Group revenue attributable to non-packaging products or packaging made from alternative materials remained high at 83%, with the Group continuing to have very limited exposure to single-use plastic consumables where some volume reduction is possible. Our strength in sourcing innovative products, including from within our own brand portfolio, as well as our expert advice, data tools and supply chain investments, are increasingly competitive advantages for Bunzl.

Our climate change commitments

Today

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

Tomorrow

- Scope 1 and 2: 50% more carbon efficient by 2030[2] equivalent to a 27.5% absolute reduction
- Scope 3: 79% of suppliers to have science based targets by 2027

Beyond

- Net zero[3] by 2050 at the latest, inclusive of Scope 3 emissions

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUSINESS AMBITION FOR 1.5°C

RACE TO ZERO

WE MEAN BUSINESS COALITION

1 SBTi = Science Based Targets initiative.
2 Scope 1 and 2 emissions, against a 2019 base line.
3 Scope 1, 2 and 3 emissions.

READ MORE: SUSTAINABILITY PAGE 56

Over the year we completed an exercise to calculate our Scope 3 emissions in detail for the first time, allowing Bunzl to set a new target for carbon reduction in its supply chain. This, along with our Scope 1 and 2 emissions reduction targets, were approved by the Science Based Targets initiative ('SBTi'). We continue to aim to be net zero by 2050 at the latest, inclusive of Scope 3 emissions. Since 2019 we have reduced our absolute carbon emissions (Scope 1 and 2) by 15% and are on track to reach our target of a 27.5% reduction by 2030.

The Group completed 930 ethical and quality audits through our Shanghai based Global Supply Chain Solutions team, which is responsible for auditing our suppliers. These audits largely occurred in Asia, the most significant high risk sourcing market for Bunzl by spend, but have expanded to include other high-risk regions. In total, c.96% of our purchasing spend today is either in low risk regions, with assessed or compliant suppliers in high risk regions, or on other non-product related costs.

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. Furthermore, we have made pleasing progress on our diversity plans. With our support of communities inherent to our locally driven business model, across our Group, businesses have been donating essential products to help with the relief efforts in Ukraine and its neighbouring countries, and are coordinating product donations after the recent earthquakes in Turkey and Syria. In total the Group has donated £250,000 to Disasters Emergency Committee Appeals, through the British Red Cross, to support the aid needed across both catastrophes.

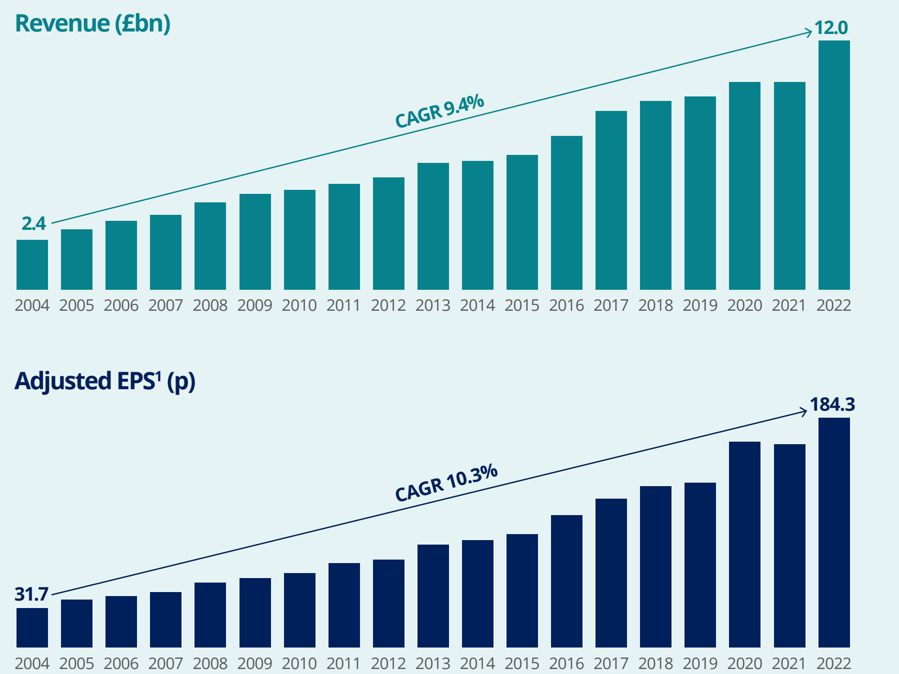
Prospects

While we see continued uncertainty relating to the macroeconomic environment, our 2023 guidance remains unchanged from that published in our pre-close statement on 21 December 2022. At constant exchange rates the Group expects revenue in 2023 to be slightly higher than in 2022, driven by both organic growth and announced acquisitions, and partially offset by a small impact from the UK healthcare disposal. We expect Group adjusted operating profit in 2023 to be resilient, with operating margin slightly higher than historical levels. Adjusted earnings per share is expected to be moderately lower year-on-year due to higher interest rates and an increased effective tax rate.

The Group's longer term prospects remain attractive, with the Group committed to its proven and consistent strategy which supports Bunzl's continued track record of value creation. Organic growth, which is driven by activity in our markets, is further supported by new business opportunities, continual product innovation, and the Group's daily focus on becoming more efficient. Our acquisition growth is driven by our position as the leading operator of scale in highly fragmented markets, with a strong balance sheet and demonstrable track record of our ability to consolidate. We have an active pipeline of acquisition opportunities in our existing markets, supplemented by potential acquisitions in new geographies and adjacent sectors. Our capital allocation and portfolio optimisation discipline ensures we are investing to drive a good return. We believe the merits of businesses joining Bunzl have only been further evidenced as a result of the pandemic and supply chain disruptions, and this is reflected in our recent acquisition success and the conversations we are having with a number of acquisition targets.

Frank van Zanten
Chief Executive Officer
27 February 2023

Proven track record



1 Alternative performance measure (see Note 3 to the consolidated financial statements on page 178).

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.

BOARD OF DIRECTORS PAGE 100

The leadership team

Members of the Executive Committee

Frank van Zanten
Chief Executive Officer

Diana Breeze
Director of Group Human Resources

Richard Howes
Chief Financial Officer

Suzanne Jefferies
General Counsel and Company Secretary

Andrew Mooney
Director of Corporate Development

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

North America

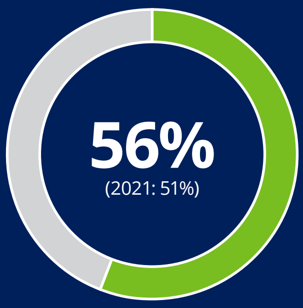
Jim McCool
Chief Executive Officer,
North America

Revenue
£7,366.0m
(2021: £6,144.7m)
Growth at constant exchange rates
8.1%
Underlying growth*
6.1%

Adjusted operating profit*
£511.5m
(2021: £401.3m)
Growth at constant exchange rates
15.0%

Operating margin*
6.9%
(2021: 6.5%)

Percentage of Group adjusted operating profit*◊



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

In North America, revenue increased 8.1% to £7,366.0 million, with underlying growth contributing 6.1%. Substantial product cost inflation in the base business, particularly in grocery, foodservice and retail, was further supported by the positive impact of acquisitions, although a decline in Covid-19 related sales was a headwind. Adjusted operating profit was £511.5 million with an operating margin of 6.9%, up from 6.5% in 2021, driven by improved margins in our grocery and foodservice segments, supported by inflation, as well as the impact of acquisitions. While cost inflation was high over the period, driven by fuel and freight costs, the year-on-year impact on wages moderated over the year, with year-on-year wage inflation exiting closer to more typical historical levels of inflation. Overall, the impact of operating cost inflation in 2022 was more than offset by revenue and margin growth attributable to product cost inflation. Despite supply chain disruption over the period, the resilience of Bunzl's teams and network, as well as its global sourcing expertise, provided customers strong service levels across a broad product assortment, enhanced by several new own brand product categories.

Our largest business, in the US grocery sector, saw continued strong revenue growth from significant product cost inflation and steady demand. Sales relating to salad and hot food bars that largely shut down during the pandemic and have since gradually reopened, remain below pre-pandemic levels. Our convenience store sector business enjoyed strong growth, as travel and related store traffic improved.

Despite the impact of Covid-19 related sales decline our foodservice redistribution business also delivered strong growth, driven by significant inflation in foodservice packaging categories as well as a more consistently open in-person dining environment and continued demand for takeaway packaging. Our food processor and agricultural sectors also experienced continued strong growth, driven by consistent consumer demand, product cost inflation and acquisition benefit. Our processor business was awarded a contract for significant new volume with a national food processing customer, Tyson Foods, which will onboard in the first half of 2023.

The commentary within this operating review is stated at constant exchange rates unless otherwise highlighted.

Our cleaning & hygiene redistribution business benefited from strong net product cost inflation, partially offsetting declines in Covid-19 related categories as well as the ongoing impact of remote working.

Our retail supplies business was impacted by actions taken to focus on more profitable business, but this was offset by certain new business wins and the benefit of product cost inflation. Online ordering growth moderated, but we continue to benefit from packaging related to store level fulfilment of online orders.

Our safety business grew strongly, with the favourable impact of acquisitions more than offsetting the decline in Covid-19 related sales. Base business growth was modest as certain end markets remain slow to return to pre-pandemic levels, in part driven by supply chain and labour capacity issues, although these are easing.

Lastly, our business in Canada saw very good growth, benefiting from significant product cost inflation in the grocery and industrial segments, which more than offset the impact of the decline in Covid-19 related sales in safety. Our cleaning & hygiene business recovered modestly, despite the ongoing impact of remote working.

Continental Europe

Alberto Grau
Managing Director,
Continental Europe

Revenue

£2,173.4m
(2021: £1,972.9m)

Growth at constant exchange rates

13.2%

Underlying growth*

7.9%

Adjusted operating profit*

£195.1m
(2021: £191.8m)

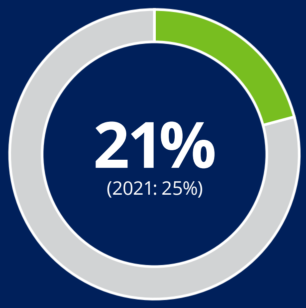
Growth at constant exchange rates

5.6%

Operating margin*

9.0%
(2021: 9.7%)

Percentage of Group adjusted operating profit*◊



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

Revenue in Continental Europe grew by 13.2% to £2,173.4 million, due to the benefit of strong product cost inflation, a recovery in the foodservice and retail sectors, and the benefit of acquisitions. Within underlying growth, base business growth was partially offset by the expected reduction in Covid-19 related sales. Hyperinflation in Turkey was a further support to overall revenue growth, although underlying revenue growth of 7.9% is adjusted to exclude growth delivered in excess of 26% per annum in Turkey. Adjusted operating profit increased by 5.6% to £195.1m with operating margin decreasing from 9.7% to 9.0% driven by the introduction of hyperinflation accounting in 2022 to our Turkish businesses, as well as the decline in Covid-19 related sales.

In France, revenue grew moderately in our cleaning & hygiene businesses as the recovery by foodservice customers within this sector and inflation offset a reduction in Covid-19 related sales. We also saw some improvement in office-based activity later in the year. Our safety business saw a significant reduction in sales of Covid-19 related products and was impacted by supply chain disruptions in the first half of 2022. However, our foodservice businesses have seen significantly higher sales following the reduction in Covid-19 related restrictions compared to 2021, and were supported by inflation.

In the Netherlands, there was very strong growth in our foodservice and non-food retail businesses, driven by inflation and a number of new business wins, despite the decline in Covid-19 related sales, with the non-food retail business successfully relocating to a larger facility in the first half that will enable further growth. Good growth continued in the grocery and e-commerce fulfilment sectors and our healthcare business grew with inflation which was partially offset by reduced volumes of Covid-19 related products. In our safety business, sales of Covid-19 related items were significantly lower and supply chain disruptions also impacted sales in the first half of the year. In Belgium, our cleaning & hygiene businesses have grown strongly with catering and contract cleaning customers benefiting from fewer Covid-19 related restrictions throughout the year and some improvement in office-based activity toward the end of the year.

In Denmark, our foodservice business has grown strongly in the absence of Covid-19 lockdown restrictions. Revenues in our safety business have delivered good growth while our grocery business was broadly stable given the impact of lower Covid-19 related sales.

Sales grew strongly in Spain, driven by foodservice recovery as well as strong growth in the industrial and disposable packaging business. Our safety redistribution businesses were impacted by the reduction of Covid-19 related sales, in addition to reduced inventory availability given extended lead times on imported products, although this issue eased a little in the second half.

In Turkey, high inflation is driving increased revenue across most channels and our businesses have taken actions in the second half of the year to limit the impact of the hyperinflationary environment as we move into 2023.

In all other countries we have seen growth driven by the recovery in foodservice and inflation be partially offset by lower Covid-19 related sales. Over the period we also significantly increased the number of digital orders from customers, supporting improved customer retention and enhancing the efficiency of our business.

UK & Ireland

Andrew Tedbury
Managing Director,
UK & Ireland

Revenue

£1,442.5m

(2021: £1,254.2m)

Growth at constant exchange rates

15.0%

Underlying growth*

12.2%

Adjusted operating profit*

£95.3m

(2021: £67.0m)

Growth at constant exchange rates

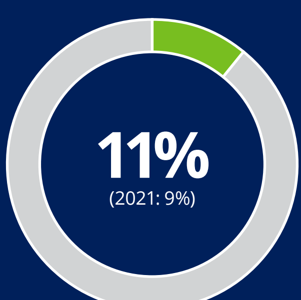
42.0%

Operating margin*

6.6%

(2021: 5.3%)

Percentage of Group adjusted operating profit*◊



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

In UK & Ireland, revenue increased by 15.0% to £1,442.5 million, with underlying growth of 12.2% driven by strong product cost inflation, alongside continued recovery in certain markets, most notably foodservice, as well as the benefit of acquisitions. Across our office related businesses, we saw an improvement in footfall towards the end of the year, although this continues to remain below 2019 levels. Due to the strength of base business recovery, despite the decline in higher margin Covid-19 related sales over the period, operating margin increased from 5.3% to 6.6%. Adjusted operating profit increased to £95.3 million, up 42.0% year-on-year. The UK healthcare business, which generated £216 million of revenue in 2021, was disposed of in December 2022, resulting in minimal impact on 2022 reported results due to the timing of the sale.

In our cleaning & hygiene businesses, which include businesses servicing care homes, we saw strong revenue growth throughout the year. Our product range continued to develop, offering more sustainable solutions to our customers including the launch of a new award-winning Eco Cleaning range of chemicals.

Our safety businesses were impacted by a lack of major infrastructure investment during 2022, with construction and manufacturing industry customers also impacted by a shortage of raw materials and labour availability particularly earlier in the year. Despite this challenging backdrop, our businesses continued to secure new customers and develop more sustainable product ranges throughout the year.

Our retail businesses witnessed good growth over the year, supported by high levels of product cost inflation. Online packaging sales weakened throughout 2022 as more shoppers returned to 'bricks and mortar' traditional shopping methods which aided our luxury packaging supplies businesses. Our grocery business saw good growth, benefiting from inflation and expanded product ranges supplied to some of our larger grocery customers.

Our foodservice businesses saw very strong growth, driven by both volume recovery as well as inflation. Office catering remains well below pre-pandemic levels given work from home trends, although the return of leisure and sporting activity and consumer desire to return to dining out helped bolster sales, which, supported by inflation, finished close to 2019 levels. We secured new customers, launched a new webshop, and continued to roll out both sustainable products and services throughout the year.

Our businesses in Ireland performed well during 2022. Further improvements have been made during the year to both our digital and sustainability offerings. We continue to improve our operating model with the introduction of new stock management software and new transport management software in some businesses.

Rest of the World

Jonathan Taylor
Managing Director,
Latin America

Kim Hetherington
Managing Director,
Asia Pacific

Revenue

£1,057.6m
(2021: £913.3m)

Growth at constant exchange rates

8.5%

Underlying growth*

0.6%

Adjusted operating profit*

£111.7m
(2021: £116.5m)

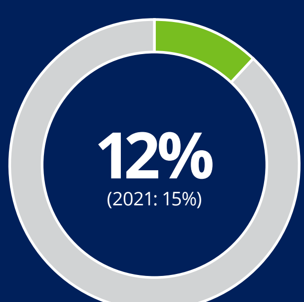
Growth at constant exchange rates

(10.6)%

Operating margin*

10.6%
(2021:12.8%)

Percentage of Group adjusted operating profit*◊



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

In Rest of the World, revenue increased 8.5% to £1,057.6 million, driven by acquisitions, with underlying revenue growth of 0.6% as a result of strong revenue growth in Asia Pacific being offset by a decline in Latin America caused by a strong reduction in Covid-19 related sales. Asia Pacific continued to benefit from Covid-19 related sales growth, driven by some larger orders. Adjusted operating profit declined by 10.6% to £111.7 million with operating margin decreasing from 12.8% to 10.6%, due to the strong reduction in higher margin Covid-19 related sales in Latin America, despite very strong adjusted operating profit growth in Asia Pacific which was supported by acquisitions. However, operating margin remains well ahead of 2019 levels, with adjusted operating profit in 2022 double that achieved in 2019 at constant exchange rates, with this growth supported equally by growth in Asia Pacific and Latin America.

In Brazil, our safety and foodservice businesses were significantly impacted by a decline in Covid-19 related sales although we saw strong growth across other categories. Our healthcare businesses, which were impacted by lower sales of vaccine related products, saw a strong performance across the remaining portfolio as supply chains improved and demand for medical procedures increased.

In Chile, our safety businesses, which sold limited Covid-19 related products in the prior year, saw good sales growth as a result of new product launches, product cost inflation and a weakening currency. Our catering supplies business also saw very strong, inflation-driven sales growth.

Our largest business in Asia Pacific continued to perform well, benefiting from its position in the more resilient healthcare and cleaning & hygiene sectors. The business did, however, see a downturn in the aged care sector due to a release of surplus Covid-19 related inventory to our customers by the government.

Our Australian specialty healthcare business continued with another strong year, benefiting from improved supply chain performance from its major suppliers and the return to more traditional trading as pathology patients resumed normal testing protocols.

Our Australian safety business continued to see good momentum in its underlying business and was supported by Covid-19 Rapid Antigen Testing opportunities into government and industry customers in the first half. The underlying business benefited as its supply chain improved, and from continued strong performance of some of its traditional customers in the resource industry. Our emergency services business, FRSA, finished the year strongly and saw the business returning to a more traditional sales mix with the government redirecting spend into fire and emergency services budgets.

In New Zealand, our MedTech healthcare business experienced an extended slowdown, with hospitals initially delaying elective surgeries to allow beds for potential Covid-19 outbreaks and then subsequently impacted by a shortage of clinical staff. This was compounded by delays from its traditional labour pool due to immigration restrictions, impacting waiting lists within the healthcare system.

Trusted to deliver

The essential link, reliably supporting customers at all times

A strong supply chain enabled Bunzl to navigate 2022's supply chain challenges

We have a strong global supply chain, consisting of flexible sourcing relationships, with limited supplier concentration, enabling Bunzl to support customers even during challenging times

>10,000
suppliers

c.75%
of our purchases are products sourced domestically

Working together to support the environment

- Bunzl is committed to being a net zero business by 2050, including supply chain emissions.
- In order to achieve this, Bunzl has set a target to ensure 79% of suppliers by emissions have a science-based carbon target by 2027, in addition to carbon reduction targets for its own operations.

READ MORE:
TAKING ACTION ON CLIMATE CHANGE
PAGE 56

Ensuring an ethical supply chain

Bunzl has well-established auditing practices, as part of our overarching sustainability strategy:

- All products supplied directly from Asia are through suppliers that are regularly audited by our Global Supply Chain Solutions team in Shanghai.
- Ethical and quality audits expanding to include other high risk regions.
- Strong competitive advantage compared to Bunzl's peers who typically lack this capability.

Bunzl is committed to expanding its auditing and assurance practices to cover 90% of Bunzl's spend on products from high-risk regions, compared to 78% today. This will ensure that c.99% of Bunzl's total purchasing spend is either in low-risk regions, with assessed or compliant suppliers in high-risk regions, or on other non-product related costs, compared to c.96% today.

READ MORE: RESPONSIBLE SUPPLY CHAINS PAGE 52

c.35%

of Bunzl's total purchases are made through its top 40 suppliers highlighting the limited concentration of suppliers

To provide customer assurance over delivery of essential products at crucial moments, Bunzl takes the following steps to maintain its high level of customer service. These steps enabled Bunzl to successfully navigate supply chain challenges in 2022:

- Strategic focus on the critical product lines for our customers
- Use of multiple regional sources of supply and global sourcing collaborations
- Ability to temporarily increase stock held and forward orders placed to ensure product availability, supported by the strength of Bunzl's balance sheet
- Alternative product plans in place as a contingency
- Transport disruption is planned for

Continued resilience

Key to Bunzl's resilience is its diversification and ability to navigate external challenges. Over the last three years adjusted operating profit has grown 37% despite significant shifts between sectors and products across this period driven by the pandemic. 2022 saw the Group return to a more typical mix.

Resilient performance through the pandemic

The resilience of the Group's delivery over 2019–2022, despite significant inflation, pandemic-related business mix shifts and supply chain disruptions demonstrates the strength of the Bunzl model.

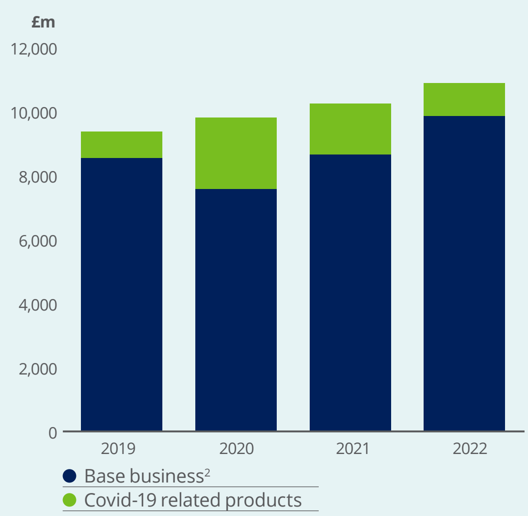
Pandemic-related mix shifts

Between 2019 and 2022 Bunzl saw some strong shifts between Covid-19 related sales and base business sales, with Covid-19 related sales peaking in 2020 alongside a contraction in our base business. Overall, however, the Group's adjusted operating profit has grown by 37% over this period.

Bunzl enters 2023 with a more normalised mix

Overall base business revenues are well ahead of 2019 levels, driven by inflation, with volumes broadly returned to 2019 levels. Similarly, Covid-19 related sales are approximately £200 million higher than in 2019 on an underlying basis, with revenues having largely normalised since 2020's highs. Overall, while there is some variation in sector recovery and Covid-19 related sales remain slightly higher than pre-pandemic, our business has largely recovered to a more typical mix. Our diversification has enabled the business to deliver strong underlying growth over the last three years, despite meaningful shifts between products and sectors.

Underlying revenue[1]



+16%
Group underlying revenue growth*: 2019–2022[3]

+37%
Group adjusted operating profit* growth: 2019–2022[3]

1 Underlying revenue is defined as revenue excluding the incremental impact of acquisitions and disposals made since the start of 2019, adjusted for trading days, excluding the impact of growth in excess of 26% per annum in hyperinflationary economies, and at constant exchange rates.
2 Base business defined as underlying revenue excluding the top Covid-19 related products (including, masks, sanitisers, disposable gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection)
3 At constant exchange rates.

* Alternative performance measure – see page 178.

2022 sector developments

Bunzl's diversification across sectors and geographies is key to its resilience, with Bunzl also benefiting from structural end market drivers.

Sector	2022 sector commentary	2022 revenue as % of Group total	Underlying revenue[1] 2022 vs 2019	Underlying revenue[1] 2022 vs 2021
Healthcare Safety Cleaning & Hygiene	• Healthcare base business performing well, supported by an increasing backlog of elective surgeries. • Started to see improvement in safety markets, with supply chain and labour shortages easing. Infrastructure spend is a potential medium term support. • Cleaning & hygiene base business impacted by work from home trends compared to 2019, although this was easing towards the end of the year.	31% vs 33% in 2021	↑ 6%	↓ (3)% Driven by the expected decline in Covid-19 related sales
Grocery[2]	• Significant support from inflation.	29% vs 29% in 2021	↑ 20%	↑ 9%
Foodservice Retail	• In foodservice and retail we have seen significant support from inflation. • Benefit from volume recovery earlier in the year, particularly in Continental Europe and UK & Ireland.	40% vs 38% in 2021	↑ 22%	↑ 13%

1 Underlying revenue growth, which is an alternative performance measure – see page 178.
2 Also includes the 'Other' sector.

Trusted partnerships

Driving organic growth with our strong customer proposition

Sustainability focused new business win

Case study: Sprouts

Sprouts is a sustainability focused grocery chain with stores across the USA. Bunzl recently won the contract to become the single distributor for all goods-not-for-resale across its stores.

What this business win was driven by:

- Our ability to support a fast-growing grocer.
- The strength of our national infrastructure.
- Our capabilities to support Sprouts with its sustainability ambitions.
- Our data and analytical insights.

c.370
stores across the USA

Why we won Sprouts' business

Support for c.370 stores
- Our national infrastructure replaces the use of four independently owned distributors.

Coordination to improve buying
- We have become the single distributor for all goods-not-for-resale.
- The number of SKUs sourced is targeted to reduce by 50%, partially offsetting product cost inflation.

Improved reliability
- Our own driver infrastructure ensures high reliability of successful fulfilment.

Greater visibility
- Implementation of analytical tools enables Sprouts to assess inventory and store usage, driving improved decision making.

Meaningful store base expansion
- We can support Sprouts' growth with our scale and depth of capabilities.

Sustainability requirements and ambitions
- Our product data mapping supports sustainability analysis, reporting and transition to alternatives.
- A tailored offering ensures each store only orders products compliant with regulation.
- Sprouts aims to be a leader in innovative packaging solutions, and we are committed to supporting it to achieve its targets.

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

We provide essential business solutions:

A 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

We create long term sustainable value:

A compounding strategy that consistently delivers

Profitable organic growth

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

READ MORE PAGE 36

Operating model improvements

Daily focus on making our business more efficient.

READ MORE PAGE 37

Acquisition growth

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

READ MORE PAGE 38

Sustainability is a vital part of the equation

Responsible supply chains

READ MORE PAGE 52

Investing in a diverse workforce

READ MORE PAGE 54

Taking action on climate change

READ MORE PAGE 56

Providing tailored alternative solutions

READ MORE PAGE 64

Digital capabilities

Our tailored digital solutions enhance the experience of our customers, supporting customer retention, while increasing the efficiency of our own operations.

READ MORE PAGE 15

For the benefit of all stakeholders

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

READ MORE: SECTION 172 PAGE 70

Essential business solutions

Our tailored service model

We provide tailored solutions using 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

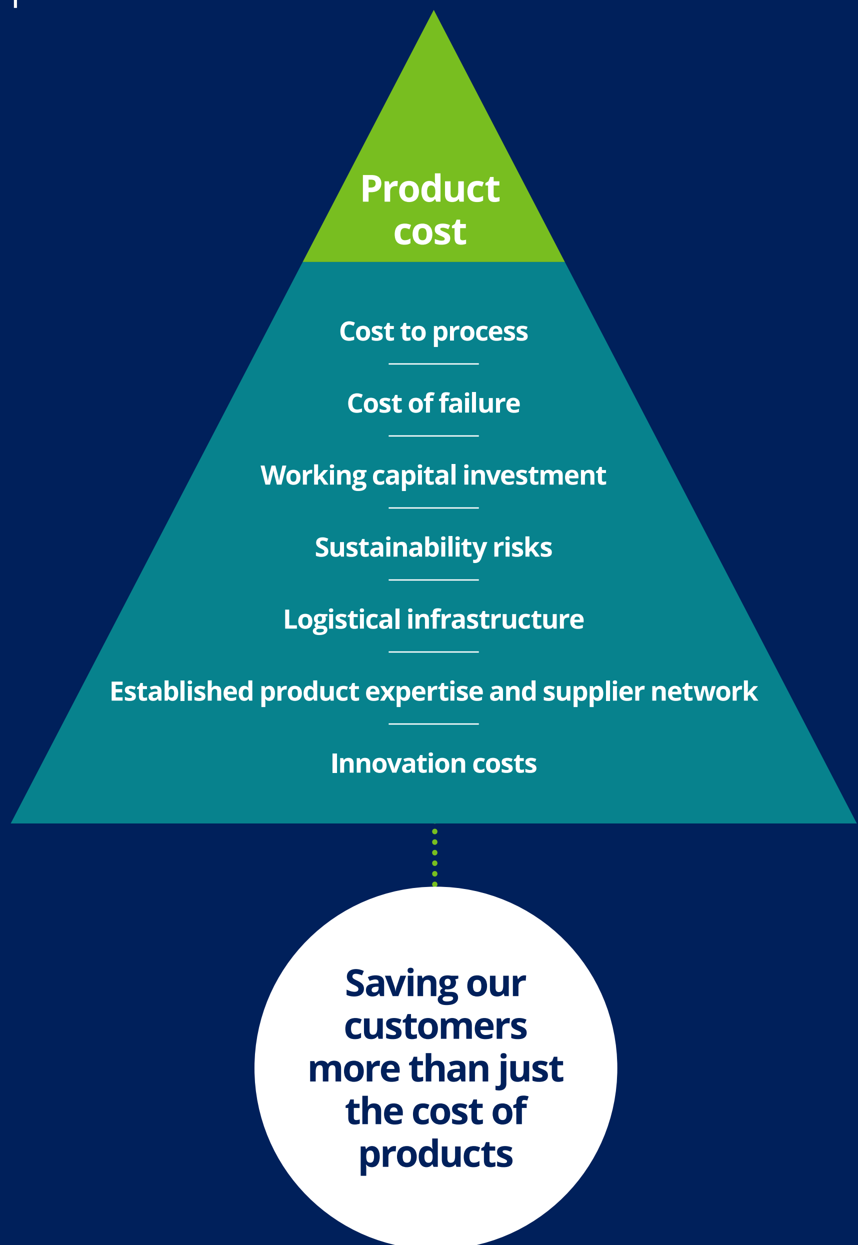
- One-stop-shop for all products in a single delivery
- Customised digital solutions
- Integrated ordering systems
- Analytical support to improve efficiencies
- Carbon savings through consolidated deliveries

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.



Our sources of competitive advantage

Tailored solutions and value-added services
Adding 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
Working with suppliers to give our customers access to the best products and solutions, 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 achieves a reduced carbon footprint in comparison to competitors who process smaller, unconsolidated orders.

Digital capabilities
Our tailored digital solutions enhance the experience for our customers, supporting customer retention, while increasing the efficiency of our own operations.

Our people
Our c.6,000 sales experts and local customer service specialists provide detailed advice to customers 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.

Acquisition track record
We have a strong track record of successfully integrating acquisitions, helping us to grow our geographic footprint while retaining the 'local' feel of our acquired businesses.

Delivering value for all of our stakeholders

Customers
69%
of customer orders processed digitally

Colleagues
81%
would recommend Bunzl as a good place to work

Environment
15%
reduction in Scope 1 and 2 carbon emissions since 2019

Shareholders
10.0%
dividend increase to 62.7p

Suppliers
930
audits conducted in 2022

Communities
£200k
and essential items donated to support relief efforts in Ukraine and neighbouring countries

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.

Profitable organic growth

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

READ MORE
PAGE 36

Operating model improvements

Daily focus on making our business more efficient.

READ MORE
PAGE 37

Acquisition growth

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

READ MORE
PAGE 38

Supported by investments in sustainability and digital

Sustainability

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

Digital capabilities

Our tailored digital solutions enhance the experience for our customers, supporting customer retention, while increasing the efficiency of our own operations.

Both of these elements support our competitive advantage

Strategy in action: Continental Europe

Overview

Consistent track record of expansion

Expansion since 2005 has established Bunzl's leading position today

1994

Bunzl acquires its **first business in Continental Europe,** Hopa Disposables in the Netherlands

2005

Continental Europe **business area created** with presence in eight countries

2010

Presence in **12 countries**

Today

16 countries

54 operating companies

6 core customer markets

5,850 colleagues

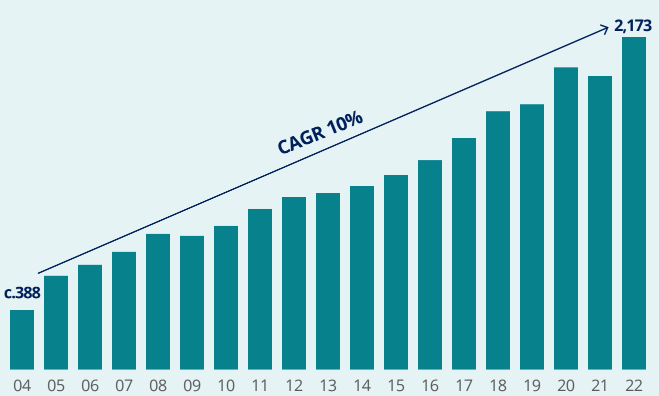
c.2,100 expert sales and customer service colleagues

Operating from **>100** locations

69 acquisitions since 1994

Strong consistent growth

Bunzl Continental Europe revenue (£m)[1]



1 At 2022 exchange rates.
2 Average contribution to revenue growth over the last 10 years.
3 Alternative performance measure (see Note 3 to the consolidated financial statements on page 178).

Revenue increase since 2004

6x

Organic growth contribution[2]

c.40%

Acquisition growth contribution[2]

c.60%

Adjusted operating profit[3] CAGR (04–22)[1]

c.12%

Strong revenue growth
- Organic growth supported by the building of strong customer relationships
- Consolidation of fragmented markets with the acquisition of good businesses

Steady margin improvement
- Good business performance and operational excellence
- Portfolio development

Strategy in action: Continental Europe

Profitable organic growth and operating model improvements

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.

How we drive organic growth. Case study:

CEVA Logistics

"For CEVA, Bunzl is not just a supplier, but we are working in partnership... We depend on Bunzl's knowledge and flexibility to get the right solution delivered."

Jan de Breet
Head of Procurement,
CEVA Logistics, Benelux

SCAN THE QR CODE TO VIEW THE CEVA TESTIMONIAL VIDEO

CEVA Logistics is a logistics and supply chain company we have supported for the last 12 years. Our relationship expanded significantly in 2017 when we won the contract to become the sole distributor to its 100+ warehouse network in Benelux. Today we supply this fast-growing company with 1,000+ essential products, and have delivered strong savings and efficiencies to them. This example demonstrates how helping our customers to grow fuels our own organic growth.

Prior solution	Bunzl solution	Improvements achieved by Bunzl
Each warehouse sourced independently	• Sole distributor of goods-not-for-resale	**30%** reduction of air in shipped packaging
On time and in full < 90%	• On time and in full 99%+ • Improved logistics, more reliable supply chain	**15%** cost saving
High packaging costs	• Reduced costs • Warehouse and packaging innovation, including new machinery	**10%** improved availability of products
No value-added services through partnership	• Joint revenue venture to provide CEVA's larger customers with packaging – upside opportunity	

Operating model improvements:

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

c.50

warehouse relocations and consolidations since 2010 in Continental Europe

Strategy in action: Continental Europe

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.

Supporting our acquisitions to grow. Case study:

MultiLine

We acquired Danish foodservice distributor, MultiLine, in 2003 to significantly strengthen Bunzl's position in Denmark and become the number one foodservice distributor. Since then, we have leveraged Group scale to invest in sustainability and digital technologies and also leveraged our global sourcing office in Shanghai to expand Multiline's own brand range. It has provided a platform for the development of our business in Denmark with five subsequent bolt-on acquisitions.

11%

Adjusted operating profit* CAGR since 2003 achieved by MultiLine, a Bunzl operating company

* Alternative performance measure (see Note 3)

Significant expansion opportunities

Driving Bunzl's growth. Case study:

hygi.de

In June 2022, Bunzl acquired hygi.de in Germany. The acquisition of this fast-growing, online business effectively doubled our revenue in the high-potential German market, which has been a key expansion target for Bunzl. Despite the success of this acquisition, we still have the opportunity to further increase our penetration by at least 8x in this key market, based on a comparison to our revenue/GDP penetration in the UK&I market.

hygi.de

Market-leading online distributor of cleaning and hygiene products in Germany

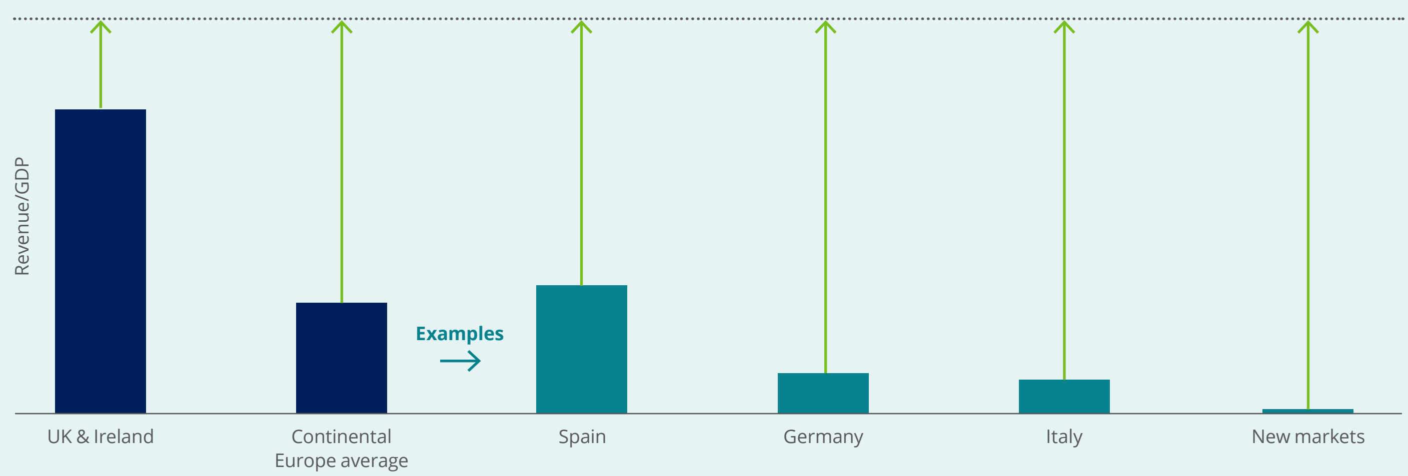
- Established in 2004
- Fast growing business
- 2021 revenue of c.£92 million
- Annual meetings with local Bunzl leadership since 2012 – acquisition has been 10 years in the making

Similar opportunities for us to expand our presence significantly through acquisitions exist for us across Europe, and we can more than double our revenue/GDP penetration in key markets such as Italy (15x) and Spain (2x).

We also continue to use acquisitions to expand our footprint by entering new countries (e.g. Poland, Sweden, Finland and Portugal) and expanding the number of core verticals we operate within our current countries.

We are looking for opportunities to expand our market share in our existing countries and markets with smaller bolt-on acquisitions, while we look to expand the number of core sectors we operate within or enter into new countries with larger anchor acquisitions, that we can build our footprint around.

Revenue/GDP penetration comparison to the UK & Ireland – illustrative opportunity across our markets



Continental Europe Country and sector presence – sizeable growth opportunities within existing markets

Country	Foodservice	Grocery	C&H	Safety	Retail	Healthcare
Germany	●		●	●		●
France	●		●	●		●
Italy				●	●	
Spain	●		●	●	●	●
Netherlands	●	●	●	●	●	●
Belgium	●	●	●		●	●
Denmark	●	●	●	●		
Norway	●					
Switzerland	●	●	●	●	●	●
Austria	●					
Czech Republic		●		●		
Hungary	●	●	●	●		
Romania	●	●	●	●		
Slovakia	●	●				
Israel	●					
Turkey	●			●		

● Bunzl has an existing presence

Employee voice

"Bunzl recognises the importance of listening to the views and feedback from our people in these rapidly changing times. During 2022 we have continued on our journey towards more regular "pulse" check-ins using both formal and informal mechanisms. This helps us to ensure that we are in touch with the concerns and ideas of our employees, and we believe that it helps us be more responsive in making Bunzl a place people choose to work."

Diana Breeze
Director of Group Human Resources

Targeted our employee survey to focus on communication

In the autumn of 2022 we conducted a pulse survey inviting all our employees to share their feedback and suggestions on what it is like to work for Bunzl, with a focus on communications. At a global level the results were very positive with every group of questions improving since the last survey in 2021. Our sustainable engagement score improved by 5% to 85% in 2022.

"In UK & Ireland we saw the greatest increase in survey results with a 10% increase in the sustainable engagement score."

We introduced a new section in the survey called employee voice and the two questions in this section help us to understand our employees' views about how easy it is to share opinions and communicate upwards openly and honestly. We were very pleased to learn that over 80% of our people responded positively to both these questions, and that an effective employee voice is a key driver of sustainable engagement. We also introduced some new questions about the ability of managers and leaders to explain the reasons behind decisions and the value of Company communications.

Alongside the open questions these new questions have given us lots of rich information to help us better understand how we can improve the information we share with our people.

In addition to participating in the Bunzl pulse survey, 836 employees, in seven countries in our Continental Europe region took part in the 'Great Place to Work' process, an externally recognised approach to gathering employee feedback on their organisations. This enabled us to benchmark the results from the businesses who took part against 10,000 other organisations around the world. Ten businesses that took part in the pilot using this approach were certified as a 'great place to work'. The employees and leaders in these businesses have, rightly, a sense of pride in achieving this standard and it has generated energy and enthusiasm for ensuring that the accreditation is maintained. Following the success of this pilot in seven countries, the region plans to get more businesses and countries involved in 2023, and we will consider extending the pilot to other regions.

87%

of employees have a clear understanding of the goals and objectives of our Company

Reverse mentoring

Andrew Tedbury, Managing Director, UK&I has benefited from reverse mentoring offered in the region. Andrew has two mentors, Nadia Summers and Shez Madhani, and they meet regularly to discuss ideas and share views. Both mentors have different ethnic backgrounds, and this, coupled with their viewpoints based on the roles they hold, means they can offer a fresh perspective on a whole plethora of issues. These range from communication to organisational design and the experience has provided Andrew with a rich awareness and understanding of ways to improve many elements of the business going forward. Shez Madhani, Senior National Account Manager, Bunzl Catering Supplies, commented 'I have enjoyed the reverse mentoring experience and it has been a great opportunity to see my views and experiences taken on board.'

Leadership conference 2022

In May 2022 we were able to get together just under 200 of our senior leaders for the first time since the Covid-19 pandemic. The time we spent together in Lisbon was used to share best practice and to collaborate across regional boundaries on our shared business priorities. Several of our leaders took to the stage to present to their colleagues fantastic developments in their businesses – this included innovations in products and processes that others could benefit from. The conference began with a thought-provoking external speaker, Peter Hinssen, stimulating ideas and discussion around the theme of 'The New Normal'. Over the course of the four days together delegates learnt about successes achieved through increased focus on the customer proposition and the customer-centric approach of a recent acquisition. Leaders shared the progress with our digital transformation agenda and numerous examples of digital best practice to gain insight into how it has been applied. A section of the conference was devoted to our people and focused on improving our performance through people with practical tools and ideas shared through real examples. Sustainability is a key element of our Group strategy and several sessions focused on this topic sharing details of sustainable own brands and how our internal sourcing capability supports the growth of our sustainable product ranges.

The conference celebrated successes through the launch of the Bunzl Sustainability Awards where leaders received awards on behalf of their teams for the following five award categories:

1. Sustainable solutions
2. Taking action on climate change
3. Investing in people and communities
4. Responsible sourcing
5. We Believe award

As a result of the conference we have:

- developed and launched an e-learning solution for the effective onboarding of new acquisitions
- increased the use and application of our We Believe employer brand and clarified how it can complement local external and internal brands
- increased awareness and use of our internal capability of sourcing in Asia.

SCAN TO WATCH THE WE BELIEVE CANADA VIDEO

Developing people across the world

Bunzl continues to be committed to developing employees with the skills and experiences they need to thrive at work. The details below show some of the tailored development programmes on offer to employees in all our regions.

Providing development opportunities to all levels of Bunzl Leadership

Direct entrant development programmes

Employees

'Warehouse to wheels' in UK& I provides warehouse employees with skills to be a commercial driver.

First line managers

'Spark' provides first time supervisors in North America with foundational leadership skills driving the 'Blue and Green' culture.

Managers

Accelerate in APAC develops leaders through a combination of in person, virtual and peer supported learning with practical real business projects over a 12 month period.

Leaders

Continental Europe introduced a leadership development programme in 2022 to grow its high potential leaders of the future. Attendees represent all 15 countries in Bunzl Continental Europe.

Senior leaders

Our global 'Senior Leadership Development Programme' brings together high potential leaders from around the world to develop through a tailored series of events; coaching; project based learning and self reflection.

Digital and e-learning e.g. acquisition success training

Technical and functional skills training e.g. Finance for non financial leaders

Bunzl programme success stories

Developing sales leaders

Courtney Smith joined the R3 Metro South Branch as a Sales Professional in 2013 and since then has successfully driven her career and used the development opportunities offered by Bunzl to go from strength to strength. After taking part in leadership development programs Courtney was successfully appointed to a sales director role, then later to market vice president. In 2020, Courtney attended the OverDRIVE development programme and participated twice as a mentee in the mentoring program. In 2022 Courtney was one of 50 female leaders to benefit from the Inspiring Women In Bunzl conference.

Graduate career success

Katie Bradbury joined Bunzl UK&I in 2009 as a 'graduate management trainee' and has progressed throughout the organisation working in two UK&I divisions, in both Procurement and Sustainability roles. Katie was a founding member of the UK&I's Inspiring Women in Bunzl programme and has benefitted from participation in Bunzl's mentoring programme during 2022. Katie is now the Head of Sustainability for Bunzl Retail Division and has been instrumental in the development of Material Footprint reporting.

Accelerated career growth

Glenn Harris first joined Bunzl Australia & New Zealand (BANZ) in 1991 in Customer Service and has progressed his career through the business holding various roles from Account Manager to leading the Perth site. In 2022 Glenn took part in the Accelerate programme and with the skills gained through this and his impressive career has now been promoted to General Manager to lead the Processor & Industry sector for Australia and New Zealand.

Trusted expertise

Case study: Bunzl Australia and New Zealand

We are uniquely positioned to help our customers transition to a more circular economy. Our customers rely on our advice and expertise, particularly in cases where they are operating across multiple jurisdictions and face having to comply with a complex patchwork of constantly changing single-use plastic legislation, such as is the case in Australia and New Zealand.

Customers in Australia face the added complication of needing to comply with three different tiers of legislation (federal, state and local), as well as the rules established by the Australian Packaging Covenant Organisation (APCO). Joining APCO is part of a compulsory, co-regulatory product stewardship framework established by the Federal Government. Our largest local operating company, Bunzl Australia and New Zealand, as well as many of its customers, are required to join and therefore work towards the targets.

Helping customers navigate complex plastic legislation

Case study: supporting our customers and the environment

Bunzl Australia and New Zealand worked with Compass Foodbuy Australia through the various single-use plastics phases in Australia during 2022. The program included supporting 120 Australian sites to meet bans impacting food service such as cutlery, straws, cups and other food service items.

Through this process the Bunzl team were able to remove 54 product SKUs resulting in more than 9.5 million individual units converted into sustainable options over the 12 month period. This process continues to drive both Compass and Bunzl to seek out, trial and implement innovative sustainable options throughout all categories to ensure that we are creating a sustainable future.

"Being a leader in our market requires us to partner with similar market leaders who have shared values, support us with experienced-based research and insight and work with us through the complex change management. Bunzl is such a valued partner."

Andrew Brightmore, Executive Director,
Foodbuy Australia, Compass Group

c.9.5m

product units replaced by alternative products over 12 months for Foodbuy Australia

c.30

tonnes of plastic removed for Foodbuy Australia

Sustainability focused value-added services

Bunzl Australia and New Zealand's solution is a multi-pronged approach, incorporating:

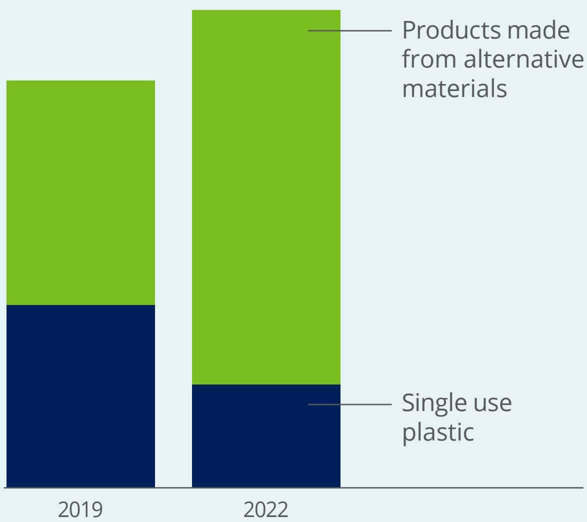
Government insight
- Engaging with government to ensure the business and its customers have the most up-to-date information and in-depth understanding of the changing regulatory environment.

Developing own brand sustainable alternatives: Sustain and Revive
- Working with the supply chain to phase out banned products and identify more sustainable alternatives that meet both new legislative requirements and customer needs.

Customer-facing analytics tools
- Bunzl has designed various calculators to quantify the environmental benefit of transitioning from one product to another.

Marketing and customer engagement
- Bunzl's marketing incorporates business sustainability goals and government laws and regulations into its strategy and communications, actively working to inform and educate customers to support transitioning towards more sustainable behaviours.

Bunzl Australia and New Zealand[1] – total revenue from food containers and cups



1 Our largest operating company in the region

Measuring our strategic progress

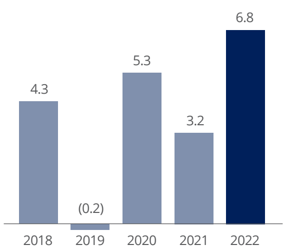
We use the following key performance indicators ('KPIs') to measure our progress in delivering the successful implementation of our strategy and to monitor and drive performance.

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 non-financial metrics.

Δ Alternative performance measure (see Note 3, page 178).

Profitable organic growth

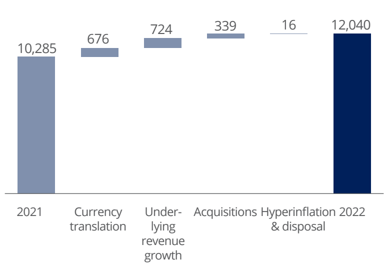
Organic revenue growth %



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 6.8% was driven by successful pass through of product cost inflation and recovery volume growth in the first half of the year.

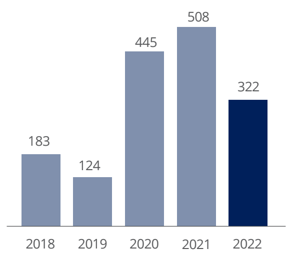
Reconciliation of revenue growth between 2021 and 2022 £m



Revenue up 17.1%, with 9.8% growth at constant exchange rates driven by underlying revenue growth and acquisitions made in 2021 and 2022. This was partly offset by a small impact from the disposal of our UK healthcare business in December 2022, while excess growth in hyperinflationary economies, largely in Turkey, contributed a small increase.

Acquisition growth

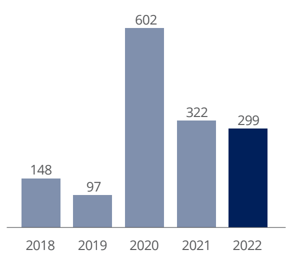
Acquisition spend £m



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

Committed acquisition spend of £322 million across 12 acquisitions.

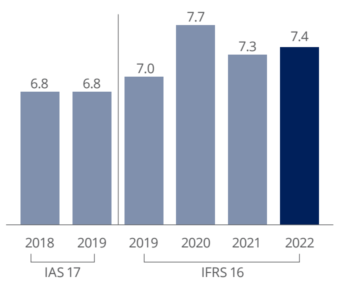
Annualised revenue from acquisitions £m



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 9 on page 186).

Operating model improvements

Operating margin %Δ

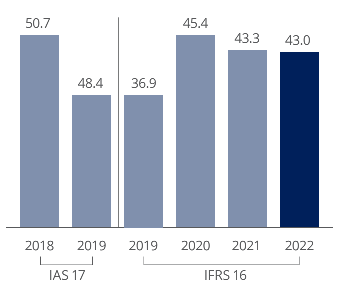


Ratio of adjusted operating profitΔ to revenue.

Operating margin of 7.4% compared to 7.3% in 2021.

Excluding the impact of acquisitions during the first 12 months of ownership and hyperinflation accounting adjustments, the 2022 operating marginΔ was 7.3%, unchanged from 7.3% in 2021 (restated at constant exchange rates).

Return on average operating capital %Δ

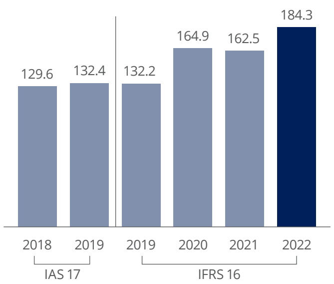


Ratio of adjusted operating profitΔ to the average of the month end operating capital employed (being property, plant and equipment, software, right-of-use assets, inventories and trade and other receivables less trade and other payables).

RAOC down to 43.0% from 43.3% in 2021 driven by an adverse impact from currency translation.

Financial

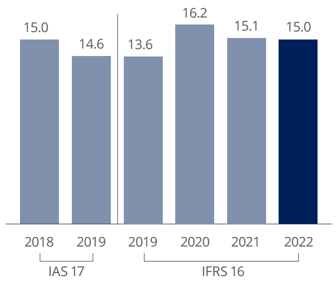
Adjusted earnings per share p[Δ]



Adjusted profit for the year[Δ] divided by the weighted average number of ordinary shares in issue (see Note 8 on page 185).

At constant exchange rates, adjusted eps up 7.0% driven by an 11.1% increase in adjusted operating profit[Δ], partially offset by an increase in net interest expense and a higher effective tax rate.

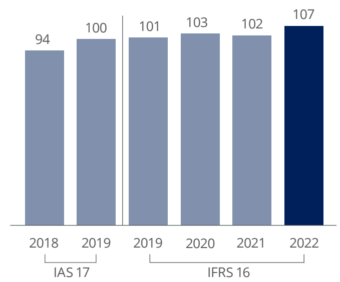
Return on invested capital %[Δ]



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

ROIC slightly down to 15.0% from 15.1% in 2021, driven by an adverse impact from currency translation and acquisitions partly offset by higher returns in the underlying business.

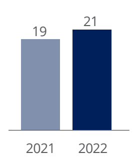
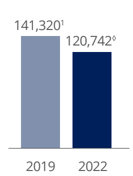
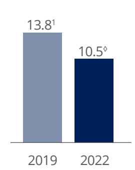
Cash conversion %[Δ]



Operating cash flow[Δ] as a percentage of lease adjusted operating profit[Δ] (see Consolidated cash flow statement on page 167).

Very strong year of cash generation with cash conversion of 107% in 2022, from focus on working capital improvement, enabled by easing supply chain constraints.

Non-financial

Our key themes	Our commitments	Performance	What's next
Responsible supply chains	90% of our spend on products from all high-risk regions will be sourced from assessed and compliant suppliers by 2025	**78% of our spend in high-risk regions was sourced from assessed and compliant suppliers.** c.96% of our purchasing spend today is either in low-risk regions, with assessed or compliant suppliers in high-risk regions, or on other non-product related costs[1] 1 Includes freight, duties and FX related costs	Continuing to take a proactive, risk based approach to responsible sourcing by assessing suppliers of high risk commodities who are based in lower risk sourcing countries
Investing in a diverse workforce	Encouraging more women into leadership roles through focused and targeted activities and continuing to build a truly inclusive culture across Bunzl	**21% women in our senior leadership population**  Senior leadership group defined as the 470 individuals that receive share options as part of their remuneration. Since 2016 the number of women in our senior leadership group has more than doubled.	Promote female role models through a focused programme of communications and extended networking events such as female leadership conferences in North America and Latin America
Taking action on climate change	**Scope 1 and 2:** 50% more carbon efficient (equivalent to a 27.5% absolute reduction) by 2030 (against a 2019 baseline) **Scope 3:** 79% of suppliers by emissions will have science-based targets by 2027 Net zero by 2050 at the latest	**15% reduction in absolute emissions since 2019.** Absolute carbon emissions (tonnes CO_2e)  **24% improvement in carbon efficiency since 2019.** Emission intensity (tonnes CO_2e per £m revenue)  1 Emissions in our baseline year have been recalculated to reflect the impact of acquisitions. Emissions intensity has been recalculated using revenue at constant currency. This process has been agreed with the SBTi. ◊ Included in the external auditors' limited assurance scope. See the data assurance statement on the Company's website, www.bunzl.com.	Working with our key suppliers to deliver our new science-based scope 3 emissions target (engaging them on the requirement to set science-based targets by 2027) and publishing our net zero transition plan
Providing sustainable solutions	Significantly increasing the amount of recyclable, compostable or reusable packaging supplied to our customers to help them meet their targets	**53% of packaging made from alternative materials in 2022.** 83% of Group revenue attributable to non-packaging products or packaging products better suited to a circular economy. 2% of revenue generated from consumables facing regulation.	Engaging our key customers in the retail, grocery and foodservice sectors using our material footprint tools and developing a new solution to effectively advise customers on the carbon impact of the products they source

Trusted, reliable solutions for a better world

Sustainability is firmly embedded in the way we do business at Bunzl. We take a leading approach to ethical auditing across our supply chain, possess a carbon-efficient consolidation model and supply an extensive range of alternative packaging products to drive the transition towards a more sustainable and circular economy.

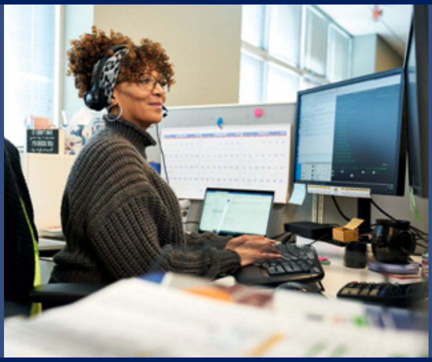
Bunzl's operating companies have continued to partner with our customers to help achieve their sustainability goals. We have introduced additional material footprint tools to help more customers understand the impact that legislation will have on the packaging and products they buy and some of our businesses have developed a new solution to minimise the carbon emissions associated with their deliveries.

We continue to lead the transition to a more circular economy, by offering tailored solutions and working with our customers to supply packaging and products made from alternative materials as they respond to new legislation and work to meet their packaging targets.

Our Global Supply Chain Solutions team in Asia has continued to work closely with our operating companies and suppliers and has increased the total number of ethical audits by 23%.

In 2022, 96 suppliers underwent remediation efforts to bring them up to the required standard and we have expanded the scope of our programme to include suppliers based in other high risk sourcing regions outside of Asia and high risk product commodities manufactured in low risk countries.

Bunzl's unique advantage



We have exclusive access to the data our customers need to understand the impact of legislation, make informed sourcing decisions and report on progress against their targets

Our expert sales and sustainability teams use this data to provide advice, customer-specific strategies and reports through intelligent tools that link to our product management systems

We then use our strengths in sourcing innovative products, including from within our own brand portfolio, to supply the alternative solutions they need

"We are increasingly turning our attention to our supply chain and continuing our commitment to tackling climate change."

Our large family of businesses has a track record of creating an inclusive working environment where people can bring their best wherever they come from. Our most recent materiality assessment identified that we could build on this diversity of talent to create opportunities for under-represented groups to progress into leadership roles. Over the last year we have accelerated our diversity, equity and inclusion agenda to support individual well-being, growth and career progression among all of our employees, irrespective of their background. In 2022 the percentage of women within our leadership group increased for a second year running to 21%, compared to 19% in the prior year.

We have reached a key milestone of our commitment to the 'taking action on climate change' pillar of our sustainability strategy. Our emissions reduction targets (for scope 1, 2 and 3 emissions) have been approved by the Science Based Targets initiative 'SBTi' as being consistent with levels required to meet the goals of the Paris Agreement. In 2022, our businesses have continued to make good progress in delivering their operational carbon roadmaps and we are on track to meet our targets.

To continue our commitment to tackling climate change we have assessed our scope 3 carbon emissions in detail for the first time (see page 60). We have also set a new science-based scope 3 target that we will deliver with our key supply chain partners over the next five years. In 2023 we will build further on the risk-based approach we have taken to supply chain ethics over the last 14 years and start to focus on the broader Environmental, Social and Governance 'ESG' risks present across our supply chain before working with our key suppliers to mitigate these effectively.

Our key themes

Responsible supply chains

READ MORE PAGE 52

Investing in a diverse workforce

READ MORE PAGE 54

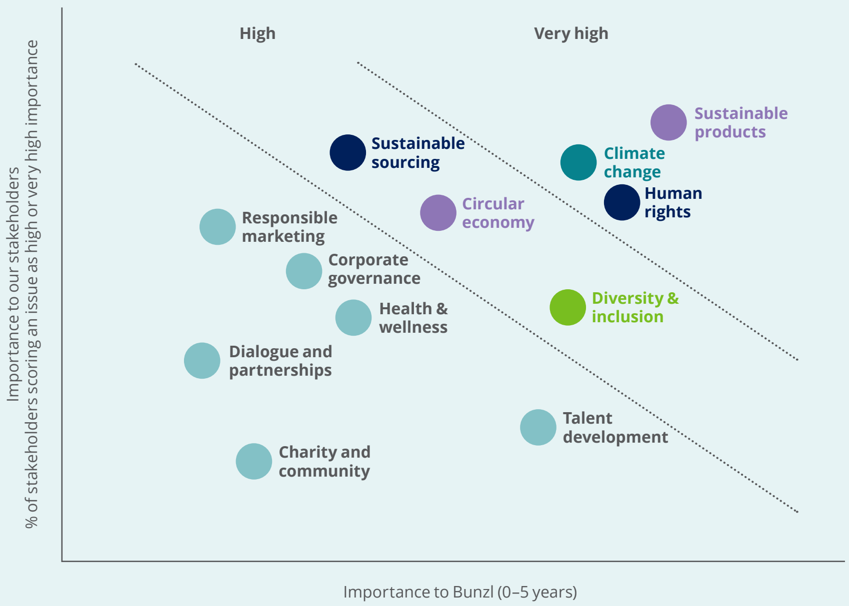
Taking action on climate change

READ MORE PAGE 56

Providing tailored solutions

READ MORE PAGE 64

Materiality matrix



Key themes
- **Responsible supply chains**
- **Investing in our people**
- **Taking action on climate change**
- **Providing tailored solutions**

Our material issues and strategy

Our success as a specialist distribution and services Group is influenced by a constantly changing sustainability landscape that presents both risks and opportunities for a business like Bunzl. In 2020 we conducted our first materiality assessment to ensure that our activities took account of the significant social and environmental issues that were of most interest to our stakeholders.

It is critical that we keep abreast of the requirements of our stakeholders as new legislation is introduced, consumer habits and perceptions change and markets evolve. We also acknowledge that ESG risks and opportunities can be material from both a financial and non-financial perspective and recognise that companies must manage and take responsibility for the actual and potential adverse impacts of their decisions on people, society and the environment. To ensure we do this effectively we will repeat our materiality assessment, following the principles of double materiality during 2023.

Our strategy is based on these material issues

Material ESG issues	Key themes	Our contribution to the theme
• Supply chain management and stewardship • Human rights and fair and safe labour	**Responsible supply chains**	**Respecting human rights with our industry-leading Global Supply Chain Solutions team in Shanghai**
• Equal opportunities • Gender, ethnic, LGBTQIA and disability diversity	**Investing in our people and a diverse workforce**	**Our local businesses are focused on developing talent, increasing diversity and enhancing inclusivity practices**
• Renewable energy and energy efficiency • Low and zero carbon logistics • Supply chain emissions	**Taking further action on climate change**	**Consolidating orders from a range of sources into one delivery to reduce transport emissions and taking direct action to tackle climate change**
• Availability of products and services with sustainable attributes • Supporting a more circular economy	**Providing tailored alternative solutions**	**Using our unique position at the centre of the supply chain, working with customers and suppliers to lead the transition towards a sustainable approach to packaging**

Responding to the feedback from our stakeholders

Stakeholder group	What we heard in 2020	Examples of what we have done since
Investors and customers	'We'd expect to see more quantifiable long term targets and milestones in key areas'	Set new commitments and targets for our key themes, including long term science-based carbon reduction targets approved by the SBTi
Investors	'Would like more transparency and data specifically in relation to supply chain ethics, climate change and packaging'	We have made new transparent disclosures in our Annual Report (TCFD statement, SASB reporting) to show how we have been making progress against our key themes, including but not limited to, packaging data and percentage of high risk spend covered by our ethical audit and assessment work
Investors	'Would like to hear more about the approach to sustainability as a whole rather than supplementary initiatives'	Sustainability formed a key part of our Capital Markets Day where we shared how our strategy is embedded in how we do business, highlighted the strong progress we have already made and officially launched the next phase of our commitments
Customers	'We welcomed the new footprint tool, this is a highly positive example of Bunzl taking a proactive approach to sustainability – more solutions like this would be really useful'	Our businesses have continued to develop new, digitally led solutions. For example, our carbon forecast tools are now present in seven countries and in 2022 we launched a new material footprint reporting tool for key grocery customers in North America
Internal teams	'We'd like to see more examples of best practice from across the Group so we can learn from and replicate what other businesses are doing'	We held a Sustainability Awards event at our leadership conference in 2022 with 63 award entries shortlisted across five categories. The award-winning entries were then developed into best practice case studies and shared across the Group

Sustainable Development Goals 'SDGs'	Supporting the SDGs	Our commitments
8 DECENT WORK AND ECONOMIC GROWTH	We have partnered with a Non-Governmental Organisation 'NGO', Stop the Traffik, who send an adverse media report to all of our business areas every month. The solution is trained to recognise terms and incidents related to human trafficking within unstructured content, reviews Bunzl's top suppliers by spend and then ranks any issues found in terms of importance to Bunzl.	• 90% of our spend on products from all high-risk regions will be sourced from assessed and compliant suppliers by 2025
5 GENDER EQUALITY; 10 REDUCED INEQUALITIES	In Continental Europe we have established diversity and inclusion committees in all of our operating countries and our Managing Directors have incentivised objectives to support these programmes. In 2022, the number of women in leadership roles increased to 30%.	• Encouraging more women into leadership roles • Continuing to focus on building a truly inclusive culture • Identifying the next generation of leaders from a more diverse pool of talent
13 CLIMATE ACTION	We have assessed our Group wide scope 3 carbon footprint in detail for the first time (see pages 60). This has allowed us to effectively identify the material emission hotspots, prioritise engagement within our supply chain and will support the development of our net zero transition plan.	• Scope 1 and 2: 50% more carbon efficient by 2030 (27.5% absolute reduction) against 2019 baseline • Scope 3: 79% of suppliers by emissions will have science-based targets by 2027 • Net zero by 2050 at the latest
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Bunzl plc partnered with WasteAid in South Africa to fund a twelve-week training programme to support waste collectors to improve their income potential. The training combined both personal and practical skills to help the waste collectors grow their earning potential and reduce the amount of waste in the local environment. The participants attended a pitch event in October where they were each allocated seed funding to help grow their businesses.	• Support customers to remove, replace and reduce single-use plastics. • Significantly increase the recyclable, compostable or reusable packaging supplied to customers

Responsible supply chains

More than 50 million people worldwide are estimated to be living in slavery, with nearly 28 million of those in forced labour[1]. With global trade so extensive and supply chains stretching across every corner of the planet, businesses are increasingly responsible for ensuring sourcing is ethical and lawful.

As a company operating across more than 30 countries and with a global supply chain, Bunzl has zero tolerance for unethical practices. We are committed to eliminating modern slavery practices and respecting human rights across both our own operations and supply chain. To achieve this, we take a direct approach to ensuring that businesses and individuals operating within the supply chain are complying with communities' and workers' rights.

While the majority of Bunzl's direct suppliers are based in countries with low or medium levels of social risk, a low proportion of the Company's procurement spend takes place with suppliers in higher-risk countries, such as China, India, Malaysia, Brazil and Turkey. We take a risk based approach to responsible sourcing by identifying the highest risk sourcing regions before making them a priority for our assessment and auditing controls, policies and procedures. Once our compliance programme reduces those highest risks to acceptable levels, it will move on to lower risks.

During 2023 we will be expanding our programme to start assessing suppliers of high risk commodities who are based in lower risk sourcing countries.

Q&A

with Bunzl's Global Sourcing Director Paul Stoker

What makes Bunzl's approach to responsible sourcing in Asia unique?
Our auditing standard is equivalent to a SMETA 2-pillar audit but we choose to manage our own programme, believing that building strong relationships with our supply chain offers the greatest benefit to our business, our customers, and those suppliers who we partner with. We are unique in that we apply our assessment and auditing process to all suppliers based in high risk sourcing regions, covering more than c.98% of our Asian Bunzl spend in over 13 Asian countries every two years.

How does Bunzl audit its suppliers?
As shown in this report (see page 53) our audits include factory walk-throughs in all areas, including production, packing, canteens and dormitories and we also conduct employee interviews, using our own translators where required. Audits cover various aspects of social, environmental, and quality control issues, including child, forced or bonded labour, disciplinary practices, management of homeworkers and foreign migrant workers, freedom of association, wages, working hours and health & safety.

What do you do if you uncover any instances of modern slavery?
In the event of an allegation or discovery of a zero tolerance issue, our preferred practice is to work with suppliers to remediate the issue found and achieve meaningful future improvement. If any manufacturer fails to undertake corrective action and is not seeking to achieve improved outcomes, then we would terminate the relationship.

1 https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_855019/lang--en/index.htm.

Our unique approach to auditing

We use two types of audits for Category A risk suppliers; standard or enhanced, and take a risk based approach to determining which should apply. Category A suppliers are those operating in very high or high risk countries (see ESG Appendix page 246 for more information about our supply chain risk assessment work).

Our standard audits are conducted over one day (usually with one auditor, but occasionally two if the supplier is over a given size) and enhanced audits take place over two working days. The type of audit (standard or enhanced) is determined by leverage factors such as spend and number of employees at the supplier's location. We cover social accountability and quality assurance topics in both audits.

Social accountability

Example audit sections:
Recruitment and termination; forced labour; discrimination; harassment and abuse; working hours and wages; and health & safety

Quality assurance

Example audit sections:
Facilities and maintenance; Incoming materials control; finished goods control; management systems; and hygiene

Bunzl auditing standard

Over 150 issues assessed

Zero tolerance issue	Proportion of total zero tolerance issues (in 2022)	Example of issue found	Example locations	Our response
Forced labour issues	**c.46%**	Payment of recruitment fees to agents by foreign migrant workers	Malaysia Taiwan	We explain why this issue is recognised as forced labour. The charging of recruitment fees is not against local law but is not accepted by Bunzl or the International Labour Organization (ILO). We demand the supplier change their policy, provide training to other members of their team and return all fees paid. The supplier will remain un-approved until all rectification evidence has been reviewed and approved.
Defective materials and / or products are not segregated	**c.20%**	The supplier does not have a separate, easily identifiable, area to store rejected production material	China	There is a risk the rejected material could be used to produce a faulty finished product. Our auditing team will provide best practice examples and training to provide the factory with a new process. We also request that the supplier strengthens their quality management training or introduces a new quality management system before verifying this as evidence.

Our progress in 2022

Our Global Supply Chain Solutions team assessed 930 suppliers and 834 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. Of the suppliers undertaking remediation efforts to bring them up to the required standard, 73 have completed their action plans to date with 7 still in progress.

If resolution is not possible within a reasonable time frame (usually six months) then we terminate the relationship. In 2022, we terminated relationships with 16 suppliers who failed to make enough progress.

In 2022, 78% of our spend on products from high-risk regions was sourced from assessed and compliant suppliers, meaning c.96% of our purchasing spend today is either in low-risk regions, with assessed or compliant suppliers in high-risk regions, or on other non-product related costs.

Investing in a diverse workforce

Businesses and societies continue to struggle with persistent gender discrimination, systemic racism and local inequalities. Companies that do not respect or prioritise the individual and unique needs, potential and perspectives of their people will fall behind their competitors and fail to grow sustainably as they are unable to attract and retain talent from significant subsectors of the total available pool.

We know diverse and inclusive workplaces earn more commitment and deeper trust from their people and that's one of the reasons why Bunzl has increased its focus on this area over the last few years. Bunzl remains committed to improving the representation of women and those from different ethnic backgrounds, particularly in the leadership population, and is taking steps to ensure that we have a truly inclusive culture.

We have an ambition to make everyone, irrespective of who they are or what role they do, feel equally engaged with and supported by our business, across all areas of Bunzl.

Our progress in 2022

Our businesses have been focused on accelerating their diversity, equity and inclusivity programmes to meet the new commitments we established during 2021. The first of these was to take action to address a common issue that faces many large organisations, the under-representation of women at a senior level. We committed to encourage 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.

The companies in our Group have a track record locally of creating an inclusive working environment where people can bring their best wherever they come from. However, we know there is more we can do to build on this diversity of talent to create opportunities for under-represented groups. Our commitments were to continue to focus on building a truly inclusive culture by achieving parity of engagement scores across ethnic groups in the largest part of our business, North America and other parts of the Bunzl Group (e.g. UK & Ireland) where data collection is possible and providing a voice for all under-represented colleagues and acting on their feedback to address any real or perceived barriers to engagement.

Q&A

with Bunzl's HR Director in Latin America, Rocio Trejo

How important is diversity and inclusion in your region?
We believe it represents a major competitive advantage for our companies because it provides for a broader range of mindsets, thought processes and perspectives across our teams that enable us to build better solutions for customers. It is a priority for our region and our leadership.

Could you tell us a little about the new Women in Leadership programme in Latin America?
As part of our wider diversity programme and with the aim of promoting female leadership across Bunzl, we designed a new programme in partnership with the Catholic University of Chile, to develop leadership skills in women we have identified as high potential and part of the succession plans for our senior management roles. 22 women from different operating companies across Latin America have completed the programme to date with another 53 about to start.

What have the results of this been?
We have increased the number of female Managing Directors within Latin America by three (a 13% increase) and have a 48% female representation at leadership level -1.

What are your ambitions for the future?
My ambition is not to have to promote these programmes in the future because they are increasingly forming a bigger part of our culture. I would like to continue preparing and supporting female professionals to assume leadership positions within our business area, while broadening the scope of our programme by creating cultural, ethnic and racial affinity groups and for individuals with disabilities.

In focus: Accelerating diversity and inclusion across Bunzl

The programmes that have been implemented by our business areas since the introduction of our new commitments in this area have resulted in good progress being made.

Encouraging more women into leadership roles

Bunzl Women in Leadership engagement programmes now present in all business areas

In Asia Pacific there are **45%** women in senior positions (leadership -1) with an increase of 10% during 2022

28% of senior leadership roles in our UK & Ireland operating companies are held by women

Building a truly inclusive culture

Over **4,000** employees have completed diversity appreciation training in North America

Bunzl UK & Ireland have partnered with Green Park (www.green-park.co.uk) to provide subject matter expertise as they continue to refine and broaden their approach to Diversity & Inclusion

Identifying the next generation of our leaders from a more diverse pool of talent

33% internal promotions in North American leadership team were female in 2022 (up from 14% in 2021)

26% of external hires in North America were female in 2022, an increase of 7%

A new warehouse employment programme in partnership with the Australian government with a focus on areas such as family-friendly shift patterns

Taking action on climate change

The impacts of climate change are already with us, as recent periods of extreme weather and biodiversity loss have shown, affecting communities least able to withstand them. Without concerted and ambitious action from companies and governments, climate change will have a devastating effect on our businesses and our daily lives.

Bunzl's one-stop-shop service means we are able to aggregate orders from thousands of suppliers into single deliveries which reduces transport miles and carbon emissions. Our role as a distributor means we also do not operate any energy intensive or highly polluting manufacturing facilities. But we recognise that our direct operations, distribution network and supply chains are all part of the challenge and in addition to assessing the long term risks climate change presents to the business (see page 82), we have worked with the SBTi to have our long term carbon reduction targets approved during 2022.

Our position in the supply chain gives us the ability to manage both upstream and downstream carbon emissions with our suppliers and customers. During 2022, we have reviewed how we can take action throughout the value chain by calculating our scope 3 emissions in detail for the first time, setting a new SBTi-approved scope 3 target and supporting our customers to reduce the carbon impact of our deliveries to them.

Our progress in 2022

As shown on page 17, our long term carbon targets were recently approved by the SBTi which achieves a commitment we made in 2021 when Bunzl joined the Business Ambition for 1.5°C and the United Nations 'UN' Race to Zero initiative. Our existing scope 1 and 2 emissions reduction targets and a newly developed target to reduce scope 3 emissions have been approved.

Progress against our targets

Our scope 1 and 2 carbon emissions in 2022 and baseline year (2019) are shown in the table below:

Carbon emissions (market based)	2019	2022	Reduction since baseline year
CO_2e emissions (tonnes)	141,320[1]	120,742[◊]	15%
Emission intensity (tonnes CO_2e/£m revenue)	13.8[1]	10.5[◊]	24%

1 Emissions in our baseline year have been recalculated to reflect the impact of acquisitions. Emissions intensity has been recalculated using revenue at constant currency. This process has been agreed with the SBTi.
◊ Included in the external auditors' limited assurance scope. See the data assurance statement on the Company's website, www.bunzl.com.

We have a vast supply chain comprised of over 10,000 suppliers accounting for around 87% of our total scope 3 emissions. Reducing these emissions is imperative to achieving our net zero goal and gaining approval for our scope 3 emissions reduction target is our first step towards this. As the majority of our scope 3 emissions are associated with our product and services suppliers, we have decided that the most effective way to reduce these emissions would be to ensure our suppliers set science-based reduction targets to reduce their impact. We will be developing our net zero transition plan during 2023 (for publication in 2024).

Compared to the 2019 baseline year for our targets, our efficiency has now improved by 24%. We have also reduced our absolute emissions by 15% since 2019, which means we are on track to meet our science-based reduction goals in 2030.

Our baseline year emissions have been recalculated to take into account the cumulative impact of the emissions associated with acquisitions since 2019. The recalculation of baseline year emissions takes place if the cumulative impact of the emissions associated with acquisitions exceed 5% of base year emissions (as agreed with the SBTi).

More information

- Detailed energy consumption and climate change data can be found in the ESG Appendix (see pages 243 and 244). Our climate change reporting procedures can be found in the EHS and Sustainability Reporting guidelines in the sustainability section of our website (https://www.bunzl.com/sustainability/sustainability-reporting/).
- The independent assurance for our scope 1 and scope 2 carbon emissions and emission intensity (tonnes of CO_2e per £m revenue) calculations can be found in the ESG Appendix of this report (see pages 243 and 244) and in the EHS data assurance statement in the sustainability section of our corporate website.

Assessing climate change scenarios and their impact on our business

The Board, Executive Committee and every business area and business in Bunzl identify and document risks in a consistent way within the categories of strategic, operational, and financial risks. Our process for identifying and assessing risks on an ongoing basis is detailed on pages 74 and 75. These include current and emerging climate-related risks and opportunities and by doing so, we are ensuring that climate change is integrated into the Group's overall risk management.

Using climate scenarios to assess climate change risks

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

1. Evaluating risks and opportunities

Bunzl's climate-related risks and opportunities were determined by an internal consultation process that involved a wide range of internal stakeholders across all regions and markets, previous assessments and desk-based research. Our Company operates internationally and the impact on our business varies significantly depending on the market sector and the geographic location of our businesses, supply chains and our customers. These impacts could be direct (e.g. expenditure, revenue, assets) and/or indirect (e.g. delay in delivery, drop in demand, disruption of supply chains).

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

- shifting customer expectations (transitional risk);
- environmental impacts of technology (transitional risk);
- adaptation to extreme weather (physical risk), and;
- changing market dynamics (transitional risk).

In the identification of risks and opportunities and the evaluation of the impact on our business, we have considered the following time horizons:

- short term (to 2025);
- medium term (to 2030), and;
- long term (to 2050).

2. Selecting climate change scenarios

The next step was to assess the impact of various climate change scenarios. We focused our assessment on three alternative climate scenarios up to 2050. The 'orderly' and 'disorderly' scenarios align with global warming trajectories of 1.5ºC and 2ºC by 2100 respectively but differ in the speed and extent of decarbonisation over the next 30 years. Our final scenario ('hothouse world') assessed the potential impacts of a world in which global warming exceeds 3ºC by 2100. Our scenarios broadly align with the environmental and economic conditions represented in the Network for Greening the Financial System 'NGFS' scenario framework (https://www.ngfs.net/ngfs-scenarios-portal/explore) and more information can be found on page 241 of our ESG Appendix.

3. Evaluating the impact on our business

We have applied the three climate change scenarios to our four key risk areas (shifting customer expectations, environmental impacts of technology, adaptation to extreme weather and changing market dynamics) to understand the impact each scenario could have on Bunzl's business. We have then worked to calculate the financial impacts associated with the various scenarios. More information can be found on page 242 of our ESG Appendix.

4. Effectiveness of response measures

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

Thematic area	Risk & opportunities	Response measures
Shifting customer expectations Bunzl's customers are setting more stringent environmental targets. Bunzl is increasingly expected to help customers achieve their ambitions and goals.	**Risks** Failing to align with our customers' ambitions could lead to reputational damage and loss of sales. **Opportunities** Aligning with customers' ambitions could strengthen customer relationships, build resilience to new environmental legislation and policy, and create brand differentiation. The risks and opportunities are applicable for all time horizons and are most significant in the short and medium term.	Proactive scanning of customer trends and expectations to ensure our activities meet or exceed customer expectations. Building sustainability expertise within the Group to provide customers with: • a broad range of product options; • including less carbon intensive products; • advice on the carbon impact of products sourced; • options to reduce the impact of our deliveries (see page 62). Setting emissions reduction targets to decarbonise our operations and supply chain in line with climate science (see page 17).
Environmental impacts of technology Technological advances will drive decarbonisation of Bunzl's commercial fleet and shipping suppliers. The extent to which technological change presents a risk or opportunity for Bunzl will be determined by factors such as the development of low carbon technology for large commercial goods vehicles and deployment of charging infrastructure. Increased regulatory pressure on the use of fossil fuels for mobility is expected.	**Risks** Bunzl may need to upgrade to less carbon intensive technologies such as electric vehicle technology in our commercial goods vehicles. Regulations could limit Bunzl's access to major urban areas for last mile deliveries. **Opportunities** New technologies such as energy efficient measures in warehouses. Proactive implementation of electric vehicle technology presents opportunities for strengthened customer relationships and brand differentiation, in addition to emissions reductions. The risks and opportunities are applicable for all time horizons and are most significant in the medium term.	Continuing and accelerating the introduction of technology in our warehouse operations with a focus on implementation of energy efficient lighting and solar photovoltaic panels (see page 59). Piloting new low carbon transport technologies (such as electric vehicle technology and biofuels) for use in our commercial fleet, ahead of full adoption once large vehicle technologies become technically and economically viable.
Adaptation to extreme weather Bunzl's suppliers and operations have already experienced the impacts of extreme weather. For example, hurricanes in North America have disrupted Bunzl's distribution activities and wildfires have threatened Bunzl's Australian operations. In both cases, we have been able to mitigate the risks to ensure supply.	**Risks** The severity and frequency of extreme weather events could increase in the future. While the flexibility of Bunzl's supply chain has provided good operational resilience to the physical impacts of climate change, there could be an impact if several key customers in a high risk region were impacted simultaneously. More chronic impacts of climate change, such as drought or increased rainfall may, in certain circumstances, also lead to resource shortages and price volatility of raw materials and packaging. **Opportunities** Our supply chain flexibility and lack of fixed manufacturing assets provide an opportunity to quickly respond to changing operating conditions such as flooding and erosion caused by changed weather patterns. The risks and opportunities are applicable for all time horizons and are most significant in the medium and long term.	Proven business continuity plans have ensured continued service to customers. Resilience through supply chain flexibility and lack of fixed manufacturing assets.
Changing market dynamics The direct (physical) and indirect (transitional) risk may change the dynamics of the markets in which Bunzl operates. A key potential impact could come from carbon pricing, leading to some increase in costs of carbon intensive products. Climate change may create a demand for low carbon products or the supply of products which help mitigate the physical impacts of climate change. Certain markets may also be increasingly affected by extreme weather.	**Risks:** Bunzl may face the risk of some increases in indirect costs from carbon intensive products. Certain markets may be increasingly affected by extreme weather (i.e. disruption to the hospitality industry in areas impacted by wildfires and flooding) which could impact our commercial strategy. **Opportunities:** Our material agnostic business model and flexible supply chain allows us to benefit from opportunities to source and supply specialist low-carbon products, or to acquire business and/or supply products which help mitigate the physical impacts of climate change.	Bunzl is agnostic to the type of products it sources and supplies. This allows us to follow broader environmental, social and economic trends, entering new markets and seeking new customers where there is a business case for doing so. The ability to effectively pass through any increased costs of products in our supply chain (for example due to carbon pricing mechanisms) to our customers.

Our short term carbon roadmap activities

Our short term scope 1 and 2 roadmaps primarily focus on technology that is currently available, but we also actively trial new technologies across the Group to support our longer term carbon reduction targets. As suitable new technologies develop, we will revisit our roadmaps accordingly to ensure our activities remain ambitious. The roadmap below relates to the short term activities (2021 to 2025) our business areas are working on to ensure we stay on track to achieve our scope 1 and 2 science-based reduction goals in 2030.

Scope 1 and 2 emission source	KPIs to 2025	2022 update	Rating
Commercial vehicles	**25%** biofuel usage in UK & Ireland and Continental Europe	Biofuel conversion where we have a fuel tank on site is progressing as planned	On track
	250 vehicles changed to electric	The trialling of zero emission vehicles (where applicable technology exists) has started, with some implementation of new vehicles to date, but further trials and implementation are planned to help meet our ambition	Behind plan but will recover to meet target

Scope 1 and 2 emission source	KPI to 2025	2022 update	Rating
Company cars	Hybrid and electric company cars to increase by **25%**	Good progress made with increasing electric vehicle adoption in UK & Ireland and Continental Europe. Hybrid vehicles have been ordered in North America and Asia Pacific	On track

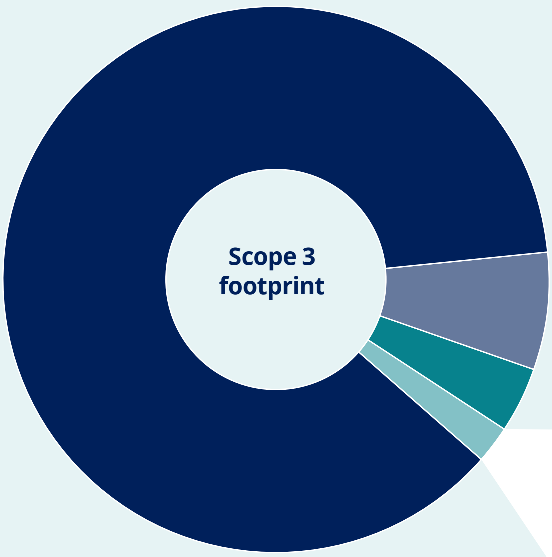
Scope 1 and 2 emission source	KPIs to 2025	2022 update	Rating
Electricity	**80%** facilities in North America will have LED lighting	95 installations completed to date (65%)	On track
	100% renewable energy procurement in UK & Ireland and Continental Europe	Renewable energy procurement is c.80% in UK & Ireland. In Continental Europe procurement has reached c.30% and our sites continue to install solar photovoltaic panels, most recently at two locations in the Netherlands	On track

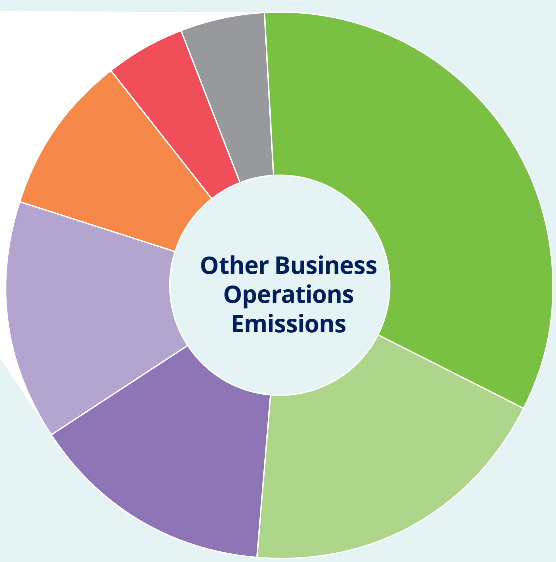
In focus: Mapping our supply chain emissions

During 2022 we performed a full scope 3 assessment of our carbon impact, covering both 2019 (as our baseline year) and 2021. This work identified the carbon hotspots within our scope 3 boundary, what is driving those emissions and potential reduction opportunities.

Bunzl's Scope 3 carbon footprint for 2021 was c.7.1 million tonnes of CO_2e. The top three most material emission categories of our scope 3 footprint are:

- purchased goods & services (c.87%);
- end of life (c.7%); and
- upstream transportation and distribution (c.4%).





Our scope 3 carbon footprint

Material emission sources	tCO_2e	
Purchased goods and services	c.6.2m	c.87%
End of life	c.0.5m	c.7%
Upstream transportation and distribution	c.0.3m	c.4%
Other business operations	c.0.1m	c.2%

Other business operations emissions		
Downstream transportation and distribution	c.0.05m	0.7%
Fuel and energy related activities	c.0.03m	0.4%
Employee commuting	c.0.02m	0.3%
Capital goods	c.0.02m	0.3%
Use of products sold	c.0.01m	0.2%
Business travel	c.0.01m	0.1%
Waste	c.0.005m	0.1%

The most material part of our scope 3 footprint for both baseline year 2019 and 2021, is associated with the purchased goods and services category, predominantly our suppliers' spend on raw materials. The second most significant category of Bunzl's footprint is the emissions associated with the disposal of the products and packaging at the end of the product's useful life. The upstream transportation and distribution of products is also a contributor to the overall scope 3 footprint. This includes inbound transportation of goods that are imported or transported domestically around our business regions; North America, UK & Ireland, Continental Europe, Latin America and Asia Pacific.

Overall, c.98% of Bunzl's scope 3 emissions are associated with the production, transportation and disposal of products. This is to be expected given Bunzl's business function and is consistent with other companies in the industry. The emissions associated with the remainder of our business operations within the footprint boundary (downstream transportation, employee commuting, waste etc.) account for just c.2% of scope 3 emissions.

Our material scope 3 emission sources

Hotspot	Purchased goods and services	End of life	Upstream transportation and distribution
Source of emissions	Emissions associated with the cost of the raw materials our suppliers require to manufacture their products. The emission intensity varies depending on the product type and the location of the suppliers, which in turn is influenced by factors such as the intensity of the local electricity grid.	Emissions are driven by the material type and the disposal route when the products come to the end of their useful life. Depending on whether products are sent to landfill, incinerated with energy recovery or recycled will impact the emission intensity of each category. The emissions by business areas will also be influenced by regional recycling rates.	Inbound transportation of goods is differentiated between 'imports', which is typically sea freight (with some air freight into North America) from Asia and 'domestic', which is road freight within business regions (between port of arrival and Bunzl's locations, and movement of products between operating companies).
Emissions examples	• c.35% emissions from spend on plastic resins • c.17% pulp based products • c.9% chemicals	• c.69% disposal of pulp products • c.12% disposal of textile products • c.6% disposal of packaging products	• c.55% road transportation • c.40% sea freight • c.4% air freight
Example reduction activities	• Working with suppliers to increase the recycled content of their products (plastic and paper)	• Continuing to transition customers to products made from recyclable materials or reusable options	• Prioritising lower emission transportation options such as sea and rail over air freight
	• Working with our largest suppliers to set science-based carbon reduction targets of their own		

Supporting customers to reduce the emissions associated with our deliveries

To promote efficiency and align with our customers' targets, our UK business Bunzl Cleaning & Hygiene Supplies 'BCHS' created a carbon forecast tool to drive engagement on the emissions associated with our deliveries and the impact ordering patterns can have on these. The tool calculates the emission reductions that could be achieved by customers eliminating smaller orders and increasing their average order value. It supports customers with their scope 3 emissions reporting, drives efficiency savings (time, cost and carbon) and has been shown to be pivotal in securing new and renewing existing contracts. Customers also have the option to offset the remaining emissions (from the reduced number of deliveries) through certified schemes if this approach aligns with their carbon reduction strategy. Where they choose to do this, the deliveries Bunzl makes to their locations are carbon neutral. The success of the tool has led to its introduction in a number of other operating companies.

Bunzl Cleaning & Hygiene Supplies

- Calculation of average carbon emissions associated with the processing and delivery of all orders from our branches to a large facilities management provider's sites.
- Service implemented with a key customer with c.5,900 sites across the UK.
- Before forecast work completed, c.38,500 deliveries a year with 30% orders less than £75.
- BCHS agreed with the customer to implement a new minimum order value of £75.
- This achieved a 100% reduction in small orders below £75, which has delivered a 7% reduction in total deliveries.
- Over the following 12 month period, the carbon intensity of the contract reduced by 44% (CO_2e per £1,000 spend).
- In addition to the CO_2e reduction, BCHS has committed to offset the remaining CO_2e (185.5 tonnes) through certified programmes.

Carbon forecast tool: how it works

Ordering patterns and customer spend reviewed, deliveries and routing mapped

Forecast tool identifies ordering adjustments and carbon savings

Adjustments made, average order value increases and deliveries reduce

Bunzl Distribution Spain

- Detailed mapping of all delivery routes across the country to calculate and simulate carbon footprint of product deliveries.
- Service implemented with Grupo Saona, a foodservice customer, with 50 restaurants across Spain assessed.
- 2,000 deliveries a year with c.75% orders between €100 to €1,000 and 16% orders below €60.
- Results include a 60% reduction in small orders below €60 which has delivered a 10% reduction in total carbon emissions.
- Total sales with the customer increased 73% with an associated increase in total deliveries of just 10% due to the effectiveness of the tool.
- Tool certified by AENOR, to GHG Protocol Standards.

Bespoke carbon reporting to customers

Remaining emissions can be offset through certified schemes

Q&A

with Grupo Saona

What are your sustainability objectives ?

This great project with Bunzl is an example of the various initiatives that we have been working on for a long time to achieve a positive impact within our company. From the construction of our restaurants to our daily activities, our strategy focuses on environmental improvement. We work to improve our energy efficiency by promoting natural light and using appliances with a high energy rating, we purchase products well suited to a circular economy (construction and decoration materials, furniture, takeaway food packaging) and we have started the process to achieve carbon neutrality, looking at the food we source and engaging with initiatives like Bunzl's CO_2 calculator.

What role do you expect your suppliers to play to help you achieve your sustainability objectives?

Our commitment to sustainability is real. We are motivated by our innovative, demanding and restless character and we demand the same characteristics from our suppliers. For us the essence of sustainability and of this project in particular is that the most effective way to achieve our collective sustainability goals is through cooperation and Bunzl is the best companion for this. Our alliance with Bunzl is a partnership where we work proactively to create a global strategy for the decarbonisation of the restaurant sector.

How has the carbon forecast tool supported you?

The CO_2 calculator is a tool that has helped us reduce the carbon footprint of the distribution activities to the 50 Grupo Saona restaurants in Spain. Transparent, verified and objective measurement has been key to the project. This tool has allowed us to raise awareness and promote a cultural change to improve the procurement activities in our restaurants. We think the achievements have been magnificent.

Providing tailored solutions

Our customers are acutely aware of, and responding to, consumer driven sustainability trends such as the call for fossil-free materials and the reduction of certain single-use plastics and are increasingly requesting products which are more recyclable, reusable and climate friendly.

We have an important role in providing the tailored solutions that respond to these trends and continue to enable customers to transition to products and solutions that support a low carbon and more circular economy. This unique ability represents both a competitive advantage and growth opportunity for Bunzl.

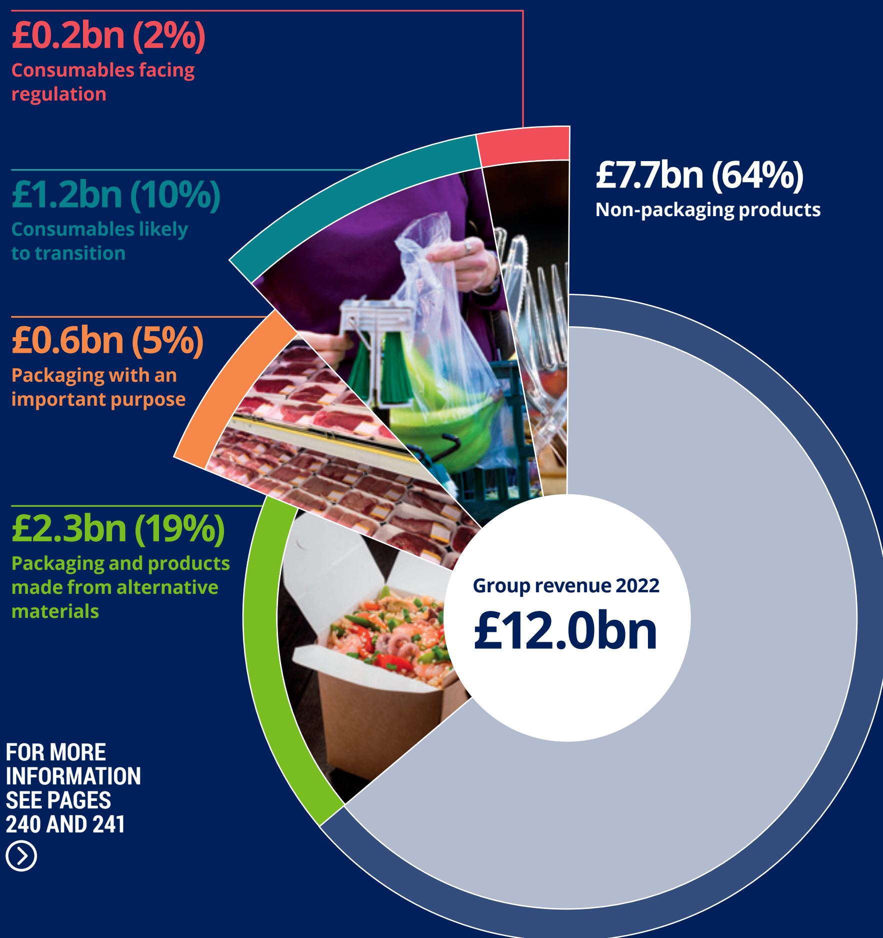
A key strength of Bunzl is our position in the supply chain. Our global scale, local expertise and supply flexibility means we are perfectly placed to solve the problems our customers face. Whether that is helping them transition away from certain materials, improving the packaging we supply to be more efficient, or partnering with innovative new suppliers to make a difference, we can access the data and information our customers need, provide them with tailored advice and then supply the solutions they require to respond to legislation and meet their own targets.

Our progress in 2022

Our businesses have continued to help transition customers to packaging products made from alternative materials and these solutions account for 53% of total packaging sales across the Group. The introduction of new single-use plastics legislation and customers' efforts to meet their packaging targets are examples of drivers that have contributed to the proportion of alternative packaging sales.

The Group has very limited exposure (2%) to single-use plastic consumables facing regulation where some volume reduction is expected and the proportion of total Group revenue attributable to non-packaging products or packaging made from alternative materials is high at 83%.

Only 2% of revenue generated from consumables facing regulation



FOR MORE INFORMATION SEE PAGES 240 AND 241

- 83% of Group revenue attributable to non-packaging products or packaging products better suited to a circular economy
- 53% of packaging made from alternative materials in 2022
- New legislation continues to drive sustainability growth opportunities
- Packaging refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure. We continue to exercise judgement to allocate the sales in 2022 to non-packaging products and the four packaging categories shown, which are taken at a point in time in the context of rapidly changing legislation and changes in product composition across a vast range of products. As a consequence, category adjustments are likely, and we have recognised two category adjustments this year that increase "products likely to transition" by £0.2bn, with corresponding reductions of £0.1bn in "packaging with an important purpose" and "products made from alternative materials", which would also have applied last year. More information on our packaging categories, and limitations with respect to the product data and related disclosures, are set out in the ESG Appendix on page 240

One example of how we help customers transition to alternative packaging solutions is the work Bunzl Catering Supplies has been doing in the UK with one of our longstanding customers, Wagamama. We helped design and implement a solution to replace their current takeaway bowls, which were made from 0% recycled polypropylene, with ones made from up to 70% recycled crystallised polyethylene terephthalate (CPET) that can be widely recycled by UK households.

In addition to the improvements made to the products themselves, we are supporting Wagamama with their industry leading Bowl Bank scheme, which is now in place at all of their restaurants across the UK. Bowls are collected by Bunzl Catering Supplies drivers and returned to branch to be recycled, which is helping to close the loop for these products.

Q&A

with Bunzl Catering Supplies Managing Director, Helen Cockerham

What key sustainability challenges have you seen your customers in the hospitality sector face over the last year?

With coronavirus restrictions lifted in 2022, we were delighted to see the hospitality sector continue its recovery in the UK. As part of this recovery we saw an increasing number of customers re-engage with the challenges of tackling climate change and navigating an increasingly fractured legislative programme focused on single use plastics and reforms to waste management. Throughout 2022, we have been working closely with our supply partners to help our customers navigate the implementation of the Government's plastics packaging tax, hosting regular customer forums, providing critical mapping tools to provide line-level analysis of the impact of the tax and helping our teams find sustainable solutions for our customers.

What role do your customers expect you to take when it comes to supporting them with their sustainability objectives?

Our customers expect us to source and deliver products in an ethical and responsible way and to support them in building a sustainable future in a way that is commercially viable. They recognise that because we are not tied to any type of material we will offer transparent and impartial advice, helping them to make informed decisions that support their ambitions and achieve their sustainability goals and targets.

Could you explain more about how you work with your customers like Wagamama and the value you are able to add from a sustainability perspective?

Our customers recognise that we are ready to work proactively to help them adopt sustainable product solutions. Because we have sight of the complete product journey and offer transparent advice on products and materials we supply, we enable our customers to make well informed decisions. Supporting Wagamama with the design of their new home delivery offer was a great opportunity for us to demonstrate the value we can bring to a project, helping to coordinate key stakeholders across the supply chain, bringing suppliers and customers together to understand the benefits of the materials used and delivering a solution that took the whole life cycle of the product into account. Our work with Wagamama, and trusted supplier Faerch, has led to us using our transport network to deliver the products and collect them for recycling. Using existing capacity and road miles highlights our ability to efficiently bring innovative solutions to our industry and support initiatives like Wagamama's industry leading Bowl Bank scheme.

In focus: Our sustainability value proposition and progress

Data

A deep understanding of our products, customer sectors, operations and their regional challenges

Our unique position	Access to detailed packaging data (material type, weight, composition, certifications, carbon footprint)	Knowledge of complex regional and national legislation and details of our customer targets
The Bunzl difference	Collecting c.100,000 data points from c.400 suppliers to provide packaging information to our top 10 grocery customers in North America 28,000 delivery locations and routes mapped in Spain to populate carbon forecast tool	Tracking over 900 separate pieces of enacted plastics and packaging legislation across cities, counties, and states in North America

How it all comes together

Our customer in Australia (Ramsay Health Care) targeted plastic reduction in its sustainability strategy

Knowledge

Our expert teams provide customer-specific advice and regular updates on new legislation and trends

Proprietary in-house tools to present packaging data reports to customers and close working relationships with our suppliers

Expert teams provide customer-specific advice and regular updates on legislation and trends

16 material footprint tools are now in use with customers across the Group with one UK retailer paying for packaging data services from Bunzl

Co-developed a new paperboard tray with a grocery customer in North America made from sustainably sourced plant-based fibre with a liner that can be easily separated for recycling, leading to a 91% reduction in plastic across one of its fresh produce ranges

Our expert team in Bunzl Australia & New Zealand won an Australian Packaging Covenant Organisation 'Our Packaging Future' Award for its extensive sustainable packaging industry awareness-raising programme

The Bunzl Australia & New Zealand team reviewed the customer's usage data and mapped appropriate sustainable alternatives (compliant with future legislation) to create a transition plan for the customer.

Solutions

We are uniquely positioned to supply the solutions our customers need to meet their targets, comply with legislation and improve their sustainability credentials

Own brand packaging ranges promoting faster, more affordable transition to alternative materials

Using our unique position in the supply chain to source alternative products for our customers that comply with new legislation

Over 650 Bunzl own brand product and packaging SKUs made from alternative materials across four brand names and four business areas

R3 Redistribution Canada, a local Bunzl operating company, worked with the largest convenience store operator in the country to replace all of their single-use plastic carrier bags with a Bunzl own brand paper bag solution in two sizes to meet their needs

Bunzl Retail Supplies ('BRS') in the UK helped two leading retailers to minimise their exposure to the UK plastic packaging tax by introducing new recycled content film roll with savings of c.£145,000 for the customer and c.£1 million additional turnover for BRS

Bunzl North America has supported a large retailer to meet the requirements of a new ban on expanded polystyrene products in New Jersey. Transitioning produce trays to alternative materials increased revenue by over $0.5 million and this will increase further in 2024 when meat trays are added to the ban

Converted A$800,000 branded products to own-brand and captured an additional A$600,000 sales from two competitors. Sustainability offer contributed to the award of new 5-year contract.

Sustainability governance

We have established a governance structure to implement our sustainability strategy and manage the delivery of the programme across the Bunzl Group.

While principal responsibility for determining the sustainability strategy, its implementation and how Bunzl's business areas should integrate sustainability considerations remain decisions for the Board, we have established a new Board Sustainability Committee 'BSC' to allow for more detailed strategic consideration of the opportunities and risks presented by sustainability and to supplement the work of the Board in this area.

The BSC and Group Sustainability Committee conduct regular reviews of climate-related risks and Bunzl's performance against the Group's carbon reduction and other sustainability targets.

To recognise the repositioning of climate change as a principal risk to the Company and effectively govern the progress of our regional carbon roadmaps, a new Environment & Climate Change Committee will be established in 2023 and our EHS Committee will become a Health & Safety Committee as a result. Like our other governance meetings held at senior management level (e.g. the Supply Chain Committee), the groups will meet four times a year and be represented by all business areas.

The Environment & Climate Change Committee will periodically review performance against our environmental objectives and track the progress of emission reduction initiatives across the Group such as site energy efficiency improvements, fuel efficiency projects and renewable energy procurement.

Board Sustainability Committee 'BSC'
The BSC was established in 2022 and provides an oversight function to the Group Sustainability Committee and comprises all of the independent non-executive directors and the Chairman of the Board, who also chairs the Committee. The CEO, Chief Financial Officer, Director of Group HR and Head of Sustainability are also usually invited to attend Committee meetings. The Committee will meet at least three times a year.

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

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

Sustainability governance structure

Taskforce on climate related financial disclosures 'TCFD'

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 are reported consistent with the TCFD recommendations and disclosures. The index table below provides a reference to where these disclosures can be found throughout our annual report.

Topic	Disclosure summary	Disclosure	Bunzl response
Governance	Disclose the organisation's governance around climate-related risks and opportunities.	Describe the Board's oversight of climate-related risks and opportunities.	Governance report: pages 102 and 103, 105 to 108, 111 Principal risks: pages 74 to 76, 82 Sustainability report: page 68
		Describe management's role in assessing and managing climate-related risks and opportunities.	Governance report: pages 102 and 103, 105 to 108, 111 Principal risks: pages 74 to 76, 82 Sustainability report: pages 57 and 58
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Principal risks: page 82 Sustainability report: page 58
		Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Principal risks: page 82 Sustainability report: pages 57 and 58
		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 82 Sustainability report: pages 57 and 58
Risk management	Disclose how the organisation identifies, assesses and manages climate-related risks.	Describe the organisation's processes for identifying and assessing climate-related risks.	Principal risks: pages 74 to 76, 82 Sustainability report: pages 57 and 58
		Describe the organisation's processes for managing climate-related risks.	Principal risks: pages 74 to 76, 82 Sustainability report: pages 57 and 58
		Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Principal risks: pages 74 to 76, 82 Sustainability report: pages 57 and 58
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.	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 243-244 Non-financial KPIs: page 47 Sustainability report: pages 56, 59 to 61
		Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	ESG Appendix: pages 243 and 244 Non-financial KPIs: page 47 Sustainability report: pages 56, 59 to 61
		Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	ESG Appendix: pages 243 Non-financial KPIs: page 47 Sustainability report: pages 56, 59 to 61

A strategy that benefits all our stakeholders

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

Bunzl has a global and diverse community of stakeholders and engaging proactively is essential to the long term success of the Company. Feedback informs the strategic agenda of Bunzl and ultimately helps the Company grow sustainably, making better business decisions for the benefit of all stakeholders. Bunzl has identified its key stakeholders on the following pages.

Engagement with stakeholders is primarily carried out at operational level, with direct engagement by the Board taking place where possible and on pertinent matters. Members of senior management are accountable to the Board for their engagement mechanisms and frequently present on the issues and concerns of relevant stakeholder groups. The Board ensures that stakeholders are considered in its deliberations, and understands that competing interests will sometimes need to be weighed against each other. In these circumstances, it is a priority of the Board to ensure the fair treatment of any group that has been adversely affected.

Bunzl's open culture and values pave the way for effective engagement and underly business decisions, ensuring the Company fosters meaningful business relationships with its stakeholders, maintains high standards of business conduct and reports transparently on its activities.

Section 172

The Board of directors of Bunzl plc promotes 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 30
- Acquisitions: page 16
- Our business model: page 32
- Our strategy: page 34
- Shareholder returns: page 9

The interests of the Company's employees

- Employment policies: page 158
- Employee engagement statement: page 109
- Diversity, equity and inclusion: page 54
- Succession planning: page 116
- Our people: pages 40 and 41

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 impact of the Company's operations on the community and the environment

- Sustainability: pages 48 to 68
- TCFD disclosures: page 69
- Carbon emissions: pages 243 and 244
- Community investment: pages 70 to 73
- Non-financial information statement: pages 94 and 95

The desirability of the Company maintaining a reputation for high standards of business conduct

- Audit Committee report: pages 119 to 131
- Independent auditors' report: pages 223 to 229
- Whistle blowing: page 246
- Culture and values: page 108
- Non-financial information statement: pages 94 and 95

The need to act fairly as between members of the Company

- Shareholder engagement: page 72
- The Company's Annual General Meeting: page 156

Engaging with our stakeholders

Customers

Relevance to strategy
Customers are central to Bunzl's purpose of providing essential business solutions around the world, and Bunzl's strategy is formed to achieve this purpose while creating long term value for the benefit of stakeholders as a whole. A key tenet of our strategy is organic growth; expanding by developing our business with current customers and gaining new business with additional customers.

Concerns and interests
- Customised digital solutions
- Alternative sustainable product expertise, support and sourcing
- Innovative product solutions
- Competitive prices
- On-time and in-full delivery
- Access to customer service and sales

How we engage
Bunzl maintains frequent dialogue with customers to ensure ethical and robust supply chains. Customers are supported with the use of our material footprint tools, which help them understand their own carbon impact to inform better decision making and aid the development of new or substantially improved products. In 2022, we introduced additional material footprint tools to help customers understand the impact that legislation will have on packaging and products. This enables us to help customers prepare for legislative changes by recommending and sourcing alternatives. See pages 44 and 45 for an example of how we engaged with customers in Australia and New Zealand to help them navigate complex plastic legislation.

Outcomes of engagement
Two-way engagement enables Bunzl to respond to customers' needs and become a true strategic partner to customers, providing them with a tailored, value-added service and driving organic growth. In 2022, frequent engagement allowed us to materially expand our relationship with Tyson Foods in North America from providing hardware components to supplying a greater range of products and specialist consumables.

69%
of customer orders processed digitally

c.30%
of colleagues have customer-facing roles

Colleagues

Relevance to strategy
Bunzl has 22,451 colleagues worldwide. Bunzl's colleagues represent our biggest opportunity and are the focus of the business. The Board carefully considers the interests of employees in key decisions by engaging with them to ascertain their thoughts and concerns, and implementing action plans to address points raised. Recruiting, retaining and developing the best talent is key to Bunzl's strategy as it ensures that every person pulls in the same direction to achieve Bunzl's purpose.

Concerns and interests
- Fair remuneration
- Talent development
- A safe working environment
- Good communications
- Career prospects
- Sharing in the Company's success
- Fair policies and practices
- An inclusive environment

How we engage
In 2022, Bunzl continued with its diversity, equity and inclusion ('DEI') initiatives to enhance inclusivity at Bunzl and rolled forward the CEO and non-executive director listening sessions to hear from colleagues around the globe (page 109). During these sessions, the Board engaged with colleagues on a range of matters, including pay, new ways of working post-Covid-19 and local topical issues. The Board also undertook site visits to speak with employees on the ground (page 111) and reviewed the responses to the 2022 pulse survey (page 40).

Outcomes of engagement
See the employee engagement statement on page 109 for the Company's responses to engagement with employees during the year.

22,451
employees

85%
sustainable engagement score

Shareholders

Relevance to strategy
Maintaining shareholder support through building meaningful relationships is key to Bunzl's strategy, as our shareholders influence the long term direction and governance framework of the Company. Frequent dialogue keeps the Company informed as to the concerns and interests of our investors and allows the Company to respond, grow and perform better.

Concerns and interests
- Financial performance
- Resilience
- Ethical supply chains
- Executive remuneration
- Shareholder returns
- Carbon emissions reductions
- Succession planning
- Long term performance
- Strong leadership
- Good governance
- Fair pay for employees

How we engage
Bunzl updates shareholders six times per year on trading performance and encourages shareholder attendance at the Annual General Meeting ('AGM'). Engagement with shareholders takes place before, during and after the AGM to understand voting intentions and votes cast. Feedback from investors is gathered at investor roadshows and is presented back to the Board for discussion and action. Furthermore, during 2022 Bunzl hosted its first ever Insight Day in the Netherlands for investors and analysts, showcasing Bunzl Continental Europe's growth and customer proposition (see page 21).

Outcomes of engagement
For outcomes of engagement with investors on matters relating to sustainability, see page 51.

c.140
meetings with investors

c.1,400
unique downloads of Insight Day series

Suppliers

Relevance to strategy
Building strong and trusted partnerships with suppliers is fundamental to our business model. Our suppliers are our partners, and collaboration enables Bunzl to innovate, drive ambitious business solutions and meet customers' individual needs. Engagement primarily takes place at operational level, with executives providing frequent updates on outcomes of engagement to the Board.

Concerns and interests
- Ethical supply chains
- Reliable partnerships
- On-time payment
- Mutual trust
- Improving environmental impacts

How we engage
Bunzl's Supplier Code of Conduct is in operation across all suppliers and the Company monitors compliance with this code with the help of our quality assurance control team in Shanghai, which works with key suppliers in Asia and beyond to ensure international standards are met (see page 25). Supplier conferences are held to showcase best practice and ethical compliance issues, such as our Vietnamese Supplier Training Day in October 2022 which was attended by 24 Vietnamese suppliers and helped them understand Bunzl's requirements in both social accountability and quality management systems. Furthermore, during 2022 Bunzl teams worked with key suppliers to deliver our new science-based Scope 3 emissions target and the Director of Group HR presented to the Board on the details of supplier audits carried out and progress made with previously audited suppliers.

Outcomes of engagement
For outcomes of engagement with Bunzl's suppliers and the results of supplier audits undertaken during the year, see page 53.

930
supplier audits

>10,000
suppliers

Environment and community

Relevance to strategy

Sustainability is core to Bunzl's strategy and long term success and Bunzl's culture of continuous improvement drives the determination to set and meet ambitious climate-related targets. Bunzl's decentralised business relies on local suppliers, recruiting local talent and championing local businesses. Giving back to the community is core to Bunzl's values and the Company participated in a range of community initiatives throughout the year.

Concerns and interests

- Ambitious climate targets
- Science-backed commitments
- Clear roadmap to net zero
- Ethical supply chains
- Local support
- Community investment
- Cost of living crisis
- Inclusive working practices
- Employing local talent
- Sourcing local products

How we engage

The Board defines the sustainability strategy and oversees its implementation by Company executives. The Company maintains dialogue with environmental agencies and informs customers, employees and suppliers on sustainable practices in line with best practice and local laws. The Company has also committed to ambitious targets, with clear roadmaps to achieving these targets (see page 59). To benefit the wider community, Bunzl forms partnerships with charities to fund social, ethical and environmental causes that are championed by our local businesses (see page 247).

Outcomes of engagement

In 2022, our Scope 1, 2 and 3 emissions targets were approved by the Science Based Targets initiative and following engagement with stakeholders, we formed the Board Sustainability Committee to further enhance governance of the Company's strategy (page 68).

15%

reduction in Scope 1 and 2 carbon emissions since 2019

£200k

and essential items donated to support relief efforts in Ukraine and neighbouring countries

Key decisions throughout the year

Warehouse consolidation

Decision

In 2022, the Board considered the consolidation of two warehouses in the US and the installation of new technology that would sort outbound orders to customers more efficiently, ease the Company's reliance on external labour to supplement warehouse staff shortages in the US, and reduce labour costs. See page 16 for more information.

Considerations

- Long term strategy: the strategic aims of the business, including the reductions of redundant costs in warehouse space, investment in automation to maximise warehouse utilisation and achievement of cost efficiencies;
- Environment: the positive impact on the environment of footprint consolidation;
- Colleagues: the impacts of the consolidation on the staff at the Nevada and California warehouses and the impacts of automation on physically demanding labour practices;
- Customers: the impact of automation on the accuracy of the sorting process, the delivery experience of customers and the ability of Bunzl to increase its operational capacity; and
- Shareholders: the proposed cost and benefits of the project, bringing operations in line with market expectations and the positive impact on the Company's operating profit.

Outcome

The Board decided that the consolidation and investment in new technology would benefit the Company and its stakeholders as a whole in the long term by increasing operating efficiency and quality, bringing market-appropriate service level in line with customer and segment expectations, and enabling the Company to price services more competitively.

Acquisitions

Decision

During 2022, the Board considered acquisition proposals in line with the Company's acquisition growth strategy. For information on acquisitions during the year, see page 16.

Considerations

- Long term strategy: the risks and opportunities associated with each acquisition;
- Environment and community: the environmental, social and governance initiatives of target companies and the values of the companies in relation to sustainability;
- Shareholders: the impact of acquisitions on shareholder value;
- Colleagues: the impact of the acquisitions on Bunzl's employees and the employees of target companies, including the alignment of company cultures; and
- Suppliers: the impact of acquisitions on Bunzl's suppliers.

Outcome

The Board approved the acquisition proposals that it believed would be beneficial to the long term interests of the Company and Bunzl's stakeholders as a whole, taking into account the considerations above.

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 2022.

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 biannually, 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 111 and 112 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:

- Organic growth
- Acquisition growth
- Operating model improvements
- Sustainability

The nature and type of the principal risks and uncertainties affecting the Group have changed slightly since the 2021 Annual Report. The risk presented by climate change is now considered a principal risk. As with most companies, climate change could present some challenges to our business over the medium and long term. Although we have mitigating actions in place, Bunzl may face increasing physical risks from climate change, including potential damage to our assets from extreme weather and indirect physical risks in our supply chains or for customers. In addition to the physical risks associated with climate change, the transition to a low carbon or net zero economy may, to some extent, impact Bunzl's operating and commercial environments through policy, legal, technology and market changes (transition risk).

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 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.

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 2022
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 2022 the Group did not encounter material insolvencies of either a large customer or a significant number of smaller customers. However, this remains a significant risk given the potential for global economic downturn • In 2022, 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 2022
Strategic risks continued			
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 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 or customers, indexed or cost plus contracts 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 2022 the Group experienced a higher level of price volatility compared to recent years. In particular, significant product cost inflation was seen in paper and plastic products due to a range of factors including energy price increases. The outlook for product costs, however, remains uncertain
4. Cost inflation Profits are reduced due to 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 2022 at a significantly 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. Overall, the Group was very successful in passing on product cost inflation • 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

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 2022
Strategic risks continued			
5. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies **Risk owner:** CEO and Business Area Heads **Change to risk level:** ➔ **Included in viability statement:** Yes	• Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having made 195 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 • During 2022, the Group's committed acquisition spend was £322 million and the pipeline remains active
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 2022 the Board reviewed the principal acquisitions made in 2020 and noted that performance was in line with expectations

Strategic risks continued

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2022
7. Sustainability driven market changes Revenue and profits are reduced due to 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	• New legislation introduced outside Europe and the UK in countries where Bunzl operates mirrors (and in some cases is more impactful than) 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. Legislation related to packaging still remains extremely fragmented across different regions • Consumer awareness of the environmental impact of certain single-use plastic products continues to grow and the concept of single-use consumable items and society's reliance on them is regularly questioned. The issue is now widespread in all of Bunzl's regions and is growing in importance from a customer perspective. 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 renewable, recyclable or reusable alternatives • The Group's revenue and profits could be reduced if it is unable to offer packaging and products made from alternative materials that will replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences, for example a move to more reusable packaging	• Bunzl is well positioned to support its customers with the legislative complexity thanks to its material agnostic position and network strength, allowing it to deliver the right products across large multi-site customer operations • Bunzl's scale and unique position at the centre of the supply chain, supported by expert sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are recyclable, compostable, biodegradable or reusable • The Group has access to an extensive supply chain of product and packaging manufacturers that 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 has access to the proprietary data on the packaging and products our customers need. That, coupled with the Group's detailed product knowledge and data on customer product usage, ensures that the Group is well positioned to be able to support its customers in shaping and achieving their sustainability strategies	• 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 ranges • In response to a larger number of customers setting increasingly ambitious targets for their packaging, the Group has continued to strengthen its expert sustainability teams who train customers on incoming legislation, hold customer forums where they showcase the latest products, and support customers to report effectively against their goals and participate 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

Operational 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 2022
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 Chief Information Security Officer 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 for acquired companies

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 2022
Financial risks			
9. Availability of funding Insufficient liquidity in financial markets leading to insolvency **Risk owner:** CFO **Change to risk level:** → **Included in viability statement**: Yes	• Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends	• The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term	• The availability of funding to the Group remains strong • The Group issued a $400 million US private placement during 2022 with three tranches maturing in 2029, 2031 and 2032. This debt issuance contained an MFN clause whereby the financial covenants in this bond will fall away when the existing last US private placement matures in 2028. There is £161 million of debt maturing in the next 12 months which can be repaid from free cash flow. The Group maintains a BBB+ rating from S&P and therefore access to the Eurobond public market
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 2022 currency translation had a positive impact on the Group's reported results, increasing revenue, profits and earnings by between 6% and 7% • 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 2022
Financial risks continued			
11. Climate change Change in temperature and climate conditions that causes business disruption and economic loss for the Group **Risk owner:** CEO and Business Area Heads **Change to risk level:** New risk **Included in viability statement:** No	• Certain markets and regions are increasingly affected by extreme weather (e.g. suppliers and customers in areas impacted by wildfires and flooding) which could, in some areas, impact the Group's commercial strategy • Failure to align with customers' ambitions could lead to reputational damage and loss of sales • The Group may face indirect costs from carbon intensive products where carbon prices increase and no suitable substitute materials exist	• Bunzl's supply chain flexibility and lack of fixed manufacturing assets provide operational resilience to the physical impacts of climate change. Our established business continuity planning has helped to ensure continued service to customers in cases of weather-related disruptions, such as Hurricane Katrina in North America and the Australian wildfires. • Setting emissions reduction targets to decarbonise our operations and those of the supply chain helps to ensure our activities meet or exceed customer expectations • The ability to pass through any increased costs of products in our supply chain (for example due to carbon pricing mechanisms) to customers	• The group has reclassified the impact of climate change as a principal risk, based on our modelling of its impacts on Group profit under various scenarios • The Group's modelling of the impact of climate change has been updated to include the latest data available from the Network for Greening the Financial System (NGFS) and now assesses the impact of climate change on GDP at the regional level, the impact of carbon pricing on total supply chain carbon dioxide emissions rather than emissions relating only to the purchase of plastic and rubber products, and the trajectory of the reduction of carbon dioxide emissions over time based upon NGFS data rather than a standalone forecast of emissions from the plastics and rubber industries • The Group has re-evaluated the different transition scenarios in light of COP26 and other commitments by leading nations and now considers the likelihood of the Orderly scenario, reflecting Net Zero 2050, to be 'probable' (previously considered 'possible')

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 three 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 2025.

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 18 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 base case financial projections. The base case financial projections start with the Group's 2023 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 25% 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, 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 50% compared to the base case or an increase in net debt of over 240%.

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 2025.

Trusted to perform

Bunzl's resilience is demonstrated by our performance track record

Operational resilience

Resilience is embedded at every level of Bunzl's operations. Our decentralised nature empowers individual businesses within the Group with the agency and agility to quickly respond to challenges. We have a strong culture of operational efficiency, which is a central pillar of our strategy, maximising the returns we generate. The strength and depth of our global supply chain is also a key asset, with customers relying on our sourcing capabilities.

READ MORE:
TRUSTED TO DELIVER
PAGE 24

Compounding growth resilience

Bunzl's demonstrable operational and financial resilience supports our compounding growth strategy. We generate more new business opportunities as customers feel reassured by the reliability of our sourcing capabilities. Our financial strength also allows us to make investments to support our customers through challenging times, as well as in the latest sustainability and digital innovations. The benefits of joining the Bunzl Group are also highlighted to acquisition prospects during periods of difficulty.

READ MORE:
STRATEGY
PAGE 34

Portfolio resilience

Bunzl supplies a diverse range of essential products and solutions to our customers globally and across different sectors. The essential nature of these products and our customers' reliance on them supports the resilience of the Group. Furthermore, approximately 75% of our revenue is generated in the more resilient cleaning & hygiene, grocery, foodservice and healthcare sectors.

**READ MORE:
AT A GLANCE
PAGE 6**

c.75%
of our revenue is generated in the more resilient cleaning & hygiene, grocery, foodservice and healthcare sectors.

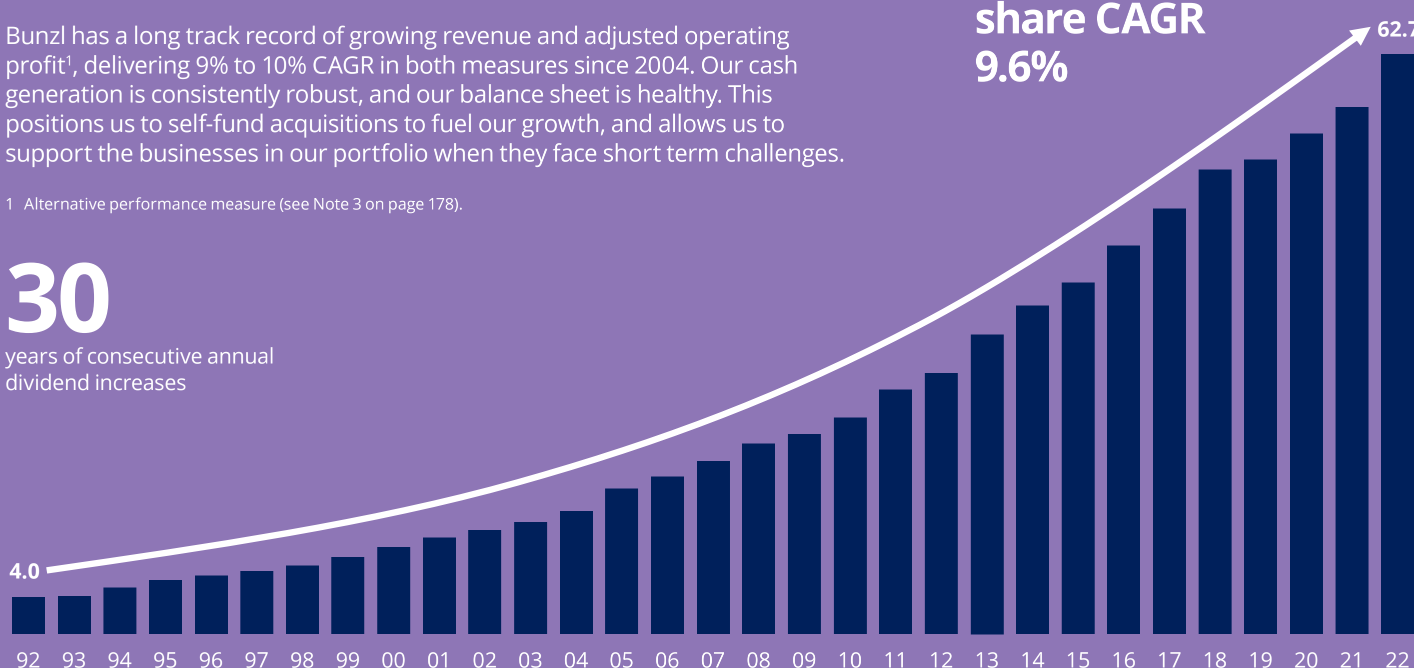
Financial resilience

Bunzl has a long track record of growing revenue and adjusted operating profit[1], delivering 9% to 10% CAGR in both measures since 2004. Our cash generation is consistently robust, and our balance sheet is healthy. This positions us to self-fund acquisitions to fuel our growth, and allows us to support the businesses in our portfolio when they face short term challenges.

1 Alternative performance measure (see Note 3 on page 178).

30
years of consecutive annual dividend increases

Dividend per share CAGR 9.6%



Strongly positioned for continued acquisition investment

Richard Howes
Chief Financial Officer

"After achieving further growth in 2022, Bunzl has sustained 30 years of consecutive annual dividend growth."

Revenue
Up 17.1% at actual exchange rates

£12.0bn

(2021: £10.3bn)

+9.8%†

Operating profit
Up 12.6% at actual exchange rates

£701.6m

(2021: £623.3m)

+6.0%†

Adjusted operating profit*
Up 17.7% at actual exchange rates

£885.9m

(2021: £752.8m)

+11.1%†

Adjusted earnings per share*
Up 13.4% at actual exchange rates

184.3p

(2021: 162.5p)

+7.0%†

Cash conversion*
Continued strong cash conversion

107%

(2021: 102%)

Dividend per share
Long track record of dividend growth continues

62.7p

(2021: 57.0p)

+10.0%

	2022 £m	2021 £m	Growth as reported	Growth at constant exchange
Financial results				
Revenue	**12,039.5**	10,285.1	17.1%	9.8%
Adjusted operating profit*	**885.9**	752.8	17.7%	11.1%
Adjusted profit before income tax*	**818.0**	698.2	17.2%	10.5%
Adjusted earnings per share*	**184.3p**	162.5p	13.4%	7.0%
Dividend for the year	**62.7p**	57.0p	10.0%	
Statutory results				
Operating profit	**701.6**	623.3	12.6%	6.0%
Profit before income tax	**634.6**	568.7	11.6%	5.0%
Basic earnings per share	**141.7p**	132.7p	6.8%	0.5%
Balance sheet and Cash flow				
Return on average operating capital %*	**43.0%**	43.3%		
Return on invested capital %*	**15.0%**	15.1%		
Cash conversion %*	**107%**	102%		

† At constant exchange rates.
* Alternative performance measure (see Note 3 on page 178).

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 178.

Currency translation

Currency translation has had a positive impact on the Group's reported results, increasing revenue, profits and earnings by between 6% and 7%. The positive exchange rate impact was principally due to the effect on average exchange rates of the weakening of sterling against certain currencies during the year, particularly the US dollar, Australian dollar, Canadian dollar and Brazilian real, partly offset by the strengthening of sterling against the Euro.

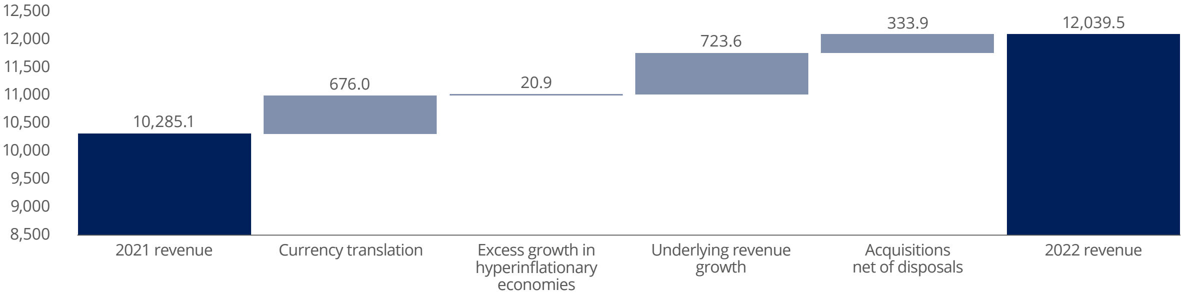
Average exchange rates	2022	2021
US$	**1.24**	1.38
Euro	**1.17**	1.16
Canadian$	**1.61**	1.72
Brazilian real	**6.38**	7.42
Australian$	**1.78**	1.83

Closing exchange rates	2022	2021
US$	**1.20**	1.35
Euro	**1.13**	1.19
Canadian$	**1.63**	1.71
Brazilian real	**6.35**	7.54
Australian$	**1.77**	1.86

Revenue

Revenue increased to £12,039.5 million (2021: £10,285.1 million), an increase of 9.8% at constant exchange rates and 17.1% at actual exchange rates, due to underlying growth of 6.6%, from very strong growth in the base business driven by product cost inflation, which was partly offset by the expected reduction in sales of the top Covid-19 related products. Acquisitions net of disposals added 3.0% and excess growth in hyperinflationary economies added 0.2%.

Movement in revenue (£m)

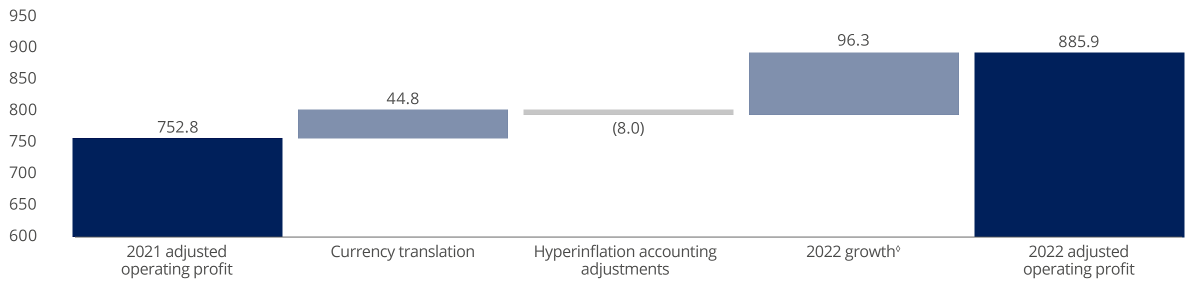


Operating profit

Adjusted operating profit was £885.9 million (2021: £752.8 million), an increase of 11.1% at constant exchange rates and 17.7% at actual exchange rates, including an £8.0 million adverse impact from hyperinflation accounting adjustments. At both constant and actual exchange rates operating margin increased to 7.4% from 7.3% in 2021. This improvement in operating margin reflects a positive impact from inflation and acquisitions partially offset by the reduction in profits relating to Covid-19 related products, a recovery in typically lower margin sectors within our base business and the impact of hyperinflation accounting.

During 2022, the Group has seen a net utilisation of approximately £5 million in trade receivables and slow moving inventory provisions, with usage of these provisions exceeding net charges to increase the provisions. In addition, the Group has seen some utilisation of the additional provisions set up in the prior year as a result of market price movements on certain Covid-19 products.

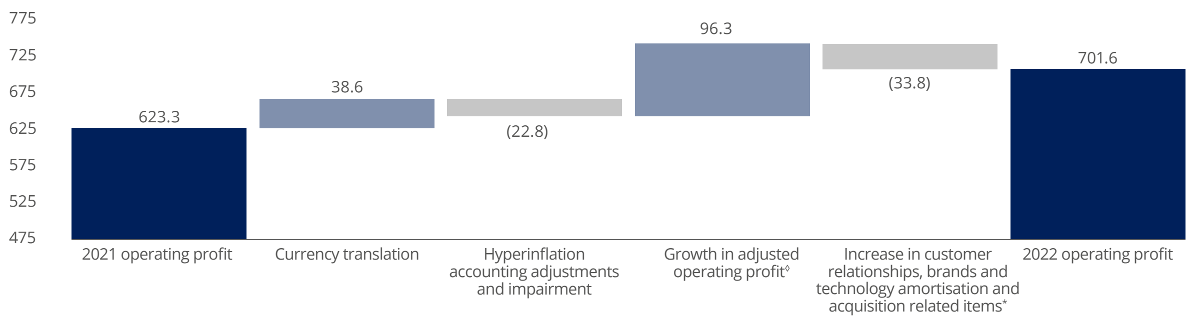
Movement in adjusted operating profit (£m)



◊ Excluding hyperinflation accounting adjustments

Operating profit was £701.6 million (2021: £623.3 million), an increase of 6.0% at constant exchange rates and 12.6% at actual exchange rates. Operating profit in the year is after a £22.8 million adverse impact from hyperinflation accounting adjustments and impairment. This comprises a £9.8 million adverse impact from hyperinflation accounting adjustments, including an £8.0 million charge to adjusted operating profit and a £1.8 million charge to customer relationships amortisation, and also a £13.0 million impairment charge relating to the customer relationships assets of the Group's businesses in Turkey.

Movement in operating profit (£m)



* Excluding hyperinflation accounting adjustments and impairment charges

Customer relationships, brands and technology amortisation and acquisition related items 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 £67.9 million, an increase of £10.3 million at constant exchange rates (up £13.3 million at actual exchange rates), mainly due to a net monetary loss from hyperinflation accounting of £10.7 million, with the impact of higher interest rates and higher average debt offset by fair value gains on interest rate derivatives.

Profit before income tax

Adjusted profit before income tax was £818.0 million (2021: £698.2 million), up 10.5% at constant exchange rates (up 17.2% at actual exchange rates), due to the growth in adjusted operating profit partly offset by the increase in net finance expense. Profit before income tax was £634.6 million (2021: £568.7 million), an increase of 5.0% at constant exchange rates (up 11.6% 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 24.6% (2021: 22.3%) and the reported tax rate on statutory profit was 25.2% (2021: 22.1%). The effective and reported tax rates for 2022 are higher than for 2021 as expected due to a lower benefit from removing prior year exposures. The Group's effective tax rate is expected to increase to be between 25.0% and 25.5% in 2023 due to the rise in the UK corporation tax rate from 19% to 25% from April 2023.

The Group no longer identifies an increase in taxation as a principal risk for the Group, although the future tax rate could still be affected by legislative changes or the resolution of prior year tax matters.

The Group is monitoring the progress of draft legislation for a global minimum tax rate, as proposed by the OECD, to be set at 15% and expected to take effect from 2024. Profits generated in countries with a tax rate below this level are likely to be an insignificant proportion of the Group's profit as a whole, and the Group does not benefit to any significant extent from any tax incentives. Further analysis of the potential impact on the Group's effective tax rate will be carried out during 2023, when the rules are expected to be finalised and enacted.

Earnings per share

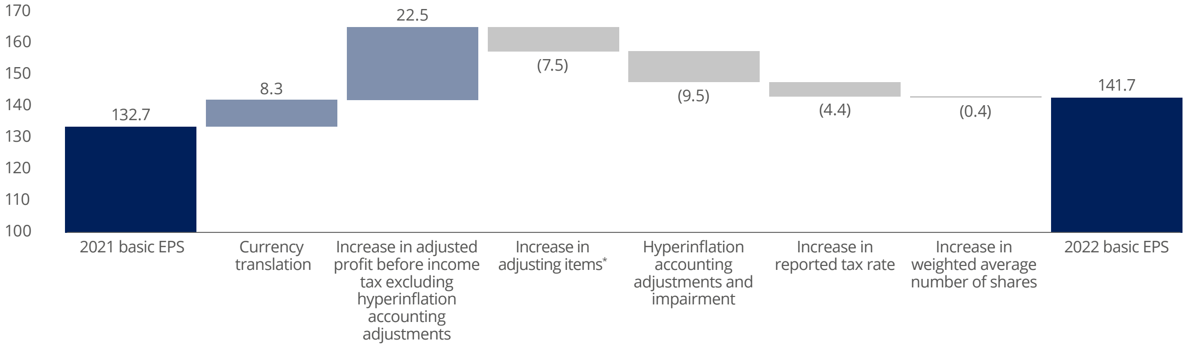
Profit after tax increased to £474.4 million (2021: £442.8 million), up 0.8% and an increase of £3.8 million at constant exchange rates (up 7.1% at actual exchange rates), due to a £30.3 million increase in profit before income tax, partly offset by a £26.5 million increase in the tax charge at constant exchange rates. Profit after tax for the year bears a £21.2 million adverse impact from hyperinflation accounting adjustments, and also a hyperinflation accounting related impairment charge of £13.0 million to the customer relationships assets in the Group's businesses in Turkey partly offset by a tax credit of £2.5 million related to the impairment charge.

Adjusted profit after tax was £616.8 million (2021: £542.5 million), up 7.3% and an increase of £41.8 million at constant exchange rates (up 13.7% at actual exchange rates), due to a £78.0 million increase in adjusted profit before income tax, partly offset by a £36.2 million increase in the tax on adjusted profit before income tax at constant exchange rates. Adjusted profit before tax for the year bears a £19.4 million adverse impact from hyperinflation accounting adjustments, comprising an £18.7 million adverse impact to adjusted profit before income tax and a £0.7 million increase in the tax charge.

The weighted average number of shares in issue increased to 334.7 million from 333.8 million in 2021 due to employee share option exercises partly offset by share purchases into the employee benefit trust.

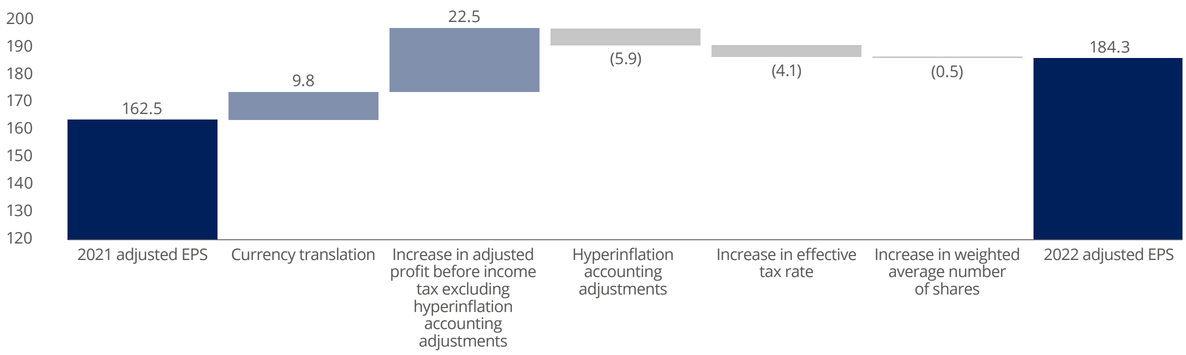
Basic earnings per share were 141.7p (2021: 132.7p), up 0.5% at constant exchange rates (up 6.8% at actual exchange rates). Adjusted earnings per share were 184.3p (2021: 162.5p), an increase of 7.0% at constant exchange rates (up 13.4% at actual exchange rates).

Movement in basic eps (p)



* Excluding hyperinflation accounting adjustments and impairment charges

Movement in adjusted eps (p)



Dividends

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

	2022	2021	Growth
Interim dividend (p)	**17.3**	16.2	6.8%
Final dividend (p)	**45.4**	40.8	11.3%
Total dividend (p)	**62.7**	57.0	10.0%
Dividend cover (times)	**2.9**	2.9	

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 2022 final dividend of 45.4p, an increase of 11.3% on the amount paid in relation to the 2021 final dividend. The 2022 total dividend of 62.7p is 10.0% higher than the 2021 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 2022, Bunzl has sustained 30 years of consecutive annual dividend growth to shareholders.

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 74 to 82. 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 2022 Bunzl plc had sufficient distributable reserves to cover more than seven years of dividends at the levels of those delivered in 2022, which is expected to be approximately £210 million.

Acquisitions

The Group completed 11 acquisitions during the year ended 31 December 2022 with a total committed spend of £319.3 million. Including the acquisition of GRC, which was agreed in 2022 but completed on 1 January 2023, total committed spend on acquisitions agreed and completed during the year was £322.2 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed and agreed during the year were £299 million and £29 million respectively.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	**128.6**
Goodwill	**106.6**
Consideration	**235.2**
Satisfied by:	
cash consideration	**180.6**
deferred consideration	**54.6**
	235.2
Contingent payments relating to retention of former owners	**66.4**
Net overdrafts acquired	**6.8**
Transaction costs and expenses	**10.9**
Total committed spend in respect of acquisitions completed in the current year	**319.3**
Spend on acquisition committed but not completed at year end	**2.9**
Total committed spend in respect of acquisitions agreed in the current year	**322.2**

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

	£m
Cash consideration	180.6
Net overdrafts acquired	6.8
Deferred consideration payments	56.2
Net cash outflow in respect of acquisitions	243.6
Acquisition related items*	20.6
Total cash outflow in respect of acquisitions	264.2

* Acquisition related items comprise £11.0 million of transaction costs and expenses paid and £9.6 million of payments relating to the retention of former owners.

Disposal

The Group completed the disposal of its UK Healthcare division on 19 December 2022. As a result, the net assets of the Group increased by £0.9 million, representing the profit on disposal of £0.9 million, with a net cash inflow of £49.9 million.

Cash flow

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

	2022 £m	2021 £m
Cash generated from operations†	**1,145.8**	930.5
Payment of lease liabilities	**(175.1)**	(158.9)
Net capital expenditure	**(45.7)**	(30.0)
Operating cash flow†	**925.0**	741.6
Net interest excluding interest on lease liabilities	**(45.7)**	(34.8)
Income tax paid	**(173.6)**	(181.4)
Free cash flow	**705.7**	525.4
Dividends paid	**(190.5)**	(180.4)
Net (payments)/receipts relating to employee share schemes	**(31.9)**	19.5
Net cash inflow before acquisitions and disposals	**483.3**	364.5
Acquisitions◊	**(264.2)**	(452.7)
Disposals	**49.9**	-
Net cash inflow/(outflow)	**269.0**	(88.2)

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

The Group's free cash flow of £705.7 million was £180.3 million higher than in 2021, primarily due to the increase in operating cash flow of £183.4 million and a lower cash outflow relating to tax, partly offset by an increase in net interest paid excluding interest on lease liabilities. The Group's free cash flow was used to finance an acquisition cash outflow of £264.2 million (2021: £452.7 million), dividend payments of £190.5 million in respect of 2021 (2021: £180.4 million in respect of 2020) and net payments of £31.9 million (2021: net receipts of £19.5 million) relating to employee share schemes. Cash conversion (being the ratio of operating cash flow as a percentage of lease adjusted operating profit) was 107% (2021: 102%).

	2022 £m	2021 £m
Operating cash flow	**925.0**	741.6
Adjusted operating profit	**885.9**	752.8
Add back depreciation of right-of-use assets	**151.1**	134.8
Deduct payment of lease liabilities	**(175.1)**	(158.9)
Lease adjusted operating profit	**861.9**	728.7
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**107%**	102%

Net debt

Net debt excluding lease liabilities decreased by £177.3 million during the year to £1,160.1 million (2021: £1,337.4 million), due to a net cash inflow of £269.0 million and a non-cash decrease in debt of £8.2 million partly offset by a £99.9 million increase due to currency translation. Net debt including lease liabilities was £1,730.0 million (2021: £1,826.1 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 1.2 times (2021: 1.6 times) and would have been 1.3 times excluding the benefit from the disposal of the UK healthcare division. Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.5 times (2021: 1.9 times).

Balance sheet

Summary balance sheet at 31 December:

	2022 £m	2021 £m
Intangible assets	**3,093.9**	2,766.8
Right-of-use assets	**529.6**	448.3
Property, plant and equipment	**137.2**	120.9
Working capital	**1,096.6**	1,027.6
Deferred consideration	**(139.9)**	(107.8)
Other net liabilities	**(306.4)**	(257.0)
	4,411.0	3,998.8
Net pension surplus	**39.9**	31.2
Net debt excluding lease liabilities	**(1,160.1)**	(1,337.4)
Lease liabilities	**(569.9)**	(488.7)
Equity	**2,720.9**	2,203.9
Return on average operating capital	**43.0%**	43.3%
Return on invested capital	**15.0%**	15.1%

Return on average operating capital decreased slightly to 43.0% from 43.3% in 2021, driven by an adverse impact from currency translation. Return on invested capital of 15.0% was slightly down from 15.1% in 2021 with an adverse impact from currency translation and acquisitions partly offset by higher returns in the underlying business.

Intangible assets increased by £327.1 million to £3,093.9 million due to intangible assets arising on acquisitions in the year of £235.7 million, an increase from currency translation of £220.3 million, a net increase from hyperinflation adjustments of £28.7 million and software additions of £12.0 million, partly offset by an amortisation charge of £137.2 million, a decrease from disposal of businesses of £19.4 million, and an impairment charge of £13.0 million relating to the customer relationships assets in the Group's Turkish businesses.

Right-of-use assets increased by £81.3 million to £529.6 million due to additional right-of-use assets from new leases during the year of £123.3 million, an increase from remeasurement adjustments of £56.6 million, an increase from currency translation of £32.7 million and an increase from acquisitions of £21.5 million, partly offset by a depreciation charge of £151.1 million and a decrease from disposal of businesses of £1.7 million.

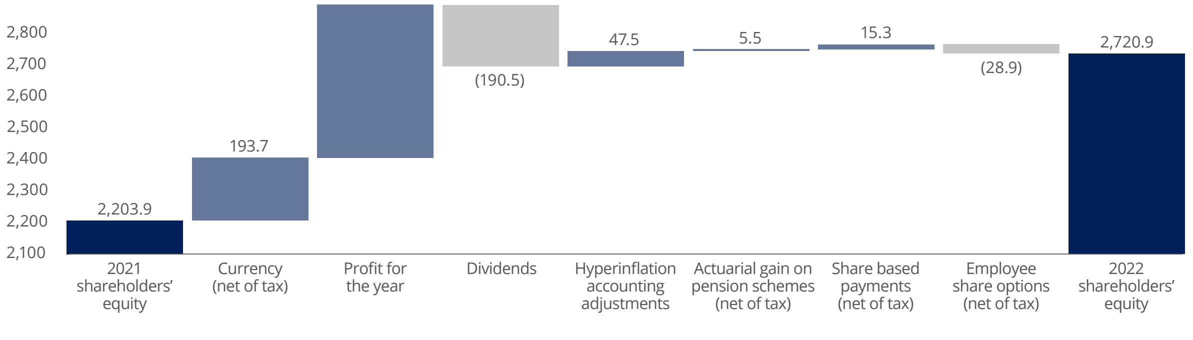
Working capital increased from the prior year end by £69.0 million to £1,096.6 million mainly due to an increase from currency translation of £100.8 million, £41.0 million from acquisitions, and £2.6 million from hyperinflation adjustments in Turkey and Argentina, partly offset by an underlying decrease of £54.5 million as shown in the cash flow statement and a decrease from disposal of business of £27.5 million.

Deferred consideration increased by £32.1 million to £139.9 million due to charges relating to the retention of former owners and adjustments to previously estimated earn outs of £30.2 million, £54.6 million of deferred consideration recognised on current year acquisitions and an increase from currency translation of £8.2 million, partly offset by deferred consideration and retention payments of £60.9 million.

The Group's net pension surplus of £39.9 million at 31 December 2022 has increased by £8.7 million from the net pension surplus of £31.2 million at 31 December 2021, principally due to cash contributions of £9.2 million and an actuarial gain of £6.9 million partly offset by £4.8 million of current service costs. The actuarial gain principally arose from a decrease in pension liabilities due to an increase in discount rates partly offset by lower than expected returns on pension scheme assets.

Shareholders' equity increased by £517.0 million during the year to £2,720.9 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.

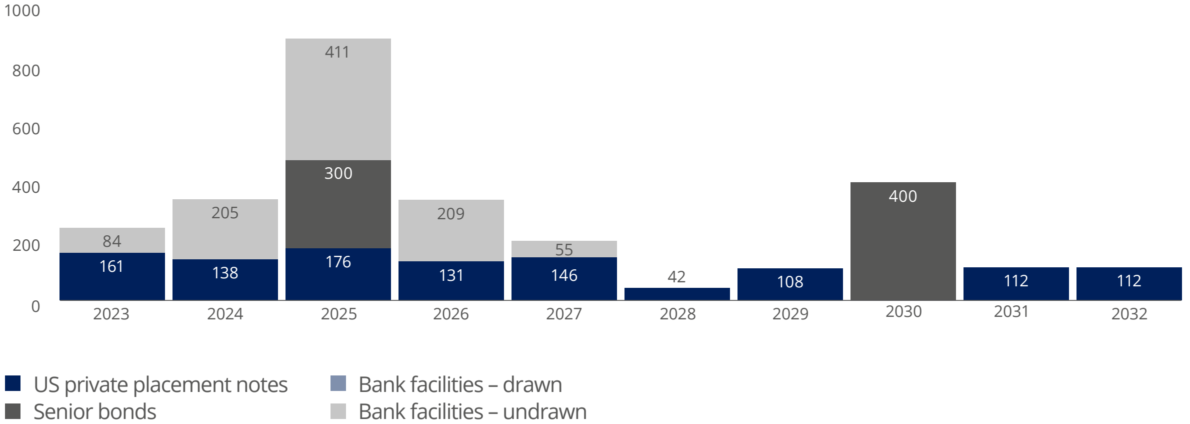
Treasury policies and controls

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.

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 2022 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 USPPs issued in March 2022 contain a clause whereby upon maturity of the previously issued USPPs, the latest maturity being in 2028, the principal financial covenants referred to above will no longer apply. In addition, during August 2022, these principal financial covenants were removed from the Group's committed bank facilities.

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 2022 the nominal value of US private placement notes outstanding was £1,126.4 million (2021: £834.7 million) with maturities ranging from 2023 to 2032. At 31 December 2022 the available committed bank facilities totalled £963.6 million (2021: £996.2 million) of which none (2021: £14.5 million) was drawn down, providing headroom of £963.6 million (2021: £981.7 million). During 2022, the Group issued $400m of US private placement notes which mature in three tranches in 2029, 2031 and 2032. During the year, £100 million of bank facilities were extended from 2025 to 2026 and the Group expects to extend additional bank maturities further during 2023. The Group expects to make repayments in 2023 of approximately £161 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 18 on pages 194 to 201.

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 168.

Richard Howes
Chief Financial Officer
27 February 2023

Non-financial information statement

In accordance with sections 414CA and 414CB of the Companies Act 2006, the information below sets out how we comply with each reporting requirement and where further information can be found.

Reporting requirement	Key matters
Social matters	Developing responsible supply chains
	Promoting a healthy corporate culture
	Business standards of behaviour
Employees	Encouraging employees to raise matters of concern
	Investing in our people and a diverse workforce
	Providing our employees with a safe working environment
Human rights, anti-corruption and anti-bribery	Prevention of bribery, corruption and fraud
	Promoting ethical supply chains
	Approach to human rights and modern slavery
Environmental matters	Taking action on climate change
	Reducing our impact on the environment
	Providing sustainable solutions

Relevant policies and standards	Further information
Our Supplier Code of Conduct, Global Supply Chain Solutions team and partnership with leading NGO, Stop the Traffik, are some of the measures we take to ensure that products are sourced responsibly and that adequate standards are maintained throughout our supply chains.	READ MORE ON PAGES 51 TO 53
Our values underly the way we conduct our business and ensure that all of our colleagues are working towards the common goal of creating long term sustainable value for the benefit of all stakeholders.	READ MORE ON PAGE 108
Our Business Code of Conduct and Code of Conduct Policy ensure that all business is conducted according to rigorous ethical, professional and legal standards.	READ MORE ON PAGE 246
Where employees have concerns relating to failures to adhere to standards, they can report such concerns on a confidential and anonymous basis using our 'Speak Up' Policy.	READ MORE ON PAGE 246
Our Diversity, Equity and Inclusion Policy was reviewed this year and ensures that employees are treated fairly and equally and that diversity is embraced. We also offer extensive learning and development opportunities to equip employees with the skills and experience they need to succeed and grow in their roles.	READ MORE ON PAGES 54 AND 55
The Bunzl Health & Safety Policy ensures that high standards of health & safety are maintained throughout the business. Incidents are monitored and reported to the Board periodically, which enables the Board to take action when necessary.	READ MORE ON PAGES 244 AND 245
Our Anti-Bribery and Corruption Policy outlines the behaviour and principles required of employees to prevent any form of bribery or corruption. Additionally, we have a Fraud Policy in place, we conduct a rigorous Fraud Risk Assessment annually and the Board regularly receives and considers whistle blowing updates.	READ MORE ON PAGES 119 TO 131
Our Supplier Code of Conduct defines the principles and standards that we expect suppliers to understand and adhere to. This is supported by our industry-leading sourcing and auditing operation in Shanghai, which works in partnership with suppliers in high risk regions to ensure the highest standards of product quality and respect for human rights in our supply chain.	READ MORE ON PAGES 52 AND 53
Revised by the Board this year, our Modern Slavery Statement sets out the steps that we take to ensure, as far as possible, that slavery and human trafficking do not exist in our supply chain or any part of our business.	READ MORE ON PAGES 239 AND 246
We are supporting the recommendations made by the Task Force on Climate related Financial Disclosures and have joined the UN Race to Zero campaign by formally committing to the Business Ambition for 1.5°C.	READ MORE ON PAGE 69
Our Environment Policy promotes the efficient use of resources and energy in our supply chain and ensures a Group wide commitment to continual improvement and compliance with environmental legislation and regulations.	READ MORE ON PAGES 48 TO 68
Our material footprint tools help customers understand the carbon impact of the products they source, helping us to work with them to find sustainable solutions that are better suited to a more circular economy.	READ MORE ON PAGE 51

A DESCRIPTION OF OUR BUSINESS MODEL CAN BE FOUND ON PAGES 32 AND 33

WHERE PRINCIPAL RISKS HAVE BEEN IDENTIFIED IN RELATION TO ANY OF THE MATTERS LISTED ABOVE, THESE CAN BE FOUND ON PAGES 74 TO 82

OUR NON-FINANCIAL KEY PERFORMANCE INDICATORS ARE SET OUT ON PAGE 47

FIND OUT MORE IN OUR POLICY HUB ON OUR WEBSITE