Welcome to the Bunzl plc Annual Report 2019

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Building a sustainable future

Bunzl plc Annual Report 2019

We have a proven strategy

Detail
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We offer a unique service

Detail
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We are committed to sustainability

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In this report

www.bunzl.com

Financial highlights

Our long term track record of strong cash generation has enabled us to pay a growing dividend over the past 27 years and to support our growth strategy by making acquisitions and reinvesting in the underlying business.

Adjusted earnings per share*

132.2p

(IAS 17 – 2019: 132.4p; 2018: 129.6p)

1.0% ↑

Growth at constant exchange rates (Actual exchange rates +2.2%)

Cash conversion*

101%

(2018: 94%)

Dividend per share

51.3p

(2018: 50.2p)

2.2% ↑

Revenue

£9,326.7m

(2018: £9,079.4m)

1.0% ↑

Growth at constant exchange rates (Actual exchange rates +2.7%)

Adjusted operating profit*

£653.3m

(IAS 17 – 2019: £630.9m; 2018: £614.0m)

1.5% ↑

Growth at constant exchange rates (Actual exchange rates +2.8%)

Adjusted profit before income tax*

£578.2m

(IAS 17 – 2019: £579.1m; 2018: £559.0m)

2.4% ↑

Growth at constant exchange rates (Actual exchange rates +3.6%)

Operating profit

£528.4m

(IAS 17 – 2019: £506.0m; 2018: £466.2m)

Growth at actual exchange rates +8.5%

Profit before income tax

£453.3m

(IAS 17 – 2019: £454.2m; 2018: £424.8m)

Growth at actual exchange rates +6.9%

Basic earnings per share

104.8p

(IAS 17 – 2019: 105.0p; 2018: 98.4p)

Growth at actual exchange rates +6.7%

* Alternative performance measure (see Note 4 on page 134).
Growth at constant exchange rates is calculated by comparing the 2019 results to the results for 2018 retranslated at the average exchange rates used for 2019.

Basis of preparation IFRS 16 'Leases'

The Group adopted International Financial Reporting Standard ('IFRS') 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition and, in accordance with the standard, the Group's financial results for the year ended 31 December 2018 have not been restated. As a result, the financial results for the year ended 31 December 2019 are not directly comparable with those for the year ended 31 December 2018. However, in order to provide a meaningful comparison between the two reporting periods, where appropriate to do so, the Group's financial results for the year ended 31 December 2019 are also presented in accordance with IAS 17 'Leases', being the accounting standard that was applicable for the year ended 31 December 2018. Unless otherwise stated, all references in this Annual Report to growth rates and year-on-year comparisons relating to the Group's statutory and alternative performance measures are stated on a consistent basis under IAS 17. Further details of the impact of the adoption of IFRS 16 on the Group's financial results are set out in Notes 1 and 3.

Reconciliation of alternative performance measures to statutory measures for the year ended 31 December 2019

IFRS	Alternative performance measures £m	Adjusting items: Customer relationships amortisation £m	Adjusting items: Acquisition related items £m	Statutory measures £m	
Adjusted operating profit	**653.3**	**(107.3)**	**(17.6)**	**528.4**	**Operating profit**
Finance income	12.4			12.4	Finance income
Finance expense	(87.5)			(87.5)	Finance expense
Adjusted profit before income tax	**578.2**	**(107.3)**	**(17.6)**	**453.3**	**Profit before income tax**
Tax on adjusted profit	(137.6)	29.1	4.4	(104.1)	Income tax
Adjusted profit for the year	**440.6**	**(78.2)**	**(13.2)**	**349.2**	**Profit for the year**
Adjusted earnings per share	**132.2p**	**(23.4)p**	**(4.0)p**	**104.8p**	**Basic earnings per share**

Further details of the Group's alternative performance measures are set out in Note 4.

Group at a glance

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

North America

Revenue

£5,473.2m

% of 2019 revenue

59%

Adjusted operating profit*

£343.6m

- Revenue broadly unchanged at constant exchange rates.
- Adjusted operating profit* up 0.6% at constant exchange rates.
- Operating margin* unchanged at 6.0%.
- Return on operating capital* down from 48.4% to 45.5%.

Read more
pg 24

19,000
Employees

31
Countries

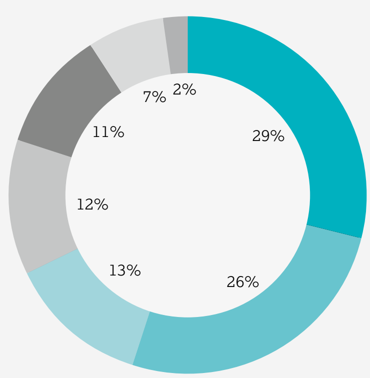
6
Market sectors

160
Acquisitions since 2004

27
Years of dividend growth

Markets served

(% of 2019 revenue)



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

Continental Europe

Revenue

£1,829.8m

% of 2019 revenue

20%

Adjusted operating profit*

£182.1m

- Revenue up 3.0% at constant exchange rates.
- Adjusted operating profit* up 2.6% at constant exchange rates.
- Operating margin* unchanged at 9.8%.
- Return on operating capital* down from 60.4% to 60.1%.

Read more pg 26

UK & Ireland

Revenue

£1,242.1m

% of 2019 revenue

13%

Adjusted operating profit*

£87.1m

- Revenue down 1.7% at constant exchange rates.
- Adjusted operating profit* down 4.1% at constant exchange rates.
- Operating margin* down from 6.9% to 6.7%.
- Return on operating capital* down from 87.8% to 84.4%.

Read more pg 28

Rest of the World

Latin America and Asia Pacific

Revenue

£781.6m

% of 2019 revenue

8%

Adjusted operating profit*

£61.6m

- Revenue up 8.8% at constant exchange rates.
- Adjusted operating profit* up 8.3% at constant exchange rates.
- Operating margin* down from 7.6% to 7.5%.
- Return on operating capital* down from 31.9% to 31.0%.

Read more pg 30

Foodservice 29%

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

Cleaning & hygiene 12%

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

Other 2%

A variety of product ranges to other end user markets.

Grocery 26%

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

Retail 11%

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

Safety 13%

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

Healthcare 7%

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

* Alternative performance measure (see Note 4 on page 134).

Chairman's statement

> Bunzl's success is derived from the strength, resilience and reliability of our business model, combined with the execution of our long established, consistent and proven strategy.

Philip Rogerson
Chairman

Results

Against the background of the mixed macroeconomic and market conditions which prevailed during 2019 across the countries and sectors in which we operate, I am pleased to report that Bunzl has produced another resilient performance.

Group revenue was £9,326.7 million (2018: £9,079.4 million), an increase of 2.7%, and adjusted operating profit was £653.3 million with adjusted earnings per share of 132.2p. On an IAS 17 basis, adjusted operating profit was £630.9 million, an increase of 2.8% (2018: £614.0 million), while adjusted earnings per share were 132.4p (2018: 129.6p), an increase of 2.2%.

Overall currency translation movements, principally the weakening of sterling against the US dollar, had a positive impact on the reported Group growth rates at actual exchange rates. At constant exchange rates, revenue increased by 1.0% and adjusted operating profit on an IAS 17 basis rose by 1.5% with adjusted earnings per share up 1.0% and the Group operating margin up from 6.7% to 6.8%.

The return on average operating capital on an IAS 17 basis decreased from 50.7% in 2018 to 48.4%, principally as a result of an increase in average capital employed in the underlying business, and the return on invested capital on an IAS 17 basis was down from 15.0% to 14.6%.

Dividend

The Board is recommending a final dividend of 35.8p. This brings the total dividend for the year to 51.3p, up 2.2% compared to 2018. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

Strategy

We continue to pursue our consistent and proven strategy of developing the business through organic growth, consolidating the markets in which we compete through focused acquisitions and continuously improving the quality of our operations, thereby making our businesses more efficient and sustainable.

We look to achieve organic growth by applying our extensive resources and specialist knowledge and expertise to enable our customers to reduce or eliminate the hidden costs of sourcing and distributing a broad range of goods-not-for-resale and to make their businesses more sustainable. By offering an efficient and cost-effective one-stop-shop to meet their product demands, combined with the provision of a variety of value-added, innovative, sustainable and customised service solutions, our customers can focus on their core businesses and achieve purchasing efficiencies and savings, while freeing up working capital, improving their distribution capabilities, reducing carbon emissions and simplifying their own internal administration processes.

Although we purchased fewer businesses in 2019 than in recent years, growth through acquisitions remains a key element of our strategy which has enabled us to build leading positions in a number of market sectors in the Americas, Europe and Asia Pacific.

Investment

Investment in the business to support our growth strategy, enhance our asset base and improve the efficiency and sustainability of our operations is an ongoing process.

Delivering value for our stakeholders

During the year we have continued to expand and improve our facilities, consolidate our warehouse footprint and enhance our IT systems and digital platforms. Together these investments help us to improve our service offering and customer experience which helps us to retain a competitive advantage.

Sustainability

During the year we have focused on the further development of the Group's sustainability strategy. This has included the recruitment of experts embedded within the business areas, headed by a new Group Head of Sustainability and the development of our new sustainability framework which brings together all strands of our responsibilities in this area as a large international company. Since we are not a manufacturer, and given our size and expertise, we have a unique position in the supply chain which enables us to advise our customers on their sustainability strategies and, at the same time, benefit from our relationships with our extensive supplier base in order to bring a broad range of sustainable products to market.

We see the development and delivery of an effective people strategy as a key part of our sustainability framework. We have made good progress in identifying the key capabilities we need to grow as a business, developing a robust leadership pipeline and articulating the values underpinning the culture we wish to foster across our diverse group of businesses. The launch of our new Senior Leadership Programme is a tangible example of our people strategy in action. Particularly powerful has been the opportunity for Board members to spend time with attendees of the programme from across the Group and also to attend employee forum meetings in both Europe and North America which has allowed the directors to engage with representatives of the wider workforce.

As a service oriented company, the hard work, loyalty and enthusiasm of our employees around the world are critical to our ongoing growth and success. I would like to thank everyone for their significant contributions and achievements during the year.

Board

As announced in May 2019, after more than 13 years in the role of Finance Director and 25 years with Bunzl, Brian May retired from the Board on 31 December 2019 and will leave the Group at the end of February 2020. On behalf of the Board, I would like to thank Brian for the outstanding contribution he has made to Bunzl's success over many years. He leaves the Group with our very best wishes and our deepest gratitude and thanks for his dedicated service to Bunzl.

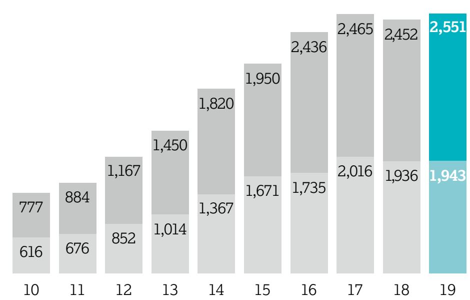
Brian has been succeeded by Richard Howes who joined the Board and assumed the role of Chief Financial Officer on 1 January 2020. Richard has a wealth of experience across a number of sectors, working for multi-site businesses with substantial global footprints. He also has a strong track record of leading finance functions at a number of international public companies. We are pleased to welcome him to Bunzl.

Peter Ventress joined the Board on 1 June 2019 as a non-executive director and Chairman designate. Peter has a strong track record both as an executive and

Share price range p

High **2,551p**

Low **1,943p**



non-executive director of a number of international distribution businesses and will bring valuable knowledge and experience to Bunzl. He will assume the role of Chairman of the Board and of the Nomination Committee following my retirement at the conclusion of the Company's Annual General Meeting in April 2020.

Eugenia Ulasewicz, who has served as a non-executive director since April 2011, will also be retiring after the Company's Annual General Meeting in April. Her independent advice and significant contribution to the Board's deliberations have been greatly appreciated and she will leave with our thanks and best wishes.

Philip Rogerson
Chairman
24 February 2020

Chief Executive Officer's review

> We have delivered a resilient set of results which demonstrate the strength of our value proposition and the robust competitive position of our diversified businesses across our fragmented international markets.

Frank van Zanten
Chief Executive Officer

Key highlights

- Revenue up 1.0% and adjusted profit before income tax up 2.4% at constant exchange rates
- Group operating margin up from 6.7% to 6.8% at constant exchange rates
- Continued strong cash conversion of 101% and free cash flow growth of 10%
- Committed acquisition spend of £124 million during the year with four acquisitions announced in recent months (annualised revenue £300 million) and a promising pipeline
- 27 year track record of dividend growth continues with a 2.2% increase in the dividend for the year

Overview

We have once again demonstrated the strength, resilience and reliability of our business model and strategy which together have delivered a resilient set of results against the backdrop of challenging trading conditions in some of our markets. It is particularly pleasing to see that the Group operating margin has increased at constant exchange rates from 6.7% to 6.8%.

During the year we continued to invest in IT and digital projects and launched additional digital platforms to enhance further our customers' experience. Collaboration and sharing of best practice between our businesses around the world have increased with a view to bringing additional benefits for our customers. The sustainability agenda has continued to develop with a particular focus on single-use plastics. By providing specialist advice and assistance and promoting alternatives to plastic products and supporting the development of innovative products, we have been able to offer customers more choice as they look to increase the compostability and recyclability of many of the items that they use and thereby make their businesses more sustainable.

As a non-manufacturer, our global sourcing capabilities combined with the services provided by our Asia sourcing office have again proved to be a competitive advantage when dealing with our customers. Although we have not yet seen any material impact on our supply chain, we are continuing to monitor the situation relating to the Coronavirus in China which might impact our ability to import certain products if the restrictions on manufacturing activities continue for a sustained period of time.

Operating performance

With 88% of the Group's revenue generated outside the UK, the weakening of sterling against certain currencies, particularly the US dollar and the Canadian dollar, partly offset by the strengthening of sterling against the euro, Australian dollar and Brazilian real, has had a positive translation impact of between 1% and 2% on the Group's reported results. As in previous reporting periods, the operations, including the relevant growth rates and changes in operating margin (which, as referred to earlier in this Annual Report, for consistency are presented on the basis of the results prepared under IAS 17), are therefore reviewed below at constant exchange rates to remove the impact of these currency

A strong and diversified business with a proven strategy for growth.

A unique service offering with customers at its heart.

Proactive approach to sustainable products.

Depth and breadth of our business

We are continuing to pursue our long established, consistent, proven and successful compounding strategy in order to create value for our stakeholders and through which we have built leading positions in a number of market sectors in the Americas, Europe and Asia Pacific.

Customised solutions that can be fully integrated

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

Our approach to sustainability

Sustainability is core to how Bunzl does business and how we'll grow in the future. We have recently developed a new sustainability framework and strengthened our team of sustainability experts who will work to embed this across our businesses internationally.

movements. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for 2018 at the average rates used for 2019.

In addition, this Annual Report refers to alternative performance measures which exclude a number of non-operational items such as charges for customer relationships amortisation, acquisition related items and the profit or loss on disposal of businesses and any associated tax, where relevant. We do not take these items into account when considering the results of the business and they are therefore removed in calculating the profitability and other measures by which we assess the performance of the Group. Further details of these alternative performance measures are set out in Note 4 to the consolidated financial statements.

Unless otherwise stated, all references in this review to operating profit are to adjusted operating profit while operating margin refers to adjusted operating profit as a percentage of revenue. A reconciliation between adjusted operating profit and statutory operating profit is set out in Note 4 to the consolidated financial statements.

In 2019 revenue increased 1.0% (2.7% at actual exchange rates) to £9,326.7 million due to the benefit of acquisitions, partly offset by the impact of disposals made in 2018, as well as a small decline in organic revenue of 0.2%. Operating profit was £653.3 million. On an IAS 17 basis, operating profit was £630.9 million, an increase of 1.5% (2.8% at actual exchange rates). Operating margin was 7.0% (or 6.8% on an IAS 17 basis, up from 6.7% at constant exchange rates and unchanged at actual exchange rates).

In North America revenue was broadly unchanged (up 3.7% at actual exchange rates) due to the effect of acquisitions offset by a decline in organic revenue which, as indicated in previous announcements, was principally due to lower sales to a large grocery customer as a result of account specific price and product specification changes. Operating profit increased 0.6% (4.4% at actual exchange rates) with the operating margin of 6.0% unchanged at both constant and actual exchange rates. Revenue in Continental Europe rose 3.0% (1.8% at actual exchange rates) as a result of organic growth and the impact of acquisitions, partly offset by the disposal of OPM in France in February 2018, with operating profit up 2.6% (1.1% at actual exchange rates) with the operating margin of 9.8% also unchanged at both constant and actual exchange rates. In UK & Ireland revenue was down 1.7% mainly as a result of the disposal of the marketing services business in June 2018 and operating profit decreased 4.1% (down 4.0% at actual exchange rates) due to the disposal and challenging market conditions, with the operating margin decreasing from 6.9% to 6.7%. Excluding the impact of the disposal, revenue was down 0.2% with operating profit 1.7% lower. In Rest of the World revenue increased 8.8% (5.6% at actual exchange rates) principally due to the acquisition of Volk do Brasil in January 2019 as well as organic growth and operating profit was up 8.3% (4.6% at actual exchange rates) with the business area operating margin down 10 basis points at both constant and actual exchange rates to 7.5%.

Adjusted profit before income tax was £578.2 million. On an IAS 17 basis, adjusted profit before income tax was £579.1 million, an increase of 2.4% (3.6% at actual exchange rates) due to the growth in adjusted operating profit and a decrease in the net finance expense. Profit before income tax was £453.3 million and, on an IAS 17 basis, was £454.2 million, an increase of 5.4% (up 6.9% at actual exchange rates). Basic earnings per share were 104.8p and adjusted

Chief Executive Officer's review continued

"

The good progress we have made developing the sustainability agenda will further enhance our competitive advantage.

earnings per share were 132.2p. On an IAS 17 basis, basic earnings per share were 105.0p, an increase of 5.2% (6.7% at actual exchange rates), and adjusted earnings per share were 132.4p, up 1.0% (2.2% at actual exchange rates).

Once again, the operating cash flow, which is before acquisition related items, was very strong with cash conversion (the ratio of operating cash flow to lease adjusted operating profit) at 101%. The ratio of 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 1.9 times compared to 2.0 times at the end of 2018.

Acquisitions

Excluding Volk do Brasil which we agreed to purchase in 2018 and completed in January 2019, during the year we acquired three businesses for a total committed spend of £124 million, thereby adding annualised revenue of £97 million. We have made a good start in 2020 with two businesses purchased so far this year and a further committed acquisition which we expect to complete at the end of March. The acquisition pipeline is promising and a number of discussions with potential targets are ongoing. We have significant financial capacity to make a number of additional acquisitions.

In February 2019 we acquired Liberty Glove & Safety which is engaged in the sale of a full range of personal protection equipment, principally gloves, to distributors in the US. Revenue in 2018 was £70 million.

Coolpack, a distributor based in the Netherlands principally engaged in the supply of specialist packaging to supermarkets and the pharmaceutical, food processor and foodservice sectors, was acquired in April. Revenue in 2018 was £4 million.

At the end of November we purchased FRSA. The business distributes specialist safety and personal protection equipment focused on fire, rescue and emergency response services throughout Australia. Revenue is expected to be approximately £20 million in 2020.

At the beginning of January 2020, we purchased Joshen Paper & Packaging, a distributor of packaging and other goods-not-for-resale to customers operating in the grocery, foodservice and cleaning & hygiene sectors in the US. Revenue is expected to be approximately £225 million in 2020.

Today we are announcing the acquisition of Medcorp in Brazil and ICM in Denmark. Medcorp, a distributor of a broad range of medical products to leading private hospitals and redistributors in Brazil, was acquired at the end of January 2020. Revenue in 2019 was £11 million. The purchase of ICM, a leading distributor of personal protection equipment to both end users and redistributors in Denmark, is due to be

Specialist sustainability teams

We have expanded our dedicated team of plastics and sustainability experts and now have 11 specialists working in our businesses around the world.

Through collaboration and sharing of best practice, we have used this expertise to design our new global framework for sustainability and are rolling out programmes and providing practical advice on which solutions can meet our customers' needs while making their businesses more sustainable.

Sustainability
pg 34

completed at the end of March once clearance of the transaction by the Danish competition authority has been received. Revenue in 2019 was £48 million.

Prospects

Although we continue to see challenging trading conditions in some markets, our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further should lead to improved growth at constant exchange rates principally due to the impact of the good level of recent acquisition activity.

In North America we expect good revenue growth due to the recent acquisition of Joshen but will see the continued impact on revenue in the first half of 2020 from the 2019 price and product specification changes with our largest grocery customer and weakness in the grocery and retail sectors throughout the year. We will continue to focus on operating costs, productivity and other efficiency improvements. In Continental Europe, despite mixed macroeconomic conditions across the region, we expect to develop further due to the combination of some organic revenue growth and the benefit of the proposed acquisition announced today.

In UK & Ireland growth is expected to be limited given the prevailing uncertain economic and market conditions. In Rest of the World we expect to see good progress due to a combination of organic and acquisition growth.

In relation to acquisition activity, the pipeline is promising with a number of discussions ongoing.

Frank van Zanten
Chief Executive Officer
24 February 2020

Our management team

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

Frank van Zanten
Chief Executive Officer

Jim McCool
Chief Executive Officer, North America

Alberto Grau
Managing Director, Continental Europe

Diana Breeze
Director of Group Human Resources

Richard Howes
Chief Financial Officer

Andrew Mooney
Director of Corporate Development

Paul Hussey
General Counsel and Company Secretary

Andrew Tedbury
Managing Director, UK & Ireland

Jonathan Taylor
Managing Director, Latin America

Kim Hetherington
Managing Director, Asia Pacific

Board of directors
pg 66

Investment case

A strong track record of delivering growth

A diversified, balanced and resilient business

- Presence in 31 countries.
- Six customer focused market sectors.
- Fragmented markets.
- Long term relationships with customers and suppliers.

Revenue from resilient sectors

74%

Group at a glance
pg 2

A consistent and proven compounding strategy

- Profitable organic growth.
- Continuous operating model improvements.
- Disciplined approach to self-funded acquisitions.

RAOC*

36.9%

(IAS 17: 48.4%)

ROIC*

13.6%

(IAS 17: 14.6%)

Our strategy
pg 18

Significant opportunities for future growth

- Significant opportunities to grow in existing countries.
- Scope for further geographic expansion.
- Potential for expansion into new sectors.

160

acquisitions since 2004

£3.4bn

acquisition cash flow

Our strategy
pg 18

Disciplined financial management

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

Average cash conversion* since 2004

97%

Financial review
pg 56

A long term track record of good returns for our shareholders

- Sustained increases in revenue, adjusted operating profit and adjusted earnings per share.
- Creation of shareholder value through long term dividend and share price growth.

27

years of dividend growth

Chairman's statement
pg 4

* See 'Key performance indicators' on pages 22 and 23.

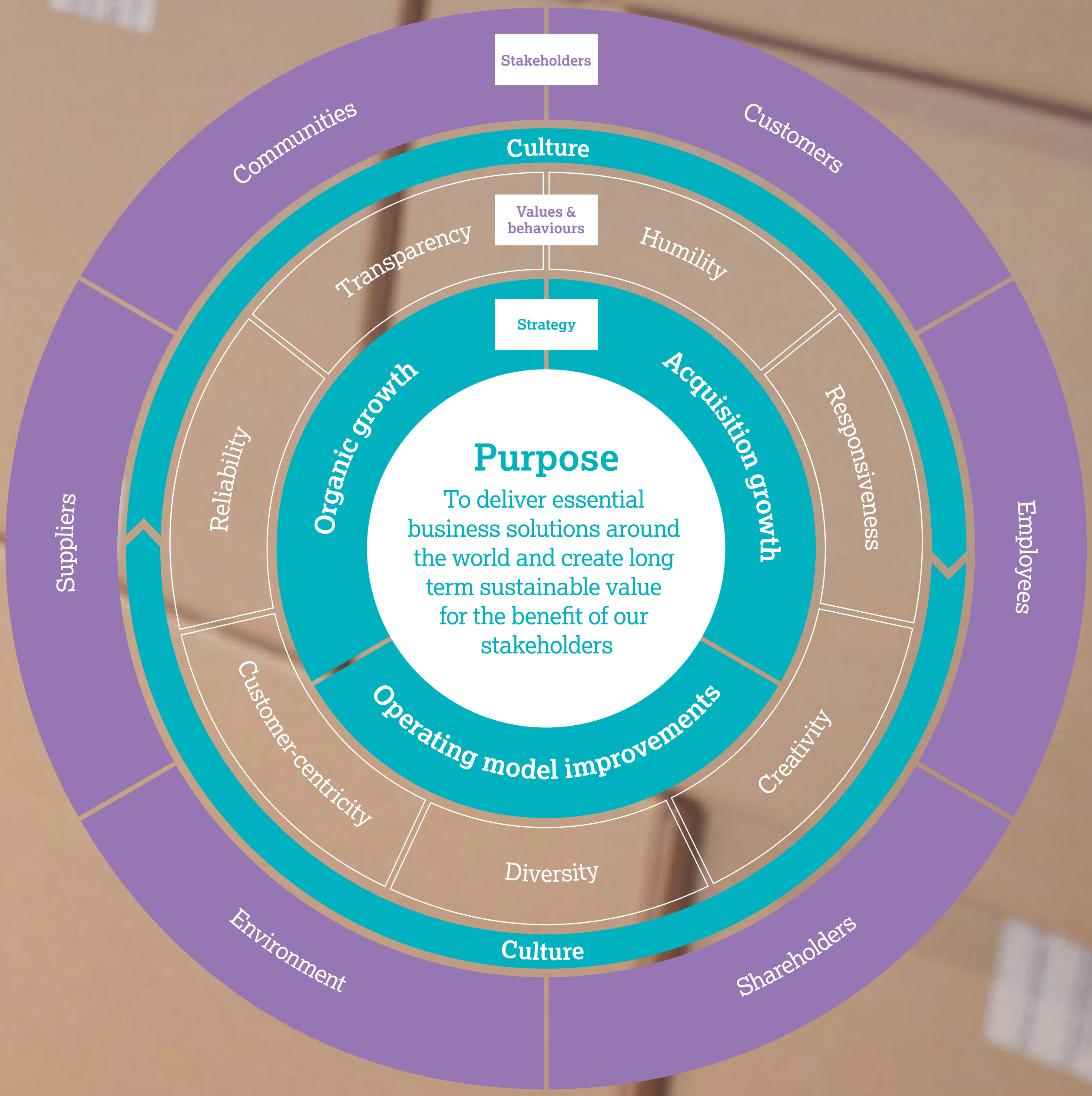
Purpose, values and culture

Our success is underpinned by our values and culture

The successful implementation of our strategy is critical to the delivery of the Group's purpose and is underpinned by the values and behaviours that shape our culture and the way that we conduct our business.

During the year, further consideration was given as to how best to articulate Bunzl's core values, behaviours and ways of working which, taken together, form our internal culture, and, more importantly, shape the way in which we interact with our key stakeholders.

Operating companies in our decentralised organisational structure operate through the application of their own sets of values, which are guided by the overriding Group values of humility, responsiveness, creativity, diversity, customer-centricity, reliability and transparency, with the aim of achieving our common purpose.



Service offering

A unique offering for our customers

One-stop-shop: this is the very essence of the Bunzl business model. By providing our customers with a broad range of essential items, readily available from stock, they are able to focus on their core businesses, achieve purchasing efficiencies and savings and minimise their working capital requirements.

On-time, in-full delivery: reliability is key to our customers. We provide an on-time and in-full service by maintaining high product availability, together with customised delivery slots and 'beyond the back door' delivery options.

One order, one delivery, one invoice: by ensuring we 'stock what we sell and sell what we stock' our customers receive all of their ordered items in one consolidated delivery with one invoice to pay, thereby reducing costs, simplifying their internal administration and reducing carbon emissions.

Customised digital solutions: by using our scale and investing in our IT capabilities we are able to offer electronic order processing through webshops including customised versions, apps and Electronic Data Interchange, together with further enhancements such as budgetary controls and asset tagging.

Competitively priced products: our strong and long standing relationships with the branded manufacturers combined with our own brand products which are principally sourced via our Shanghai purchasing office allow us to offer our customers a complete range of products at competitive prices.

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

Customised management information: by utilising our advanced IT systems we are able to offer our customers a wide range of management information tailored to their needs ranging from consumption data versus budget, compliant ordering, market intelligence and supply chain studies.

Delivery options: we can adapt our delivery options to suit our customers' needs including direct to site, warehouse replenishment and cross-dock delivery where we deliver to customers' hubs for onward delivery by them to their sites.

Expert knowledge and advice: our industry leading specialist sales force, together with our locally based customer service specialists, work with our customers to ensure they receive the best possible advice on their product and service needs including sustainable alternatives, range rationalisation options and health & safety requirements.

Value added services: our deep industry knowledge enables us to offer extensive value added services to our customers. These include, but are not limited to, bespoke and printed product management, product training, design and installation services, contract mobilisations and sustainability expertise.

Business model

We have a geographically diversified business portfolio operating across more than 30 countries, serving six core, fragmented market sectors, many of which are growing and relatively resilient to challenging economic conditions. This diversification and resilience allows us to mitigate the impact of shifts and changes in demand across both geographies and sectors.

We are a one-stop-shop supplier for non-food consumables

We source

We source and procure branded, own brand and unbranded products globally, working with suppliers to give our customers access to the best and most suitable products and solutions to meet their needs, taking account of their increasing sustainability requirements.

We consolidate

By applying our resources and consolidating a broad range of products into our extensive warehousing infrastructure, we are able to offer our customers an efficient one-stop-shop solution, thereby allowing them to focus on their core businesses more effectively.

We deliver

Our delivery options include direct site delivery, cross-dock and warehouse replenishment programmes on a local, regional, national and international basis to get products to our customers when and where they are needed.

Across these sectors

Foodservice

Grocery

Safety

Cleaning & hygiene

Retail

Healthcare

Other

Our sources of competitive advantage

Unique service offering

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

Our people

Our 3,200 expert sales people supported by 2,600 locally based customer service specialists use their deep and detailed knowledge to work with customers to ensure that they receive the best possible advice on all product and service related matters. Our dedicated warehouse teams ensure orders are picked to a high degree of accuracy and our drivers represent Bunzl on a daily basis as the main face-to-face contact with our customers.

Operational structure

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

Global sourcing

Our global sourcing capabilities, working with multinational and local suppliers, together with the benefits of our Shanghai sourcing office, including quality assurance and quality control, allow us to provide a broad range of competitively priced products, including an extensive range of own brand and environmentally friendly, sustainable items.

International scale

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

Digital capabilities

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

Acquisition track record

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

Creating value for stakeholders

Customers

Our customers benefit from a one-stop-shop for essential products with one order, one delivery and one invoice, together with many other service options thereby lowering their cost of doing business by reducing or eliminating many of the hidden costs of in-house procurement and distribution and reducing carbon emissions.

Service offering pg 14

Employees

We support equality and diversity throughout the organisation and have policies and procedures which are designed to allow our loyal and dedicated employees to meet their training needs, maximise their potential and provide career opportunities for progression within the business.

Sustainability pg 34

Shareholders

We seek to deliver good returns for our shareholders over time with sustained improvement in profits and earnings which drive long term growth in Bunzl's share price and year-on-year increases in dividends.

Investment case pg 10

Environment

Our continued focus on operational excellence allows us to reduce both our own and our customers' environmental impact by introducing more sustainable products and business practices and providing our customers with a single consolidated on-time and in-full delivery of multiple products.

Sustainability pg 34

Suppliers

We partner with a variety of international, national and local suppliers, on both an exclusive and non-exclusive basis, in order to provide our customers with the broadest possible range of products across each of our market sectors.

Sustainability pg 34

Communities

We support charitable projects in the local communities where our businesses are based through monetary and in-kind product donations and sponsorship for fundraising activities carried out by our employees.

Sustainability pg 34

Our capital allocation priorities

Cash flow

Our businesses are highly cash generative and since 2004 we have turned on average 97% of our operating profit into cash. This high cash generation together with our disciplined approach to capital allocation allows us to continue to pay a growing dividend, reinvest in our business and grow our business by acquisition.

Reinvestment

We continue to reinvest in our operations including in our IT systems and e-commerce applications, vehicle routing and warehouse management systems and by consolidating and upgrading our warehouses. Our total capital expenditure in 2019 was £36.9 million.

97%

of operating profit in to cash

Acquisitions

Applying our disciplined and controlled approach, we have been able to self-fund £3.4 billion of acquisition cash flow on 160 businesses since 2004 while maintaining a prudent approach to net debt.

Dividends

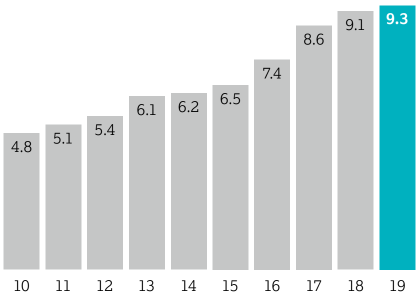
Our dividend has grown every year for 27 years at a CAGR of 10% per annum. With the pay-out ratio staying broadly the same this is a reflection of our long term growth in earnings.

Our strategy pg 18

A proven strategy that has consistently delivered growth

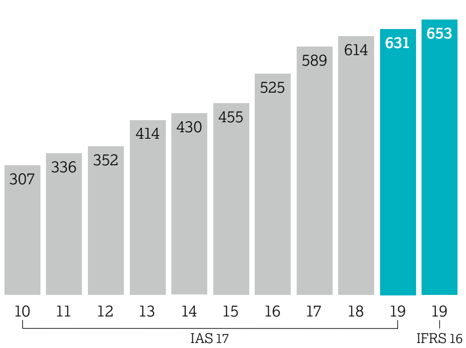
Revenue £bn

£9.3bn ↑



Adjusted operating profit*$^{\Delta}$ £m

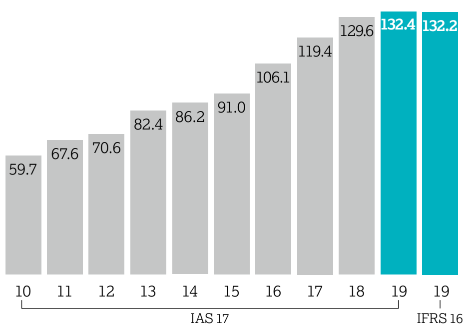
£653m ↑



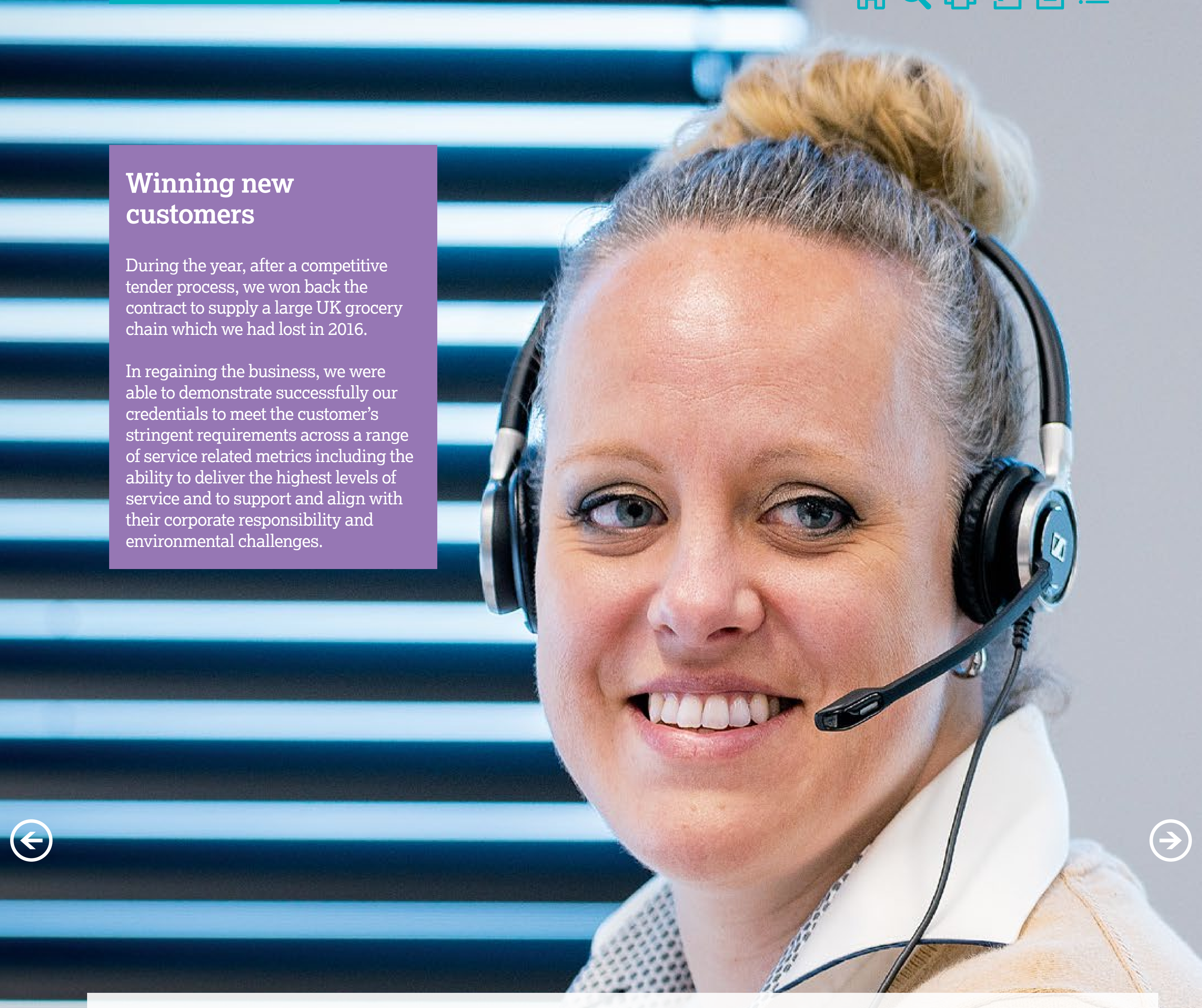
Adjusted earnings per share*$^{\Delta}$

10 – 12 restated on adoption of IAS 19 (revised 2011)

132.2p ↑



* Alternative performance measure (see Note 4 on page 134).
$^{\Delta}$ See Basis of preparation IFRS 16 'Leases' on page 1.



Winning new customers

During the year, after a competitive tender process, we won back the contract to supply a large UK grocery chain which we had lost in 2016.

In regaining the business, we were able to demonstrate successfully our credentials to meet the customer's stringent requirements across a range of service related metrics including the ability to deliver the highest levels of service and to support and align with their corporate responsibility and environmental challenges.

Organic growth

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

Winning new customers

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

Market leading customers

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

Expanding our offering

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

Strategy continued

Consolidating warehouses

During 2019, we consolidated three businesses in the healthcare sector in the Netherlands into one state-of-the-art facility. The new facility is heated via an efficient heat pump technology and lit using motion sensored LED lighting. In addition, we have invested in a 650m^2 ISO Class 7 cleanroom for the storage of medical products and vertical lift modules to maximise our use of the extra height in the new warehouse.

Operating model improvements

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

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

Consolidating warehouses
As leases come to an end we are able to review our warehouse footprint.

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

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

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

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

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

Expanding our safety business in the US

In early 2019 we acquired Liberty Glove & Safety, a business based in California which operates from four locations in the US.

The business, which has a number of strong own brands, is engaged in the supply of a full range of personal protection equipment, principally gloves, to distributors. The acquisition has further expanded and developed our operations serving the safety sector in North America.

Acquisition growth

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

Key acquisition parameters

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

Growth in existing countries

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

Growth in new countries

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

Key performance indicators

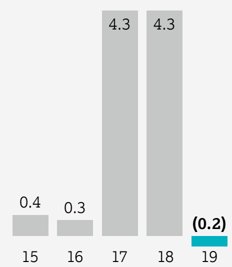
We use the following key performance indicators ('KPIs') to measure our progress in delivering the successful implementation of our strategy and to monitor and drive performance. These KPIs reflect our strategic priorities of developing the business through organic and acquisition led growth and improving the efficiency of our operations as well as other financial and environmental metrics.

Organic growth

Organic revenue growth %

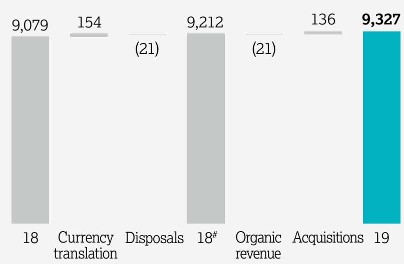
Increase/(decrease) in revenue for the year excluding the impact of currency translation, acquisitions during the first 12 months of ownership and disposals.

Organic revenue decrease of 0.2% mainly from North America partly offset by growth in Continental Europe and Rest of the World.



Reconciliation of revenue growth between 2018 and 2019 £m

Revenue up 3% (1% at constant exchange rates) from the impact of acquisitions made in 2018 and 2019, net of disposals made in 2018, partly offset by a small decline in organic revenue.

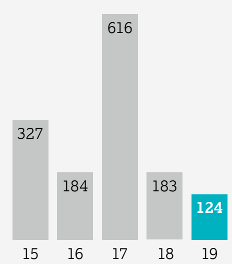


Acquisition growth

Acquisition spend £m

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

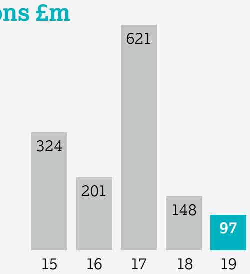
Committed acquisition spend of £124 million on three businesses.



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 27 on page 165).

The three acquisitions agreed in 2019 will add annualised revenue of £97 million.



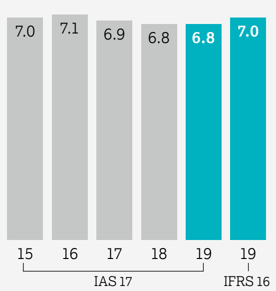
Operating model improvements

Operating margin %*Δ

Ratio of adjusted operating profitΔ to revenue.

Operating margin on an IAS 17 basis unchanged at 6.8%.

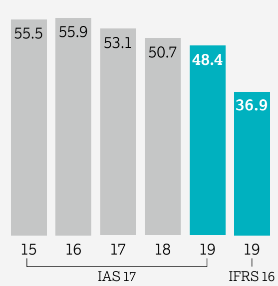
Excluding the impact of acquisitions during the first 12 months of ownership and the impact of disposals made in 2018, the 2019 operating marginΔ on an IAS 17 basis was 6.7%, unchanged compared to 2018 (restated at constant exchange rates).



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 48.4% (on an IAS 17 basis) due to an increase in average capital employed in the underlying business and the impact of 2018 disposals, partly offset by a small favourable impact from exchange rate movements.



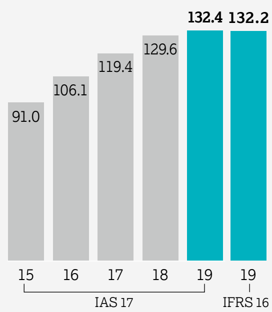
* See Basis of preparation IFRS 16 'Leases' on page 1.
Δ Alternative performance measure (see Note 4 on page 134).
\# At 2019 average exchange rates and adjusted for disposals.
† Included in the external auditors' limited assurance scope. See the data assurance statement on the Company's website, www.bunzl.com. The data for 2015, 2016, 2017 and 2018 was also assured.

Financial

Adjusted earnings per share p*Δ

Adjusted profitΔ for the year divided by the weighted average number of ordinary shares in issue (see Note 9 on page 142).

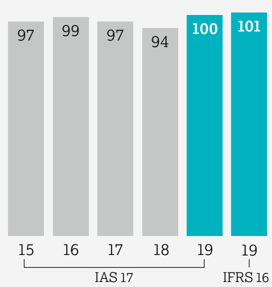
At constant exchange rates, adjusted eps up 1% driven by a 2% increase in adjusted operating profitΔ and a reduction in net interest expense, partly offset by a higher effective tax rate and an increase in weighted average number of shares.



Cash conversion %Δ

Operating cash flowΔ as a percentage of lease adjusted operating profitΔ (see Consolidated cash flow statement on page 122).

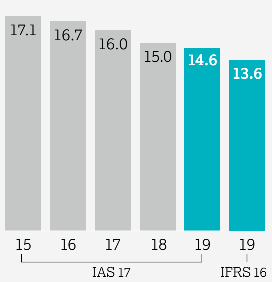
Another strong year of cash generation with cash conversion of 101% in 2019 and an average of 97% since 2004.



Return on invested capital %*Δ

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

ROIC down to 14.6% (on an IAS 17 basis) principally due to a combination of the mix effect of acquisitions net of disposals and a lower return in the underlying business, partly offset by a small positive impact from exchange rate movements.



Non-financial

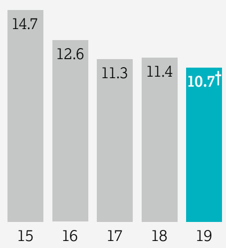
Scope 1 carbon emissions

Tonnes of CO_2e per £m revenue

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

Scope 1 carbon emissions down 4% at constant exchange rates (down 6% at actual exchange rates) primarily due to efficiency improvements.

12 months to 30 September.



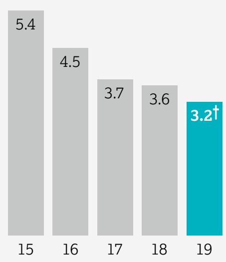
Scope 2 carbon emissions

Tonnes of CO_2e per £m revenue

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

Scope 2 carbon emissions down 10% at constant exchange rates (down 11% at actual exchange rates) from the continued implementation of low energy lighting and also impacted by the application of updated emission factors for electricity.

12 months to 30 September.



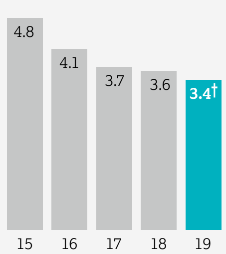
Fuel usage

Litres per £000 revenue

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

Fuel usage down 2% at constant exchange rates (down 6% at actual exchange rates) driven by continued efficiency improvements.

12 months to 30 September.



Operating review

North America

By improving the efficiency of their order processing, whether through specific dedicated web platforms or the availability of data analytics and budgetary controls, we build strong and lasting relationships with our customers.

Jim McCool
Chief Executive Officer, North America

Highlights

Market sectors

- Organic revenue marginally down principally due to lower sales to largest grocery customer driven by price and product specification changes.
- Cost savings generated by reorganisation of grocery and redistribution.
- Resilient operating margin, unchanged at 6.0%.
- Retail held up well despite tough trading conditions.
- Good overall growth in safety, convenience store, processor and agriculture.
- Acquisition of Liberty Glove & Safety in February 2019 and Joshen Paper & Packaging in January 2020.

Revenue

£5,473.2m
(2018: £5,277.8m)
0.1%† ↓

Adjusted operating profit*

£343.6m
(IAS 17 – 2019: £331.0m; 2018: £317.1m)
0.6%† ↑

Operating margin*

6.3%
(IAS 17 – 2019: 6.0%; 2018: 6.0%)

Employees

6,746

Locations

183

† At constant exchange rates and on an IAS 17 basis where applicable, see Basis of preparation IFRS 16 'Leases' on page 1.
* Alternative performance measure (see Note 4 on page 134).

In North America revenue was broadly unchanged at £5,473.2 million as the positive impact of recent acquisitions was offset by a 1.2% decline in organic revenue which, as indicated in previous announcements, was principally due to lower sales to our largest grocery customer as a result of account specific price and product specification changes. However we benefited from the cost savings generated by the reorganisation of our grocery and redistribution businesses.

Operating profit was £343.6 million with the operating margin 6.3%. On an IAS 17 basis operating profit was £331.0 million, up 0.6%, with the operating margin unchanged at 6.0%.

Our business serving the US grocery sector, which had experienced significant growth over the last two years due to additional business won with our largest customer towards the end of 2016, was impacted by reduced revenue with the same customer as well as a net reduction in sales as additional business gains during the year were more than offset by some losses. The business has recently been enhanced by the acquisition of Joshen Paper & Packaging at the beginning

of 2020 which has further consolidated our position both in this market and also in the foodservice and cleaning & hygiene sectors and will provide a number of synergies and efficiencies going forward.

Revenue in the redistribution business serving the foodservice and cleaning & hygiene sectors was broadly flat as we focused on profitable organic growth within our value-added category management programmes which resulted in us moving away from some unprofitable business with a large foodservice customer during the second quarter of the year. Our programmes, which are designed to support our larger national and regional foodservice customers, enable us to operate as their category manager for packaging and other supplies, providing category assortment, sourcing expertise, end-user sales support and digital tools. By doing so, we help our customers manage their supply chains from end to end and connect our supplier base to their own end user customers, pulling organic sales growth through our customers. We are able to deliver significant working capital benefits for our customers through our broad range of foodservice and cleaning & hygiene disposable items, delivered on a just-in-time basis. Consolidation has continued amongst our redistribution customer base, with two large foodservice broadline customers being acquired during the second half of the year by larger competitors who are also our customers.

The more focused and streamlined organisation structure implemented across our grocery and redistribution businesses to enhance our customer proposition and improve efficiency has primarily focused on cost savings and the creation of distribution capacity through inventory reductions while moving to align with our customers' evolving business models. An increased concentration on sourcing and leveraging our scale across both manufacturer and own brands will support organic growth initiatives as we move forward.

Despite tough trading conditions in our customers' end markets which have led to a number of store closures and the failure of some retailers, our retail supplies business has held up well with revenue slightly ahead of the prior year. The integration of DDS, which we acquired in 2017, with our other retail sector focused businesses has continued to yield sourcing and operational synergies ahead of our expectations, although the additional savings achieved during the year were broadly offset by cost increases.

Our safety business has grown well against the backdrop of generally favourable, but more recently moderating, economic conditions. During the year we have faced product cost increases from import tariffs, the impact of which has been successfully mitigated through a combination of price increases to customers, purchase price concessions from suppliers and some resourcing of products to countries which do not attract import tariffs. We continued to invest in this sector with the acquisition in February 2019 of Liberty Glove & Safety, a supplier of personal protection equipment, to smaller distributors across the US.

In our business focused on the agricultural sector, we have invested in infrastructure and capacity to support the migration of many of our customers to more cost-effective growing areas, principally Mexico, providing us with a broader footprint through which to provide our value-added distribution services. We have also continued to benefit from the acquisition in 2018 of Monte Package Company, a regional supplier of packaging to growers in the central and southeast of the US.

Our food processor business continued to drive organic growth and improve margins by concentrating on product innovation and expanding the product range. While consolidation in this sector continues, our focus on own label alternatives allows our processor teams to offer our broad assortment of high quality, cost-effective solutions to manage our customers' safety and facility management programmes effectively. We have continued to diversify our customer base, utilising industry leading e-commerce and digital engagement to drive significant sales volumes with our local and regional customer bases.

Our business serving the convenience store sector has continued its recent history of growth, working directly with convenience store chains to build packaging and supply programmes, which are then pulled through our wholesale customer partners. Revenue growth also came from expanding our distribution of certain branded grocery item categories to our wholesale customers. We also offer category management and managed inventories, providing our customers with an industry-leading variety of products with minimal investment.

Our business in Canada has faced challenging market conditions across several sectors. Our grocery business has been impacted by a significant cost saving initiative at a large customer, our redistribution business has been affected by a transition away from lower margin, less profitable volume and our cleaning & hygiene business, while performing well in many markets, has faced a challenging economy in Western Canada. Our industrial packaging business has however continued its strong performance.

Operating review continued

Continental Europe

"Our broad portfolio of operations across a variety of market sectors and countries means we are a balanced and resilient business that is well positioned to meet our customers' requirements.

Alberto Grau
Managing Director, Continental Europe

Highlights

Market sectors

- Good organic revenue growth.
- Operating margin unchanged at 9.8%.
- Overall stable performance in France.
- Good performances in the Netherlands, Spain and Turkey.
- Substantial warehouse consolidations in the Netherlands successfully implemented.
- Recent acquisitions integrating well and continue to trade ahead of expectations.

Revenue
£1,829.8m
(2018: £1,797.5m)
3.0%† ↑

Adjusted operating profit*
£182.1m
(IAS 17 – 2019: £178.8m; 2018: £176.8m)
2.6%† ↑

Operating margin*
10.0%
(IAS 17 – 2019: 9.8%; 2018: 9.8%)

Employees
5,058

Locations
182

† At constant exchange rates and on an IAS 17 basis where applicable, see Basis of preparation IFRS 16 'Leases' on page 1.
* Alternative performance measure (see Note 4 on page 134).

Revenue in Continental Europe rose by 3.0% to £1,829.8 million due to organic growth of 1.8% and the full year impact of the three acquisitions made in 2018 and the part year contribution of Coolpack acquired in April 2019, partly offset by the disposal of OPM in France in February 2018.

Operating profit was £182.1 million with operating margin of 10.0%. On an IAS 17 basis, operating profit was £178.8 million, up 2.6%, with the operating margin of 9.8% unchanged at both constant and actual exchange rates.

In France, total revenue (excluding OPM) was marginally higher as growth in the cleaning & hygiene and foodservice sectors offset a decline in sales of personal protection equipment. Overall our cleaning & hygiene businesses traded well with sales ahead in most sectors and the full year impact of a significant contract catering customer win in 2018 more than offsetting the impact of the loss of a contract cleaning customer. Our safety business saw lower sales due to the loss of one larger account although growth with other larger accounts and good export sales offset lower sales to smaller customers. Our foodservice businesses have enjoyed good sales growth in France but saw a decline in exports with increasing competition in these markets.

In the Netherlands, sales grew well with particularly strong performance in the non-food retail, e-fulfilment, food processor, healthcare, cleaning & hygiene and packaging sectors. We successfully consolidated three businesses in the healthcare sector into one business which was relocated into a single modern site to gain efficiencies and provide an enhanced service to our customers. Given growth in recent years in the grocery, non-food retail and e-fulfilment sectors, we also combined three warehouses serving these sectors into one new facility. In addition, we have relocated our De Ridder business into a larger warehouse. Coolpack, acquired in April 2019, is trading ahead of expectations. In Belgium, revenue was ahead of the previous year as we continue to grow in the facilities management, foodservice, healthcare and public sectors, offset by lower sales to other sectors.

In Germany, against the background of slowing GDP growth, sales were lower in all sectors other than in cleaning & hygiene. In Switzerland, we have seen continued growth in the medical and industrial sectors although this was insufficient to offset continued pressure in the foodservice sector following the loss of two larger accounts. In Austria, our business saw sales decline, in particular related to the meat packaging sector.

In Denmark, revenue increased principally due to good performances in the food processor, foodservice and leisure sectors partly offset by lower sales to grocery and redistribution customers. CM Supply, which we acquired at the end of 2018 and which specialises in own brand and customised products and packaging for the foodservice sector, has exceeded expectations and continues to grow well. In July 2018 we acquired our first business in Norway, Enor, which sells light catering equipment to hotels and restaurants. It is also trading well and has benefited from a number of larger refurbishment projects. Towards the end of 2019 we entered into an agreement to acquire ICM, a distributor of personal protection equipment to a variety of customers including a number operating in the wind energy sector. The acquisition is expected to be completed at the end of March.

Sales have continued to grow well in Spain. The cleaning & hygiene business has increased revenue in the contract cleaning, foodservice, food processor, grocery and industrial sectors more than offsetting slight declines in the public and healthcare sectors. In the safety sector, after a slow start, sales finished slightly ahead of last year despite lower levels of industrial activity in the country. Our online medical business continues to grow very strongly due to new product launches and the enhanced use of e-marketing tools. Our industrial and disposable packaging business also recorded high levels of growth, particularly in the foodservice sector. In Italy, our safety business has seen a decline in sales as a result of the downturn in the Italian economy.

In Turkey, sales have grown due to a combination of price inflation and higher volumes in the healthcare sector as numerous new tenders have been won. In Israel, sales were ahead in the foodservice sector following several customer wins but lower in the bakery sector following the bankruptcy of one major customer.

In central Europe, sales have progressed well in the redistribution, agriculture, food processor, contract cleaning and foodservice sectors, partly offset by declines in the industrial sector, principally driven by the current difficulties in the automotive sector, and lower sales in the grocery sector as one of our major customers is restructuring its operations.

Operating review continued

UK & Ireland

"We are increasingly using our knowledge and expertise to support our customers and work with our suppliers to innovate and bring more sustainable products to market.

Andrew Tedbury
Managing Director, UK & Ireland

Highlights

Market sectors

- Organic revenue broadly flat; results impacted by disposal in 2018 (£2.2m reduction in adjusted operating profit).
- Good revenue growth in cleaning & hygiene and in grocery with a large supermarket customer regained in second half.
- Improved performance in safety in second half due to new customer and business wins.
- Continued difficult trading conditions in hospitality and healthcare.
- Continued growth and expansion in Ireland.

Revenue

£1,242.1m
(2018: £1,263.6m)
1.7%† ↓

Adjusted operating profit*

£87.1m
(IAS 17 – 2019: £83.3m; 2018: £86.8m)
4.1%† ↓

Operating margin*

7.0%
(IAS 17 – 2019: 6.7%; 2018: 6.9%)

Employees

3,862

Locations

103

† At constant exchange rates and on an IAS 17 basis where applicable, see Basis of preparation IFRS 16 'Leases' on page 1.
* Alternative performance measure (see Note 4 on page 134).

In UK & Ireland, revenue decreased by 1.7% to £1,242.1 million, almost entirely due to the impact of the disposal of the higher than average operating margin marketing services business in June 2018.

Organic revenue was down 0.2% against the background of continuing political and economic uncertainty and challenging market conditions and operating profit was £87.1 million with operating margin of 7.0%. On an IAS 17 basis, operating profit was £83.3 million, down 4.1%, with the operating margin down from 6.9% to 6.7% at both constant and actual exchange rates. More than half (£2.2 million) of the decline in operating profit was as a result of the disposal last year. After adjusting for this, operating profit was down 1.7%.

Our safety business was adversely impacted by the slowdown in both the industrial and construction markets which resulted in reduced spend by existing customers. Despite this, we were able to secure a number of new customers and some new business within the transport sector during the latter part of the year, launching some innovative new bespoke products. Investment in the business continued with the implementation of new warehouse management systems and through the introduction of several new e-commerce initiatives.

Our cleaning & hygiene supplies business grew well as we won several new customers during the year. Investment in new digital functionality has further enabled customers to manage their costs and, in particular, product compliance. We also launched a number of new sustainable product ranges which allow our customers to support their own and their customers' sustainability objectives going forward. Further investment in stock availability and service flexibility is facilitating business growth with both existing and new customers.

Within our grocery business we have now successfully onboarded a large supermarket chain customer which we lost in 2016. In addition, we have secured a number of category wins with existing customers, building on our extensive range of goods-not-for-resale products. Ongoing investment in both warehouse automation and workflow management tools, together with improved digital features on e-commerce platforms, have continued to enhance our value proposition for customers. Staying close to the marketplace and continuing to work on both cost-effective and innovative products is helping provide more sustainable solutions. Our non-food speciality retail supply businesses continued to be impacted by a challenging market. However, by offering innovative, new and more sustainable materials we have been able to enhance customers' brands both in-store and online. Investing in technical expertise has improved our ability to recommend and supply suitable packaging that protects both customers' products and their reputations.

The catering industry has continued to experience rising food and labour costs combined with excess capacity amongst many high street chains. This has resulted in difficult trading conditions in certain areas of the hospitality sector and a number of high profile well-known brands either ceasing to trade or scaling back their operations.

These trends have particularly impacted our catering supplies business as many customers have reduced their number of trading outlets. Despite this, as part of our service offering, we have continued to provide specialist and added-value advice to customers on the most suitable sustainable product ranges available in the marketplace, together with future-proofing customers' businesses against the background of environmental and legislative pressures. We have also now completed the enhancement of our vehicle telematics platforms, giving real-time delivery information and greater transparency.

As previously reported, the introduction of the new centrally-funded NHS operating model in April has resulted in a major reduction in sales to NHS Hospital Trust customers in England. As a result, we have worked hard to rightsize this part of our healthcare business. Against this background, we have successfully focused our attention on winning new business in both the private healthcare market and with nursing homes. At the same time our own brand product supply business has grown with new customer wins in both wound care and procedure packs, together with an expansion in export business.

In Ireland our business has continued to grow. Work is nearing completion to open a new purpose-built distribution facility close to Dublin airport during the first half of this year which will provide more efficient space for our Republic of Ireland based businesses. In addition, investment in modern warehouse management systems in all our businesses is improving our efficiency and providing customers with an enhanced service. Improved digital platforms allow customers to benefit from more functionality which in turn permits them to focus on their businesses. Further investment in our sustainability expertise has resulted in the successful launch of an extended range of new sustainable product offerings for the catering and cleaning sectors. This, together with the provision of valuable expert advice and our detailed understanding of customers' needs, allows them to realise their own environmental goals and ambitions.

Operating review continued

Rest of the World

"The combination of our extensive sourcing capabilities and the benefits of our Asia sourcing office with related supplier audits to ensure ethical and social compliance gives us a true competitive advantage.

Kim Hetherington,
Managing Director, Asia Pacific

Highlights

Market sectors

- Good organic revenue growth driven by Latin America.
- Strong organic growth in Brazil with safety strengthened through purchase of Volk do Brasil.
- Chile safety footwear and Mexico safety adversely impacting margins.
- Good profit improvement in Australia despite slower economy.

Revenue

£781.6m
(2018: £740.5m)

8.8%† ↑

Adjusted operating profit*

£61.6m
(IAS 17 – 2019: £59.0m; 2018: £56.4m)

8.3%† ↑

Operating margin*

7.9%
(IAS 17 – 2019: 7.5%; 2018: 7.6%)

Employees

3,257

Locations

114

† At constant exchange rates and on an IAS 17 basis where applicable, see Basis of preparation IFRS 16 'Leases' on page 1.
* Alternative performance measure (see Note 4 on page 134).

In Rest of the World, revenue increased 8.8% to £781.6 million due to organic growth of 2.2% and the impact of the acquisition of Volk do Brasil at the beginning of 2019. Operating profit was £61.6 million with operating margin 7.9%. On an IAS 17 basis, operating profit was £59.0 million, up 8.3%, with the operating margin down from 7.6% to 7.5% at both constant and actual exchange rates.

Despite slower than expected GDP growth during the year, trading conditions in Brazil were more positive as some measure of optimism returned and currency volatility decreased in the second half. Our safety businesses continued to enjoy strong growth due to the strength of their brands, high service levels and continual optimisation of operating costs. Our foodservice business grew sales strongly despite increased competition in the market. Volk do Brasil, which serves both the safety and foodservice sectors, has been integrated smoothly and performed ahead of expectations. In our cleaning & hygiene business, measures taken in 2018 to turnaround the business were successful such that operating profit grew strongly despite flat sales growth. In our healthcare businesses, although our medical supplies business had a difficult year, our dental supplies business achieved

"As a focused and service-oriented organisation we have continued to improve the efficiency of our customers' operations by offering them greater choice, competitively priced products and excellent service solutions.

Jonathan Taylor,
Managing Director, Latin America

good growth. Our operations in this sector were also bolstered at the end of January 2020 with the acquisition of Medcorp, a distributor of a broad range of branded medical products to leading private hospitals and redistributors throughout Brazil.

In Chile, relatively low copper prices and a weaker local currency led to slower economic growth. The country also suffered its worst anti-government protests in recent years which caused widespread disruption. Against this backdrop, our full-range safety business performed well but our specialist safety footwear business declined significantly and was restructured. In the foodservice sector, our catering supplies business also experienced difficult trading although conditions improved slightly in the fourth quarter.

The Mexican economy worsened as the year progressed which negatively impacted infrastructure projects and manufacturing output. As a result, our safety business, which is more exposed to these sectors, saw sales decline as demand for its products lessened and customers became more price-sensitive.

In Colombia, a weaker currency and security concerns in border regions resulted in more difficult trading conditions for our safety businesses but significant cost reductions and improvements were implemented during the year and the performance improved marginally during the second half. Our other safety businesses in Peru and Argentina saw strong growth in favourable trading conditions although political uncertainty returned in both countries towards the end of the year.

In Australia, we saw a moderate increase in revenue against the background of slower GDP growth which impacted several of the sectors in which we operate. Margins came under pressure as product purchase prices were adversely impacted by the weaker Australian dollar. However, this was partly addressed through a combination of selling price increases, changes in product mix and ongoing product resourcing which, together with the implementation of some cost saving initiatives, enabled the business overall to deliver good profit improvement.

During the year we completed an internal restructuring by consolidating our food processor operations with our largest distribution business predominantly focused on the cleaning & hygiene, foodservice and healthcare sectors, thereby combining the strengths and infrastructure of each business with resultant cost savings while retaining their specialist market sector focus. We have also continued to develop our position in the resilient healthcare sector. The business is seeing significant benefits from investment in digital technology and resources in our quest to improve our service offering and enhance customers' experience.

Our Australian safety business experienced some growth but has also been impacted by margin pressures from the weaker currency. Trading has benefited from new contract wins and the successful opening of a new facility in North West Queensland serving major customers in this region. During the year we rationalised our operational footprint and closed two facilities as the property leases expired. At the end of November we acquired FRSA which specialises in the distribution of safety and personal protection equipment focused on fire, rescue and emergency services. Our specialty healthcare business delivered another strong performance this year.

In Asia, our domestic safety business in China has continued to focus on its diversification strategy to improve its profitability, while our export business faced challenging market conditions but continues to make progress to rebuild its customer base. Our safety business in Singapore, which is focused on the oil and gas and pharmaceutical sectors, experienced a slowdown within their customer base during the second half of the year but this was largely offset through careful margin management and cost control.

Engaging with our stakeholders

The Board recognises the importance of understanding the views of Bunzl's key stakeholders. Through a range of engagement mechanisms, examples of which are referred to below, Bunzl is able to maintain meaningful dialogue with these groups and ensure that their views, and the matters set out in section 172 of the Companies Act 2006 relating to the directors' duty to promote the success of the Company, are considered as part of the Company's strategic decision making. The engagement mechanisms employed are reviewed periodically to ensure that they remain effective. The following information is provided in accordance with the requirements of section 172 of the Companies Act 2006 in relation to the directors' duty to promote the success of the Company.

Further information about how the Company engages with its stakeholders can be found in the Sustainability report on pages 34 to 49 and the Corporate governance report on pages 68 to 76.

Customers

How we engage with stakeholders

- Our businesses use 'hotlines' and seminars and host launch days to engage with customers and increase their awareness of our product and service solutions.
- We work with our customers in the development of new, redesigned, more sustainable or substantially improved products.
- Our 3,200 expert sales people supported by 2,600 locally based customer service specialists use their deep and detailed knowledge to work with customers to provide the best possible advice on all product and service related matters.

How we are influenced by stakeholders

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

Relevance to strategy/ business model

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

Employees

How we engage with stakeholders

- We use a range of methods to engage with our employees, including listening groups, regular team briefings, site visits, digital apps, newsletters, engagement surveys, video messaging and meetings with workforce representatives.
- The Board ensures that it understands the views of Bunzl's workforce through director attendance at and participation in employee consultation forums, senior leadership programmes and other employee-focused events.
- Board meetings are periodically held at or near Group locations where the directors meet with local management and employees.

How we are influenced by stakeholders

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

Relevance to strategy/ business model

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

Shareholders

How we engage with stakeholders

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

How we are influenced by stakeholders

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

Relevance to strategy/ business model

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

Environment

How we engage with stakeholders

- We seek to reduce both our and our customers' impacts on the environment by reducing carbon emissions, promoting the reduction of waste and providing innovative products and services to meet their sustainability needs.
- We work in partnership with customers and suppliers to source and promote sustainable alternatives to single-use plastics and to support the development of innovative products to increase compostability and recyclability.

How we are influenced by stakeholders

We aim to reduce our impact on the environment, including factors contributing to climate change, through a commitment to continual improvement, complying with environmental legislation and regulations in the jurisdictions where Group companies operate to ensure that our major impacts are addressed.

Relevance to strategy/ business model

Operational efficiency forms part of our strategy to develop the business and the reduction of energy consumption and waste is an integral part of this. Positive actions with respect to the environment and Corporate Responsibility ('CR'), including an increased focus on more sustainable products, are not only desirable in their own right but are also of potential economic and commercial benefit to Bunzl.

Suppliers

How we engage with stakeholders

- We actively work with our suppliers to build relationships, capability and trust, increase sustainability within our supply chain and provide products and solutions to customers that are sourced and delivered efficiently, safely and sustainably.
- Supplier conferences are held to showcase examples of good practice and build awareness of social compliance issues.
- Our quality assurance/quality control team in Shanghai monitors and works with our key suppliers in Asia and elsewhere to ensure that they meet international standards.
- A supplier code of conduct has been adopted and rolled out across our supplier base.

How we are influenced by stakeholders

Bunzl regards suppliers as partners and works with them to help achieve our CR policy requirements in the delivery of our products and services.

Relevance to strategy/ business model

Our global sourcing capabilities, working with multinational and local suppliers, together with the benefits of our Shanghai sourcing office, allow us to provide a range of competitively priced and ethically sourced products. Such capabilities are intrinsic to our business model and a key source of competitive advantage.

Communities

How we engage with stakeholders

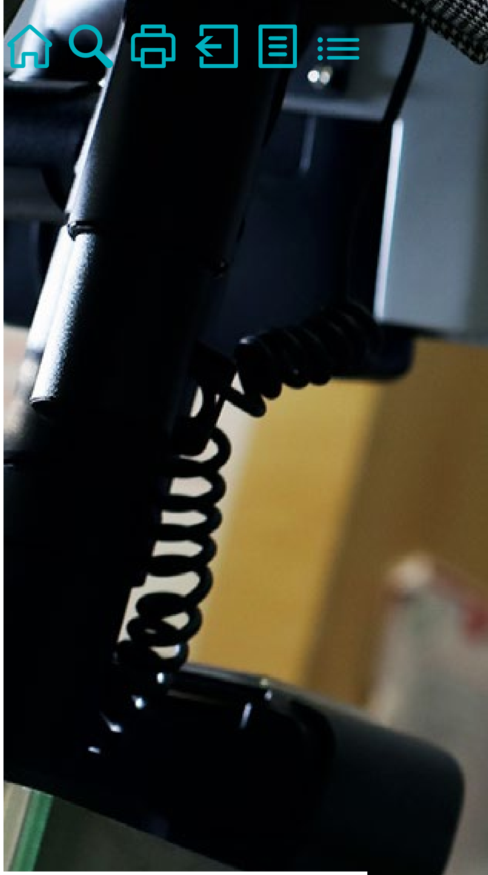
- We encourage and provide resources and opportunities for Bunzl people to get involved in local community projects and to contribute to social impact causes.
- We align the focus of our charitable support with key environmental activities relevant to our business.
- We support the communities where our employees live and work and encourage fundraising activities championed by our businesses and their employees locally.

How we are influenced by stakeholders

Our employees are encouraged to act as responsible citizens of their communities and to support projects, organisations and services that work towards the common good and improvement of their communities and society as a whole.

Relevance to strategy/ business model

Bunzl's operations are international but our strength lies in the local nature of our businesses and the communities in which they are based. Our CR strategy directly supports Bunzl's strategic vision by seeking to gain sustainable business success through building relationships with local stakeholders.



Sustainability

Being part of the responsible solution

"We know that our customers, suppliers and the societies in which our businesses operate around the world all want to find ways to protect our environment and to make better use of natural resources. That is why sustainability is core to how Bunzl does business and how we will grow in the future.

Frank van Zanten
Chief Executive Officer

From sourcing products in an ethical and responsible way, to consolidating them in an environmentally efficient operating model, our approach to sustainability helps us to minimise risk while maximising value.

Our goal is for Bunzl to be a socially and environmentally responsible organisation that inspires and implements solutions that protect the environment, while being commercially successful for our stakeholders. To support this ambition, we have developed a new sustainability framework and strengthened our team of sustainability experts who will work with our businesses to deliver this.

We will continue to communicate our performance in an open and honest way and report on our performance through our Annual Report and third party assessments such as the FTSE4Good and CDP (formerly Carbon Disclosure Project) index. More details of our sustainability strategy and framework can be found on the Bunzl plc website in the Sustainability section at www.bunzl.com.

A new sustainability framework for Bunzl

It is only when sustainability issues are dealt with in the same way as other core business issues that real, long term value is created. To ensure our new framework is successful and relevant, it is aligned to the Bunzl business model and applicable to all the market sectors and geographies in which we operate.

We have also identified the major sustainability trends facing our business and developed a set of commitments that underpin our approach. During 2020 we will set specific goals in the areas where we can make the most meaningful impact and generate the biggest results.

The theme emerging from the work is that our new sustainability framework should be centred around our unique position at the centre of the supply chain with the ability to provide sustainable solutions to our customers in partnership with our suppliers.

As a leading distributor and not a manufacturer, Bunzl is not tied to any types of materials or products and, as a result, we can have a positive impact across the entire supply chain by having an objective overview of the best sustainability solutions for each customer. Our framework is about more than simply providing new products; it is about how we work with our suppliers to provide solutions ethically and responsibly, the work we do to minimise the environmental impact of our own operations and the role we play in our communities.

Our framework has three key pillars that align to the Bunzl business model: Our suppliers (source), Our business (consolidate) and Our customers (deliver). Each of these pillars has its own commitments and we will be setting goals for these during the next year. Further details of our framework pillars, their commitments and our work to date are set out in this report.

Delivering sustainable solutions

Our suppliers

Making sustainability accessible

Sourcing responsibly and with integrity

Working with our suppliers to deliver innovative solutions

pg 36

Our business

A great place to work

Reducing our impact on the environment

Supporting charities and local communities

pg 38

Our customers

Providing sustainable solutions

Expert advice on emerging trends and products

Partnerships to close the loop

pg 46

Our values: **humility, responsiveness, creativity, diversity, customer-centricity, reliability, transparency**

Sustainability continued

Our suppliers

We will source an innovative range of products ethically and responsibly.

1 We will use our scale and position in the supply chain to make sustainable solutions accessible and prevent shortage of supply issues as new materials become preferable.

2 We will source responsibly and with integrity.

3 We will proactively engage our suppliers and work collaboratively with them to be first to market with new, innovative sustainability solutions for our customers.

1 Making sustainability accessible

In response to the introduction of new legislation and feedback from their consumers, many of our customers are setting ambitious targets to become more sustainable. To help them on this journey, we are leveraging the scale of our supply chain to make sustainable solutions more accessible for our customers and bring lower impact products to market.

For instance, in the Netherlands, our customers are required to pay a waste collection charge for the packaging materials they use. Plastics have the highest individual collection charge and products made from multiple materials carry a higher overall cost. We supply bags to retailers to use with bakery products that are made from paper with a plastic film window that makes the product visible to the consumer. This means the packaging attracts two waste collection charges and a higher individual cost for the plastic film component.

We have worked with one of our suppliers to develop an innovative bag made entirely from paper, that uses a glassine paper window to ensure the product is still visible to the consumer. Glassine is a smooth, translucent form of paper that is air, water and grease resistant. Because the bag is made from one material, it attracts a lower waste collection charge while maintaining the functionality our customers require. In addition to making a sustainable product that complies with legislation in a more affordable way, the new bag is made entirely from a renewable resource.

Price is only one consideration in our purchasing decisions. Factors such as quality, availability, our customers' preferences and our sourcing policies are also taken into account. We work with our suppliers with the aim of ensuring that the products we supply are, wherever possible, manufactured from sustainably sourced raw materials and seek to increase the range of sustainable products made from recycled materials or are themselves recyclable or compostable.

2 Sourcing responsibly and with integrity

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

Most of Bunzl's direct suppliers are based in countries with comparatively low levels of social risk. We periodically carry out a social risk assessment of our supply chain and this helps us to deepen our understanding into the social risk factors in countries with high relative risks, many of which are in Asia. With this information, we continuously enhance and refine our work to mitigate social risks in our supply chain, e.g. by performing more in-depth audits in high risk countries, optimising training materials and increasing the communication of our standards to high risk suppliers.

We expect all suppliers to adhere to our supplier code of conduct as a condition of doing business with us. The supplier code is available in many languages and is actively communicated by our businesses to our suppliers, particularly in those countries with increased risk of modern slavery and other social risks.

Audits

We have an assurance and quality control team based in Shanghai which performs regular audits of our direct suppliers in Asia to ensure that they meet our standards in relation to human rights, conditions of work, hygiene management systems and environmental performance.

Suppliers who are unable to meet all the requirements after an initial audit are given the opportunity to comply fully within a period of time which is deemed appropriate for the circumstances. Bunzl companies reserve the right to cease a relationship with a supplier if it is found that unacceptable practices are being employed at any sites used for producing or sourcing Bunzl products. Such practices include use of child, forced or bonded labour, illegal discrimination, wages not meeting local minimum requirements, not providing adequate days of rest and any other breach of local or applicable international requirements for workers' welfare and conditions of employment. Suppliers that are being monitored and assessed due to identification of a serious breach are periodically reported to, and reviewed by, the Board.

In 2019 we carried out a total of 707 (2018: 539) audits of suppliers located in Asia and worked with those suppliers where unacceptable standards were identified to resolve any non-conformities. Thirteen suppliers did not make sufficient progress to address the concerns and we have subsequently ceased our relationship with those suppliers.

Supplier engagement

We believe that building relationships, capacity and trust with suppliers is critical when it comes to preventing and identifying incidents of modern slavery. Every year, we organise training events in Asia to work with our suppliers to help them prevent issues arising and to address them if they are found.

In 2019 we carried out training events in Kolkata, India and Shanghai, China (see case study).

Training

All of our senior staff, including managers and procurement and sales executives, are required to complete corporate responsibility training on social risks, including modern slavery. The training helps our employees to understand and recognise social risks that might occur in our supply chain and to inform them of the appropriate actions that should be taken if such risks materialise.

Further details are provided in our Group Modern Slavery Statement which can be found on the Bunzl plc website.

3

Working with our suppliers to deliver innovative solutions

One example of how we are working with our suppliers to bring innovative new products to market is a project we have been working on in partnership with Co-op in the UK. In recent years several UK supermarkets have moved away from using single-use plastic carrier bags in favour of reusable plastic 'bags for life' made from recycled material. In addition to offering reusable bags, Co-op wanted to explore whether they could also introduce a compostable bag in their shops located in UK council areas that offered a food waste collection from residents' homes. Bunzl Retail Supplies (BRS) were given the challenge of working with their suppliers to source an appropriate solution.

The compostable bags needed to meet the following strict performance criteria:

- compliance with the European Directive on compostability (EN13432) and the ability to be compostable at home; and
- comparable in structural integrity and performance with the single-use plastic carrier bags they were replacing.

We worked in partnership with Co-op's food policy team to understand compostable materials, the relevant European legislation and the process of composting through both industrial and home composting routes. Once this was established, we reviewed potential suppliers and performance tested the samples received.

Supplier training

A supplier training event in Kolkata, India was held in June 2019. The aim of the event was to raise suppliers' awareness of modern slavery and other social risks and to provide support to suppliers on how to remedy those issues. The training featured various interactive workshops during which best practices and challenges were discussed in an open and informal dialogue with Bunzl and other suppliers.

The supplier training event was attended by 30 suppliers and was very well received. The event is an example of how enhancing supplier relationships and creating an atmosphere of collaboration helps to drive progress.

Through numerous product iterations, BRS managed to source a product that met the criteria above. The compostable bags are dual purpose, firstly as a carrier for shopping and secondly for disposing of food waste at home and are the first to be introduced by a UK retailer. The bag is in over 1,000 of Co-op's food stores and replaced around 60 million single-use plastic bags in the first year.

As a material-agnostic distributor, Bunzl is well placed to provide its customers with trusted and objective advice on complex sustainability solutions like this. It also demonstrates the strength of Bunzl's consolidated supply and distribution model as the compostable bags need to be delivered to specific distribution centres (which supply stores located in areas with food waste collection services), with different products delivered to other stores.

Key performance indicators

Suppliers

Responsible sourcing, working as partners with our suppliers to encourage high levels of sustainable and ethical trading initiatives

	Performance			What we said we would do in 2019	What we did	What we plan to do in 2020
	2017	2018	2019			
Supplier audits and assessments covering environmental and social standards (number of audits/assessments carried out)	503	539	707	More in-depth audits of high-risk suppliers. Continue to optimise and expand our audit programme.	We have increased the number of Asian suppliers that we audit by more than 30% covering now almost all our direct Asian suppliers. We have reviewed our audit scope, have added additional check-points and increased the number of employee interviews to help ensure that all applicable risks are covered.	Continue to expand our ethical sourcing principles across the Bunzl Group. Extend the scope of our supplier audits to increasingly include 'downstream' environmental considerations.

Sustainability continued

Our business

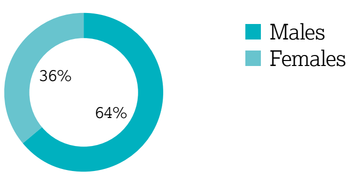
We will make a positive contribution to our people, the environment and local communities.

1 We will be a great place to work and enable our people to thrive.

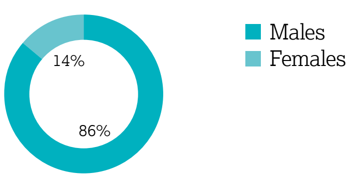
2 We will reduce our impact on the environment.

3 We will support environmental charities and projects that are meaningful to our local communities and teams.

Total workforce

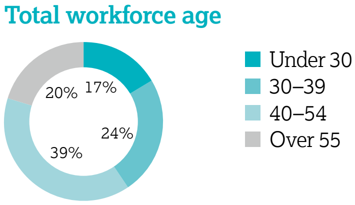


Senior management



Average number of employees

Total workforce age



1

A great place to work

Introduction

In a world that is changing rapidly, attracting the best people for our roles and ensuring they are equipped with the relevant skills and experience is critical to maintaining a competitive advantage. The decentralised nature of Bunzl means that there is greater opportunity to give people the appropriate freedom and accountability to be able to succeed. We are very proud of our people and all they achieve and recognise the importance of investing in their growth.

Developing our people

Throughout the Group we are committed to developing people through a variety of methods such as formal development programmes, online learning opportunities, coaching and mentoring as well as providing opportunities for learning and growth in their roles.

There are numerous examples in Bunzl of courses that have been designed and developed specifically with our employees in mind, from 'Desorrollate' in Latin America (focused on the development of collaboration tools) to the Young Leaders Forum in Australia. Ensuring that we grow our internal talent through developing those with potential to be our leaders of the future is a key area of focus. Two examples of this are, the 'DRIVE' programme in North America, aimed at emerging and senior leaders, and the Bunzl University, a programme for prospective leaders in Continental Europe. Focusing on career development is not only for those already in management roles. Within UK & Ireland there is an academy aimed at warehouse operatives and drivers who want to advance their careers. At a Group-wide level, 2019 saw the launch of our new Senior Leadership Development Programme aimed at senior leaders around the world (see case study on page 40). Starting in 2019, a group of around 20 leaders from across our business have come together for four intensive learning modules and project activities during the 18-month long programme. We will launch a new cohort of the programme every year.

Recognising different learning styles and the fact that it is not always possible to attend courses away from the workplace, online learning gives our employees access to a wide range of options for both work and personal development areas. In most parts of our business people can access online training and e-learning products to develop themselves. For example in the UK & Ireland, instantly accessible to all is YELP (Your E-Learning Portal), an online library of over 1,500 courses.

Engagement

Following the 2018 employee survey the focus has been at a local and team level in creating action plans that address the points raised in an individual business's survey results. In North America there are action plans for each branch location with updates planned every six months to ensure the plans can be refined and updated based on real-time feedback. The types of actions that have resulted from these local discussions range from reviewing flexible benefit options and sharing product information with employees to installing communication screens in sites, enabling the instant sharing of information and business updates.

Some issues raised via feedback in the employee survey were common to more than one area or region, for example having career opportunities made more visible. The UK & Ireland have moved performance reviews, career development and succession plans online, increasing the visibility of the skills requirements for roles and potential career paths for managers. This enables the creation of targeted development solutions as well as making it easier to fill roles internally with the best possible candidates.

Rewarding for performance

Within Bunzl we pay our employees fairly based on their skills and experience. In line with our overall business model, reward and recognition for the workforce is aligned to the markets in which the businesses operate and reward structures are appropriate for that environment. Locally our businesses own and manage recognition schemes and provide employee benefits that motivate and retain their people.

Equality and diversity

Increasing the diversity of our workforce strengthens our business and enables us to respond to changing environments. Through developing an inclusive environment that encourages new ideas and innovation we will improve our offering to customers and enhance our processes and ways of working. Although an imperfect indicator of diversity, we have paid more attention to our Gender pay report.

The data for gender pay gap in 2019 will be the third year of reporting for both our UK legal entities. Our combined gender pay gap for 2019 for both the two UK legal entities and plc employees is as follows:

- 16.6% gender pay gap (mean hourly pay)
- -6.9% gender pay gap (median hourly pay)
- 69.8% of women receive a bonus
- 73.2% of men receive a bonus

The two entities on which we report have changed their workforce mix through acquisitions and disposals which has a greater impact than the normal, more gradual, changes of employees leaving and joining a business. The underlying reason for our gender pay gap, however, remains the same as previous years. We have more men in senior and therefore higher paid positions and a relative low turnover in these senior roles.

The focus continues to be on practical interventions to ensure we can truly deliver the aims of our diversity policy. For example the introduction of a new competency framework to ensure consistency in the performance review process; and ensuring that our recruitment, performance review, career development and succession planning processes continue to be free from gender bias. We recognise that to reduce the gender pay gap in the future the focus needs to be on attracting and developing women into Bunzl at all levels and to this aim the Inspiring Women in Bunzl ('IWIB') network has been set up (see case study).

“The IWIB network is such a positive step. By sharing our vision and mission with colleagues and with the support of the Board we will inspire other women to see that Bunzl is a diverse and equal company to work for.

Lucy Wilkinson
Head of Brand, Protec Direct

Inspiring Women in Bunzl

We are taking action to address a common issue that faces many large organisations, the under-representation of women at a senior level. In the UK & Ireland the MD for our retail business, Helen Cockerham, has created a network for a number of women who have been identified as having the potential to advance into leadership roles within the Group. Called the 'Inspiring Women in Bunzl' network, its goal is to be a catalyst for Bunzl leading the way in creating a supportive and empowering culture for women to achieve their goals.

Over the course of 2019, the network has defined its objectives, which are to foster and nurture a pipeline of confident and talented women who can progress their careers alongside their male colleagues to the benefit of Bunzl. Every member of the group has worked hard to engage the leaders of their operating companies and we have already seen an increase in the proportion of director roles held by women.

Key performance indicators

Employees

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

	Performance			What we said we would do in 2019	What we did	What we plan to do in 2020
	2017	2018	2019			
Employee turnover: Voluntary	13.0%	14.6%	15.4%	Continue to monitor turnover and take action where necessary.	Exit interviews in largest regions. Online tracking of joiners and leavers enables greater visibility and analysis.	Continue to conduct exit interviews and monitor voluntary turnover.
Gender diversity: Women at senior management level	11%	13%	14%	Raise awareness and further develop training and look for opportunities for wider participation.	Succession planning improvements. Inspiring Women in Bunzl (see case study).	Broaden networks for women in Bunzl. Provide focused development interventions for high potential women.
Employee engagement index score	–	74%	–	Detailed action plans to be devised to address significant issues raised and celebrate successes.	Regular review of action plans at site level.	Relaunch our employee engagement survey in 2020.

Sustainability continued

Board engagement

The annual meeting of the European Information and Consultation Forum was held in June in the UK. The representatives heard from both Business Area Heads, Alberto Grau and Andrew Tedbury about performance, strategy and plans for their respective business areas, Continental Europe and UK & Ireland. In addition, for the first time a non-executive director, Vanda Murray, attended the meeting. She held a private session with the forum representatives, concentrating on issues arising from the employee survey, and gathering views and opinions on Bunzl as a place to work.

A similar session was held by Lloyd Pitchford, another non-executive director, with employees from Bunzl North America ('BNA'). Feedback was very positive and both employees and non-executive directors really appreciated hearing a different perspective and understanding more deeply the issues and concerns of the wider workforce.

Senior Leadership Development Programme

The Senior Leadership Development Programme is a custom designed programme delivered by an external faculty which brings around 20 senior leaders from around the world together over a period of 18 months to develop their leadership capability. The four modules (strategic leadership, entrepreneurial leadership, commercial leadership and organisational leadership) combine formal learning with visits to relevant Bunzl businesses and participants undertake project and coaching activities between modules. A huge benefit of this programme is the informal learning and networking that happens during and after the programme has run.

Health and wellness

Bunzl believes in creating an environment which enables employees to be happy and motivated at work. There has therefore been investment in programmes that are specifically aimed at employee well-being. In several business areas, there are formal support tools and services such as Employee Assistance Programmes ('EAP') or Wellness Programmes that enable employees to access health screening assessments. Employees are encouraged to adopt healthy habits and working practices throughout Bunzl and examples in the businesses range from providing employees with fruit and lunchtime yoga sessions to sharing advice and tips on how to improve both their mental and physical health.

Code of conduct

The Group's business code of conduct is disseminated to every employee as a guide to how employees are expected to conduct themselves both from a corporate and individual perspective. The code of conduct clearly states that employees must avoid conflicts of interest, provides guidance on the giving and receiving of gifts and entertainment, prohibits illegal payments as well as political donations and reinforces the need to comply with laws, rules and regulations, protect confidential information and company assets and maintain high standards in relationships with our customers and suppliers. The code of conduct is supported by a set of e-learning modules, covering matters such as anti-bribery, health & safety, competition laws and modern slavery. The business code of conduct has been revised and reissued to employees in 2019.

No material breaches of our code of conduct were recorded in 2019. However, some minor incidents relating to employee conduct, such as theft or misuse of the Group's property, did occur and were dealt with during the normal course of business using Group HR policies and procedures. In the reporting year 2 (2018: 10) calls or letters were received through our confidential whistle blowing process, 'Speak Up', none of which related to any issues of material concern.

At the end of 2019 we partnered with an independent organisation to introduce a new way to report or 'whistle blow' concerns. This new approach enables employees to raise issues online or via a local telephone service and describe their concerns in their native language in a totally confidential manner.

Key performance indicators

Health & safety

Improving safety in our warehouses and on our vehicles

	Performance			What we said we would do in 2019	What we did	What we plan to do in 2020
	2017	2018	2019			
Reduction in accident incidence rate (% change year on year)	-20%	+17%	+1%	Reduce the Group accident incidence rate by 5% from 2018.	In 2019, the accident incidence rate increased by 1% while the accident severity rate increased by 31%. We continued to see the impact of tight employment markets with higher numbers of new recruits, and have therefore improved our safety onboarding programmes to ensure that new employees are adequately trained for the job. The increase in the severity rate is principally related to a number of accidents with long periods of absence in North America and France.	Reduce the Group accident incidence rate by 5% from 2019.
Reduction in accident severity rate (% change year on year)	-22%	+25%	+31%	Reduce the Group accident severity rate by 5% from 2018.		Reduce the Group accident severity rate by 5% from 2019.

We anticipate this will increase the number of cases raised by making access easier. This will also provide us with better data on the types of concerns identified and the locations from where they have been raised.

Employees/human rights

Bunzl adheres to the Universal Declaration of Human Rights and upholds the Fundamental Principles and Rights at Work policies, defined by the ILO, as well as applicable local laws. The countries in which Bunzl operates have their own laws banning child and forced labour and promoting human rights.

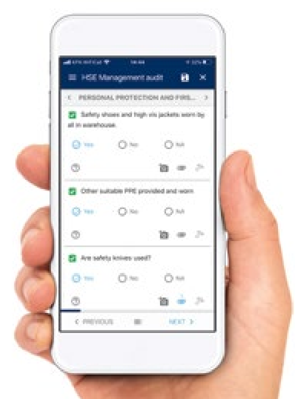
The UK Modern Slavery Act 2015 requires certain businesses to produce an annual statement that sets out the steps these businesses have taken during the financial year to ensure that slavery and human trafficking are not taking place in their operations and supply chains. This requirement affects Bunzl plc and a number of operating companies in the UK. The current Bunzl slavery and human trafficking statement has been approved by the Bunzl plc Board of directors and is available on our website, www.bunzl.com.

Health & safety

As a business with a large warehouse footprint and fleet, health & safety is an area of significant focus by the Board. One factor that continued to impact our incidence and severity rates in 2019 is the challenging conditions in the employment markets worldwide. Tight employment markets are leading to increased employee turnover and shorter job tenures which can have a negative impact on injury rates as less experienced employees have an increased risk of being involved in a workplace injury. Our businesses have various onboarding tools and programmes in place to ensure that all new employees are adequately trained for the job and coached by more experienced colleagues. In North America we have focused on implementation of a new onboarding programme in 2019. New safety and HR onboarding booklets were rolled out and training requirements revised. A step-by-step introduction of the employee to their new work environment was implemented.

In 2019, we continued to invest in new facilities across the Group. We started operating in several new state-of-the-art warehouse facilities that were designed from the ground up. This allowed us to make layouts more efficient and logical and implement many safety improvements such as improved segregation of pedestrians and forklift trucks, use of newer and safer machinery and equipment and customised areas for storage of hazardous materials. New forklift trucks are fitted with warning lights and cameras.

Our objective is to minimise the risks, particularly relating to the operation of our warehouses and vehicles, in order to reduce accidents involving manual handling, falling, slipping and tripping and impact with equipment which remain the highest causes of accidents. All our businesses are required to comply with local legislation and Group safety policies. The compliance with these regulations and policies is audited by a team of safety professionals. Safety standards are also reviewed as part of our internal audit process.



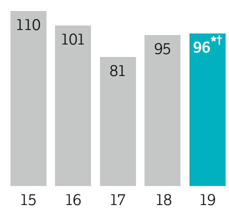
B-Safe

In order to drive compliance with regulations and internal standards, we have introduced various digital solutions across Bunzl, one of which is B-Safe. B-Safe is a flexible mobile data collection platform that was designed to Bunzl specifications. It has an intuitive user interface making the collection of health & safety related data simpler and more accurate. Bunzl locations can build their own custom inspection and checklist forms or use the corporate pre-populated forms. Inspections can be completed on-the-go, tasks assigned and alerts and reminders set up.

Launched in early 2019, B-Safe already has 400 users across Bunzl and is used for various purposes such as warehouse safety inspections, pre-use inspections of vehicles and evaluation of emergency evacuations.

Incidence rate

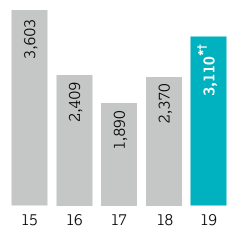
Average number of incidents per month per 100,000 employees



12 months to 30 September.

Severity rate

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



12 months to 30 September.

* In 2019 we improved our accident recording standards and updated the guidance on recording work-related accidents.

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

Our primary method for distributing the goods that we sell is the use of delivery vehicles. Consequently, geographical regions have placed considerable emphasis on training programmes for drivers. Each of these programmes has its own specific focus but all are aimed at reducing accidents and injuries on the road. Three of our UK businesses have implemented the Fleet Operator Recognition Scheme ('FORS'), a nationally accredited scheme which promotes best transport practices, across all of their operating locations. The scheme measures fleet performance and aims to drive up standards across areas such as fuel efficiency, carbon emissions and road safety.

In North America, where we have our largest fleet, we are constantly looking for ways to educate our drivers on how to be more safe behind the wheel. In 2018 we introduced two new defensive driving programmes and as a result we have seen in 2019 a significant reduction in serious vehicular accidents.

Sustainability continued

We continue to take steps to embed a more proactive safety culture in Bunzl. In North America, we have carried out a comprehensive safety perception survey for our Bunzl Retail Services Division. The survey was completed by 800 participants across 14 locations. The survey measured the percent positive responses by the participants to a set of recognised safety indicators. The results were compared against a multi-industry database and a gap analysis was performed. The survey resulted in an action plan for each location. Improvement actions included engaging with employees at each level to participate in a safety steering team, identifying the top issues that were most important to employees and creating continuous improvement teams to identify solutions to the issues.

In France, where we have the highest incidence and severity rates in the Group, we have started to roll out a comprehensive training programme for middle management. The training will help create a more proactive safety culture by developing the skills needed to conduct effective safety observations and enable discussions to take place with employees about safe and unsafe work practices. This series of training sessions is a first step towards planned ISO 45001 certification in France.

Our businesses in North America have implemented a new online Environmental Health and Safety ('EHS') management system. The new system has streamlined our reporting processes and helped maintain compliance with local reporting requirements. Additionally, it is playing a role in an EHS culture shift, through the system's ability to report leading indicators (such as 'near miss' incidents), dashboard metrics and customised reports. Another example of continuous improvement within North America was the piloting of a new ergonomics training programme aimed at challenging the way employees perform their job functions. Targeting the reduction of injuries with specific work instructions ('moves') that have been customised to the facility's work environment, the training also covers wellness, recovery and stretching.

Details of our performance from 2015 to 2019 are provided in the bar charts on page 41. The accident data provided covers more than 99% of the Group by revenue.

Greenhouse gas emissions (Group)

Data for the period 1 October to 30 September

	Tonnes of CO_2e		
	Base year 2010	2018	**2019†**
Scope 1	95,249	99,848	**99,193**
Scope 2	28,757	31,615	**29,594**
Total gross emissions	124,006	131,463	**128,787**
Total carbon emissions per £m revenue	26.3	15.0	**13.9**

Greenhouse gas emissions (UK)*

	Tonnes of CO_2e	
	2018	**2019**
Scope 1	17,606	**17,211**
Scope 2	3,263	**2,660**
Total gross emissions	20,869	**19,871**
Total carbon emissions per £m revenue	17.5	**17.0**

Energy consumption (UK)*

	2018	**2019**
Natural gas (cubic meter)	617,969	**469,573**
Fuel (litres)	6,224,877	**6,271,182**
Electricity (kWh)	11,526,592	**10,405,385**

† Included in the external auditors' limited assurance scope. See data assurance statement on our website www.bunzl.com. The data for 2018 was also assured as detailed in the 2018 Annual Report.
* Energy usage and carbon emissions disclosed separately to early adopt to the requirements of the UK Streamlined Energy and Carbon Reporting ('SECR') policy.

2

Reducing our impact on the environment

Our efficient one-stop-shop operating model allows our customers to benefit from both a lower cost and a lower environmental impact of doing business. We have an extensive operations footprint across more than 30 countries. The products available from our broad range are therefore never far from where they need to be, allowing us to meet our customers' needs quickly and easily, as well as reducing the number of deliveries, cutting fuel usage and carbon emissions.

Climate change poses a number of potential risks for Bunzl, from both a physical (e.g. isolated events such as increased intensity of storms, heatwaves or higher average operating temperatures) and regulatory (e.g. new or strengthened carbon reduction commitments) perspective.

We seek to minimise the contribution of Bunzl's operations to climate change and to prevent other harmful effects on the environment. Operational efficiency forms part of a long-established and successful strategy to develop the business and the reduction of energy consumption is an integral part of this. Our policy of leasing premises provides flexibility in the configuration of our footprint to optimise the efficiency of our distribution. Bunzl had no significant environmental incidents in 2020.

Our businesses in the US have been increasingly exposed to hurricanes and other severe weather conditions. To ensure the safety of our employees and the continuity of our service to our customers, we have developed detailed business continuity plans. When we learn that a hurricane could make landfall and impact an area where we have Bunzl operations, the emergency preparation and response plans are put into action. Those plans could include deployment of emergency equipment (such as back-up power generators, extra trucks and trailers), extra support (temporary or permanent Bunzl employees), review of the safety of housing and commuting routes of employees, IT backup and, if necessary, evacuation of the location concerned.

Our reported environmental data includes all businesses that are subsidiaries of the Group for financial reporting purposes, except for recent acquisitions where there has been insufficient opportunity for the businesses to adopt our reporting guidelines. The revenue from these businesses is not included when calculating the indexed emissions. The reported data covers around 99.5% of the Group by revenue.

A number of locations in UK & Ireland, Asia Pacific and Continental Europe have renewed their ISO 14001 certification. Approximately 23% of the Group's operations are certified to ISO 14001 (measured by revenue). Certification is based on processes and practices which are implemented Group wide through our EHS management programme, although some parts of the business have not elected to become formally certified.

Scope 1 emissions: Fuel for transportation remains our highest source of CO_2e emissions, contributing 81% of Scope 1 and 62% of combined Scope 1 and 2 emissions. Of those emissions relating to transportation, 78% are generated by our fleet of commercial vehicles. Fuel represents a significant cost to the business and we are focused on maximising the efficiency of our fleet through regular replacement and maintenance of vehicles, route optimisation, the use of vehicle telematics and driver training programmes. At Group level, diesel consumed by our commercial fleet remained constant, despite sales growth. We seek to minimise the number of miles that our vehicles travel empty on the road by backhauling, typically using empty vehicles to collect stock from suppliers. Automated vehicle routing systems help our business to ensure deliveries are planned to limit the distance covered by each vehicle in order to reduce fuel costs, as well as environmentally harmful emissions. Our fleet of commercial vehicles in North America is the largest in the Group with over 700 vehicles. North America has implemented state-of-the-art routing software, allowing its operations teams to maximise fleet utilisation, meaning that the same number of vehicles can deliver more goods more efficiently, reducing fuel usage and cutting emissions to air. In 2019, the use of routing optimisation in North America contributed to a reduction of total distance driven in that business area, equivalent to a saving in fuel consumption of approximately 0.8 million litres of diesel.

Natural gas is principally used for the heating of buildings. This depends on weather conditions and therefore varies considerably by business area. At Group level, the consumption of natural gas remained constant.

Scope 2 emissions: Electricity consumption has decreased by 0.4%. The increases we have seen in some areas as a result of increases in warehouse space have been offset by energy efficiency improvements and closure of some other locations. Per £ of revenue, our electricity consumption has reduced by 4% at constant exchange rates.

LED lighting

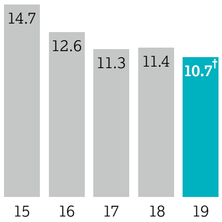
Lighting is our highest category of electricity consumption. With today's lighting technologies, the energy of lighting a warehouse can be reduced by as much as 50% to 70% over traditional lighting.

In the UK & Ireland, all our major warehouse locations have been converted to LED lighting to make our work environment brighter, safer and less expensive to operate. The improved light levels help reduce accidents, improve the working environment and eliminate significant work at height activities such as bulb replacement, reducing our workplace risk.

"Whenever there is an opportunity at one of our locations, we upgrade the lighting to LED and implement other energy saving measures such as occupancy sensors. In 2019, we completed 11 LED retrofit projects in North America which will result in savings of 1.9 million kWh every year. Also, three new facilities were opened which were equipped with LED lighting as part of our standard specification. Our North American team is continuing to look to make more lighting upgrades in the coming year as we seek to further reduce our carbon footprint and make a positive impact on the environment.

Denton Bruce,
Senior EHS director Bunzl North America.

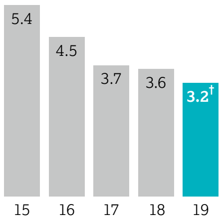
Scope 1 carbon emissions
Tonnes of CO_2 per £m revenue



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

12 months to 30 September.

Scope 2 carbon emissions
Tonnes of CO_2 per £m revenue

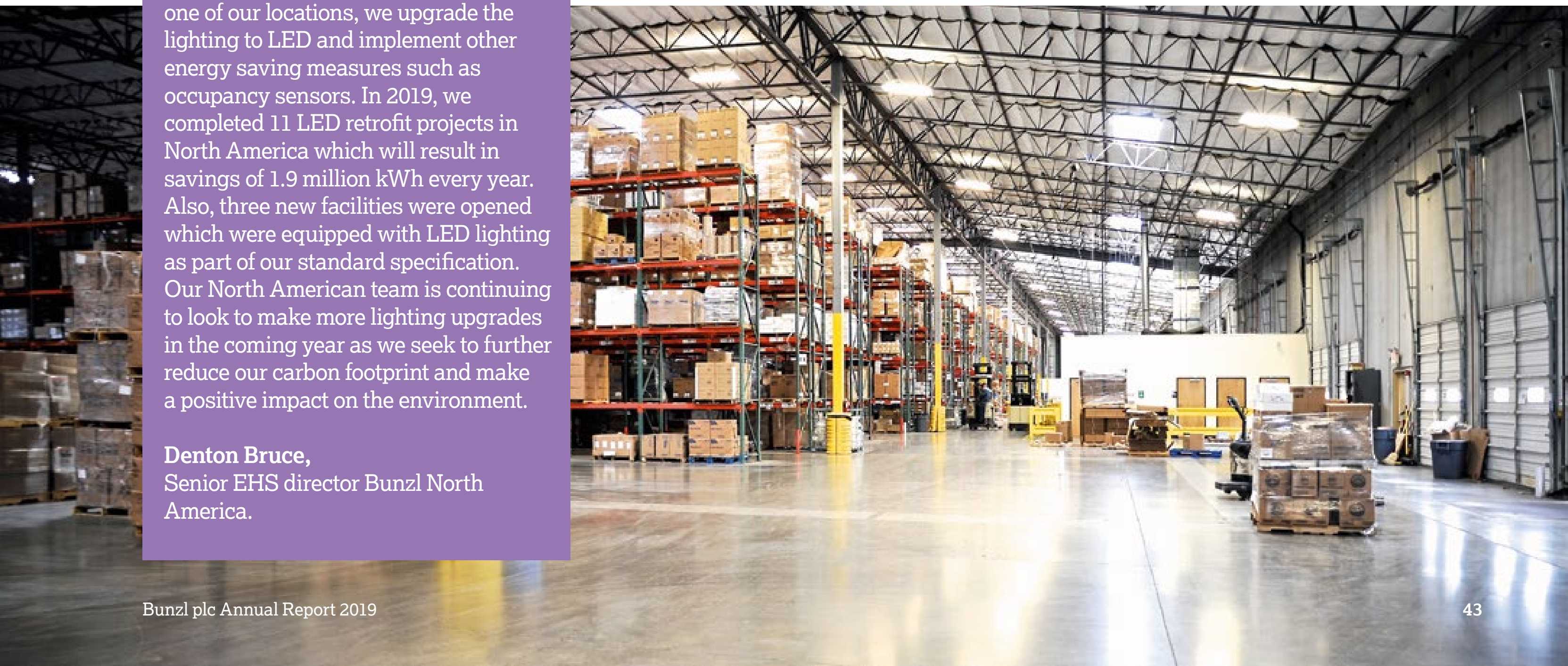


Measured in accordance with the Greenhouse Gas Protocol applying DEFRA UK conversion factors and IEA factors for overseas electricity.

12 months to 30 September.

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

Lighting is our highest category of electricity consumption and we continue to invest in energy efficient lighting at all our sites to reduce energy usage. New buildings designed as Bunzl warehouses have the specification of LED lighting which, when possible, is coupled with proximity switching and dimming facilities to take advantage of any natural lighting.



Sustainability continued

In addition, as energy contracts are renewed, our businesses are moving to low carbon energy where this makes commercial sense and is supported by the local infrastructure.

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

Waste

In 2019 we worked to improve the consistency and accuracy of waste measurement and reporting, although accurate waste measurement remains challenging in geographies with less advanced waste management infrastructures. The amount of waste generated in our facilities is approximately 22,900 tonnes which is similar to the amount of waste generated in previous years. We actively work to reduce the waste and enhance waste recycling rates at our facilities. Recycling rates strongly depend on the locally available waste recycling options. In 2019, approximately 63% of the waste was recycled. This excludes any post-disposal waste treatment and recycling carried out by waste handlers.

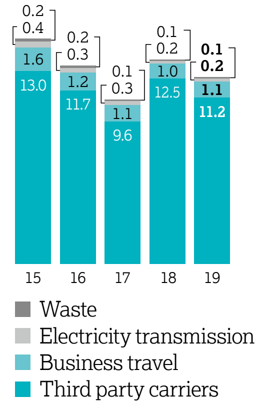
The reported waste data covers approximately 95% of the Group by revenue. Waste is also included in our Scope 3 emissions calculation.

Water

Direct water usage is not a significant environmental impact for our business as it is principally confined to staff hygiene and workplace cleaning. Our estimated water usage is 170,000m³ of water per year. As we do not manufacture any of the goods we sell, water discharges, apart from internal sanitation, are limited to rainwater run-off from the yards of our locations.

Scope 3 carbon emissions

Tonnes of CO_2e per £m revenue



12 months to 30 September.

Key performance indicators

Environment/climate change

Reducing our impact on the environment by reducing carbon emissions

	Performance			What we said we would do in 2019	What we did	What we plan to do in 2020
	2017	2018	2019			
Carbon emissions: Scope 1 (tonnes of CO_2e/£m revenue)	11.3	11.4	10.7†	Reduce emissions by 1% against 2018. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)	The 2019 figure represents a 6% decrease in Scope 1 emissions versus 2018, including the effect of foreign exchange rate fluctuation. At constant exchange rates the emissions reduced by 4%. Reduction of these emissions is primarily driven by fuel and routing efficiency improvements.	Reduce emissions by 1% against 2019. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)
Carbon emissions: Scope 2 (tonnes of CO_2e/£m revenue)	3.7	3.6	3.2†	Reduce emissions by 2% against 2018. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)	The 2019 figure represents a 11% reduction in Scope 2 emissions versus 2018, including the effect of foreign exchange rate fluctuation. At constant exchange rates the reduction in emissions is 10%. Our Scope 2 emissions take into account changes to the average country specific emission factors, but do not take into account low carbon electricity purchases (representing approximately 13% of electricity purchased). The remaining improvement in the Scope 2 index has been driven by the continued implementation of energy efficiency improvements such as low energy lighting.	Reduce emissions by 2% against 2019. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)
Total Scope 1 & 2 emissions (tonnes of CO_2e/£m revenue)	15.0	15.0	13.9†	Reduce emissions by 1% against 2018. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)	The 2019 figure represents a 7% reduction in total Scope 1 and 2 emissions versus 2018, including the effect of foreign exchange translation. At constant exchange rates the reduction in emissions is 5%.	Reduce emissions by 1% against 2019. (This reduction target excludes any foreign exchange translation effect on revenue numbers.)

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

Charity partnerships

Bunzl Healthcare has a long-standing partnership with St John Ambulance. A donation to the 'Young People's First Aid' programme has given over 10,000 pupils free training in key first aid skills, that could one day help them to save a life.

This year St John Ambulance has taken delivery of a third, custom built treatment vehicle donated by Bunzl. It will provide support at major events and medical care in city centres and at community projects which will help reduce the pressure on the NHS.

3

Supporting charities and local communities

Bunzl's operations are international but our strength lies in the local nature of our businesses. We support the communities where our employees live and work and encourage fundraising activities championed by our businesses and their employees locally. For example, there have been various charity runs in the UK, the Netherlands, Switzerland and France which raised money for charities including Alzheimer's research and those supporting disabled people.

We are complementing our new sustainability framework and approach to single-use plastics by realigning the focus of our Group charity work to support environmental activities in three key areas:

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

Where possible and appropriate, Bunzl also looks to donate stock free of charge ('in-kind'). Group wide, Bunzl donated a total of £659,000 to charitable causes during 2019. This does not include amounts donated by Bunzl in matching funds raised by employees for local charities.

An example of an initiative we supported in 2019 was our funding for a detailed research project which monitored the levels of air pollution that people in London are exposed to daily. The research involved fitting air quality monitors to a diverse group of Londoners. This included a school pupil, a college student, a member of the UK Parliament, a construction worker, a lorry driver, a gas engineer, a cyclist, a doctor, an office worker, a runner and Ben Webster, Environment Editor of the UK's Times newspaper, who ran a feature on the project.

The results are being analysed but the intention is that the findings will lead to a series of practical interventions under the 'Air We Share' banner that will reduce Londoners' exposure to poor air quality. For example, based on the findings so far, Bunzl is exploring the development of a well-being programme to help employees reduce their risk of exposure to poor air quality. Other interventions will include social media communication to help people take less polluted routes between busy areas and community awareness campaigns aimed at schools, colleges and other groups.

Key performance indicators

Community

Providing support to our local communities through employee fundraising, matched funding and donations of stock and cash to charitable organisations

	Performance			What we said we would do in 2019	What we did	What we plan to do in 2020
	2017	2018	2019			
Charity donations (£000s)	742	607	659	Continue to support relevant charities.	We have supported a number of projects for healthcare, environmental and conservation charities both locally within our businesses and centrally at Bunzl plc. Our focus next year will be to support environmental charities and we expect donations to be similar to 2019.	Continue charity programme with increased focus on environmental charities.

Sustainability continued

Our customers

We will deliver sustainable products and solutions that improve our customers' businesses.

1. We will support our customers to become more environmentally sustainable by providing innovative solutions and lower impact products.
2. We will give our customers trusted, objective and expert advice on complex sustainability issues.
3. We will partner with organisations across our supply chain to bring a circular economy approach to the products we distribute.

We offer a wide product range to our customers and provide the support and expertise required for them to make informed choices. We also work with our suppliers to ensure that the products we supply are, wherever possible, manufactured from sustainably sourced raw materials and seek to increase the range of sustainable products that are made from recycled materials or are themselves recyclable or compostable.

Why the plastic challenge matters to Bunzl

Plastic is a material with many positive attributes. It keeps the weight and fuel emissions of vehicles down and contributes significantly to minimising food waste in retail supply chains. When considering the overall environmental impact (energy use, water consumption, carbon emissions, land use) of a product, plastic will frequently be the most resource efficient material for a given application. As a material it typically uses less water, land and energy to manufacture and keeps carbon emissions low during transportation because it is lightweight.

When plastic is used only once or is not properly recycled, it damages our environment, pollutes our oceans and can enter the food chain. As a leading distributor of a variety of plastic-based products, we recognise that we have a responsibility to act. Our ambition is to work with our customers and suppliers to lead the industry towards a more sustainable approach to single-use plastics.

Our customers, who are some of the world's leading brands, are being put under pressure by their own customers to reduce their plastic waste footprint. It is a complex challenge: the daily running of their businesses depends on the products we provide and there are many plastic products where no viable alternative exists today.

We are however determined to rise to the challenge. Our scale and unique position at the centre of the supply chain gives us a powerful opportunity to be part of the solution. We can offer alternatives to single-use plastics, and plastics that are more recyclable and compostable, because we are not wedded to any particular materials. We are agile when it comes to changing our range and see this as an opportunity for growth in both our customers' businesses and our own. We are improving our service to customers with clear information on the total environmental impact of the products we distribute. We are also exploring ways to connect supplier innovation with customer needs to develop more sustainable solutions.

It will not happen overnight but in time we believe we can help contribute to a world with much less plastic waste in our environment – working with our customers, suppliers and other stakeholders to make this crucial shared goal a reality.

Reusable foodservice products from Bunzl Catering Supplies

Our ambition is to work with our customers and suppliers to lead the industry towards a more sustainable approach to single-use plastics.

A partnership to close the loop

One of our safety businesses, France Sécurité, has collaborated with the specialist recycling company Terracycle to offer customers an end of life solution for the personal protection equipment ('PPE') they buy. Customers can purchase a 'zero waste box' which they then fill with their chosen PPE. Once full, the box gets collected and sent to Terracycle who organise the recycling of the materials. By offering this service to customers, France Sécurité is providing their customers with an end of life solution for disposable products, while promoting a circular economy.

Link to sustainability
www.bunzl.com/sustainability

1

Providing sustainable solutions

To save resources and protect our natural environment, many of the world's leading companies are setting targets for their packaging to become more sustainable. Because we are not wedded to any particular materials, we can:

- provide objective advice and expertise on sustainable products for our customers;
- work with our customers to find solutions for their sustainability challenges; and
- collaborate with our suppliers and join the dots with end customer needs to bring innovative solutions to market.

Across the business and in multiple geographies, we are already working with suppliers and customers to find sustainable solutions for the products they use. Since 2015, we have been working in partnership with the Climate Neutral Group to supply Coop Supermarkten in the Netherlands with a 'climate neutral' reusable carrier bag. The process for developing a climate neutral product involves calculating the lifecycle greenhouse gas emissions associated with the carrier bag (the carbon footprint). We then develop and implement measures that reduce the carbon footprint of the product. Bunzl Retail and Industry Netherlands worked to reduce the carbon footprint of the reusable carrier bag by using 97% post-consumer recycled plastic in its composition. This plastic comes from recycled PET bottles, a material that has a much lower carbon footprint when compared to using virgin plastic.

> Coop Netherlands works closely together with Bunzl to meet our sustainability goals for packaging. Bunzl not only understands where we want to go from a sustainability point of view but also has a good understanding of the retail sector. This combination makes for a very effective collaboration which we very much appreciate.
>
> **Ralph Lenoire**
> Manager Facilitair, Coop Netherlands

Finally Coop offset the remaining greenhouse gas emissions that cannot be avoided. The offset project Coop are supporting invests in the manufacture, distribution and sale of efficient cookstoves in Uganda, Africa. The objective is to improve access to cleaner, healthier, more cost-effective cooking methods for local households, replacing open fires that cause deforestation, produce large amounts of smoke and cause respiratory disease.

The project not only provides a carrier bag made from recycled plastic, but also combats climate change, improves indoor air quality in many Ugandan households and improves the living conditions of women and children who spend less time collecting firewood for cooking. The entire process for developing the reusable carrier bag has been externally verified by the Climate Neutral Group which is shown by the Climate Neutral product logo on the bag.

This is an example of how Bunzl is helping customers reach their sustainability targets by innovating the way that the packaging products we supply are designed and produced as well as effectively collaborating across the supply chain to bring more sustainable alternatives to market.

Sustainability continued

> Over the past three years Bunzl Catering Supplies (BCS) has been a valued and trusted partner to us at DFDS. Their approach to sustainability and the resources they offer has been crucial in supporting our ambition to be the most sustainable ferry service. It was great to be able to welcome Justin, BCS's new Head of Sustainability aboard earlier in the year to understand our business and we look forward to continuing to work with him and his team to lead the way and be as sustainable as possible.

Dave Lewis
Food & Beverage Category Manager
DFDS

2
Expert advice on emerging trends and products

Many of our customers are under pressure to reduce their plastic waste footprint. This is a complex challenge as the daily running of our customers' businesses depends on the products we provide and there are many single-use plastic products where no viable alternative exists today. As a materials-agnostic distributor and with a dedicated team of plastics and sustainability experts, Bunzl is well placed to provide customers with trusted and objective advice on complex sustainability issues.

Across the business, our expert advice has already helped our customers find sustainable solutions for the challenges they face. For example, Bunzl Catering Supplies (BCS) in the UK has been working with DFDS, one of the world's leading ferry operators, to provide practical advice and up-to-the-minute expertise on which alternative packaging can meet their operational needs while making their business operations more sustainable.

The BCS sustainability team participated in onboard service visits of popular ferry routes and reviewed the packaging used and end of life options onboard. As with a number of their other customers, BCS also employed their 'Sustainable Future Footprint Tool' which helped to assess DFDS's current product portfolio and identified opportunities to reduce their impact by shifting to more sustainable alternatives.

To simplify the number and complexity of materials being used, the most recyclable alternative options were recommended, with a clear focus on single-material solutions.

Following the recommendations made by the BCS team, DFDS began discussions with port authorities in Calais and Dunkirk in France to ensure all parties are collaborating to improve ongoing recycling processes. The onboard segregation of food, glass, plastic (primarily recycled PET), cardboard and general waste has improved and single-use plastic cutlery, toothpicks and stirrers have been replaced with more sustainable alternatives.

3
Partnerships to close the loop

We recognise that the lifecycle of packaging does not end at the point of sale. Organisations across the recycling and waste disposal systems sectors are looking for inventive ways to create a world where packaging waste is significantly reduced. By working together with these groups and our customers, suppliers and other stakeholders, we want to ensure Bunzl becomes part of that solution.

We want to partner with organisations throughout the supply chain to tackle sustainability issues, such as securing better end of life options for packaging and our ultimate aim is to bring a circular economy approach to the products we distribute. One example of how we have been doing this is a partnership with one of our grocery customers in North America.

A grocery customer approached Bunzl North America for information on recycling opportunities for film-based plastics in 2018. Instead of just offering knowledge and advice, we decided to partner with the customer to create a film-based recycling programme using Bunzl North America's infrastructure.

The store teams collect clear, film-based plastic (e.g. produce bags, pallet wrap, etc) throughout the week, our drivers then load the collected plastic at the time of each store's weekly Bunzl delivery and backhaul the material to one of our Distribution Centres. Our warehouse teams then use our waste management equipment to bale the plastic before it is sent for recycling by a local service provider.

TFCD recommendations

We welcome the development of the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations. Climate and environmental risks are currently already included in our risk management processes and we consider our disclosures on governance, strategy, risk management and metrics and targets to be already broadly in line with most of the TCFD recommendations. In 2020 we will undertake a gap analysis of our reporting against the TCFD recommendations to identify action to bring disclosure further in line with the recommendations. This analysis will also include a review of our climate change risk management process, with an aim to broaden our consideration of the actual and potential business impacts of climate change. The assessment of the materiality of the impacts of climate-related risks and opportunities on our business will take into consideration different long term climate-related scenarios.

Non-financial information statement

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

Business model
pg 16

Social matters
~~pg~~ 34

Employees
pg 34

Anti-bribery and corruption matters
pg 34

Human rights
~~pg~~ 34

Environmental matters
pg 34

Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 50 to 55. Our non-financial key performance indicators are set out on pages 22 to 23.

View our sustainability codes, policies and standards, together with information concerning the due diligence and monitoring procedures carried out in relation thereto, at **www.bunzl.com**

Principal risks and uncertainties

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

Risk 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 detail is also provided on the key risk management activities undertaken during 2019.

Risk assessment

Risk identification

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

Inherent risk assessment

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

Risk response and residual risk assessment

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

Risk management

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.

Executive Committee

- Holds regular meetings with business area management to discuss strategic, operational and financial issues and ensures policies and procedures are in place to identify and manage the principal risks affecting each of the Group's businesses.
- Considers the evolving risk landscape including reviewing the results of the risk assessment process and assessing the sufficiency of risk mitigation activities for current risks as well as the threats and opportunities from emerging risks.

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.

Business area and business management

- The Group's decentralised management structure allows for the establishment of clear ownership of risk identification and management at the business level within the framework of Bunzl's risk management policy.
- 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 75 and 76 includes further information on the specific procedures designed to identify, manage and mitigate risks which could have a material impact on the Group's business, financial condition or results of operations and for monitoring the Company's risk management and internal control systems.

Principal risks and uncertainties

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

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

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

Organic growth

Acquisition growth

Operating model improvements

During the year an analysis of the interconnectivity of the principal and non-principal risks as identified through the Group's risk assessment process was performed internally, leveraging the results of an external review that was performed during 2017. This review looked at the relationships, connections and interdependencies between risks, recognising that risks do not always occur in isolation, and contributed to the Group's assessment of the adequacy of risk management and mitigating activities.

Overall, the nature and type of the principal risks and uncertainties affecting the Group, and the likelihood and impact of each of the principal risks crystallising, are considered to be materially unchanged compared to the 2018 Annual Report, with one exception. Last year it was reported that an area of emerging risk that Bunzl was proactively monitoring was the increase in legislation and changes in consumer preferences discouraging the use of certain single-use plastic products. The Group has focused in particular on the grocery and foodservice sectors in the UK & Ireland and Continental Europe where there is a high customer and consumer awareness of sustainability concerns and the legislation is strictest. The Group expects that the level of sustainability concerns of customers and consumers is likely to increase and additional legislation will be introduced covering new product groups or countries. As a result, a new significant strategic risk has been included below as risk 6, *Sustainability driven market changes*.

The Board is continuing to monitor the potential risks associated with the UK having left the European Union ('Brexit'). Although Bunzl is a UK headquartered company, more than 85% of the Group's revenue, profit and cash flow is generated outside the UK. Bunzl is highly decentralised, with each business in the Group operating as a standalone company, largely focused on customers in the country in which it is incorporated. Within the UK, less than 20% of the products purchased are direct imports from overseas, of which most are from countries outside of the European Union ('EU'). Accordingly, Bunzl's ability to service its customers' needs, whether they are inside or outside the EU, is unlikely to be affected materially by Brexit.

Notwithstanding this assessment, as the definitive trading arrangements for Brexit have not yet been finalised, the final outcome remains unclear and it is too early to understand fully the impact that Brexit will have on the Group's operations. The risks to Bunzl arising from the failure of the UK government to agree appropriate arrangements with the EU will most likely be the following:

- foreign exchange volatility on the Group's translated results which, as noted in risk 9, *Currency translation*, is not hedged. Therefore, a strengthening or weakening of sterling will result in a change in the Group's reported results;
- the imposition of trade tariffs could result in an increase in product costs in the UK. This is reflected in risk 3, *Cost inflation*, and mitigated by the actions noted for that risk; and
- supply chain disruption as UK ports are unable to cope with additional border checks leading to inventory shortages. Selected UK warehouses are applying for simplified customs freight procedures authorisation ('CFSP') to attempt to minimise port delays. Additional stocks of certain items will be held to minimise the risk of inventory shortages.

The Board is also monitoring the ongoing situation with respect to trade tariffs in the United States of America ('US'). During 2019 the impact of additional trade tariffs levied on products imported into the US were mitigated through price increases or by identifying alternative sources of supply. Since the year end the US has signed a preliminary agreement with China which will reduce the impact of some of these tariffs in the future. Based on these mitigations and recent developments, and the assessment of the potential risks associated with Brexit explained above, the Group does not consider that its principal risks and uncertainties have changed as a result of the Brexit or US trade tariff related risks.

Finally, the Board is continuing to keep the developing situation relating to the Coronavirus (COVID-19) in China under review. Although the Group only has a relatively small distribution business in China and is not a manufacturer, Group companies around the world do import products from China for onward sale to their customers. At the present time, the Group's supply chain is not considered to be at risk since the Group's businesses had previously built up higher levels of stocks than usual in advance of the Chinese New Year and, in any event, tend to hold higher stock levels of many of the products whose production has been affected by the factory shutdowns in China. In addition, alternative sources of supply are being sought. However, should the impact of the virus continue to restrict manufacturing activities in China for a sustained period of time, the Group may face some shortages of certain products.

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

Principal risks and uncertainties continued

Organic growth Operating model improvements Acquisition growth

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Change to risk level in 2019
Strategic risks			
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures	• 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.	→
2. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions	• A reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper) or other price reductions, lower trade tariffs and/or foreign currency fluctuations, coupled with actions of competitors, may require the Group to pass on such cost reductions to customers, especially those on indexed or cost-plus pricing arrangements, 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.	→
3. Cost inflation Profits are reduced from the Group's inability to pass on product or operating cost increases	• Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper) or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers. • Operating profits may also be lower due to the above factors if selling prices are not increased commensurate with the increases in operating costs.	• The Group sources its products from a number of different suppliers based in different countries so that it is not dependent on any one source of supply for any particular product, or overly exposed to a particular country changing trade tariffs, and can purchase products at the most competitive prices. • The majority of the Group's transactions are carried out in the functional currencies of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility. • If necessary, the Group will, where possible, pass on price increases from its suppliers to its customers. • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.	→
4. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies	• 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 more than 160 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.	→

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Change to risk level in 2019
5. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration	• 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.	→
6. Sustainability driven market changes Revenue and profits are reduced from the Group's inability to offer sustainable products in response to changes in legislation, consumer preferences or the competitive environment	• Regulations have been announced in the EU and UK that target reductions or prohibitions of certain plastic-based products and new legislation discouraging the use of certain single-use plastic products is being considered in other countries. • An increasing number of consumers are making changes to their behaviour in response to environmental and sustainability concerns, often in advance of changes in legislation. These changes are likely to lead to a reduction in demand for single-use plastic-based products that the Group sells while, at the same time, increase demand for sustainably sourced, recyclable or reusable alternatives. • The Group's revenue and profits could be reduced if it is unable to offer more sustainably sourced, recyclable, compostable, biodegradable or re-useable alternatives that replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences.	• Bunzl's scale and unique position as a distributor at the centre of the supply chain, supported by dedicated sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are sustainably sourced, recyclable, compostable, biodegradable or reusable, or a combination of these. • The Group maintains strong relationships with a variety of different suppliers enabling the Group to innovate, source and offer the broadest possible range of products that meet a variety of sustainability objectives, whether in response to legislative changes, consumer preference driven changes or a desire to offer market-leading products to the Group's customers. • The Group maintains high service levels and close contact with its customers. Data on customer product usage, coupled with the Group's detailed product knowledge, ensures that the Group is well-positioned to be able to support its customers in shaping and achieving their sustainability strategies (such as a reduction in single-use plastics).	↑

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	Change to risk level in 2019
7. 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	• The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its connectivity with third parties and its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems. • Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers and/or a fine under applicable data protection legislation.	• Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats. • Cyber security awareness campaigns have been deployed across all regions to enhance the knowledge of Bunzl personnel and their resilience to phishing attacks. • IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. The Group Chief Information Officer and Group Head of Information Security coordinate activity in this area.	→

Principal risks and uncertainties continued

Organic growth | Operating model improvements | Acquisition growth

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Change to risk level in 2019
Financial risks			
8. Availability of funding Insufficient liquidity in financial markets leading to insolvency	• 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.	→
9. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants	• The majority of the Group's revenue and profits are earned in currencies other than sterling, the Group's presentation currency. • As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group's reported results and/or lead to a breach of net debt to EBITDA banking covenants.	• The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks. • Results are reported at constant exchange rates so that investors can observe the underlying performance of the Group excluding the translation impact on the Group's reported results. • The Group's borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group's EBITDA. This reduces the volatility of the ratio of net debt to EBITDA from foreign exchange movements. In addition, net debt for the purposes of covenant calculations in the Group's financing documents is calculated using average rather than closing exchange rates. Consequently, any significant movement in exchange rates towards the end of an accounting period should not materially affect the ratio of net debt to EBITDA. Both these factors minimise the risk that banking covenants will be breached as a result of foreign currency fluctuations.	→
10. Increase in taxation Increases in Group tax rate and/or cash tax	• The resolution of uncertain prior year tax matters or the introduction of legislative changes could cause a higher tax expense and higher cash tax payments, thereby adversely affecting the Group's profits and cash flows. • In particular, changes could result from the legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions.	• Oversight of the Group's tax strategy is within the remit of the Board and tax risks are assessed by the Audit Committee. • The Group seeks to plan and manage its tax affairs efficiently but also responsibly with a view to ensuring that it complies fully with the relevant legal obligations in the countries in which the Group operates while endeavouring to manage its tax affairs to protect value for the Company's shareholders in line with the Board's broader fiduciary duties. • The Group manages and controls these risks through an internal tax department made up of experienced tax professionals who exercise judgement and seek appropriate advice from specialist professional firms. • At the same time the Group monitors international developments in tax law and practice, adapting its approach where necessary to do so.	→

Assessment of the prospects of the Company and its viability statement

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

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

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

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

With regard to the time frame specifically, the directors considered the above factors as well as the Group's strategic planning process. Comprehensive budgets are prepared annually by the business areas and approved by the Board. Strategic plans covering a period of two years beyond the forecast for the current year are also prepared annually and reviewed by the Board. While the directors have no reason to believe the Company will not be viable over a longer period, given the inherent uncertainty involved, the period over which the directors consider it possible to form a reasonable expectation as to the Group's longer term viability is the three year period to 31 December 2022.

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 a senior unsecured bond, further details of which are set out in Note 16 to the consolidated financial statements. As a result, the directors believe that the Company is well placed to manage its business risks successfully.

The resilience of the Group to a range of possible scenarios, in particular the impact on key financial ratios and its ongoing compliance with financial covenants, was factored into the directors' considerations through stress testing current financial projections. These stress tests included the following:

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

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

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

Confirmation of longer term viability

In accordance with the provisions of the UK Corporate Governance Code, the directors have taken account of the Group's current position and principal risks and uncertainties referred to above in assessing the prospects of the Company and they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2022.

Financial review

> Through our high rate of cash conversion over many years, the Group has been able to make considerable investments in self-financed acquisitions which have compounded to generate substantial growth, while maintaining a strong balance sheet and growing dividends.

Richard Howes
Chief Financial Officer

Revenue
Up 2.7% at actual exchange rates
£9,326.7m
(2018: £9,079.4m)
+1.0%†

Adjusted operating profit*◊
Up 2.8% at actual exchange rates
£653.3m
(IAS 17 – 2019: £630.9m; 2018: £614.0m)
+1.5%†

Adjusted earnings per share*◊
Up 2.2% at actual exchange rates
132.2p
(IAS 17 – 2019: 132.4p; 2018: 129.6p)
+1.0%†

Profit for the year◊
Up 7.2% at actual exchange rates
£349.2m
(IAS 17 – 2019: £349.9m; 2018: £326.5m)
+5.7%†

Cash conversion*
Continued strong cash conversion
101%
(2018: 94%)

Dividend
Long track record of dividend growth continues
51.3p
(2018: 50.2p)
+2.2%

	IFRS 2019 £m	Proforma IAS 17◊ 2019 £m	2018 £m	Growth as reported◊	Growth at constant exchange◊
Financial results					
Revenue	**9,326.7**	**9,326.7**	9,079.4	2.7%	1.0%
Adjusted operating profit*	**653.3**	**630.9**	614.0	2.8%	1.5%
Adjusted profit before income tax*	**578.2**	**579.1**	559.0	3.6%	2.4%
Adjusted earnings per share*	**132.2p**	**132.4p**	129.6p	2.2%	1.0%
Dividend for the year	**51.3p**	**51.3p**	50.2p	2.2%	
Statutory results					
Operating profit	**528.4**	**506.0**	466.2	8.5%	7.0%
Profit before income tax	**453.3**	**454.2**	424.8	6.9%	5.4%
Basic earnings per share	**104.8p**	**105.0p**	98.4p	6.7%	5.2%
Balance sheet and Cash flow					
Return on average operating capital %*	**36.9%**	**48.4%**	50.7%		
Return on invested capital %*	**13.6%**	**14.6%**	15.0%		
Cash conversion %*	**101%**	**100%**	94%		

◊ See Basis of preparation IFRS 16 'Leases' on page 1.
† At constant exchange rates and on an IAS 17 basis (where relevant).
* Alternative performance measure (see Note 4 on page 134).

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 4 to the consolidated financial statements on pages 134 and 135.

Impact of IFRS 16 'Leases'

The main impact of adopting IFRS 16 with effect from 1 January 2019 has been for the Group to recognise right-of-use assets at transition of £449.4 million together with lease liabilities of £498.3 million. As at 31 December 2019 the right-of-use assets were £432.9 million and the lease liabilities were £480.0 million. Further details about the impact of the adoption of IFRS 16 are shown in Note 1b and Note 3 to the consolidated financial statements on pages 124 and 125 and page 133 respectively. Note 3 shows the Group's financial results for the year ended 31 December 2019 presented in accordance with IAS 17 'Leases', the accounting standard that was applicable for the year ended 31 December 2018, in order to provide a meaningful comparison with the prior year.

Currency translation

Currency translation has had a positive impact on the Group's reported results, increasing revenue, profits and earnings by between 1% and 2%. 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 and Canadian dollar, partly offset by the strengthening of sterling against the euro, Australian dollar and Brazilian real.

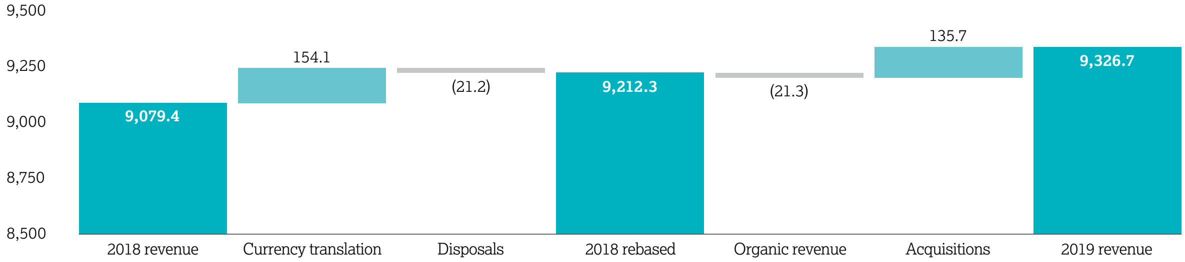
Average exchange rates	2019	2018
US$	**1.28**	1.33
Euro	**1.14**	1.13
Canadian$	**1.69**	1.73
Brazilian real	**5.04**	4.87
Australian$	**1.84**	1.79

Closing exchange rates	2019	2018
US$	**1.32**	1.27
Euro	**1.18**	1.11
Canadian$	**1.72**	1.74
Brazilian real	**5.33**	4.94
Australian$	**1.88**	1.81

Revenue

Revenue increased to £9,326.7 million (2018: £9,079.4 million), up 1.0% at constant exchange rates (up 2.7% at actual exchange rates), reflecting the benefit of acquisitions, partly offset by the impact of disposals in 2018 and a small decrease in organic revenue, which was down 0.2%.

Movement in revenue (£m)



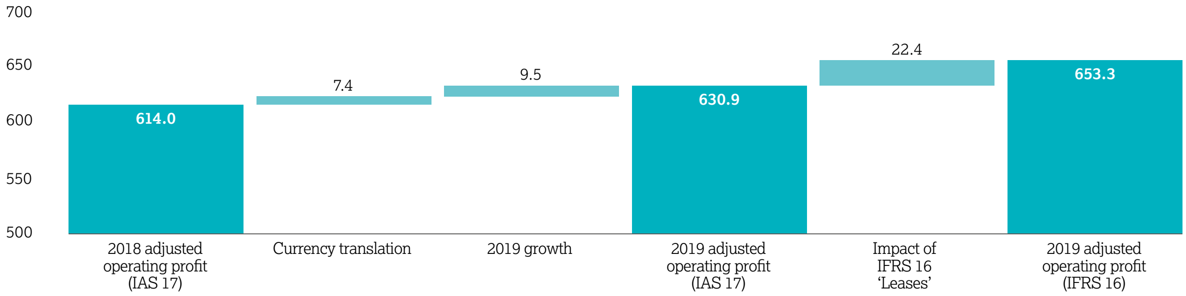
Financial review continued

Operating profit

Adjusted operating profit was £653.3 million. On an IAS 17 basis, adjusted operating profit increased to £630.9 million (2018: £614.0 million), an increase of 1.5% at constant exchange rates (up 2.8% at actual exchange rates).

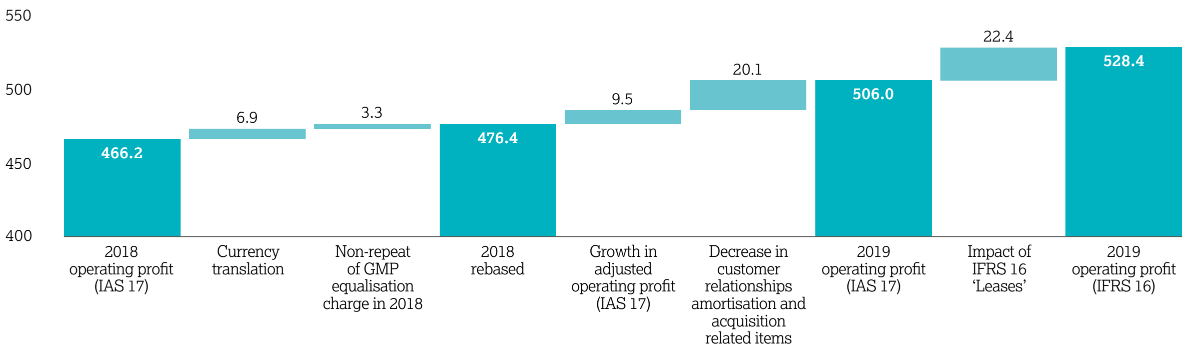
The adjusted operating profit margin was 7.0%. On an IAS 17 basis and at constant exchange rates, the adjusted operating profit margin increased from 6.7% to 6.8% (unchanged at actual exchange rates).

Movement in adjusted operating profit (£m)



Operating profit was £528.4 million. On an IAS 17 basis, operating profit was £506.0 million, an increase of 7.0% at constant exchange rates (up 8.5% at actual exchange rates).

Movement in operating profit (£m)



The GMP equalisation charge in 2018 of £3.3 million was the non-recurring cost of the equalisation of guaranteed minimum pensions ('GMP') between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment in 2018 in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others.

Customer relationships amortisation, acquisition related items and the GMP equalisation charge in 2018 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.

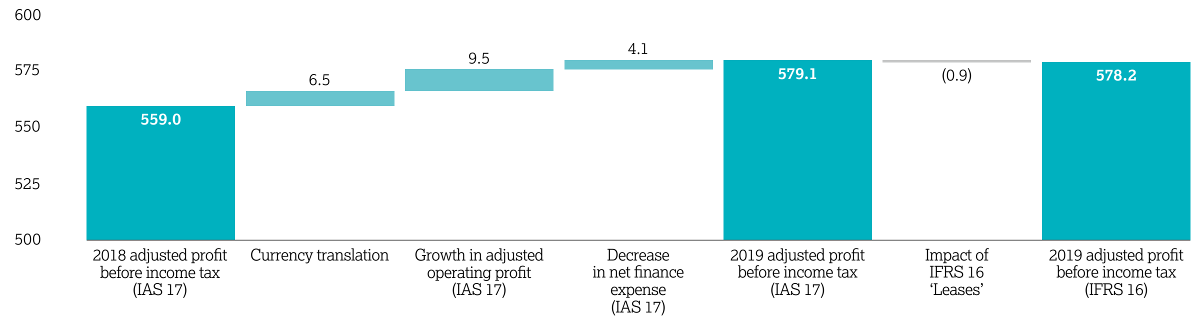
Interest

The net finance expense was £75.1 million including interest on lease liabilities of £23.3 million. On an IAS 17 basis, the net finance expense of £51.8 million decreased by £4.1 million at constant exchange rates, mainly from a lower average level of net debt and lower average interest rates in the year.

Profit before income tax

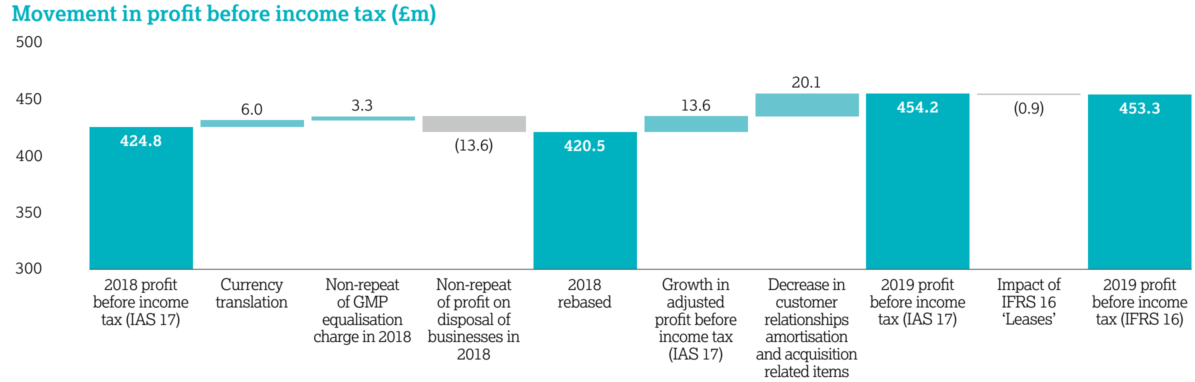
Adjusted profit before income tax was £578.2 million. On an IAS 17 basis, adjusted profit before income tax was £579.1 million (2018: £559.0 million), up 2.4% at constant exchange rates (up 3.6% at actual exchange rates), due to the growth in adjusted operating profit and the reduction in net interest expense.

Movement in adjusted profit before income tax (£m)



Profit before income tax was £453.3 million. On an IAS 17 basis, profit before income tax was £454.2 million (2018: £424.8 million), an increase of 5.4% at constant exchange rates (up 6.9% at actual exchange rates).

Movement in profit before income tax (£m)



The profit on disposal of businesses of £13.6 million in 2018 was the pre-tax profit on disposal of OPM in France and the marketing services business in the UK, two non-core businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. There have been no disposals of businesses in 2019. Disposal of businesses is a non-recurring item and does not relate to underlying operating performance and is therefore not taken into account by management when assessing the performance of the Group. Accordingly, it is removed in calculating adjusted profit before income tax and other alternative performance measures by which management assesses the performance of the Group.

Taxation

The Group's tax strategy is to comply with tax laws in all of the countries in which it operates and to balance its responsibilities for controlling the tax costs with its responsibilities to pay tax where it does business. Management of taxes is therefore carried out within defined parameters. The Group's tax strategy has been approved by the Board and tax risks are regularly reviewed by the Audit Committee. In accordance with UK legislation, the strategy is published on the Bunzl plc website within the Corporate governance section.

The effective tax rate (being the tax rate on adjusted profit before income tax) for the year was 23.8% (2018: 23.1%) and the reported tax rate on statutory profit before income tax was 23.0% (2018: 23.1%). The increase in the effective tax rate from the prior year is mainly due to a reduction in the tax relief available for share options. The adoption of IFRS 16 did not have a significant impact on either the effective tax rate or the reported tax rate.

The effective tax rate is expected to remain at around 24% in 2020. However, as explained in the Principal risks and uncertainties section on pages 50 to 55, the Group identifies an increase in taxation as a principal risk for the Group and the tax rate could be affected by legislative changes or the resolution of prior year tax matters.

One of the tax risks affecting the Group is the European Commission's assertion that part of the UK's tax regime amounts to State aid. Further details about this risk, and other aspects of taxation, are given in Note 8 to the consolidated financial statements on pages 140 to 142. In addition, the Group is required to make an additional cash tax payment in 2020 of approximately £19 million for tax plus interest and penalties in relation to a tax dispute in Brazil. The Group has provided for the best estimate of the ultimate liability in this matter and expects to recover the remainder once the legal process is completed.

Financial review continued

Earnings per share

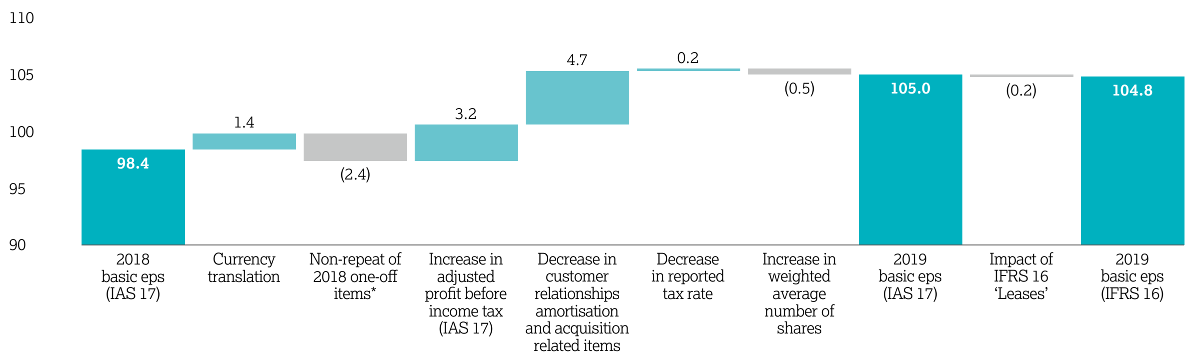
Profit after tax was £349.2 million. On an IAS 17 basis, profit after tax increased to £349.9 million (2018: £326.5 million), up 5.7% and an increase of £18.8 million at constant exchange rates (up 7.2% at actual exchange rates), due to a £23.4 million increase in profit before income tax, partly offset by a £4.6 million increase in the tax charge.

Adjusted profit after tax was £440.6 million. On an IAS 17 basis, adjusted profit after tax was £441.3 million (2018: £429.9 million), up 1.5% and an increase of £6.4 million at constant exchange rates (up 2.7% at actual exchange rates), due to a £13.6 million increase in adjusted profit before income tax, partly offset by an increase in the effective tax rate, with tax on adjusted profit before income tax increasing by £7.2 million at constant exchange rates.

The weighted average number of shares increased to 333.3 million from 331.7 million in 2018 due to employee share option exercises, partly offset by share purchases into the employee benefit trust.

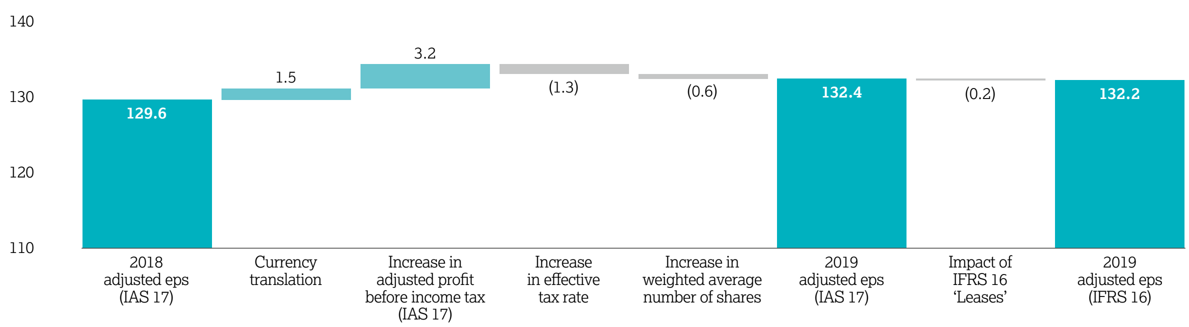
Basic earnings per share were 104.8p. On an IAS 17 basis, basic earnings per share were 105.0p (2018: 98.4p), up 5.2% at constant exchange rates (up 6.7% at actual exchange rates). Adjusted earnings per share were 132.2p. On an IAS 17 basis, adjusted earnings per share were 132.4p (2018: 129.6p), an increase of 1.0% at constant exchange rates (up 2.2% at actual exchange rates).

Movement in basic eps (p)



* Non-repeat of 2018 one-off items relates to the GMP equalisation charge and profit on disposal of businesses.

Movement in adjusted eps (p)



Dividends

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

	2019	2018	Growth
Interim dividend (p)	**15.5**	15.2	2.0%
Final dividend (p)	**35.8**	35.0	2.3%
Total dividend (p)	**51.3**	50.2	2.2%
Dividend cover (times)*	**2.6**	2.6	

* Based on adjusted earnings per share on an IAS 17 basis.

The Company's practice has been to pay a progressive dividend, delivering year-on-year increases with the dividend growing at approximately the same rate as the growth in adjusted earnings per share. The 2019 dividend is 2.2% higher than the 2018 dividend, which compares with the adjusted earnings per share growth of 2.2% at actual exchange rates and 1.0% at constant exchange rates.

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 2019, Bunzl has sustained a growing dividend to shareholders over the past 27 years.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in the Principal risks and uncertainties section on pages 50 to 55. 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 2019 Bunzl plc had sufficient distributable reserves to cover more than four years of dividends at the cost of the 2019 dividends, which is expected to be approximately £171 million.

Acquisitions

The Group completed four acquisitions during the year ended 31 December 2019 with a total committed spend of £159.4 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the year were £136.7 million and £17.0 million respectively.

Excluding the Volk do Brasil acquisition that had been agreed at 31 December 2018, but completed in January 2019, the estimated annualised revenue of the acquisitions was £96.6 million, with committed acquisition spend of £124.3 million. Acquisition spend reflects the cash consideration paid, which in certain instances includes amounts paid for the benefit of tax deductions for amortisation of intangible assets and estimated earnout consideration for future profit growth.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	103.2
Goodwill	39.8
Consideration	143.0
Satisfied by:	
cash consideration	138.6
deferred consideration	4.4
	143.0
Contingent payments relating to retention of former owners	13.4
Net cash acquired	(1.1)
Transaction costs and expenses	4.1
Total committed spend in respect of acquisitions completed in the current year	**159.4**
Spend on acquisitions committed but not completed at the year end	–
Spend on acquisitions committed at prior year end but completed in the current year	(35.1)
Total committed spend in respect of acquisitions agreed in the current year	**124.3**

Financial review continued

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

	£m
Cash consideration	138.6
Net cash acquired	(1.1)
Deferred consideration in respect of prior year acquisitions	6.1
Net cash outflow in respect of acquisitions	143.6
Acquisition related items*	19.2
Total cash outflow in respect of acquisitions	**162.8**

* Acquisition related items comprise £3.8 million of transaction costs and expenses paid and £15.4 million of payments relating to retention of former owners.

Cash flow

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

	2019 £m	2018 £m	Movement £m
Cash generated from operations†	**814.1**	607.1	207.0
Payment of lease liabilities	**(151.6)**	–	(151.6)
Net capital expenditure	**(28.8)**	(28.6)	(0.2)
Operating cash flow†	**633.7**	578.5	55.2
Net interest excluding interest on lease liabilities	**(51.2)**	(49.1)	(2.1)
Tax	**(125.6)**	(113.2)	(12.4)
Free cash flow	**456.9**	416.2	40.7
Dividends	**(167.3)**	(152.2)	(15.1)
Acquisitions◊	**(162.8)**	(184.2)	21.4
Disposal of businesses	**–**	55.1	(55.1)
Employee share schemes	**(27.7)**	50.0	(77.7)
Net cash inflow	**99.1**	184.9	(85.8)

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

The Group's free cash flow of £456.9 million was £40.7 million higher than in 2018, principally due to the increase in operating cash flow of £55.2 million, partly offset by higher cash outflows relating to interest and tax. The Group's free cash flow was principally used to finance dividend payments of £167.3 million in respect of 2018 (2018: £152.2 million in respect of 2017) and an acquisition cash outflow of £162.8 million (2018: £184.2 million).

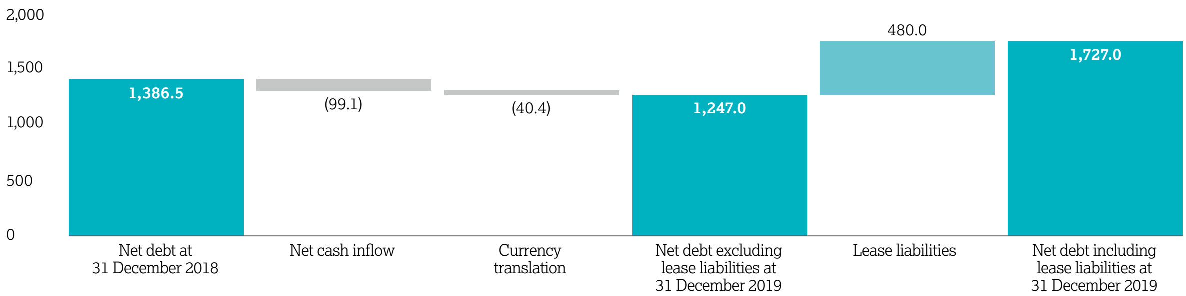
As a result of the adoption of IFRS 16, for meaningful comparison with prior periods, the Group has updated its definition of cash conversion to be operating cash flow, which now includes the payment of lease liabilities as a deduction, as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities. Cash conversion in 2019 was 101% (2018: 94%).

	2019 £m	2018 £m
Operating cash flow	**633.7**	578.5
Adjusted operating profit	**653.3**	614.0
Add back depreciation of right-of-use assets	**128.1**	–
Deduct payment of lease liabilities	**(151.6)**	–
Lease adjusted operating profit	**629.8**	614.0
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**101%**	94%

Net debt

Net debt excluding lease liabilities decreased by £139.5 million during the year to £1,247.0 million (2018: £1,386.5 million), due to the net cash inflow of £99.1 million and a £40.4 million decrease due to currency translation.

Movement in net debt (£m)



As noted previously, the Group adopted IFRS 16 with effect from 1 January 2019 and as a result now recognises lease liabilities, which are initially based on the present value of the future payments required under each lease discounted at either the interest rate implicit in the lease or the incremental borrowing rate of the lessee. The movement in the lease liabilities from the transition date of 1 January 2019 to 31 December 2019 was as follows:

Movement in lease liabilities	£m
Lease liabilities at 31 December 2018	–
Lease liabilities on transition	498.3
Acquisitions	6.5
New leases	105.2
Interest charge in the year	23.3
Payment of lease liabilities	(151.6)
Remeasurement adjustments	14.4
Currency translation	(16.1)
Lease liabilities at 31 December 2019	**480.0**

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 1.9 times (2018: 2.0 times).

Balance sheet

Summary balance sheet at 31 December:

	2019 £m	2018 £m
Intangible assets	**2,290.9**	2,382.5
Right-of-use assets	**432.9**	–
Property, plant and equipment	**118.3**	122.4
Working capital	**943.4**	948.3
Other net liabilities	**(278.2)**	(333.7)
	3,507.3	3,119.5
Net pension deficit	**(36.0)**	(38.5)
Net debt excluding lease liabilities	**(1,247.0)**	(1,386.5)
Lease liabilities	**(480.0)**	–
Equity	**1,744.3**	1,694.5

Return on average operating capital under IAS 17*	**48.4%**	50.7%
Return on invested capital under IAS 17*	**14.6%**	15.0%

* On an IFRS 16 basis, at 31 December 2019, return on average operating capital was 36.9% and return on invested capital was 13.6%.

Financial review continued

On an IAS 17 basis, return on average operating capital decreased to 48.4% from 50.7% in 2018 and return on invested capital of 14.6% was down from 15.0% in 2018, both due to a lower return in the underlying business driven by an increase in average capital employed.

Intangible assets decreased by £91.6 million to £2,290.9 million due to an amortisation charge of £114.7 million and a decrease from currency translation of £98.2 million, partly offset by intangible assets arising on acquisitions in the year of £111.5 million and software additions of £9.8 million.

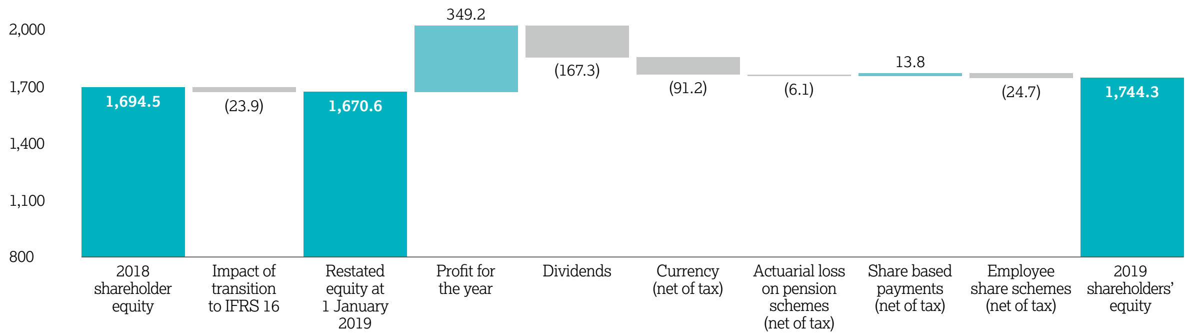
As a result of the adoption of IFRS 16 'Leases' on 1 January 2019, the Group now recognises right-of-use assets. The right-of-use assets at 31 December 2019 were £432.9 million, arising from £449.4 million recognised on the transition to IFRS 16 'Leases' on 1 January 2019, additional right-of-use assets from new leases during the year of £105.2 million, an increase from acquisitions of £6.5 million and an increase from remeasurement adjustments of £14.4 million, partly offset by a depreciation charge of £128.1 million and a decrease from currency translation of £14.5 million.

Working capital decreased from the prior year end by £4.9 million to £943.4 million due to decreases from currency translation and the underlying business, partly offset by increases from acquisitions and the impact of the adoption of IFRS 16 due to the removal of accruals and prepayments relating to leases.

The Group's net pension deficit of £36.0 million at 31 December 2019 was £2.5 million lower than at 31 December 2018, principally due to contributions of £14.9 million during the year and a decrease from currency translation more than offsetting increases from service cost and net interest expense and an actuarial loss of £8.3 million. The actuarial loss principally arose from an increase in pension liabilities due to a decrease in discount rates, partly offset by higher than expected returns on pension scheme assets.

Shareholders' equity increased by £49.8 million during the year to £1,744.3 million.

Movement in shareholders' equity (£m)



Capital management

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

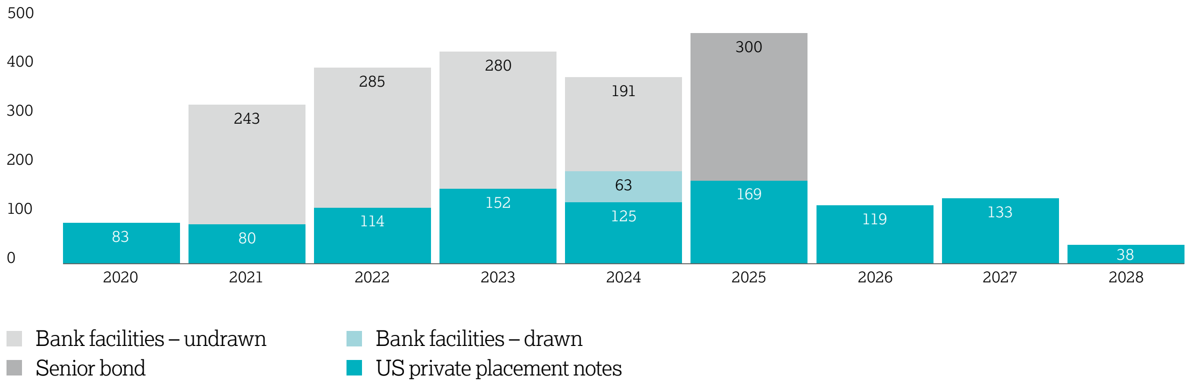
Treasury policies and controls

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

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt to EBITDA, calculated at average exchange rates and in accordance with the debt covenants, 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 2019 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and a senior bond. At 31 December 2019 the nominal value of US private placement notes outstanding was £1,012.1 million (2018: £1,120.6 million) with maturities ranging from 2020 to 2028. The £300 million senior bond matures in 2025 and the Group's committed bank facilities mature between 2021 and 2024. At 31 December 2019 the available committed bank facilities totalled £1,062.4 million (2018: £1,043.8 million) of which £63.0 million (2018: £104.3 million) was drawn down, providing headroom of £999.4 million (2018: £939.5 million).

Committed facilities maturity profile by year (£m)



Further details of the Group's capital management and treasury policies and controls are set out in Note 16 to the consolidated financial statements on pages 147 to 154.

Richard Howes
Chief Financial Officer
24 February 2020

Board of directors

The Board continues to provide strong, effective leadership and independent scrutiny and challenge while promoting the long term success of the Company for the benefit of its stakeholders as a whole.

Philip Rogerson

Chairman

Appointment
Appointed to the Board in January 2010 and became Chairman in March 2010. Chairman of the Nomination Committee.

Experience
He was an executive director of BG Group plc (formerly British Gas plc) from 1992 to 1998, latterly as Deputy Chairman. Since then he has been both a non-executive director and Chairman of a number of companies and is currently a non-executive director of Blancco Technology Group plc. He will retire from the Board at the conclusion of the Annual General Meeting ('AGM') on 15 April 2020.

Peter Ventress

Chairman designate

Appointment
Appointed to the Board as a non-executive director and Chairman designate on 1 June 2019 and will become Chairman and Chairman of the Nomination Committee at the conclusion of the AGM on 15 April 2020 following the retirement of Philip Rogerson.

Experience
He was formerly a non-executive director of Premier Farnell plc, Staples Solutions NV and Softcat plc and was Chief Executive Officer of Berendsen plc from 2010 to 2016. Prior to this he held several senior executive roles including International President of Staples Inc and Chief Executive Officer of Corporate Express NV, a Dutch quoted company which was subsequently acquired by Staples. He is currently Chairman of Galliford Try plc and Senior Independent Director of Signature Aviation plc.

Frank van Zanten

Chief Executive Officer

Appointment
Executive director since February 2016 and Chief Executive Officer and member of the Nomination Committee from April 2016.

Experience
He joined Bunzl in 1994 when Bunzl acquired his family owned business in the Netherlands and he subsequently assumed responsibility for a number of businesses in other countries. In 2002 he became Chief Executive Officer of PontMeyer NV, before rejoining Bunzl in 2005 as Managing Director, Continental Europe. He is a non-executive director of Grafton Group plc but will retire from this position on 29 April 2020. He has been nominated to be appointed as a member of the Supervisory Board of Koninklijke Ahold Delhaize NV with effect from 8 April 2020.

Richard Howes

Chief Financial Officer

Appointment
Appointed Chief Financial Officer designate in September 2019 and joined the Board and became Chief Financial Officer in January 2020.

Experience
He qualified as a Chartered Accountant with Ernst & Young before moving to the investment bank Dresdner Kleinwort Benson. During his career he has held a number of senior positions at Geest plc and Bakkavor Group plc, including that of Chief Financial Officer of Bakkavor Group. He was Chief Financial Officer of Coats Group plc between 2012 and 2016 and prior to joining Bunzl was Chief Financial Officer of Inchcape plc.

Committee membership
- Member of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee
- Independent director

Lloyd Pitchford
Non-executive director

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

Experience
Having previously held a number of senior finance positions with BG Group plc, including five years as Group Financial Controller, he subsequently joined Intertek Group plc where he was Chief Financial Officer from 2010 to 2014. Since 2014 he has been Chief Financial Officer of Experian plc.

Eugenia Ulasewicz
Non-executive director

Appointment
Non-executive director since April 2011.

Experience
After holding a number of senior retail positions with Bloomingdale's, Galeries Lafayette and Saks Fifth Avenue, she joined Burberry Group plc and was President of Burberry, Americas from 1998 until 2013. She is a non-executive director of Signet Jewelers Limited, Vince Holding Corp. and Hudson Ltd. She will retire from the Board at the conclusion of the AGM on 15 April 2020.

Vanda Murray OBE
Senior Independent Director

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

Experience
Formerly Chief Executive Officer of Blick plc from 2001 to 2004, she subsequently became UK Managing Director of Ultraframe PLC from 2004 to 2006 and was appointed OBE in 2002 for Services to Industry and Export. She is Chair of Marshalls plc and a non-executive director of Redrow plc.

Stephan Nanninga
Non-executive director

Appointment
Non-executive director since May 2017.

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

Corporate governance report

Governance has a key role to play in the culture of our organisation and the Board is committed to ensuring that Bunzl's purpose, values and high standards of corporate governance are set from the top and embedded throughout the Group.

Philip Rogerson
Chairman

Introduction from Philip Rogerson, Chairman of the Board

One of my key responsibilities as Chairman is to ensure that the Board delivers effective leadership to support the creation and delivery of strong and sustainable financial and operational performance for the Group and long term value for our stakeholders.

The Board recognises that sustainable business success is not possible without a clear corporate purpose and sound corporate governance. Good governance is the foundation of what we do at Bunzl and an integral part of the way we deliver our strategy. It underpins our strong corporate values and culture and the way we do business and also provides the framework within which the entrepreneurial drive in the business can continue to flourish. Without good governance, we would be unable to deliver on our core purpose of delivering essential business solutions around the world and creating long term sustainable success for the benefit of our stakeholders.

The Board is committed to ensuring that the Company's purpose, values, culture and high standards are set from the top and embedded throughout the Group. The executive directors and executive management team play an integral role in this by promoting positive behaviour to ensure that our commonly held values are put into practice every day and that our people understand how we expect them to help the Company achieve its purpose.

The Board monitors adherence to the Group's corporate culture in a number of ways, including by visiting Group locations and interacting with employees from across the business. The Board also reviews the results of the Group's biennial global employee engagement survey, whistle blowing data and accident statistics, all of which are considered to be culture indicators. During the year, various members of the Board attended employee forums and employee-focused events, further details of which can be found later in this report and on page 40 of the Sustainability report. Such visits have helped to ensure that the Board has an understanding of wider workforce engagement and areas of interest. I believe that this, together with our robust governance framework, allows the Board to lead the Group in the right direction as we develop and pursue our future strategy, while ensuring that good governance principles and practices are adhered to.

Stakeholder engagement

As I reported in last year's Corporate governance report, The Companies (Miscellaneous Reporting) Regulations 2018 (the 'Regulations') and the Financial Reporting Council's ('FRC') 2018 edition of the UK Corporate Governance Code (the 'Code') were published during 2018. Both the Regulations and the Code applied to the Company from 1 January 2019 and all references to the Code in this report relate to the 2018 edition which applied to the 2019 financial year. The Regulations and the Code put greater emphasis on stakeholders and give prominence to the requirement for boards to adopt a longer term time horizon when considering issues and making decisions.

At Bunzl we understand the importance of long term thinking and believe that effective stakeholder engagement is critical to fostering mutually beneficial relationships and securing our long term success. We believe that it takes a diversity of perspectives to deliver positive outcomes for all our stakeholders and we seek to engage proactively with them to understand their views. This in turn enables us to make better decisions based on the well-informed feedback we receive. Further information on stakeholder engagement can be found on pages 32 and 33.

Workforce engagement

During the year, the Board considered the requirements that have been introduced by the Code in respect of workforce engagement. We have an experienced, diverse and dedicated workforce which we recognise as a key asset of our business and their voice is critical to our success. We are a global company with operations in multiple locations and employees coming from many different perspectives and it is therefore essential that our engagement methods suit the nature of our business and our workforce. As I have already mentioned, the employee voice is heard by the Board throughout the year through several different channels, further details of which can be found on pages 32 and 33 and in the Sustainability report on pages 34 to 49. We strongly believe that this holistic approach to engagement is the most effective method and allows the Board to understand, monitor and assess the culture of the business and its alignment with the Company's purpose, values and strategy. The Board intends to build on these established means of engagement, so that we can continue to listen effectively and respond as necessary and appropriate to the employee voice.

Board changes

On 10 May 2019, the Company announced that Brian May, Finance Director, would be retiring from the Company and would be succeeded by Richard Howes as Chief Financial Officer. Brian May stepped down from the Board on 31 December 2019 and will leave the Group at the end of February 2020. Brian's significant contribution to the Company's success has been greatly appreciated and he leaves the Board with the Company's thanks and best wishes. In addition, as reported in last year's Annual Report, I will step down as Chairman and as a director at the conclusion of the Company's forthcoming Annual General Meeting ('AGM'), with Peter Ventress having been appointed to succeed me at that time.

Further details concerning the Board changes that took place during the year can be found later in this report and in the Nomination Committee report on pages 77 to 79.

Board evaluation

An externally facilitated evaluation of the Board and its Committees was once again undertaken during 2019 and I am pleased to report that as a result of the evaluation, the Board concluded that both it and its Committees continue to operate effectively. The Board continues to work closely with the executive management team and offers support and robust challenge as appropriate. Further information concerning the evaluation can be found on page 73.

The reports that follow provide an overview of the work undertaken by the Board and its Committees in fulfilling our governance responsibilities and describe how the principles and provisions of the Code have been applied by the Company during the year ended 31 December 2019. The Board will continue to strengthen the Group's governance processes to ensure that the business as a whole is aligned with best practice and that our approach to disclosure remains understandable and transparent.

Philip Rogerson
Chairman
24 February 2020

Compliance statement

It is the Board's view that, for the year ended 31 December 2019, with the exception of provision 38 which states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce, the Company has been fully compliant with all of the relevant principles and provisions set out in the Code. Further information concerning the Company's approach to pension contribution rates for executive directors can be found on page 93 of the Directors' remuneration report. The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the Financial Conduct Authority's Listing Rules and to report if it does not reflect such compliance. No such report has been made.

Employee engagement statement

The Board regards employee engagement as a matter of great importance and, during the year, the directors were involved in a number of different initiatives aimed at further enhancing their understanding of the views and interests of Bunzl's employees. More information about these initiatives and the relevance of such engagement in the context of the Company's strategy can be found on pages 32 and 33 and in the Sustainability report on pages 34 to 49. In addition, information concerning the arrangements in place to communicate and consult with Bunzl's employees can also be found in the Sustainability report and in the Other statutory information section on pages 114 to 116. The Company encourages employee involvement in its performance through a variety of different means, including the operation of all employee share plans, bonus and commission schemes and other incentive arrangements.

Engagement with suppliers, customers and other stakeholders

Understanding the views of our stakeholders is a key priority for the Board and Bunzl as a whole. It helps to focus our resources, engagement and reporting activities by addressing those issues that matter most to our business and to our wider stakeholders. Fostering strong business relationships is an intrinsic part of our long established, consistent, proven and successful compounding strategy and a key consideration in all of our decision making.

More information about Bunzl's engagement with its suppliers, customers and wider stakeholder groups can be found on pages 32 and 33 and in the Sustainability report on pages 34 to 49.

Board composition

As at 31 December 2019, the Board was made up of eight members comprising a Chairman, a Chairman designate, a Chief Executive Officer, a Finance Director and four non-executive directors.

As reported in last year's Annual Report, at the end of 2018 Philip Rogerson completed his third three year term in office and in recognition of the new provisions of the Code, which states that the Chair of a listed company should not remain in post beyond nine years from the date of their first appointment to the Board, a process led by Vanda Murray, the Senior Independent Director, was undertaken to identify and appoint Philip Rogerson's successor. This process led to the appointment of Peter Ventress on 1 June 2019 as a non-executive director and Chairman designate. Peter Ventress will assume the role of Chairman of the Board and of the Nomination Committee following Philip Rogerson's retirement at the conclusion of the Company's forthcoming AGM.

Following the announcement on 10 May 2019 that Brian May, Finance Director, would be retiring from the Board on 31 December 2019, Richard Howes joined the Company as Chief Financial Officer designate on 1 September 2019, becoming Chief Financial Officer and a director on 1 January 2020.

As announced today, Eugenia Ulasewicz, who has been a non-executive director since April 2011, will retire from the Board following the Company's AGM on 15 April 2020.

Brief biographical details of the current directors are given on pages 66 and 67 and further information on the Nomination Committee's approach to succession planning can be found in its report on pages 77 to 79.

Corporate governance report continued

None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board and all of them are considered by both the Board and the criteria set out in the Code to be independent. Each of the non-executive directors is considered to have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses. In accordance with the terms of the Code, with the exception of Philip Rogerson and Eugenia Ulasewicz who will retire at the conclusion of the AGM, each of the directors in office at the date of this Annual Report will be subject to re-election at the forthcoming AGM.

Board activity in 2019

The Board meets formally at least seven times a year and normally at least two of these meetings are held at or near Group locations around the world where the directors have the opportunity to meet and interact with executives from different businesses within the Group's portfolio as well as observe the operations in situ. The Group's overall strategy is reviewed and discussed both at a separate strategic planning meeting and during Board meetings held over the course of the year. As part of this strategic planning process, presentations are made by the Chief Executive Officer, the Chief Financial Officer and the heads of the business areas, together with the Director of Corporate Development. Further details of the Board meetings that were held overseas during 2019 can be found in the adjacent case study.

During 2019, in addition to the discussions relating to the Group's strategy that took place during the year, a number of the Group's executives made presentations to the Board about a variety of diverse topics. These included reviews of business performance, potential acquisition opportunities, the post-acquisition performance of businesses acquired in prior years, the Group's financing facilities and treasury policies, the Group insurance programmes, tax risks and strategy, the Group risk assessment, information security risks and controls, supplier audits carried out, an update on recent developments in sustainability matters, whistle blowing reports and health & safety performance metrics.

An area of particular focus during the year included information technology ('IT') and information security ('IS'), following the appointment by the Company of a professional services firm to assist with the performance of IT and IS internal audits. The directors considered the work so far undertaken by the firm and agreed that the Company should establish an IS risk assessment and develop further its IS policy. The Board will continue to oversee the enhancement of the Company's approach to IT and IS risks.

The Board also reviewed and approved a new corporate responsibility framework, including a revised and extended set of related policies.

The Board calendar is planned to ensure that the directors discuss a wide range of topics throughout the year and the Board has formally adopted a schedule of matters which are required to be referred to it for decision. A non-exhaustive list of such matters can be found on page 71.

Meetings

The Board met on seven occasions during 2019. Directors' attendance at those meetings is set out below:

	Meetings attended
Philip Rogerson	7
Peter Ventress[1]	4
Frank van Zanten	7
Brian May[2]	7
Eugenia Ulasewicz	7
Vanda Murray	7
Lloyd Pitchford	7
Stephan Nanninga	7

1. Peter Ventress was appointed as a director on 1 June 2019 and attended all of the Board meetings held between that date and the end of the year.
2. Brian May retired as a director on 31 December 2019.

Board in action – Board meetings in Chicago, US and Valencia, Spain

The Board held its June and October 2019 meetings in Chicago, US and Valencia, Spain respectively.

The meeting in Chicago afforded members of the management team in Bunzl North America the opportunity to meet with the directors and give presentations on Bunzl North America's digital strategy, which is underpinned by continuous improvement, driven by data analysis and customer insight. The ability to innovate is very important to help meet our customers' rapidly evolving wants and needs and the presentations covered topics such as the various initiatives being undertaken to meet customer demand, including in respect of the customer experience, e-commerce and digital marketing. The directors were informed of the industry leading digital solutions that have been developed for Bunzl North America's customers, including mobile applications, data modelling and analytics. The directors were also provided with information on the continued investment that is being directed to enhancing digital capabilities, automation and outsourcing as part of the ongoing productivity drive of the business.

During their visit to Valencia the directors met with senior management from the Continental Europe business area and the Group's Spanish subsidiaries. They also visited one of the locally based subsidiaries, Quirumed, and received presentations on the digital capabilities being employed by the business, including the company's e-commerce value proposition and the improvements brought about by such capabilities.

The directors regard these site visits as an important part of their continuing education and development, as well as an integral part of the induction process for new directors. They help directors enhance further their understanding of the Group's activities through direct experience of seeing processes in operation and by having discussions with a range of employees. Such interactions not only provide the Board with an opportunity to assess and monitor the Group's culture and its alignment with the Group's strategy and values but are also essential in helping the Board to understand better the broader long term impact of its decisions on the Group's stakeholders both nationally and internationally, including employees, customers, suppliers and the communities in which the Group operates.

Governance structure

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

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

Board

Nomination Committee

Chairman
Philip Rogerson

Members
Peter Ventress
Frank van Zanten
Vanda Murray
Eugenia Ulasewicz
Lloyd Pitchford
Stephan Nanninga

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

For more information
see pages 77 to 79

Audit Committee

Chairman
Lloyd Pitchford

Members
Vanda Murray
Eugenia Ulasewicz
Stephan Nanninga

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

For more information
see pages 80 to 84

Remuneration Committee

Chair
Vanda Murray

Members
Eugenia Ulasewicz
Lloyd Pitchford
Stephan Nanninga

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

For more information
see pages 85 to 113

Matters reserved for the Board

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

Shareholders

- Matters requiring shareholder approval.
- Circulars and significant shareholder communications.

Capital allocation and structure

- Significant capital expenditure/disposals.
- Significant business acquisitions/disposals.
- Material changes to the Group's capital structure.
- Major property leases.
- Material increases in borrowing and loan facilities.

Policies and statements

- Material Group policies and statements and major changes thereto, for example:
  - tax strategy;
  - treasury policy;
  - modern slavery statement;
  - equality and diversity policy; and
  - risk appetite.

People and leadership

- Appointment/removal of directors and Company Secretary.
- Non-executive directors' remuneration.
- Board Committee constitution and terms of reference.

Strategy and management

- The Group's strategic aims and objectives.
- Annual budget and strategic plan.

Financial reporting, risk and controls

- Financial results and announcements relating thereto.
- Final and interim dividends.
- Auditor appointment/removal.
- Risk management and internal controls.

Corporate governance report continued

Board roles and responsibilities

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

<table>
<tr><th>Role</th><th colspan="2">Responsibilities</th></tr>
<tr><td>Chairman</td><td>The primary job of the Chairman is to be responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role.

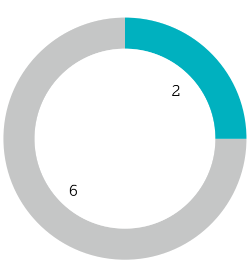
The Chairman:
• takes overall responsibility for the composition and capability of the Board and its Committees;
• consults regularly with the Chief Executive Officer and is available on a flexible basis to provide advice, counsel and support to the Chief Executive Officer; and
• ensures corporate governance is conducted in accordance with current best practice, as appropriate to the Group.

The Chairman is also viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders.</td><td rowspan="2">There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which is set out in writing and has been agreed by the Board.</td></tr>
<tr><td>Chief Executive Officer</td><td>The Chief Executive Officer is responsible for the leadership and the operational and performance management of the Company within the strategy agreed by the Board.

The Chief Executive Officer:
• manages the executive directors and the Group's management and day-to-day activities;
• prepares and presents to the Board the strategy for growth in shareholder value;
• sets the operating plans and budgets required to deliver the agreed strategy;
• ensures that the Group has in place appropriate risk management and control mechanisms; and
• communicates with the Company's shareholders and analysts on a day-to-day basis as necessary.

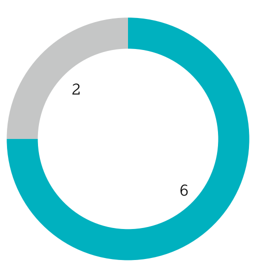
The Chief Executive Officer is also the designated member of the Board responsible for environmental, social and governance matters and reports to the Board in relation to such matters.</td></tr>
<tr><td>Chief Financial Officer</td><td colspan="2">The Chief Financial Officer supports the Chief Executive Officer and is responsible for managing the Group's funding strategy, financial reporting, risk management and internal controls, investor relations programme and the leadership of the finance function.</td></tr>
<tr><td>Senior Independent Director</td><td colspan="2">A key role of the Senior Independent Director is to be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate. The Senior Independent Director is also available to the other directors should they have any concerns which are not appropriate to raise with the Chairman or which have not been satisfactorily resolved by the Chairman.</td></tr>
<tr><td>Independent non-executive directors</td><td colspan="2">The non-executive directors play an important role in corporate governance and accountability through both their attendance at Board meetings and their membership of the various Board Committees. The non-executive directors bring a broad range of business and financial expertise and experience to the Board which complements and supplements the experience of the executive directors. This enables them to offer strategic guidance, evaluate information provided and constructively challenge management's viewpoints, assumptions and performance.</td></tr>
</table>

Executive and non-executive directors



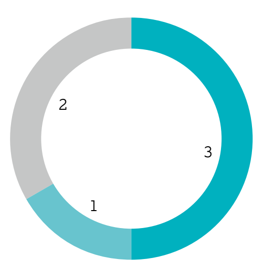
- Executive
- Non-executive (includes Chairman)

Board gender



- Male
- Female

Non-executive director tenure



- 0 – 3 years
- 3 – 6 years
- 6+ years

Performance evaluation

The Chairman is responsible, with support from the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, knowledge, experience and diversity and that directors have sufficient time available to discharge their duties effectively. In furtherance of this, the Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. In addition, any additional significant external appointments are subject to Board approval prior to such appointments being undertaken by a director.

The evaluation includes a detailed questionnaire and individual discussions between the Chairman and each director when their individual training and development needs are reviewed and their other time commitments are considered. Following the evaluation, the Board identifies a number of key priorities in order to improve the Board's performance and further details of the priorities identified as part of the evaluation that was carried out in 2019 can be found below.

Key priorities identified in 2018	Examples of action taken	Outcome
1. Continuing to develop a greater understanding of the relevant digital and technological developments affecting the Group's businesses.	1. Presentations made to the Board on matters concerning information technology, information security, digital strategy and the digital capabilities being employed by Group businesses.	The Board is satisfied that the priorities identified following the evaluation carried out in 2018 have been adequately addressed during 2019.
2. Increasing the emphasis on human resources, people and management of succession planning at both Board and senior management levels.	2. In addition to usual Nomination Committee activities, additional presentation made to the Board by the Director of Group HR in respect of succession planning for executive and senior management level appointments.	
3. Further engagement with executives who are not on the Board to increase the Board's exposure to the Group's senior management below Board level.	3. Members of the senior management team invited to present at Board and Committee meetings. Directors and senior management team members also attended and participated in employee consultation forums, senior leadership programmes and other employee-focused events.	
4. Focusing on the operational initiatives required in order to maintain or improve the Group's operating margins with a particular focus on North America.	4. Reorganisation of largest business in North America and other restructurings and operational initiatives helped to maintain North America operating margin and increase the Group operating margin from 6.7% to 6.8% at constant exchange rates.	

Key priorities identified in 2019	
1. Managing the sustainability agenda which, while potentially a threat to the Company's business, is also seen as a potential opportunity.	As a result of the performance evaluation process carried out in 2019, the Board concluded that both it and its Committees are operating effectively.
2. Continuing to focus on the threats and opportunities presented by digital and technological developments, including those relating to artificial intelligence.	
3. Continuing to focus on talent management and development with a view to developing further the succession plans for the Company's senior management team.	

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

Although the Code only requires that the evaluation of the Board and its Committees should be externally facilitated at least every three years, the Board has decided to carry out an annual performance evaluation. By doing so, the Board is able to ensure that there is consistency and continuity in the evaluation process and the presentation of the results from one year to the next. The facilitator of the external evaluation, Lintstock, does not provide any other services to, or have any other connection with, the Company.

The Board is cognisant of the requirements in the Code and the new associated guidance relating to board performance evaluations, which indicates that questionnaire-based external evaluations are unlikely to be sufficiently broad. The Board intends to carry out a more comprehensive external evaluation for the year ending 31 December 2020 or 31 December 2021 and will report formally on the findings of such evaluation in the relevant Annual Report.

Corporate governance report continued

Board in action – Chief Financial Officer's induction

Following his appointment as Chief Financial Officer designate on 1 September 2019 and prior to becoming Chief Financial Officer and a director on 1 January 2020, Richard Howes undertook a structured and comprehensive induction programme, tailored to his needs. The induction programme, which included an extensive handover with the retiring Finance Director, Brian May, allowed him to familiarise himself with the business quickly and develop a thorough understanding of Bunzl's culture, its strategic priorities and the markets in which it operates. The programme also provided him with the opportunity to establish relationships and links to employees across the Group.

Diverse formats were employed during the induction process to communicate information, including reading materials, meetings with employees, senior management and fellow directors, briefings and training from external advisers, sessions with the Company's external auditors and corporate brokers, site visits and investor roadshow meetings. In addition, Richard Howes also attended meetings of the Executive Committee.

Richard Howes's training and development needs will be reviewed regularly by the Chief Executive Officer and the Company Secretary and will be assessed by the Chairman as part of the formal performance evaluation.

An overview of the activities and areas covered as part of the induction programme to date is set out below:

Key induction events 2019

September	• Investor roadshows in the UK and the US. • Site tours of Bunzl's operations in California, Chicago and Kansas, US. • Meetings with banks and analysts.
October	• Introductory meetings with members of the UK senior management team. • Visit to Barcelona, Spain, including a warehouse tour and presentations from senior executives of the Group's Spanish, Italian, Israeli and Turkish businesses. • Visits to Group businesses in Chile and Brazil, including site tours, a meeting with local lawyers and presentations by local senior management. • Attended an overseas meeting of the Board of directors.
November	• Visits to several of the Group's businesses in France, including warehouse tours and insights provided by local management. • Attendance at the Group's Global Safety Sector meeting in Düsseldorf, Germany. • Site tours of Bunzl's operations and the sourcing and QA/QC office in Shanghai, China. • Site visit to the Group's Innovation Centre in Australia and meetings with employees of the Group's Australian businesses and the local partner from the external auditors. • Visit to the Group's LSH business in Singapore.
December	• Site visits to a number of Bunzl's operations in the UK and Ireland and meetings with local management teams. • Attended a meeting of the Board of directors. • Attended a meeting of the Audit Committee.

Information and support

Board agendas are set by the Chairman in consultation with the Chief Executive Officer and with the assistance of the Company Secretary, who maintains a rolling programme of items for discussion by the Board to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time. The Board is supplied with full and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. To enable informed decision making, briefing papers are prepared and circulated to directors approximately one week before the scheduled Board meeting. All directors have access to the advice and services of the Company Secretary who is tasked with ensuring that Board procedures are complied with and the Board is fully briefed on relevant legislative, regulatory and corporate governance developments. Directors may also take independent professional advice at the Company's expense where they judge this to be necessary in the furtherance of their duties to discharge their responsibilities as directors.

Induction, training and development

All new directors receive a tailored induction on joining the Board, including meetings with senior management and visits to some of the Group's locations. They also receive a detailed information pack which includes details of directors' duties and responsibilities, procedures for dealing in Bunzl plc's shares and a number of other governance related issues.

Since his appointment to the Board as Chairman designate on 1 June 2019, Peter Ventress has been following a formal and extensive induction programme. This has included a comprehensive suite of resources providing detailed information on the Group, as well as orientation from members of Bunzl's Executive Committee and other functional areas. He has also visited some Group locations and will over the coming months undertake a number of additional site visits which will provide him with the opportunity to witness the Group's operations in situ while engaging with employees and senior management from across the business. Further details of the induction process undertaken by Richard Howes following his appointment as Chief Financial Officer designate on 1 September 2019 can be found opposite.

Directors are continually updated on the Group's businesses and their markets and the changes to the competitive and regulatory environments in which they operate. Training and development needs of the Board are kept under review and directors attend external courses where it is considered appropriate for them to do so.

Conflicts of interest

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

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

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

Financial and business reporting

The responsibilities of the directors in respect of the preparation of the Group and parent company financial statements are set out on page 177 and the auditors' report on pages 178 to 183 includes a statement by the external auditors about their reporting responsibilities. As set out on page 124, the directors are of the opinion that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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

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

The Board considered whether the 2019 Annual Report, taken as a whole, was fair, balanced and understandable and provided sufficient information to enable the reader to assess the Group's position and performance, business model and strategy. In carrying out its review, the Board considered the information and assurance provided by the ongoing work of the internal audit department, the reviews conducted by the external auditors in relation to both the half year and full year results, the Board's understanding of the Group's business and the information provided by the senior executive management team. The Board also took account of the preparation and verification processes that had been undertaken, including the review that had been carried out by one of the Company's senior executives who had not been involved in the Annual Report's preparation. As a result of its deliberations the Board concluded that, taken as a whole, the 2019 Annual Report is fair, balanced and understandable.

Risk management and internal control

The directors acknowledge that they have overall responsibility for identifying, evaluating, managing and mitigating the emerging and principal risks faced by the Group and for monitoring the Group's risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with the Code and the related guidance, the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives (its 'risk appetite'). The directors confirm that such procedures have been in place for the year ended 31 December 2019 and up to the date of approval of these financial statements and that the Group's risk management and internal control systems have been monitored during the year.

Further information about the Group's approach to risk management and the principal risks and uncertainties facing the Group can be found on pages 50 to 55. A summary of the principal control processes and procedures in place to manage such risks is set out below.

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

- a procedure for monitoring the effectiveness of the internal control system through a tiered management structure with clearly defined lines of responsibility and delegation of authority;
- clearly defined authorisation procedures for capital investment and acquisitions;
- strategic plans and comprehensive budgets which are prepared annually by the business areas and approved by the Board;
- formal standards of business conduct (including code of conduct, anti-bribery and corruption and whistle blowing policies) based on honesty, integrity, fair dealing and compliance with the local laws and regulations of the countries in which the Group operates;
- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses;
- a well established consolidation and reporting system for the statutory accounts and monthly management accounts; and
- detailed manuals covering Group accounting policies and policies and procedures for the Group's treasury operations supplemented by internal control procedures at a business area level.

Corporate governance report continued

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

- central management holds regular meetings with business area management to discuss strategic, operational and financial issues including a review of the principal risks affecting each of the business areas and the policies and procedures by which these risks are managed;
- the Executive Committee meets twice per month and also reviews the outcome of the discussions held at business area meetings on internal control and risk management issues;
- the Board in turn reviews the outcome of the Executive Committee discussions on internal control and risk management issues, which ensures a documented and auditable trail of accountability;
- each business area, the Executive Committee and the Board carry out an annual fraud risk assessment;
- actual results are reviewed monthly against budget, forecasts and the previous year and explanations are obtained for all significant variances;
- all treasury activities, including in relation to the management of foreign exchange exposures and Group borrowings, are reported and reviewed monthly;
- the Group's bank balances around the world are monitored on a weekly basis and significant movements are reviewed centrally;
- the internal audit department periodically reviews individual businesses and procedures, makes recommendations to improve controls and follows up to ensure that management implements the recommendations made. The internal audit department's work is determined on a risk assessment basis and its findings are reported to Group and business area management as well as to the Audit Committee and the external auditors;
- an annual self-assessment of the status of internal controls measured against a prescribed list of minimum standards is performed by every business and action plans are agreed where remedial action is required;
- the Audit Committee, which comprises all of the independent non-executive directors of the Company, meets regularly throughout the year. Further details of the work of the Committee, which includes a review of the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system, are set out in the Audit Committee report on pages 80 to 84;
- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;
- a management committee, known as the Corporate Responsibility and Sustainability Committee, which oversees issues relating principally to environment, health & safety and business continuity planning matters, sets relevant policies and practices and monitors their implementation;
- health & safety risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out; and
- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers.

The directors confirm that they have reviewed the effectiveness of the Company's risk management and internal control systems in operation during 2019.

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

Assessment of the prospects of the Company and its viability statement

In accordance with provision 31 of the Code, details of how the directors have assessed the prospects of the Company, over what period the prospects have been assessed and the Company's formal viability statement are included in the Strategic report on page 55.

By order of the Board

Paul Hussey
Secretary
24 February 2020

Nomination Committee report

> The Committee is committed to ensuring that the directors and senior management have the requisite skills, knowledge, experience and diversity to support our consistent and proven strategy and deliver our common purpose.

Philip Rogerson
Chairman and Chairman of the Nomination Committee

Principal responsibilities of the Committee

Board structure

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

Succession

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

Appointments

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

Evaluation

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

Meetings

The Committee met on four occasions during 2019. Members' attendance at those meetings is set out below:

	Meetings attended
Philip Rogerson	4
Peter Ventress[1]	1
Frank van Zanten	4
Eugenia Ulasewicz	4
Vanda Murray	4
Lloyd Pitchford	4
Stephan Nanninga	4

1. Peter Ventress was appointed as a director on 1 June 2019 and attended all of the Committee meetings held between that date and the end of the year.

Introduction from Philip Rogerson

On behalf of the Board, I am pleased to report on the Nomination Committee's activities during the financial year ended 31 December 2019.

Key areas of focus for the Committee during 2019 have been Board composition and Board and senior management succession planning. The need to refresh the Board but at the same time maintain a knowledgeable and experienced team of non-executive directors is essential and is something that we have continued to address in our succession planning discussions. When searching for potential candidates to fill Board vacancies, the Committee considers the skills, experience and attributes required to create a diverse Board which can continue to drive the Company forward in fulfilment of its purpose and strategic goals. The Committee also seeks to ensure that all relevant principles and provisions of the UK Corporate Governance Code (the 'Code') concerning Board composition and structure continue to be met.

Over the last 12 months there have been a number of changes to the Board. As I mentioned in the Corporate governance report on pages 68 to 76, at the end of 2018 I completed my third three year term in office and, in recognition of the new provisions of the 2018 edition of the Code, which states that the Chair of a listed company should not remain in post beyond nine years from the date of their first appointment to the Board, a process, which was led by Vanda Murray, our Senior Independent Director, was undertaken to identify and appoint my successor. This process led to the appointment of Peter Ventress as a non-executive director and Chairman designate on 1 June 2019. Peter will assume the role of Chairman of the Board and of the Nomination Committee following my retirement at the conclusion of the Company's forthcoming Annual General Meeting ('AGM'). During the year, the Committee also oversaw the appointment of Richard Howes, initially as Chief Financial Officer designate from 1 September 2019 and subsequently Chief Financial Officer and a director from 1 January 2020 to succeed Brian May who stepped down from the Board on 31 December 2019.

In addition, Eugenia Ulasewicz, who has been a non-executive director since April 2011, is also due to retire at the forthcoming AGM. A process to appoint her successor is underway, further details of which are included in the report that follows.

We will continue to monitor the balance of the Board to ensure that broad and extensive expertise is continuously available so that the Company can continue to be led effectively both in the present and the future.

Philip Rogerson
Chairman and Chairman of the Nomination Committee
24 February 2020

Nomination Committee report continued

Composition
The Nomination Committee comprises the Chairman of the Company, who chairs the Committee (unless the Committee is dealing with the matter of succession of the Chairman of the Company), the Chief Executive Officer and all of the independent non-executive directors. In accordance with the provisions of the Code, the majority of the members are independent non-executive directors. The Secretary to the Committee is the Company Secretary.

Role
The Committee's principal role is to lead the process for appointments to the Board, whether to fill any vacancies that may arise or to change the number of Board members, ensure plans are in place for orderly succession to both the Board and senior management positions and oversee the development of a diverse pipeline for succession. It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness. The Committee meets as necessary throughout the year to discharge its responsibilities. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2019, are available on the Company's website, www.bunzl.com.

Activities
The Committee recognises that having the right directors and senior management is crucial for the Group's success and a key task of the Committee is to ensure that there is a robust and rigorous succession planning process, over both the medium and long term, to ensure that there is the right mix of skills and experience as the Company evolves.

As announced on 25 February 2019, in recognition of the new provisions of the revised Code and the fact that Philip Rogerson has been a director since January 2010, the Company undertook a thorough search, led by Vanda Murray, the Company's Senior Independent Director, to identify and appoint Philip Rogerson's successor. Having taken account of the challenges and opportunities facing the Company currently and in the future and after identifying the background, skills, knowledge and experience that will be required of the Chairman in the future, the Committee prepared and agreed a detailed specification for the role and appointed an external search consultancy, Russell Reynolds Associates, to assist it in the recruitment process. This process led to the appointment of Peter Ventress as a non-executive director and Chairman designate on 1 June 2019. Peter Ventress is an experienced chairman with a strong track record both as an executive and non-executive director of a number of international distribution businesses and he has brought valuable knowledge and experience to the Board. He will assume the role of Chairman of the Board and of the Nomination Committee following Philip Rogerson's retirement at the conclusion of the Company's forthcoming AGM.

In addition to searching for a successor to the Chairman, during the year the Committee undertook, with the assistance of Russell Reynolds Associates, an extensive search and selection process for a Chief Financial Officer to succeed Brian May. The Committee agreed a role specification and undertook a detailed review of a number of candidates, leading to a shortlist of potential candidates. Following a comprehensive review process, the Committee made a clear recommendation to the Board, culminating in the appointment of Richard Howes on 1 September 2019, initially as Chief Financial Officer designate and subsequently Chief Financial Officer and a director from 1 January 2020. Richard Howes has a wealth of experience across a number of sectors, working for multi-site businesses with substantial global footprints. He also has a strong track record of leading finance functions at a number of international public companies.

As a result of Eugenia Ulasewicz's forthcoming retirement, the Committee, assisted by Russell Reynolds Associates, is presently undertaking a process to recruit a further non-executive director. The Committee has agreed that the search criteria should include, in particular, successful senior business executives with extensive international management experience across a range of businesses, ideally operating in the distribution or service sectors, with detailed knowledge of digital technologies and processes which will be invaluable to the future development of the Group. It is important that the chosen candidate is able to play a supportive role to the executive management team, while at the same time providing strategic input into the Company's direction and development. It is also a requirement that the prospective director can provide wise counsel and independence of mind and challenge management constructively by offering impartial, independent and objective advice.

Russell Reynolds Associates does not provide any other services to, or have any connection with, the Company or individual directors.

During the year, the Committee reviewed and took account of the balance of skills, knowledge, experience and diversity of the Board, the time commitment expected of the non-executive directors and the conclusions of the formal performance evaluation process which was undertaken when considering and recommending the nomination of directors for re-election at the 2019 AGM. Further details concerning the Board evaluation process that was carried out during 2019, together with information on the key priorities identified as part of the review, can be found in the Corporate governance report on pages 68 to 76.

The Committee also continues to take an active interest in the quality and development of talent and capabilities below Board level. In this connection, the Chief Executive Officer presented his annual management succession plan to the Committee for its consideration. This process helps to ensure that appropriate opportunities are in place to develop high performing individuals and to increase diversity in senior roles across the Group.

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

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

Looking beyond the Board to the Group's wider workforce, Bunzl is committed to treating people fairly and equally by accepting and embracing their diversity and ensuring there is an inclusive and positive working environment for all employees. For a number of years in the annual succession planning reviews, there has been a particular focus on diversity within the business areas and one of the key objectives is to ensure there are no barriers preventing talented people from succeeding. There is also a range of initiatives within the Group to help provide learning and development opportunities for female executives and to ensure unbiased career progression opportunities. The Board has formally approved an equality and diversity policy, which applies to the wider workforce of the Group, further details of which are included in the Sustainability report on pages 34 to 49.

Monitoring and reporting

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

Further information about the Company's workforce diversity is set out on pages 38 and 39.

Audit Committee report

"Ensuring the integrity of the Group's financial reporting and risk management and assurance processes continues to be one of the Committee's key priorities. This is discharged through active oversight and challenge of the decisions and key judgements made by management and the critical assurance activities of the Group.

Lloyd Pitchford
Chairman of the Audit Committee

Principal responsibilities of the Committee

Financial reporting

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

Risk management and internal control

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

Internal audit

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

External audit

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

Meetings

The Committee met on four occasions during 2019. Members' attendance at those meetings is set out below:

	Meetings attended
Lloyd Pitchford	4
Eugenia Ulasewicz	4
Vanda Murray	4
Stephan Nanninga	4

Introduction from Lloyd Pitchford

I am pleased to report on the key activities and focus of the Audit Committee during the year ended 31 December 2019. The Committee has continued to discharge its duties effectively and to the highest standards and to challenge and provide appropriate oversight of the decisions and key judgements made by management to ensure that stakeholder interests are protected.

Robust and transparent financial reporting combined with proactive and focused risk management are essential components of Bunzl's governance framework. The Committee plays a key role in overseeing the integrity of the Group's financial statements, as well as ensuring that a sound system of risk management and internal control is in place and I believe that this, together with the Board's efforts in harnessing and promoting a strong risk focused culture, play an essential role in assuring the long term viability of the Company.

As part of its responsibility to monitor the integrity of the financial statements, the Committee ensures that the assumptions and judgements made by management in preparing the financial results are challenged as appropriate. The significant accounting matters considered by the Committee in relation to the 2019 financial statements were the accounting for business combinations, the carrying value of goodwill and customer relationships intangible assets, defined benefit pension schemes and taxation. These are discussed in detail in the report that follows. The Committee is satisfied that these matters have been properly recorded in the Company's books and records and accounted for appropriately. In fulfilling its oversight responsibilities in respect of the Group's risk management and control environment, during 2019 the Committee reviewed the process by which current and emerging risks had been identified by management and the Board and the processes and controls in place to manage and mitigate these risks. Further information on the Committee's activities in relation to risk management can be found later in this report.

During the year the Committee assessed the implementation of IFRS 16, the new accounting standard relating to the presentation of leases, particularly reviewing its impact on the Consolidated and Company balance sheets and the appropriateness of disclosures to be made.

In accordance with the internal audit charter, the effectiveness and quality of the internal audit function is assessed externally at least once every five years. In 2019, the Committee engaged a professional services firm to carry out such an independent external assessment, the conclusions of which were considered by and discussed with the Committee and enabled it to satisfy itself that the quality, experience and expertise of the Group's internal audit function continue to be appropriate for the business.

The Committee will continue to review its activities in the light of regulatory and best practice developments to ensure that we are able to maintain high standards of financial governance going forward.

This report reflects the requirements placed on committees by the Financial Reporting Council's ('FRC') UK Corporate Governance Code (the 'Code') and applicable guidance, laws and regulations. The Code includes a number of provisions relating to the role and reporting requirements of audit committees and accordingly this report has been prepared in compliance with the relevant provisions of the 2018 edition of the Code which applied to the financial year ended 31 December 2019. In carrying out its duties, the Committee also operated in accordance with the recommendations set out in the FRC's Guidance on Audit Committees, which was published in April 2016.

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

Lloyd Pitchford
Chairman of the Audit Committee
24 February 2020

Composition

The Committee comprises all of the independent non-executive directors, who were appointed to the Committee by the Board following recommendations by the Nomination Committee. While the other directors, being the Chairman of the Company and the executive directors, are not members of the Committee, they normally attend Committee meetings by invitation together with the Head of Internal Audit, representatives from the external auditors and members of the Group finance team. Following his appointment as Chief Financial Officer designate and prior to his appointment to the Board, Richard Howes also attended Committee meetings. The Secretary to the Committee is the Company Secretary.

The Committee members bring an appropriate balance of financial and commercial experience in multinational organisations, combined with a good understanding of the Company's business and are therefore considered by the Board to be collectively competent in the sector in which the Company operates. As the serving Chief Financial Officer of Experian plc, the Chairman of the Committee, Lloyd Pitchford, is considered by the Board to have recent and relevant financial experience. The Committee considers independent thinking to be crucial in assessing the work of management and the assurance provided by the internal and external audit functions and believes that each of the Committee members brings an appropriate mindset to their role.

Role

Audit committees have a clearly defined role in the corporate governance framework of listed companies. The Audit Committee acts independently of management to ensure that the interests of the Company's stakeholders are properly protected through the Committee's oversight, review and challenge of the Company's financial management and its reporting processes and procedures. There are a number of key aspects to this, including the use of appropriate accounting policies and practices and the implementation of a robust assurance framework. This framework comprises a number of important elements, including the Company's risk management and internal control systems, the internal and external audit functions and the regular reporting of the Company's performance against budgets, forecasts and prior year results.

The Committee ensures that the Company has effective governance over the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal and external audit functions and the management of the Group's systems of internal control and business risk management and related compliance activities. The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2019 but unchanged, are available on the Company's website, www.bunzl.com.

In the performance of its duties, the Committee has independent access to the services of the Company's internal audit function and to the external auditors and may obtain outside professional advice as necessary. Both the Head of Internal Audit and the external auditors have direct access to the Chairman of the Committee who held a number of meetings with each of them during the year outside formal Committee meetings. The Chairman of the Committee also liaises with the Chief Financial Officer as necessary to ensure robust oversight and challenge in relation to financial control and risk management.

The Committee's performance and effectiveness are reviewed annually by both the Committee and as part of the Board performance evaluation. The Chairman of the Committee also meets with each Committee member independently to ensure that their individual views about the operation of the Committee are taken into account.

Activities

The Committee has developed its agenda to enable, over the course of a year, active oversight of all key areas of responsibility and to facilitate more in-depth reviews of those topics which are of particular importance or pertinence.

The Chairman of the Committee holds preparatory discussions with the Company's senior management, the Head of Internal Audit and the external auditors prior to Committee meetings to discuss the items to be considered at the meetings. In addition, separate discussions are periodically held during Committee meetings between the Committee and the Head of Internal Audit and the external auditors without management present. Following each Committee meeting, any significant findings are reported to the Board and copies of the minutes of the Committee meetings are circulated to all of the directors and to the

Audit Committee report continued

external auditors. The Chairman of the Committee also attends the Annual General Meeting ('AGM') to respond to any shareholder questions that might be raised on the Committee's activities.

The Committee's activities in 2019 included:

- making recommendations to the Board concerning the re-appointment of the external auditors and approving the remuneration and terms of engagement of the auditors, including the audit strategy and planning process for the current financial year;
- receiving and, where appropriate, challenging reports from management and the external auditors in relation to the half yearly financial report and the annual financial statements;
- reviewing the half yearly financial report and the annual financial statements and the formal announcements relating thereto noting, in particular, the impact on the results of the adoption of IFRS 16 'Leases' which was applicable to the Company for the 2019 financial year;
- reviewing the effectiveness of the risk management process;
- receiving and considering reports from the Head of Internal Audit concerning the work undertaken by the internal audit function, including in relation to the function's ongoing quality assurance and improvement programme;
- reviewing and approving the internal audit work programme for the coming year;
- receiving and considering a report from the Head of Internal Audit relating to an analysis of trends in internal audit findings;
- reviewing the effectiveness of both the external auditors and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company;
- reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to risk management systems, including receiving and considering a Risk and Assurance Map;
- reviewing the Company's annual controls self-assessment process and related controls framework;
- reviewing the Committee's terms of reference;
- reviewing the Committee's effectiveness following an externally facilitated performance evaluation;
- receiving and considering a report from a professional services firm in relation to an external quality assessment of the internal audit function;
- reviewing the policy for the provision of non-audit services by the external auditors;
- reviewing and approving the level and nature of non-audit work which the external auditors performed during the year, including the fees paid for such work;
- reviewing the principal tax risks applicable to the Company and the steps taken to manage such risks; and
- reviewing the Company's internal audit charter.

The Committee will continue to keep its activities under review and focused on the audit, assurance and risk processes within the business. By doing so, the Committee will ensure that in the future it is able to maintain high standards of financial governance in line with the regulatory framework as well as market practice for audit committees.

Financial statements and significant accounting matters

During the year and prior to the publication of the Group's results for 2019, the Committee reviewed the 2019 half yearly financial report and related news release, the 2019 Annual Report (including the financial statements), the 2019 annual results news release and the reports from the external auditors on the outcomes of their half year review and their audit relating to 2019.

As part of its work, the Committee considered the following significant accounting matters in relation to the Company's financial statements together with the adequacy of the associated disclosures and challenged the judgements being made in relation thereto.

Accounting for business combinations

For business combinations, the Group has a long-standing process for the identification of the fair values of the assets acquired and liabilities assumed, including separate identification of intangible assets using external valuation specialists where required. The Committee reviewed this process and discussed with management and the external auditors the methodology and assumptions used to value the assets and liabilities of the acquisitions completed in 2019. The Committee concluded that it was satisfied with management's valuations of these assets and liabilities, including the degree to which such valuations are supported by professional advice from external advisers. Details of the Company's approach to accounting for acquisitions are set out in Note 27 to the consolidated financial statements.

The carrying value of goodwill and customer relationships intangible assets

Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. During the year the Committee critically reviewed and discussed management's report on the impairment testing of the carrying value of goodwill of each of the CGUs and customer relationships intangible assets (including the sensitivity of the outcome of impairment testing to the use of different assumptions) and considered the external auditors' testing thereof. The Committee noted that an impairment charge of £4.0 million had been recognised in the year relating to the customer relationships intangible asset of a business in China in the Asia Pacific CGU within Rest of the World. After due challenge and debate, the Committee concluded that it was satisfied with the assumptions and judgements applied in relation to the impairment testing and agreed that there was no other impairment to goodwill or customer relationships intangible assets. Details of the key assumptions and judgements used are set out in Note 12 to the consolidated financial statements.

Defined benefit pension schemes

The Committee considered reports from management and the external auditors in relation to the valuation of the defined benefit pension schemes and reviewed the key actuarial assumptions used in calculating the defined benefit pension liabilities, especially in relation to discount rates, inflation rates and mortality/life expectancy. The Committee discussed the reasons for the decrease in the net pension deficit and was satisfied that the assumptions used were appropriate and were supported by independent actuarial experts. Details of the key assumptions used are set out in Note 23 to the consolidated financial statements.

Taxation

The Committee reviewed a report and received a presentation from the Head of Tax highlighting the principal tax risks that the Group faces and a detailed risk assessment relating to the tax risks identified, including the judgements underpinning the provisions for potential tax liabilities. The Committee also reviewed the results of the external auditors' assessment of provisions for income taxes.

One of the tax risks identified concerns the European Commission's assertion that part of the UK's tax regime amounts to State aid. Further details on this risk, and on other aspects of taxation, are given in Note 8 to the consolidated financial statements. In addition, and as detailed in the Financial review on page 59, the Group will be required to make an additional cash tax payment in 2020 in connection with an ongoing tax dispute in Brazil.

Following appropriate debate and challenge, the Committee was satisfied with the key judgements and proposed disclosures related to tax made by management.

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

Internal control and risk management

As mentioned above, the Committee is responsible for reviewing, on behalf of the Board, the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management system. These controls and procedures are designed to manage, but not eliminate, the risk of failure of the Company to meet its business objectives and, as such, provide reasonable, but not absolute, assurance against material misstatement or loss. During the year, the Committee monitored the effectiveness of the internal financial controls framework through reports from the Chief Financial Officer, the Head of Internal Audit and the external auditors. In particular the Committee considered the scope and results of the work of the internal audit function, the findings of the external auditors in relation to the year end audit, the assessment of fraud risk carried out by management, the controls over the Company's financial consolidation and reporting system, the treasury controls, the tax risks and the processes for setting strategic plans and budgets and for monitoring the ongoing performance of the Company.

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

Internal audit

The Company has an internal audit department which comprises 10 in-house auditors, including the Head of Internal Audit who reports jointly to the Chairman of the Audit Committee and the Chief Financial Officer. The scope of work of the internal audit function covers all systems and activities of the Group. Work is prioritised according to the Company's risk profile with the annual audit plan being approved by the Committee each year. Internal audit reports are regularly provided to the Committee. These reports include details of the audit findings, and the relevant management actions required in order to address any issues arising, as well as updates on the progress made by management in addressing any outstanding recommendations from previously reported findings. In addition, the internal audit function reports on any significant issues relating to the processes for controlling the activities of the Group and the adequacy and effectiveness of such processes. Overall, the work of the internal audit function provides the Committee with a further means of monitoring the processes and actions to manage and mitigate those risks identified as posing the greatest threat to the Company.

External auditors' independence

The Committee ensures that the relationship between the Committee, the auditor and the Company's management is appropriate and that the external auditors remain independent of the Company. Written confirmation is received from the external auditors as to whether they consider themselves independent within the meaning of their firm's own ethics and independence criteria, which must be consistent with the FRC's Revised Ethical Standard 2016 and other relevant regulatory and professional requirements. Key members of the audit team are also required to rotate off the Company's audit after a specific period of time, as discussed further below.

In addition, in order to ensure that the objectivity and independence of the external auditors is not compromised, the Company has a detailed policy relating to the provision of non-audit services by the external auditors which is overseen by the Committee. As reported last year, this policy was updated following the implementation of the EU Audit Directive and Regulation which changed the rules relating to the provision of non-audit services by the external auditors. Under the revised policy the only non-audit services that have been pre-approved by the Committee are those which are not prohibited or otherwise restricted and which are considered to be trivial due to the value of the services. Apart from such pre-approved services, a permitted service requires specific authorisation from the Committee or the Committee Chairman. It is the Company's policy to assess the non-audit services to be performed by the Company's auditors on a case-by-case basis to ensure adherence to the prevailing ethical standards and regulations. In the main, other firms are used by the Company to provide non-audit services. However, if the provision of a service by the Company's auditors is not prohibited and adequate safeguards are in place, it is sometimes appropriate for this additional work to be carried out by the Company's auditors. Details of the fees paid to the external auditors in 2019 in respect of the audit and for non-audit services are set out in Note 6 to the consolidated financial statements. The ratio of the fees relating to non-audit services to audit services in 2019 was 6%.

Audit Committee report continued

External auditors' re-appointment

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

As previously reported, following a detailed tender process, PricewaterhouseCoopers LLP ('PwC') were first appointed as the Company's external auditors in 2014. While the Company has no current retendering plans, in accordance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('CMA Order') the Company will be required to put the external audit contract out to tender by 2024. In addition, in accordance with the CMA Order, Paul Cragg stepped down as audit partner following the completion of the external audit of the Company's financial statements for the year ended 31 December 2018 after five years in post. He has been succeeded by Neil Grimes. Accordingly, the Company confirms that it has complied with the provisions of the CMA Order for the 2019 financial year.

As a consequence of its satisfaction with the results of its review of the external auditors' activities during the year, the Committee has again recommended to the Board that a resolution proposing the re-appointment of PwC as external auditors for the year ending 31 December 2020 be put to shareholders at the forthcoming AGM.

Auditors' effectiveness reviews

During 2019 the Committee undertook reviews of the effectiveness of both the Company's external audit process for the 2018 financial statements and the Company's internal audit function. Each of the reviews followed a broadly similar process, as summarised below:

1. Detailed questionnaires of different aspects of external audit process/ internal audit function.
2. Questionnaires completed by:
   - directors; and
   - senior managers at Group and business area levels.
3. Results of questionnaires considered and discussed by the Committee.
4. Action plan and implementation timeframes agreed.

External audit process

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

Internal audit function

The questionnaire covered a total of 35 different aspects of the internal audit function including: purpose, authority and responsibility; independence and objectivity; quality assurance processes; adequacy of resources; auditors' skills and capabilities; and the quality of reporting.

In addition, during the course of 2019, the Committee engaged a professional services firm to carry out a quality assessment of the internal audit function which was subsequently considered and discussed by the Committee as part of the effectiveness review of the internal audit function.

Following these assessments, the Committee concluded that it was satisfied with the effectiveness of the external audit process relating to the 2018 financial statements and that the internal audit function continued to be effective, efficient and appropriately resourced.

Save for the external quality assessment of the internal audit function, which, in accordance with the internal audit charter, is required to be undertaken at least once every five years, the Committee will carry out similar effectiveness reviews in 2020 in respect of the audit of the 2019 financial statements and the internal audit function.

Directors' remuneration report

> The remuneration of our executive directors reflects a resilient performance in more challenging market conditions.

Vanda Murray OBE
Chair of the Remuneration Committee

Compliance statement

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized UK Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'), the Corporate Governance Code (the 'Code') and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Remuneration Reporting Guidance and the relevant policies of shareholder representative bodies.

In accordance with the Regulations, at the 2020 Annual General Meeting ('AGM') the Company will be asking shareholders to vote on two separate resolutions as follows:

- the binding triennial vote on the directors' remuneration policy (as set out on pages 88 to 96) which will, subject to shareholder approval, become formally effective as at the date of the 2020 AGM; and
- an advisory vote on the Annual report on directors' remuneration as set out on pages 99 to 112 which provides details of the remuneration earned by directors for performance in the year ended 31 December 2019.

Introduction from Vanda Murray

I am pleased to present the Directors' remuneration report for the year ended 31 December 2019 which has been prepared by the Remuneration Committee and approved by the Board.

Context of remuneration

The Company has produced a resilient set of results in 2019 against the background of mixed macroeconomic and market conditions. Although the Company's earnings per share growth and the return on average operating capital for the year were slightly below budget, we saw a strong cash flow performance and made good progress against our strategic objectives.

Remuneration policy

Our remuneration framework is a crucial element in enabling us to compete for key talent internationally and in continuing to drive our high performance culture which focuses on delivering shareholder value. The Committee believes that the current remuneration policy has contributed to our success by aligning reward to sustainable performance. This has been endorsed by our shareholders who approved last year's remuneration report with a 96% vote in favour.

This year, we have consulted with shareholders on our proposed policy for 2020. We did consider a range of alternatives, but our conclusion remains that our current structure continues to drive the right behaviours. The revisions that we have proposed are in response to the constructive input of shareholders and emerging best practice.

Appointment of a new Chief Financial Officer

As announced in May 2019, after more than 13 years in the role of Finance Director and 25 years with Bunzl, Brian May decided to retire from the Company. Richard Howes joined the Company on 1 September 2019, initially as Chief Financial Officer designate before joining the Board and assuming the role of Chief Financial Officer on 1 January 2020. Following a period of handover, Brian May stepped down from the Board on 31 December 2019 and will leave the Group at the end of February 2020.

Richard Howes' remuneration arrangements on joining were discussed and agreed by the Committee in April 2019 and were in line with our current remuneration policy. Having proposed the revisions to the policy described below, some further adjustments have been made to his remuneration upon his appointment to the Board and these are described in detail on page 109.

Directors' remuneration report continued

Proposed amendments to our directors' remuneration policy for 2020

In the development of our proposals, the Committee has considered both broader investor sentiment and recent changes to the Code. We have consulted with major shareholders and have looked closely at the recent guidance issued by the main institutional investor bodies. While many of the Code's new requirements are already consistent with the direction of changes that we made to our policy in 2017, we are proposing some further amendments, the most major of which are as follows:

- as is becoming best practice, the pension allowances for newly appointed directors, including Richard Howes, will be in line with those of the wider workforce. Frank van Zanten has volunteered to a phased reduction of his current pension allowance to 23.75% in 2020, and further reductions in 2021 and 2022 to a level of 20% from the end of 2022;
- to ensure alignment between the Chief Executive Officer and shareholders, the minimum shareholding requirement will be increased from 250% to 300% of base salary. We are also formalising our policy for post-cessation shareholdings; all directors will be required to retain vested shares post-cessation during the two years post-vesting;
- as the maximum quantum of performance share awards was uncompetitive, the maximum annual grant of performance shares under the Long-Term Incentive Plan ('LTIP') will be increased to 175% of salary but awards in 2020 will be well below this maximum. We are reducing the maximum annual share option award from 250% to 225% of salary;
- in line with best practice, threshold payouts under the annual bonus scheme will be reduced to 25% of the maximum opportunity. On target payouts remain at 50% of maximum; and
- while we are not proposing any changes to the structure of our fixed, short term or long term variable pay metrics, we plan to adjust the peer group of companies used for benchmarking and total shareholder return ('TSR') comparison purposes. We are proposing to use a broader peer group including all FTSE 100 companies ranked from 11 to 100. A broader peer group gives us a more consistent view of our comparative performance and better reflects Bunzl's market capitalisation.

Further details on all of the proposed revisions to the policy are provided on page 89 of this report.

Performance and reward for 2019

The long term business strategy has remained constant during 2019 with a focus on organic and acquisition growth and operating model improvements. This year Group revenue was up 1.0% and adjusted operating profit increased by 1.5% in each case at constant exchange rates.

The variable pay outcomes are consistent with the assessment of outturns for the business performance metrics. The Committee has not exercised discretion to override the calculation of payout on vesting outcomes. All performance metrics used for variable pay elements have been determined by reference to financial targets and outcomes calculated under IAS 17.

Bonus

In setting our incentive targets, we have regard to the performance potential of the different parts of the business and of the whole Group. The on-target performance level for the bonus is set at, or close to, the budgeted level of performance. The Committee sets a range around the target to incentivise the delivery of a stretching performance. Annual bonus payments are based on a combination of key financial targets, with a minority based on personal objectives. A resilient financial performance in 2019 resulted in an annual bonus for the Chief Executive Officer of 59.5% of his maximum opportunity, which equates to 107.1% of salary. The annual bonus for the Finance Director, Brian May, was 62.3% of his maximum opportunity, which equates to 93.4 % of salary. In line with the terms of his appointment, the new Chief Financial Officer, Richard Howes, received a pro-rated bonus for the four months since he joined Bunzl in September 2019. This resulted in an award equivalent to 54.9% of the maximum, equating to 87.9% of his salary for the period. In addition, he received compensation for the bonus forfeited from his previous employer, details of which are set out on page 109.

LTIP

The Committee assessed the outturn of the LTIP awards with performance conditions linked to performance periods that ended during or at the end of the 2019 financial year.

Share options granted under the LTIP Part A in 2017 were subject to an adjusted earnings per share ('eps') growth target over the three year period to 31 December 2019. The eps growth of 27.1% which was adjusted to exclude two disposals of businesses during the period, will result in 100% of the options vesting during the 2020 financial year.

Performance share awards granted under the LTIP Part B were subject to an eps growth target over the three year period to 31 December 2018 and a relative TSR target over the three year periods to 31 March 2019 and 30 September 2019 respectively. The eps growth of 42.4% and the relative TSR performance for the relevant performance periods resulted in 75.2% and 50.0% of the performance shares vesting in April and October 2019 respectively.

The current remuneration policy allows maximum annual grants under the LTIP of 250% of base salary for share options and 150% of base salary for performance shares. However, in 2019 award levels were held below these maximum levels at 200% of base salary for share options for the Chief Executive Officer and 95% for the Finance Director. Performance share awards were 130% for the Chief Executive Officer and 52.5% for the Finance Director.

Chief Executive Officer pay ratio

As required by the Regulations, we have disclosed in this year's Directors' remuneration report the ratio between the Chief Executive Officer's remuneration and the median, lower quartile and upper quartile of UK employees. The Committee considers the executive remuneration approach to be appropriate in the context of this, and other internal and external reference points.

Remuneration arrangements for the 2020 financial year

Base salary

The base salaries of Frank van Zanten and Richard Howes have been increased by 3% effective from 1 January 2020. This is broadly in line with the increases awarded to the wider workforce across the business.

Bonus

For the 2020 financial year, the Chief Executive Officer's maximum annual bonus opportunity continues to be 180% of base salary. For the Chief Financial Officer, the maximum annual bonus opportunity will be 160% of base salary. The on-target bonus is 50% of the maximum, namely 90% of base salary for the Chief Executive Officer and 80% of base salary for the Chief Financial Officer.

The annual bonus performance measures continue to be a balanced scorecard of measures of eps, return on average operating capital ('RAOC'), operating cash flow and personal performance linked to certain specified strategic non-financial goals. These metrics are all key to the successful implementation of the business strategy.

If eps performance falls below the threshold level, no bonus will be payable for any element of the scorecard. This ensures that sustained financial performance underpins bonus payouts.

Threshold, target and stretch levels for all financial measures are disclosed in the relevant year's remuneration report. We have disclosed the performance ranges that apply to our bonus plans on a retrospective basis since 2016 and we will continue to do so in the future.

When setting the target levels, the Committee conducts an analysis of the challenges and growth opportunities across the Group and sets targets that are stretching without encouraging inappropriate levels of risk. The range itself varies each year taking into account the risks and opportunities facing the business. This ensures that the scale of reward on offer is proportionate and always linked to performance.

LTIP

Under the current policy, the maximum annual award for share options is 250% of base salary and 150% of base salary for the performance share element of the LTIP. Award levels of share options for 2020 will once again be held at the same levels as 2017, 2018 and 2019, at 200% of base salary. Performance shares will be granted at 120% of base salary for Richard Howes, with 150% of base salary for Frank van Zanten, as he has now clearly established himself in the Chief Executive Officer's role. The resulting LTIP award levels for 2020 are materially lower than the FTSE 100 mid-market levels and below the maximum levels permitted by the proposed remuneration policy.

We will continue to set robust and challenging performance conditions for the LTIP awards. These awards are subject to eps growth targets and, in addition, in the case of the performance shares, a relative TSR condition.

LTIP awards are subject to a two year post-vesting holding period which was introduced for awards granted on or after the 2017 AGM for the executive directors. The holding period continues to apply to any awards retained where an executive director leaves employment.

Priorities for 2020

Having reviewed our policy in detail in 2019, I do not anticipate any major changes in the focus of the Committee in 2020. We will continue to support the executive directors in achieving the right balance between the management of short term challenges and the long term sustainability of the Group.

Conclusions

Our directors' remuneration policy continues to drive the required levels of performance from the executive directors and has supported the continued resilient performance of the Group in challenging market conditions. Once again, I am very grateful for the time that shareholders have given to the consideration of our proposed amendments to the policy and the constructive nature of the feedback we have received. In the following pages you will find details of:

- the proposed directors' remuneration policy for 2020 to 2022;
- a new 'At a glance' guide to executive directors' remuneration;
- the annual report on remuneration for 2019; and
- our approach to the application of the proposed remuneration policy in 2020.

I hope that you will find this report to be clear and helpful in understanding our remuneration policy and practices.

Vanda Murray OBE
Chair of the Remuneration Committee
24 February 2020

Directors' remuneration report continued

Directors' remuneration policy

We continue to pursue our well defined strategy of developing the business through organic growth, consolidating our position in the markets in which we compete through focused acquisitions in both existing and new geographies and continuously improving our operating model. Bunzl's business model relies on excellent customer and supplier relationships and the skills, knowledge and experience of its directors and employees. The Company's remuneration policy supports this strategy by positioning the overall remuneration package at a competitive level while ensuring that additional reward is paid for high performance over a sustained period. This policy is designed to ensure the recruitment, retention and motivation of the executive directors and other senior executives over the long term.

The performance related elements of the remuneration package are designed to incentivise executives to meet key performance targets which align their interests and remuneration with those of shareholders, for example targets relating to adjusted earnings per share ('eps') and total shareholder return ('TSR'). In setting such targets, the Committee takes due account of the potential effect on the attitude of executives towards risk within the business. In addition, the Committee has the discretion to take into account performance on environmental, social and governance matters.

Overview

The directors' remuneration policy has been reviewed during the year and is submitted for approval in the required triennial vote at the 2020 Annual General Meeting ('AGM'). The overall approach to remuneration remains consistent and the changes proposed are modest to ensure the policy continues to support the performance of the business and addresses the requirements of the revised UK Corporate Governance Code (the 'Code').

If it is approved by shareholders at the 2020 AGM, the new directors' remuneration policy will be formally effective from the date of the meeting but will be applied for the full financial year. It has been designed to meet the following objectives:

- Clarity: maintain transparency, clear alignment with shareholder value creation and promotion of longer term, sustained performance;
- Predictability: continue to ensure that targets are stretching (but realistic), the quantum of reward reflects both Company and individual performance and there are appropriate award caps and Committee discretions in place;
- Support the Company's business strategy – for example, the use of share options alongside performance shares to align the executive directors and management with the Company's growth objectives;
- Simplicity: ensure that the remuneration structures avoid unnecessary complexity;
- Risk is appropriately managed: variable pay should drive performance within the Company's risk appetite and encourage a prudent and balanced approach to the business;
- Alignment to culture: the remuneration principles encourage the behaviour from the executive directors that the Committee expects to see throughout the business; and
- Proportionality: the link between individual awards, the delivery of strategy and long term performance of the Group is clear.

In setting the remuneration policy for the executive directors, the Committee has taken into consideration a number of different factors:

- the Committee applies the principles set out in the Code and also takes into account best practice guidance issued by the major UK institutional investor bodies and other relevant organisations;
- the Committee has overall responsibility for the remuneration policies and structures for employees of the Group as a whole and it reviews remuneration policy on a Group-wide basis. When the Committee determines and reviews the remuneration policy for the executive directors it considers and compares it with policy and employment conditions for the rest of the Group to ensure that there is alignment of principles between the two;
- the Committee considers the external market in which the Group operates and uses benchmark remuneration data from time to time to inform its decisions. However, the Committee recognises that such data should be used as a guide only (data can be volatile and may not be directly relevant) and that there is often a need to phase in changes over a period of time; and
- the Committee ensures there is no conflict of interest and excludes the relevant director for the part of the meeting when their remuneration is discussed.

The Committee's overall policy, having had due regard to the factors above, continues to be for a substantial proportion of total remuneration to be based on variable pay. This is achieved by setting base pay and benefits up to mid-market levels, with annual bonus and long term incentive opportunities linked to the achievement of demanding performance targets which are disclosed in the relevant year's remuneration report. This facilitates alignment between the interests of shareholders and the total remuneration paid to the executive directors.

Policy changes at a glance

The table below summarises how the proposed policy compares with the current policy.

	Summary of key features of current policy being amended	Summary of proposed revisions to the policy
Retirement benefit	Defined contribution to pension, or cash allowance of equivalent value, is capped at 25% of base salary for new executive directors and 30% of base salary under legacy arrangements.	In line with emerging best practice, defined contribution to pension, or cash allowance of equivalent value, is capped at the level that applies to the majority of the Bunzl workforce in the UK. This is currently 5% of base salary. The defined contribution or cash allowance of equivalent value, for the Chief Financial Officer, Richard Howes, has been aligned to the wider workforce at 5% of base salary upon his appointment to the Board. The cash allowance for the Chief Executive Officer, Frank van Zanten, will reduce from the current level of 25% to 23.75% in 2020; 22.5% in 2021; 21.25% in 2022 and 20% by 1 January 2023.
Annual bonus	The current threshold level of bonus is 49% of base salary.	As is wider market practice, the threshold level of bonus is reducing to 25% of the maximum opportunity. Any dividend equivalents that accrue on deferred share awards under the Deferred Annual Share Bonus Scheme ('DASBS') over the period of deferral will be in shares and will only be released to the extent that the relevant award vests.
Long term incentives structure	The maximum annual award of performance shares under the LTIP Part B is 150% of base salary. The maximum annual award of executive share options under the Long Term Incentive Plan ('LTIP') LTIP Part A is 250% of base salary. The Committee would not normally grant above 200% of salary to incumbent directors.	As the current maximum awards are uncompetitive in the market, the maximum annual award of performance shares will be 175% of base salary. This will allow more scope to incentivise long term performance. However, for 2020 performance share grants, awards will not exceed 150% of base salary. The peer group for the relative Total Shareholder Return ('TSR') performance metric is being amended to include all companies ranked FTSE 11–100 across all sectors, better reflecting Bunzl's market capitalisation. The maximum annual award of executive share options will be reduced to 225% of base salary. However, the Committee would not normally grant above 200% of salary to incumbent directors.
Minimum shareholding requirement	The Chief Executive Officer's shareholding requirement is 250% of base salary. The requirement for other executive directors is 200% of base salary.	In line with emerging best practice, the Chief Executive Officer's shareholding requirement will be 300% of base salary. The requirement for other executive directors will continue to be 200% of base salary. This new minimum shareholding requirement will be met within a reasonable timeframe of the adoption of the new policy. Deferred shares held under the DASBS (net of tax) will count towards the shareholding requirement. Any unvested or vested but unexercised awards under the LTIP will not count towards the shareholding requirement. For newly recruited executive directors the requirement will be to build this holding within five years of joining.
Post-vesting holding requirement	Two year post-vesting holding requirement for shares that vest, net of sales to settle tax or other withholding due on vesting or exercise of awards.	Post-cessation: all executive directors will be required to hold exercised LTIP shares (net of tax) post-cessation of employment, during the two years from vesting. Good leavers who are permitted to retain LTIP awards will hold these until the normal vesting dates, plus a further two year holding period post-vesting, giving a post-cessation holding period of up to five years.

Directors' remuneration report continued

Remuneration policy for executive directors

The Committee engages with, and seeks the views of, the Company's major investors and investor representative bodies on any significant changes to the directors' remuneration policy. The Committee also engages from time to time with shareholders when considering important questions about the implementation of the policy. Views expressed by shareholders are considered by the Committee as part of any review of the policy or sooner if appropriate.

The following table summarises each element of the proposed remuneration policy for the executive directors, explaining how each element operates, links to the corporate strategy and reflects the characteristics of our business. The policy will be formally effective following shareholder approval at the 2020 AGM with those parts of the policy applicable to the LTIP applying for the full 2020 financial year. If approved this policy supersedes that approved by shareholders in 2017.

Salary	
Purpose	• recognise knowledge, skills and experience as well as reflect the scope and size of the role • reward individual performance without encouraging undue risk
Operation	• paid in 12 equal monthly instalments during the year • reviewed annually by the Committee, normally in December (with any changes usually effective from January) • taking into consideration individual and Group performance, salary increases across the Group are benchmarked for appropriate salary levels using an appropriate comparator group • pensionable
Maximum potential value	• salary increases are normally considered in relation to the salary increases of other employees in the Group and performance of the individual unless there has been a major change in role or responsibility or major market movement. The annual salaries for the executive directors for 2019 and 2020 are set out on pages 100 and 110 respectively
Performance metrics	• while there are no performance conditions attached to the payment of base salary, individual performance in the role, as well as the performance of the Group and achievements related to environmental, social and governance issues, are all taken into consideration
Annual bonus	
Purpose	• incentivise the attainment of annual corporate targets • retain high performing employees • align with shareholders' interests
Operation	• annual award based on financial targets set by the Committee at the beginning of the year • at the end of the performance period, which is the Group's financial year from 1 January until 31 December, the Committee assesses the extent to which the performance targets have been achieved. The level of bonus for each metric is determined by reference to the actual performance relative to that metric's performance targets, on a sliding scale basis • any bonus is paid as 50% in cash and 50% in shares (with the shares normally deferred for three years under the DASBS). If any executive resigns during the period of deferral any outstanding DASBS awards would normally lapse • any dividend equivalents that accrue on deferred shares over the period of the deferral will be allocated in shares and will only be released to the extent the relevant award vests • malus and clawback provisions apply under the DASBS to allow the recoupment of bonus for three years from the end of the relevant performance year in the event of material misstatement of performance, a significant failure of risk control or serious misconduct. Malus and clawback also apply to the cash element of the bonus award • non-pensionable
Maximum potential value	• the annual bonus policy maximum is 180% of base salary • the annual target bonus opportunity is 50% of the maximum • the level of annual bonus for threshold performance is 25% of the maximum

Annual bonus continued	
Performance metrics	Metrics will be set each year by the Committee aligned to the Company's key strategic objectives. The current bonus metrics are as follows: • growth at constant exchange rates in the Company's eps against a relevant target; • the Company's return on average operating capital ('RAOC') performance; • the Company's operating cash flow, being cash generated from operations before acquisition related items less net capital expenditure less payment of lease liabilities; and • personal objectives linked to certain specified strategic goals. • the use of eps, RAOC and operating cash flow measures are seen as appropriate as they form part of the Company's financial key performance indicators ('KPIs'). The use of eps growth aligns the executive directors' interests with those of the shareholders, RAOC ensures the continued focus on the management of capital employed together with profitability and cash flow ensures the focus on cash generation. Operating cash flow is a measure that forms part of the Company's cash conversion KPI. The use of operating cash flow ensures the focus on cash generation enabling the Group to pay dividends and to support the growth strategy by making acquisitions and reinvesting in the underlying business • strategic non-financial goals reward individual contribution to the success of the Company linked to certain specified strategic goals – these stretching goals allow a focus each year on important operational goals and strategic milestones • bonus awards are at the Committee's discretion and may also take into account performance on environmental, social and governance matters as appropriate • the performance metrics and targets are reviewed annually to ensure they remain appropriate. The Committee retains the discretion to set alternative metrics as appropriate • these performance metrics are determined by reference to the Group's annual budget. No elements of the bonus are guaranteed. As in previous years, the specific targets will not be disclosed while still commercially sensitive The current weighting of these metrics is as follows: • eps – 50%; • RAOC – 15%; • operating cash flow – 15%; and • strategic non-financial goals – 20%. There is an eps underpin, such that if eps is below threshold there is no bonus payout. This combination of performance measures provides a balance relevant to the Group's business and market conditions as well as providing a common goal for the executive directors, senior management and shareholders. They have been chosen as although growing the profitability of the business is a key objective, equally important is the focus on cash and effective investment in capital.

Long term incentives	
Purpose	• incentivise growth in longer term eps and TSR • align with shareholders' interests • recruit and retain senior employees
Operation	• discretionary biannual grants of executive share option awards and performance share awards which vest subject to performance conditions measured over three years and subject to continuous Company service • a malus and clawback facility is in operation under which part or the full amount of a vested award may be recovered, by a reduction in the amount of any future bonus, subsisting award, the vesting of any subsisting award or future share awards and/or a requirement to make a cash payment, for a period of three years from the relevant performance year, to the extent that the value of a vested award is subsequently found to have been overstated as a result of a material misstatement of performance or there has been a significant failure of risk control or serious misconduct • two year post-vesting holding requirement for shares that vest, net of sales to settle tax or other withholding due on vesting or exercise of awards • if any executive resigns during the period before vesting, awards would normally lapse • all awards are subject to the discretions contained in the relevant plan rules
Maximum potential value	Executive share options • maximum annual award of 225% of base salary • annual grant levels for executive directors will not normally exceed 200% of base salary • for 2020, grants will not exceed 200% of base salary for the incumbent executive directors Performance shares • maximum annual award of 175% of base salary • for 2020, awards will not exceed 150% of base salary for the Chief Executive Officer and 120% for the Chief Financial Officer

Directors' remuneration report continued

Long term incentives continued

Performance metrics	Performance and service conditions must be met over a three year performance period. Metrics and targets are set each year by the Committee. The current metrics are as follows: **Executive share options** • the eps performance measure relates to the absolute growth in the Company's eps against the targets set for the performance period • the vesting is scaled as follows: – no vesting for performance below the threshold target – 25% of an award will vest for achieving the threshold target – 100% of an award will vest for achieving or exceeding the maximum target – for performance between these targets, the level of vesting will vary on a straight line sliding scale • the Committee annually reviews the performance conditions outlined above and, in line with the rules of the LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment **Performance shares** • the TSR performance measure (50% of the total award) compares a combination of both the Company's share price and dividend performance during the performance period against a comparator group of the constituents of the FTSE 11–100. It aligns the rewards received by executives with the returns received by shareholders • the other 50% of the award is subject to an eps performance measure which relates to the absolute growth in the Company's eps against the targets set for the performance period • the vesting for both performance measures is scaled as follows: – no vesting for performance below median performance (TSR) or below the threshold target (eps) – 25% of an award will vest for achieving median performance (TSR) or the threshold target (eps) – 100% of an award will vest for achieving or exceeding upper quartile performance (TSR) or the maximum target (eps) – for performance between these targets, the level of vesting will vary on a straight line sliding scale • the Committee annually reviews the performance conditions outlined above and, in line with the rules of the LTIP, reserves the right to set different targets for forthcoming annual grants provided it is deemed that the relevant performance conditions remain appropriately challenging in the prevailing economic environment

All employee share plans

Purpose	• encourage employees, including the executive directors, to build a shareholding through the operation of all employee share plans such as the HM Revenue & Customs ('HMRC') tax advantaged Sharesave Scheme and the Internal Revenue Service ('IRS') approved Employee Stock Purchase Plan ('ESPP') in the US
Operation	• the Sharesave Scheme has standard terms under which participants can normally enter into a savings contract, over a period of either three or five years, in return for which they are granted options to acquire shares at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted • rules of the above plan were approved by shareholders at the 2011 AGM
Maximum potential value	• in the UK, the Sharesave Scheme is linked to a contract for monthly savings within the HMRC limits over a period of either three or five years (currently £500 per month)
Performance metrics	• service conditions apply

Retirement benefits	
Purpose	• provision of competitive retirement benefits • retain executive directors
Operation	• all defined benefit pension plans in the Group have been closed to new entrants since 2003, with any new recruits being offered defined contribution retirement arrangements and/or a pension allowance • pension contributions and allowances are normally paid monthly
Maximum potential value	• company pension contributions to defined contribution retirement arrangements or cash allowances for new executive directors will be aligned with those for the wider workforce in the UK – currently 5% of base salary • the cash allowance for the Chief Financial Officer will be capped at 5% of base salary. The pension allowance for the Chief Executive Officer, who was appointed in April 2016, will be phased down to 23.75% in 2020, 22.5% in 2021, 21.25% in 2022 and 20% by 1 January 2023
Performance metrics	• not applicable
Other benefits	
Purpose	• provision of competitive benefits which helps to recruit and retain executive directors
Operation	• benefits may include a car allowance or a car which may be fully expensed, various insurances such as life, disability and medical and, in some jurisdictions, other benefits provided from time to time • some benefits may only be provided in the case of relocation, such as removal expenses, and in the case of an international relocation might also include such items as costs of accommodation, children's schooling, home leave, tax equalisation and professional advice etc
Maximum potential value	• the value of benefits is based on the cost to the Company and varies according to individual circumstances. For example, the cost of medical insurance varies according to family circumstances and the jurisdiction in which the family is based
Performance metrics	• not applicable
Shareholding requirement and post-cessation holding requirement	
Purpose	• strengthen the alignment between the interests of the executive directors and those of shareholders
Operation	• executives will normally be expected to retain shares, net of sales to settle tax, through the exercise of awards under the DASBS and the LTIP until they attain the required holding. Three years is normally allowed for executives who are promoted from within the Company to achieve the required shareholding. For new executive directors the requirement will be to attain this holding within five years of joining the Company • the holding does not include any unvested LTIP awards or vested but unexercised share options or performance shares • deferred shares held under the DASBS will count towards the minimum shareholding requirement (net of the expected tax that will apply on vesting) • post-cessation: all executive directors are required to retain exercised LTIP shares (net of sales to settle tax and other transaction costs), post-cessation of appointment, during the two years from vesting. Good leavers who are permitted to retain LTIP awards will hold these until the normal three year vesting dates plus a further two year holding period post-vesting
Maximum potential value	• the Chief Executive Officer's shareholding requirement is 300% of base salary. The requirement for other executive directors is 200% of base salary. This includes any holdings of deferred shares under the DASBS (net of tax) but does not include any unvested or vested but unexercised share options or performance shares under the LTIP
Performance metrics	• not applicable

Directors' remuneration report continued

Fees policy for Chairman and non-executive directors (the 'NEDs')

The following table summarises the fees policy for the Chairman and the NEDs.

Fees	
Purpose	• provision of a competitive fee to attract and retain NEDs who have a broad range of experience and skills to oversee the implementation of the Company's strategy
Operation	• determined in light of market practice and with reference to time commitment and responsibilities associated with the roles • annual fees are paid in 12 equal monthly instalments during the year • the Senior Independent Director and Chairman of the Audit and Remuneration Committees are paid an extra fee to reflect their additional responsibilities • fees for additional responsibilities or significant additional time commitment may be paid where appropriate • the NEDs and the Chairman are not eligible to receive benefits and do not participate in pension or incentive plans • the NEDs' fees are reviewed annually in January each year and the Chairman's fee is reviewed normally biennially, the latest review being with effect from January 2020 • the Board as a whole considers the policy and structure for the NEDs' fees on the recommendation of the Chairman and the Chief Executive Officer. The NEDs do not participate in discussions on their specific levels of remuneration; the Chairman's fees are set by the Committee
Maximum potential value	• determined within the overall aggregate annual limit of £1,000,000 authorised by shareholders with reference to the Company's Articles of Association
Performance metrics	• not eligible to participate in any performance related elements of remuneration
Taxable benefits and expenses	• taxable expenses incurred in the course of carrying out NED duties are reinstated and grossed up to include tax payable

Statement of consideration of shareholder views

The Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. In addition, the Committee consults proactively with its major shareholders prior to making significant changes to the Company's remuneration policy.

The Committee consulted with major shareholders and shareholder representative bodies on the remuneration policy that is subject to approval by shareholders at the 2020 AGM.

Two rounds of consultation were conducted with the Company's top 20 shareholders. Between the first and second rounds of consultation, further changes were made to the policy, in light of the feedback received.

Discretions retained by the Committee in operating the incentive plans

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC and IRS rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions.

These include the following:

- selecting the participants;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the policy table above);
- determining the performance metrics or targets;
- adjusting the constituents of the TSR comparator group;
- determining the extent of vesting based on the assessment of performance;
- determining 'good leaver' status and the extent of vesting in the case of the share based plans;
- determining the extent of vesting of awards under share based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- under the annual review of weighting of performance measures, setting targets for the annual bonus plan and the LTIP from year to year.

The Committee may vary the performance conditions applying to share based awards if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Legacy arrangements

The approved directors' remuneration policy gives authority to the Company to honour any commitments entered into with current or former directors (that have been disclosed to shareholders in previous remuneration reports) or internally promoted future directors (such as the payment of a pension or the vesting of LTIP awards already in place). Details of any payments to former directors will be set out in the remuneration report as they arise.

Executive directors' external appointments

With the specific approval of the Board in each case, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

Recruitment of directors – approach to remuneration

Executive directors

For the ongoing stability and growth of the Group, it is important to secure, as necessary, the appointment of high calibre executives to the Board by either external recruitment or internal promotion. The overarching principles applied by the Committee in developing the remuneration package will be to set an appropriate base salary together with benefits and short and long term incentives taking into consideration the skills and experience of the individual, the complexity and breadth of the role, the particular needs and situation of the Group, internal relativities, the marketplace in which the executive will operate and an individual's current remuneration package and location. In addition, the Committee recognises that it may need to meet certain relocation expenses as appropriate.

Any fixed or variable pay awards for new executive director appointments will not exceed the maximum limits set out in the policy table above. However, in addition, for an external appointment the Committee may consider offering additional cash and/or share based elements to replace deferred awards forfeited by the individual on leaving their existing employment when it considers these to be in the best interests of the Company and its shareholders. Such elements, as appropriate, may be made under section 9.4.2 of the Listing Rules and would take account of the nature, time horizons and performance requirements attached to the awards forfeited. Shareholders will be informed of any such arrangements at the time of appointment.

The payments made to Richard Howes upon joining the Company as Chief Financial Officer are detailed on page 109.

For an internal appointment, any variable pay element or benefit awarded in respect of the prior role may be allowed to remain in place according to its terms, adjusted if appropriate to take into account the new appointment.

Non-executive directors

On appointment of a new Chairman of the Board or non-executive director, the fees will be set taking into account the experience and calibre of the individual and the prevailing fee rates of the other non-executive directors at that time.

Executive directors' service contracts

Frank van Zanten's and Richard Howes' service contracts provide for an equal notice period from the Company and the executive of a maximum 12 months' notice and any contracts for newly appointed executive directors will provide for equal notice in the future. The date of each service contract is noted in the table below:

	Date of service contract
Frank van Zanten	13 January 2016
Richard Howes (appointed to the Board 1 January 2020)	10 May 2019

The non-executive directors do not have service contracts with the Company but instead have letters of appointment. The date of appointment and the most recent re-appointment and the length of service for each non-executive director are shown in the table below:

	Date of appointment	Date of last re-appointment at AGM	Length of service as at 2020 AGM
Philip Rogerson*	1 January 2010	17 April 2019	10 years 3 months
Eugenia Ulasewicz*	1 April 2011	17 April 2019	9 years
Vanda Murray	1 February 2015	17 April 2019	5 years 2 months
Lloyd Pitchford	1 March 2017	17 April 2019	3 years 1 month
Stephan Nanninga	1 May 2017	17 April 2019	2 years 11 months
Peter Ventress	1 June 2019	n/a	10 months

* Philip Rogerson and Eugenia Ulasewicz will both retire from the Board at the conclusion of the 2020 AGM.

On termination, at any time, a non-executive director is entitled to any accrued but unpaid director's fees but not to any other compensation.

Directors' remuneration report continued

Policy on payment for departure from office

On termination of an executive director's service contract, the Committee will take into account the departing director's duty to mitigate their loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive directors leaving the Group is described below and is designed to support a smooth transition from the Company taking into account the interests of shareholders:

Component of pay	Voluntary resignation or termination for cause	Death, ill health, disability (excluding redundancy)	Departure on agreed terms
Base salary, pension and benefits	Paid up to the date employment ends and any untaken holidays pro-rated to the leaving date.	Paid up to the date employment ends, including any untaken holidays pro-rated to such date. Payment in lieu of notice may be made and, according to the circumstances, may be subject to mitigation. In such circumstances some benefits such as company car or medical insurance may be retained until the end of the notice period.	Treatment will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and the terms of any termination agreement. In the case of retirement of an executive director unvested performance shares will normally be subject to time proration based on the proportion of the performance period that has expired.
Annual bonus cash	Cessation of employment during a bonus year will normally result in no bonus being paid.	Cessation of employment during a bonus year or after the year end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and pro-rated for the relevant portion of the financial year worked and performance achieved.	
Annual bonus deferred shares	Unvested deferred shares will lapse.	In the case of the death of an executive, all deferred shares will be transferred to the estate as soon as possible after death. In all other cases, subject to the discretion of the Committee, unvested deferred shares will be transferred to the individual on a date determined by the Committee.	
Executive share options	Unvested executive share options will lapse.	Tax advantaged options will vest in full on the cessation of employment and be exercisable for the following 12 months after which any unexercised options will lapse. Subject to the discretion of the Committee, unvested non-tax advantaged share options will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions. In the case of the death of an executive, the Committee will determine the extent to which the unvested options may be exercised within 12 months of the date of death.	
Performance shares	Unvested performance shares will lapse.	Subject to the discretion of the Committee, unvested performance shares will normally be retained by the individual for the remainder of the vesting period and remain subject to the relevant performance conditions but will normally be subject to time proration. In the case of the death of an executive, the Committee will determine the extent to which the unvested performance shares may be exercised within 12 months of the date of death.	
Options under Sharesave	As per HMRC regulations.	As per HMRC regulations.	
Other	None.	Disbursements such as legal costs and outplacement fees.	

Note
The Committee will have the authority to settle or mitigate any potential claims against the Company, e.g. for unfair dismissal etc, that might arise on termination.

Differences in remuneration policy for executive directors and employees in general

The main difference in remuneration policy between the executive directors and employees in general is the balance between fixed and performance-related pay such as bonus and long term incentives. Overall the percentage of performance related pay, in particular longer term incentive pay, is greater for the executive directors. This reflects that executive directors have greater freedom to act and the consequences of their decisions are likely to have a broader and more far reaching time span of effect than those decisions made by employees with more limited responsibility. As a consequence only executive directors, Executive Committee members and other key employees (currently 29 people) are granted both executive share option awards and performance share awards. Approximately 450 senior managers are granted executive share option awards on an annual basis, which helps to provide a common focus for management in the Company's decentralised organisation structure, whereas the annual bonuses are related to the performance of individual operating units.

Bonus arrangements vary throughout the Group and are related to the specific role and the country in which the employee operates. The majority of bonus plans have quantitative targets, but the performance measures and targets vary according to each specific role. Sales representatives often have high levels of annual bonus payments which may be commission based.

When there is a critical mass of employees within a country to make it cost-effective to do so, to encourage wider employee share ownership, an all employee share plan may be offered. Currently plans are offered to all employees based in Australia, Canada, Germany, Ireland, the Netherlands, the US and the UK. In France, employees take part in profit sharing arrangements in accordance with local regulations.

Retirement and other benefits offered to employees across the Group differ according to the country in which the job is based and the function and seniority of the relevant role.

Statement of consideration of employment conditions elsewhere in the Group

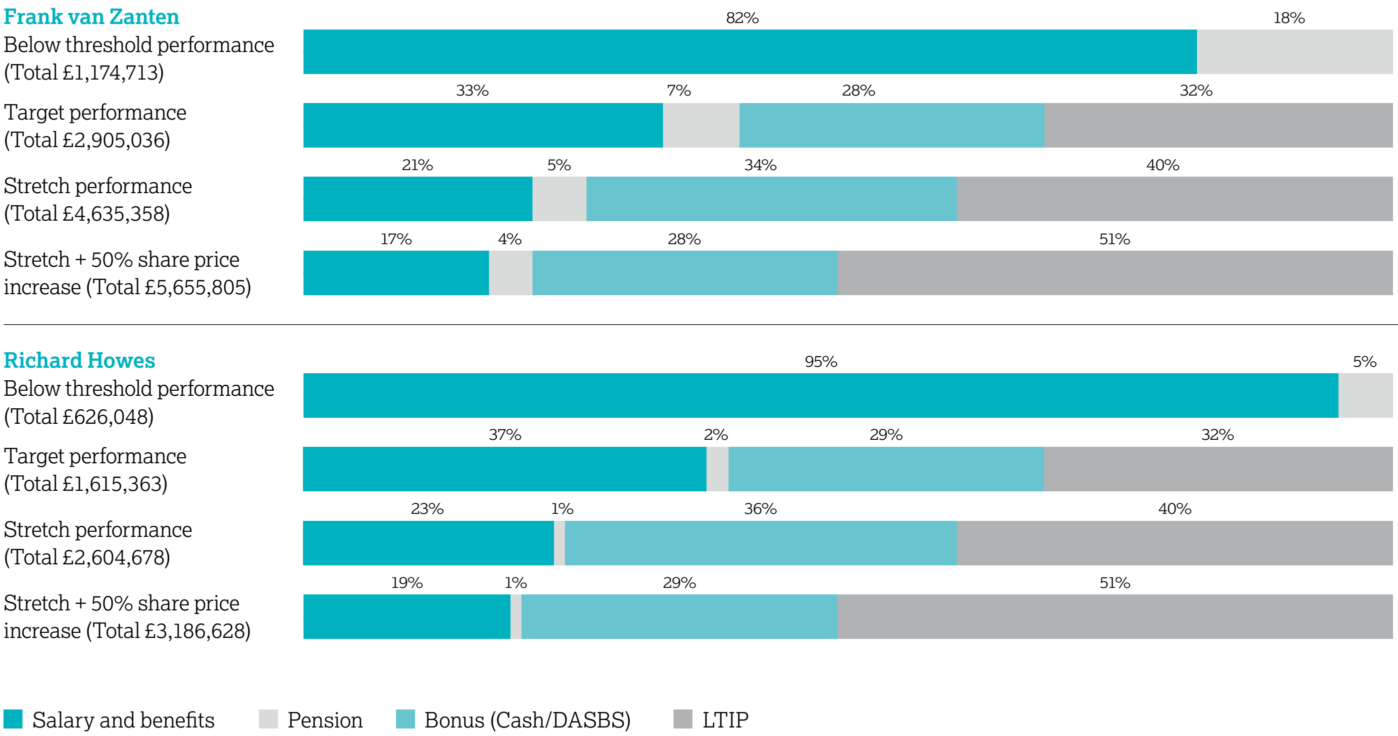
The Committee is provided annually with information on the salaries and proposed increases for the Executive Committee members and other senior direct reports of the Chief Executive, as well as data on the average salary increases within each geographical region within the Group. In addition, the Committee reviews and agrees all grants of executive share options and performance share awards.

In 2020 the majority of employees across the Group have received average salary increases ranging from 2% to 3%, dependent on geographical location with the principal exception being those employees based in parts of Latin America, China and Turkey where current market salary increases are higher. The actual increases received by employees have been based on each individual's contribution and performance as well as the market competitiveness of the salary.

The Committee considers the general basic salary increase within the geographical regions for the broader employee population when determining the annual salary increases for the executive directors and is cognisant of the Group's overall employment arrangements including all elements of remuneration, when reviewing and implementing the executive directors' remuneration policy. Although the Committee did not consult with employees with regard to the remuneration policy of the executive directors, the Company monitors employees' views through regular employee surveys.

Remuneration scenarios

The remuneration package comprises both core fixed elements (base salary, pension and other benefits) and performance based variable elements (cash bonus, the DASBS and the LTIP). The Committee has set a guideline that for on-target performance at least half of the remuneration package should be performance related. The structure of the remuneration packages for on-target and stretch performance for each of the two executive directors for 2020, in line with the proposed new directors' remuneration policy, is illustrated in the bar charts below.



Notes

a) For 2020 there are two executive directors, following the retirement of Brian May on 31 December 2019 and the appointment of Richard Howes on 1 January 2020.

b) Salary represents annual salary for 2020. Benefits such as a car or car allowance and private medical insurance have been included based on 2019 figures. In the case of Frank van Zanten, benefits also include certain outstanding elements of the international relocation package, which are gross amounts before taxes, referred to on page 99.

c) Pension represents the value of the annual pension allowance for Frank van Zanten and Richard Howes.

d) Below threshold performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vested.

e) Target performance comprises annual bonus awarded at target level (i.e. for 2020 an on-target bonus of 90% of base salary for Frank van Zanten and 80% of base salary for Richard Howes comprised of half cash and half deferred shares under the DASBS) and, for the LTIP, an assumption that 50% of performance shares will vest and that 50% of the share options will vest and deliver 30% of their face value in gain to the executives.

f) Stretch performance comprises annual bonus awarded at maximum level (i.e. for 2020, the maximum annual bonus will be 180% of base salary for Frank van Zanten and 160% of base salary for Richard Howes comprised of half cash and half deferred shares under the DASBS) and, for the LTIP, an assumption that 100% of performance shares will vest delivering 100% of their face value in gain to the executive directors and 100% of share options will vest and deliver 30% of their face value in gain to the executives.

g) Stretch performance plus 50% share price increase shows the effect of a 50% growth in the Company's share price on the value of the LTIP awards.

Directors' remuneration report continued

2019 remuneration at a glance

Remuneration principles

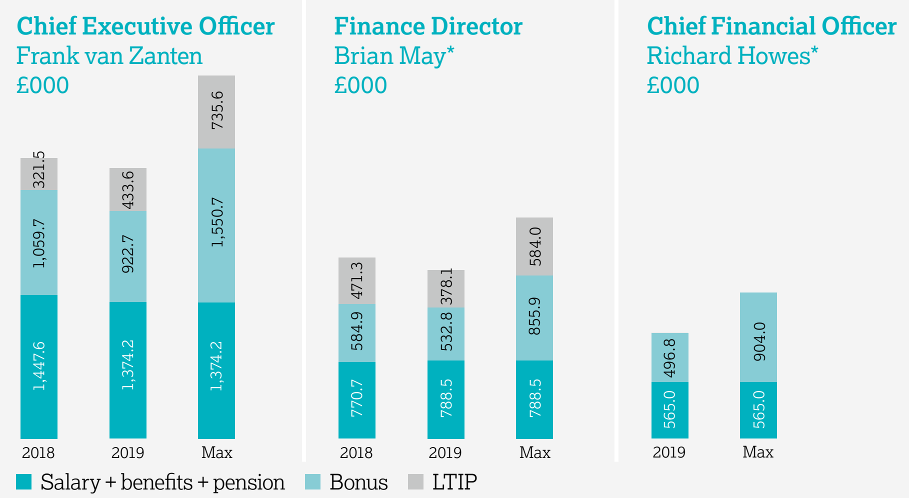
Materially differentiate reward according to performance

Reward competitively to attract and retain the best talent

Breakdown of fixed and variable pay to be appropriate to each role

Framework to be transparent with clear line of sight from performance to individual outcomes

Summary of executive directors' remuneration for the year



* Brian May retired from the Board on 31 December 2019 and Richard Howes was appointed to the Board on 1 January 2020. The numbers shown for Richard Howes have not been pro-rated.

Alignment of performance and remuneration 2019

Annual bonus

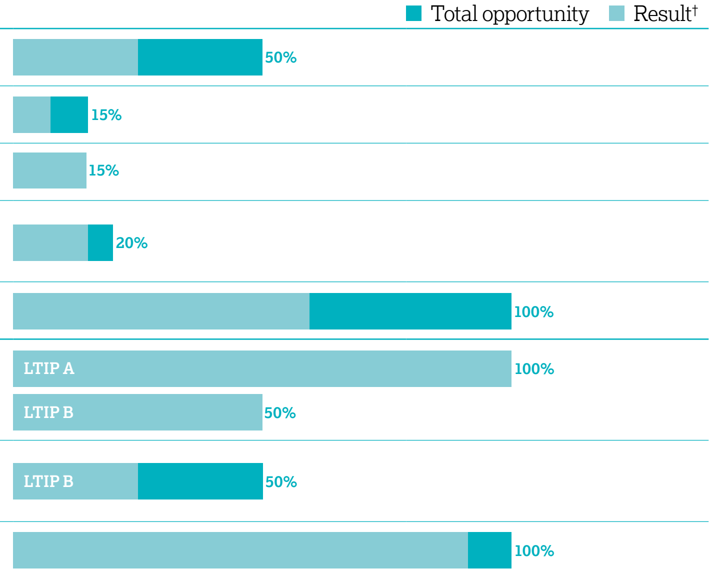
To motivate and reward the achievement of the Company's strategic and operational objectives

- **Eps** – Linked financial KPI: eps
- **RAOC** – Linked financial KPI: RAOC and operating profit
- **Operating cash flow** – Linked financial KPI: cash conversion
- **Non-financial strategic goals** – Payable to the executive directors in relation to agreed non-financial strategic goals
- **Total bonus opportunity/result**

LTIP

To motivate and reward performance linked to long term success

- **Eps** – Linked financial KPI: eps
- **TSR** – Linked financial KPI: dividend per share and share price
- **Total LTIP opportunity/result**



† For the Chief Executive Officer only.

Note
Further details about the Company's annual bonus and long term incentive plans can be found on pages 90 to 92.

Proposed application of policy for 2020

Unchanged

- Annual bonus metrics and quantum
- LTIP-balance of options and performance shares
- Core benefits

Key changes◊

- 3% increase to base pay for Chief Executive Officer and Chief Financial Officer
- Alignment of cash pension allowance with wider workforce (new directors)
- Reduction in % of bonus paid for threshold performance
- Reduction of cash pension allowance (Chief Executive Officer)
- Increased minimum shareholding requirement and the formalisation of post-vesting shareholding requirement in the event of cessation

Chief Executive Officer pay ratios

The full time equivalent salary for all employees in the UK & Ireland business area has been calculated for the 2019 financial year. These employees were then ordered from the highest to lowest paid and the median, 25th and 75th percentile employee identified. In order to compare the equivalent benefits details to those of the Chief Executive Officer, bonus and benefits received were added to the employee's salary details.

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	CEO single figure 2019 £000
Salary	44:1	38:1	27:1	861.5
Total remuneration	131:1	110:1	74:1	2,730.5

◊ Does not include proposed policy changes where there will be no impact in 2020.

Annual report on directors' remuneration for 2019

This report sets out the elements of remuneration paid to, or earned by, the directors in respect of the financial year 2019.

Single total figure of remuneration 2019 (audited information)

Executive directors

	Salary £000		Taxable benefits £000		Bonus £000		LTIP £000		Pension £000		Total £000	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Frank van Zanten	**861.5**	836.4	**297.3**	402.1	**922.7**	1,059.7	**433.6**	321.5	**215.4**	209.1	**2,730.5**	2,828.8
Brian May	**570.6**	554.0	**16.6**	17.1	**532.8**	584.9	**378.1**	471.3	**201.3**	199.6	**1,699.4**	1,826.9
Total	**1,432.1**	1,390.4	**313.9**	419.2	**1,455.5**	1,644.6	**811.7**	792.8	**416.7**	408.7	**4,429.9**	4,655.7

Notes

a) The figures above represent remuneration earned as directors during the relevant financial year including the bonus of which the cash element, 50% of the bonus, is paid in the year following that in which it is earned. The other 50% of the bonus shown above is deferred and conditionally awarded as shares under the rules of the Deferred Annual Share Bonus Scheme ('DASBS'). Shares relating to the 2018 deferred bonus were awarded in 2019 as shown in the table on page 111 and the shares relating to the 2019 deferred bonus will be awarded in 2020.

b) The annual bonus for 2019 was determined according to a formulaic calculation in respect of eps, RAOC and operating cash flow measures, while the Committee used its judgement to assess performance of individual objectives (20% of the bonus).

c) The eps and ROACE measures (both target and actual) are based on IAS 17.

d) Benefits provided for all executive directors include a car or car allowance and medical insurance coverage for them and their families. Frank van Zanten's benefits total is lower in 2019 and the only significant element relates to rent costs (£101,981 grossed up to include tax payable). Other elements included are school fees, tax advice, international medical insurance, travel and removal costs.

e) The long term incentives are in the form of awards under the LTIP granted in April and October 2016 and March and September 2017. The performance metrics for LTIP A were eps growth and for LTIP B were eps growth and TSR, further details of which are on pages 102 and 103. The portion of the total LTIP figures (2019: £811,700 2018: £792,800) that are attributable to share price growth are £31,149 for 2019 and £261,108 for 2018.

f) The figures shown in relation to 2018 for the LTIP have been restated from those figures shown in the 2018 Annual Report to reflect the difference between the relevant grant price and the value of the LTIP share option awards on the actual date of vesting on 3 March 2019 and 2 September 2019 at the closing mid-market share price of 2,394p and 2,059p respectively.

Non-executive directors

	Board fees £000		Committee Chair/SID fees £000		Taxable payments/ expenses £000		Total £000	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Philip Rogerson – Chairman	**357.0**	357.0	**–**	–	**1.2**	1.0	**358.2**	358.0
Eugenia Ulasewicz	**71.8**	70.4	**–**	–	**73.0**	71.2	**144.8**	141.6
Jean-Charles Pauze	**–**	70.4	**–**	–	**–**	6.7	**–**	77.1
Vanda Murray	**71.8**	70.4	**37.0**	36.0	**4.9**	5.8	**113.7**	112.2
Lloyd Pitchford	**71.8**	70.4	**19.0**	18.0	**0.4**	0.2	**91.2**	88.6
Stephan Nanninga	**71.8**	70.4	**–**	–	**10.4**	9.6	**82.2**	80.0
Peter Ventress	**41.9**	–	**–**	–	**–**	–	**41.9**	–
Total	**686.1**	709.0	**56.0**	54.0	**89.9**	94.5	**832.0**	857.5

Notes

a) Jean-Charles Pauze retired from the Board on 31 December 2018.

b) Peter Ventress joined the Board as Chairman designate on 1 June 2019.

c) Taxable payments/expenses for non-executive directors are costs incurred for travel and accommodation in order to attend Board meetings in London. These costs have been grossed up to include the tax payable.

Payments for loss of office (audited information)

No payments were or are to be made to former directors in respect of loss of office.

Directors' remuneration report continued

Departure terms of Brian May (audited information)

As announced on 10 May 2019, Brian May retired from the Board on 31 December 2019 and will leave the Group at the end of February 2020. Full details of his departure terms are set out in the statement required by section 430(2B) of the Companies Act 2006 which can be found on www.bunzl.com in the Investors section under Corporate governance (Remuneration). The Committee determined the following treatment within the terms of the Company's approved remuneration policy approved by shareholders at the 2017 AGM and published in the 2017 Annual Report:

- salary, benefits and pension allowance were paid as usual until the leaving date;
- no payment in lieu of notice was made;
- annual cash bonus for the 2019 financial year will be paid in March 2020 subject to performance over this period and as determined by the Committee in accordance with the rules of the bonus plan (any part of his bonus payment that would otherwise have been allocated to him under the DASBS in relation to the 2019 financial year will be satisfied in cash in accordance with the plan rules);
- any deferred shares outstanding at the Leaving Date, which were awarded under the DASBS in relation to the 2016, 2017 and 2018 financial years, will vest in full on 1 March 2020;
- no grants or awards under the LTIP were made after 10 May 2019, the date of the announcement;
- any grants and awards outstanding at the Leaving Date, which were made under the LTIP Parts A and B in 2017, 2018 and earlier in 2019, will vest on the normal vesting date subject to satisfaction of (i) the existing performance conditions and (ii) his outstanding awards under the LTIP Part B (performance shares) being time pro-rated and reduced in proportion to the amount of the relevant three year vesting period that has elapsed since the relevant grant date up to the Leaving Date. This is provided that prior to the relevant vesting date Brian May has not worked in any capacity for a competitor organisation. Malus and clawback provisions will continue to apply; and
- the grants and awards outstanding at the Leaving Date which were made under the LTIP Part A and Part B after 23 August 2017 will also be subject to a two year post-vesting holding requirement in accordance with the relevant rules of the LTIP (with the exception of any shares sold to meet any income tax and other withholding obligations).

Payments to past directors (audited information)

No other payments were made to former directors during the year.

Executive directors' annual salary (audited information)

Executive directors' salaries were reviewed with effect from 1 January 2019 in accordance with normal policy and were increased taking into account the average salary increases for employees across the Group.

	Salary from 1 January 2019	Salary from 1 January 2018	Increase in salary 2018 to 2019
Frank van Zanten	**£861,500**	£836,400	3%
Brian May	**£570,600**	£554,000	3%

Executive directors' salaries were also reviewed with effect from 1 January 2020 and the increases awarded are shown on page 110.

Executive directors' external appointments

Frank van Zanten served as a non-executive director of Grafton Group plc in 2019 and during the year retained fees of €70,000. Brian May served as a non-executive director of United Utilities Group PLC in 2019 and during the year retained fees of £82,000.

Non-executive directors' fees (audited information)

The Chairman's fee is reviewed every two years and, as a result, no review took place during 2019. The fees for the non-executive directors were reviewed with effect from 1 January 2019 in accordance with the normal fees policy.

	With effect from January 2019	Fees paid in 2018	Increase in fees 2018 to 2019
Chairman's fee	**£357,000**	£357,000	–
Non-executive director fee	**£71,800**	£70,400	2%
Supplements:			
Senior Independent Director	**£18,000**	£18,000	–
Audit Committee Chairman	**£19,000**	£18,000	5.6%
Remuneration Committee Chair	**£19,000**	£18,000	5.6%

The Chairman's and the non-executive directors' fees were reviewed with effect from 1 January 2020 and the increases awarded are shown on page 110.

Performance against annual bonus targets (audited information)

The annual bonus plan and DASBS currently operate as set out in the policy section on pages 90 and 91. Frank van Zanten's and Brian May's awards related to the Group's eps, RAOC, operating cash flow performance and personal performance on individual objectives. The results for 2019 against the targets set were as follows and the Committee did not exercise any discretion to override the formulaic outcomes:

Group performance

Weighting	Scorecard performance metric	Threshold	Target	Stretch	Actual outturn calculated at constant exchange rates
50%	eps (p)	125.9p	135.4p	151.6p	133.2p
	% of target	93%	100%	112%	98.4%
15%	RAOC %	46.6%	48.6%	50.6%	48.4%
	% of target	96%	100%	104%	99.6%
15%	Operating cash flow (£m)	555.9	585.2	614.5	633.7
	% of target	95%	100%	105%	108.3%
20%	Non-financial strategic goals	see details below			

Note
The actual outturn calculated at constant exchange rates is the actual result of the relevant measures retranslated at the exchange rates used in setting the target for that measure.

There is an eps underpin to retain focus on eps growth, such that if the eps threshold is not met, there is no pay-out under any element of the scorecard.

Non-financial strategic goals

Following a review of performance against specific personal objectives for 2019, the Committee determined the bonus percentage payable in relation to the non-financial strategic goals. The specific objectives, and the related evaluation of performance, are shown in the table below:

Frank van Zanten – Chief Executive Officer

Objective	Evaluation
• Implement an expanded sustainability strategy focused on 'single-use plastics', including the broader engagement of stakeholders using a clear statement of intent, and the establishment of the appropriate internal governance. • Deliver underlying profit growth versus last year. • Support smooth succession processes for the senior management team including the transition to a new Chief Financial Officer.	• a new strategy, including a clear statement of intent has been created and communicated to key external stakeholders; • a new network of sustainability experts has been recruited, and a new strategic framework has been agreed by the Group Sustainability Committee, a subset of the leadership team; • headline net operating margin up from 6.7% to 6.8% at constant exchange rates and underlying net operating margin of 6.7% flat at constant exchange rates, against the background of mixed macroeconomic and market conditions. Pro-active cost measures and good margin management have contributed to a good margin performance; and • particular focus given to a thorough handover and induction process for Richard Howes, and development and succession plans for the leadership team have included several specific activities.
% of base salary awarded	**27.0**

Brian May – Finance Director

Objective	Evaluation
• Manage a smooth succession and handover process for the new Chief Financial Officer. • Improve working capital performance measured by the working capital/sales% compared to 2018. • Continue to drive digital progress in the Group (suppliers and customers), measured by the proportion of transactions with suppliers and customers carried out via EDI and web ordering.	• very effective handover to Richard Howes over a period of four months; • working capital during the first half of the year was impacted by the integration of some businesses in North America but the working capital performance improved significantly during the second half of the year leading to a strong cash conversion of 101%; and • good progress on digital conversion, with 62% of orders in 2019 now processed via electronic channels.
% of base salary awarded	**25.5**

Directors' remuneration report continued

Accordingly the total payments under the annual bonus plans were:

	Total bonus payment (cash and deferred shares split 50/50) as a % of salary				
	2019	2018	2017	2016	2015
Frank van Zanten	**107.1%**	126.7%	109.2%	75.3%	–
Brian May	**93.4%**	105.6%	94.9%	76.6%	73.8%

Note
Brian May's bonus payment for 2019 is 100% in cash as outlined in his departure terms.

The monetary values of the bonus payments for 2019 and 2018 are included in the table on page 99. The deferred shares portion of the bonus is required to be held under the DASBS for a period of three years and is subject to continued employment.

LTIP grants/awards with performance periods ending in 2019 (audited information)

Executive share option awards – LTIP Part A

Executive share option awards, granted three years previously, are due to vest on 2 March 2020 and 1 September 2020. No discretion to override the formulaic calculation of outcomes or the share price movement was exercised:

LTIP Part A – 2 March 2017 and 1 September 2017 awards

Performance measure	Vesting schedule	Threshold target (5% p.a. compounded)	Maximum target (8% p.a. compounded)	Actual eps growth	% vesting (max 100%)
eps growth (over three year period to 31 December 2019)	25% vesting for threshold performance, 100% vesting for maximum performance	15.8%	26.0%	27.1%*	100%

	Date of grant	Grant price p	Number of shares granted	Average share price 31 December 2019	Vesting outcome	Estimated value of award vesting
Frank van Zanten	2 March 2017	2,335	34,946	2,048	100%	£0
	1 September 2017	2,310	35,324	2,048	100%	£0
Brian May	2 March 2017	2,335	21,994	2,048	100%	£0
	1 September 2017	2,310	22,232	2,048	100%	£0

Note
The estimated values of awards vesting are based on the difference between the exercise price and the average of the Company's closing mid-market share price for the three month period ended 31 December 2019 (2,048p) and is the same as the figures included in the single total remuneration table on page 99.

* The eps growth to 31 December 2019 has been adjusted to exclude two businesses one in France and one in the UK that were disposed of during the period of calculation. The Committee approved this adjustment on the basis that the directors and the recipients should not be penalised for the decision to dispose of non-core businesses.

Performance shares – LTIP Part B

Awards of performance shares were made to the executive directors on 11 April 2016 and 11 October 2016 and vested during 2019. The Committee assessed the performance of the Company against the relevant performance conditions and no discretion to override the formulaic outcomes or the share price movement was exercised.

LTIP Part B – 11 April and 11 October 2016 awards

Performance measure	Vesting schedule	Threshold target (6% p.a. compounded)	Maximum target (12% p.a. compounded)	Actual eps growth	% vesting (max 50%)
eps growth (over three year period to 31 December 2018)	25% vesting for threshold performance, 100% vesting for maximum performance	19.1%	40.5%	42.4%	50%

Performance measure	Performance period	Vesting schedule	Threshold target (median)	Maximum target (upper quartile)	Actual TSR	% vesting (max 50%)
TSR relative to comparator group of bespoke peer companies, and equivalent ranking	1 April 2016 to 31 March 2019	25% vesting for threshold performance,	27.8% 15.5 out of 30	74.6% 8 out of 30	36.8% 12.96 out of 30	25.2%
	1 October 2016 to 30 September 2019	100% vesting for maximum performance	7.8% 15 out of 29	55.9% 7.75 out of 29	(4.9)% 24.10 out of 29	0%

	Date of grant	Number of shares granted	Value of award at grant	Vesting outcome – eps	Vesting outcome – TSR	Shares vested	Value of award vesting
Frank van Zanten	11 April 2016	10,369	£212,668	50%	25.2%	7,798	£196,432
	11 October 2016	23,428	£544,701	50%	0%	11,714	£237,209
Brian May	11 April 2016	13,566	£278,239	50%	25.2%	10,202	£256,988
	11 October 2016	11,967	£278,233	50%	0%	5,983	£121,156

Note
Included in the single total figure of remuneration on page 99 is the value of these vested awards at the closing mid-market share price on the dates of vesting, 11 April 2019 and 11 October 2019, which were 2,519p and 2,025p respectively.

Total pension entitlements (audited information)

	Pension plan's normal retirement age	Additional value of pension on early retirement	Pension value in the year from Defined Benefit scheme	Value of cash allowance including any company Defined Contribution in 2019	**Total pension 2019**
Frank van Zanten	–	–	–	£215,375	**£215,375**
Brian May	60	–	£79,530	£121,725	**£201,255**

Notes
a) As Chief Executive Officer Frank van Zanten received a pension allowance of 25% of base salary during 2019. This will reduce from 1 January 2020 in accordance with the proposed new directors' remuneration policy.

b) Brian May, who joined the Group in the UK prior to the closure of the defined benefit ('DB') sections of the Bunzl Pension Plan ('BPP'), is a member of the Bunzl Senior Pension Section of the BPP. His pension accrues at the rate of 2.4% per annum up to two thirds of the pensionable salary cap. The pensionable salary cap is notionally £166,200 for tax year 2019/20 and £160,800 for tax year 2018/19.

c) In addition to benefits from the BPP, Brian May received a pension allowance of 30% of base salary above the pensionable salary cap which permitted him to make provision, of his own choice, in respect of that part of his salary which exceeds the cap.

Directors' remuneration report continued

LTIP grant policy

Conditional awards of executive share options and performance shares are granted twice a year to executive directors and other senior executives. Executive share option awards are normally granted in February/March and August/September dependent on the date of announcement of the Company's results. Performance share awards are normally granted in April and October each year. Executive share options were granted in February and September 2019 and performance share awards were granted in April and October 2019 under the LTIP in accordance with the policy as approved at the 2017 AGM.

LTIP interests awarded during the financial year (audited information)

	Plan	Type of interest	Date of grant	Basis of award	Face value £000	Number of shares	Performance period end date
Frank van Zanten	LTIP Part A	Share options	28.02.19	100% of salary	861.5	36,273	31.12.21
	LTIP Part B	Performance shares	08.04.19	65% of salary	560.0	22,072	31.03.22
	LTIP Part A	Share options	11.09.19	100% of salary	861.5	40,887	31.12.21
	LTIP Part B	Performance shares	07.10.19	65% of salary	560.0	27,817	30.09.22
Brian May	LTIP Part A	Share options	28.02.19	95% of salary	542.1	22,824	31.12.21
	LTIP Part B	Performance shares	08.04.19	52.5% of salary	299.5	11,807	31.03.22

Notes

a) The face value of the awards is calculated using the closing mid-market share price on the day prior to the grant of the award. Options were awarded under the LTIP Part A on 28 February 2019 and on 11 September 2019 at a value of 2,375p and 2,107p per share respectively. The option price used at exercise is the market price on the day prior to grant. Performance shares were awarded under the LTIP Part B on 8 April 2019 and 7 October 2019 at a value of 2,537p and 2,013p per share respectively.

b) No LTIP awards were granted to Brian May after the date of his retirement was announced on 10 May 2019. See page 100 for the departure terms for Brian May.

Performance conditions for 2019 awards

The performance conditions for the executive share options and performance shares awarded under the LTIP to the Company's executive directors, Executive Committee members and selected key employees in 2019 were as detailed below. In each case when threshold performance is met 25% of the award will vest.

Executive share option awards – LTIP Part A

Executive share options may vest based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of share option awards exercisable
Below 5%	Nil
5%	25%
Between 5% and 8%	Pro rata between 25% and 100%
8% or above	100%

Performance share awards – LTIP Part B

The extent to which half of the awards may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) over three years, based on the following sliding scale:

Absolute annual growth in the Company's eps over a three year period	Proportion of share option awards exercisable
Below 6%	Nil
6%	25%
Between 6% and 12%	Pro rata between 25% and 100%
12% or above	100%

The extent to which the other half of the performance share awards may vest is subject to the Company's TSR performance, a combination of both the Company's share price and dividend performance during the three year performance period, relative to the TSR performance of a specified comparator group of similarly sized companies with large international presence. Given the unique nature of Bunzl's combined operations a broad range of listed companies either side of Bunzl in terms of size (excluding companies in the financial services, oil & gas and natural resources sectors and those without a significant international presence) are considered to be appropriate for TSR comparison purposes. These performance share awards may vest based on the following sliding scale:

TSR	Proportion of performance share awards exercisable
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata between 25% and 100%
Upper quartile or above	100%

The applicable comparator group for the 2019 awards were those companies in the FTSE 50–150 with significant international operations, excluding companies in the financial services, oil & gas and natural resources sectors.

Shareholder dilution

In accordance with The Investment Association Principles of Remuneration, the Company can satisfy awards to employees under all its share plans with new issue shares or shares issued from treasury up to a maximum of 10% of its issued share capital (adjusted for share issuance and cancellation) in a rolling 10 year period. Within this 10% limit, the Company can only issue (as newly issued shares or from treasury), 5% of its issued share capital (adjusted for share issuance and cancellation) to satisfy awards under executive (discretionary) plans.

As well as the LTIP, the Company operates various all employee share schemes as described on page 92. Newly issued shares are currently used to satisfy the exercise of options under the Sharesave Scheme and the International and Irish Sharesave Plans. Awards under the LTIP of executive options and performance shares are principally satisfied by shares delivered from the Employee Benefit Trust which buys shares on the market, unless security laws in relevant jurisdictions prevent this.

Limit on awards	Cumulative options and performance shares granted as a percentage of issued share capital as at 31 December 2019
10% in any rolling 10 year period	1.6%
5% in any rolling 10 year period (executive (discretionary) plans)	0.7%

Statement of directors' shareholding and share interests (audited information)

As at 31 December 2019, each of the executive directors and their connected persons have a shareholding as follows:

	Requirement for share ownership as a percentage of salary (31 December 2019)	Actual share ownership as a percentage of salary at 31 December 2019 at the closing mid-market price (2,065p)
Frank van Zanten	250%	250%
Brian May	200%	416%

Note
The shareholding requirement for the Chief Executive Officer, Frank van Zanten, will increase to 300% of salary under the proposed new directors' remuneration policy. Shares contributing to the share ownership % will include deferred shares held under the DASBS (net of tax) but not any unvested or vested but unexercised LTIP awards.

Directors' remuneration report continued

Interests in shares and share options (audited information)

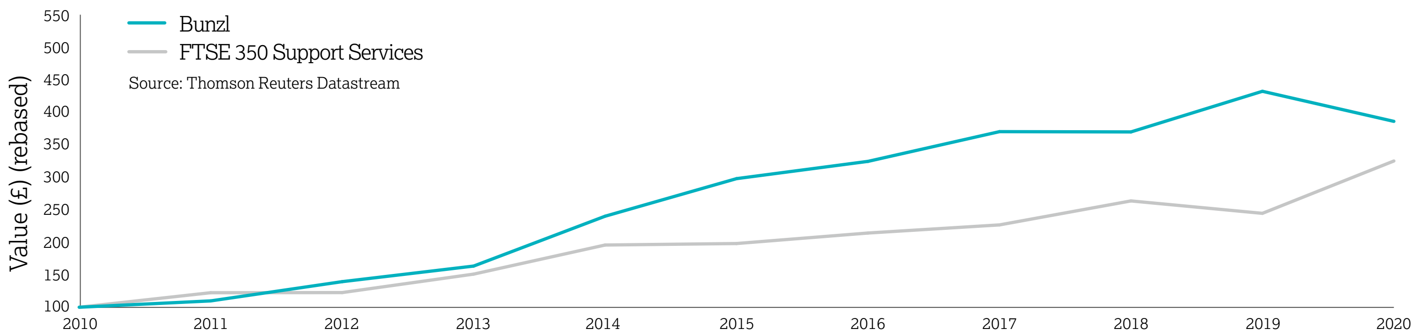
The interests of the directors, and their connected persons, in the Company's ordinary shares and share options at 31 December 2019 were:

	Shares			Options (LTIP Part A and Sharesave)			Total interests held
	Owned outright	Unvested and subject to holding period (DASBS)	Unvested and subject to performance conditions (LTIP Part B)	Unvested and subject to performance conditions	Unvested subject to continued employment	Vested but not exercised	
Frank van Zanten	**104,438**	56,621	132,315	225,222	1,923	42,636	563,155
Brian May	**114,995**	34,445	62,768	116,000	1,758	21,553	351,519
Philip Rogerson	**10,000**	–	–	–	–	–	10,000
Eugenia Ulasewicz	**4,000**	–	–	–	–	–	4,000
Vanda Murray	**3,000**	–	–	–	–	–	3,000
Lloyd Pitchford	**4,000**	–	–	–	–	–	4,000
Peter Ventress	**–**	–	–	–	–	–	–
Stephan Nanninga	**–**	–	–	–	–	–	–

Note
No changes to the directors' ordinary share interests shown in this remuneration report have taken place between 31 December 2019 and 24 February 2020.

Performance graph and table

Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires that the Company must provide a graph comparing the TSR performance of a hypothetical holding of shares in the Company with a broad equity market index over a 10 year period. The Company's TSR performance against the FTSE 350 Support Services Sector over a 10 year period commencing on 2 January 2010 is shown below.



Chief Executive Officer's pay in last 10 years

The table below summarises the Chief Executive Officer's single total figure of remuneration, annual bonus and long term incentive pay out as a percentage of maximum opportunity for 2019 and the previous nine years.

		2010	2011	2012	2013	2014	2015	2016 MR	2016 FvZ	2017	2018	**2019**
Single total figure of remuneration £000		2,314.2	3,394.1	3,502.9	4,387.6	4,766.8	3,937.9	2,353.3	1,492.0	2,812.0	2,828.8	**2,730.5**
Annual variable element award rates against maximum opportunity		71%	99%	67%	91%	85%	64%	0 %	67%	73%	70%	**60%**
Long term incentive vesting rates against maximum opportunity	LTIP Part A (share options)	100%	100%	100%	100%	100%	100%	100 %	0%	100%	100%	**100%**
	LTIP Part B (performance shares)	65%	29%	45%	62%	89%	69%	82%	0%	69%	54%	**63%**

Notes

a) The data for 2016 splits out the amounts relating to Michael Roney ('MR') from 1 January 2016 to 19 April 2016 and also includes the LTIP awards made to him that vested in the period from 20 April to 31 December 2016. There was no bonus award for Michael Roney in relation to 2016.

b) The data for 2016 also includes the amounts relating to Frank van Zanten ('FvZ') from 20 April to 31 December 2016 including the bonus award for that period and the international relocation package with accommodation benefit support, but excludes the LTIP awards made to him in his previous role that vested during the period from 20 April to 31 December 2016.

c) All years prior to 2016 relate to Michael Roney.

d) The single total figure of remuneration in relation to 2018 has been restated from the figure shown in the 2018 Annual Report to reflect the difference between the grant price and the value of the relevant LTIP awards on the actual date of vesting as detailed in Note f. to the table of the single total figure of remuneration 2019 on page 99.

Percentage change in Chief Executive Officer's remuneration

The table below sets out the increase in the salary, benefits and bonus of the Chief Executive Officer and that of a Bunzl UK and US management population. This population has been selected for this comparison because it is considered to be the most relevant as these countries have the Group's largest concentration of employees with a similarly structured remuneration package. Employees from businesses acquired by Bunzl in 2019 and leavers and joiners in either year have been removed from the data to prevent distortion.

	Chief Executive	UK and US management population
	Percentage change (2019 vs 2018)	Percentage change (2019 vs 2018)
Salary	3%	3%
Benefits	-26%	6%
Bonus	-13%	-31%

Notes

a) Benefits are annualised and include the relocation benefits for Frank van Zanten included in the single figure table on page 99. In 2018 these benefits were excluded. With these benefits included the percentage change from 2017 to 2018 was 3% for benefits.

b) US and UK management population includes any promotional increases that occurred during either year.

c) Bonus relates to the performance targets of the companies for which the relevant individuals work.

Directors' remuneration report continued

Chief Executive Officer pay ratios

The table below sets out the comparisons between the 25th, median and 75th percentile employees in the UK with reference to 31 December 2019 and the Chief Executive Officer's salary and salary and benefits as detailed in the single figure table. To calculate these ratios we have determined full time equivalent total remuneration, as this is the most statistically robust method.

Each employee's pay and benefits were calculated using each element of employee remuneration, consistent with the Chief Executive Officer. Adjustments were made to include the bonus paid in 2019 compared to the Chief Executive Officer's bonus paid in 2020 in respect of performance in 2019.

The Chief Executive Officer's remuneration package is weighted more heavily towards variable pay than the wider workforce and that means the ratio is likely to fluctuate depending on the performance of the Company.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019 salary	44:1	38:1	27:1
2019 total remuneration	131:1	110:1	74:1

	Salary	Total remuneration
Chief Executive Officer	£861,500	£2,730,500
25th percentile employee	£19,422	£20,880
Median employee	£22,484	£24,905
75th percentile employee	£31,500	£36,718

The salary and total remuneration of the median employee is consistent with the reward and progression policy for UK employees.

Relative importance of spend on pay

The table below shows a comparison between the overall expenditure on pay and dividends paid to shareholders for 2019 and 2018 (as stated in Note 24 and Note 20 to the consolidated financial statements on pages 163 and 158 respectively).

£m	**2019**	2018	Percentage change
Overall expenditure on pay	**785.8**	772.0	1.8%
Dividend paid in the year	**167.3**	152.2	9.9%

Notes
a) Overall expenditure on pay excludes employer's social security costs and the GMP equalisation charge in 2018.

b) Dividends paid in the year relate to the previous financial year's interim and final dividends.

c) The percentage change in overall expenditure on pay includes the impact of changes in exchange rates from 2018 to 2019 and the incremental effect of acquisitions net of disposals, details of which are referred to in the Chief Executive Officer's review on page 6 and in the Financial review on page 57.

Remuneration arrangements for 2020

Remuneration arrangements for Richard Howes – Chief Financial Officer

Richard Howes joined the Company on 1 September 2019 as Chief Financial Officer designate and was appointed to the Board on 1 January 2020 as Chief Financial Officer.

His remuneration arrangements on joining the Company were as follows:

- a base salary of £565,000 per annum;
- a cash supplement in lieu of pension contributions of 15% of base salary;
- other benefits in line with the current directors' remuneration policy, including a car allowance, life assurance and private medical insurance for himself and his family;
- a pro-rated annual bonus opportunity for the period from 1 September to 31 December 2019, in line with the current directors' remuneration policy; and
- the opportunity to be considered for a grant of performance shares and share options under the LTIP from 2020.

In addition, Richard Howes was compensated for specific items of remuneration which he forfeited as a result of leaving his previous employer, as follows:

- a payment of £200,000 (split 50:50 between cash and shares, to be deferred for three years under the DASBS) to compensate him for the loss of his annual bonus from his previous employer; and
- a number of share awards to compensate him for unvested awards under his previous employer's long term incentive plan, as follows:
  (a) an award in respect of 39,538 Bunzl shares which is linked to the relevant performance conditions from his previous employer (subject to a cap of 50% of the shares awarded, i.e. 19,769 shares) which will vest on 26 May 2020;
  (b) an award in respect of 46,824 shares which is linked to the relevant Bunzl performance conditions (applied to awards granted under the LTIP Part B in April 2018) and is due to vest on 10 April 2021; and
  (c) an award in respect of 59,112 shares which is linked to the relevant Bunzl performance conditions (applied to awards granted under the LTIP Part B in April 2019) and is due to vest on 11 April 2022.

On his appointment to the Board on 1 January 2020, the remuneration arrangements for Richard Howes were confirmed as follows:

- a base salary of £581,950 per annum;
- a cash supplement in lieu of pension contributions of 5% of base salary;
- other benefits in line with the current directors' remuneration policy, including a car allowance, life assurance and private medical insurance for himself and his family;
- an annual bonus with a maximum opportunity of 160% of base salary (target opportunity of 80% and threshold opportunity of 40%), to be split 50:50 between cash and shares to be deferred for three years under the DASBS plan; and
- grants of shares in 2020 under the LTIP as follows:
  – LTIP Part A – share options equivalent in value to 200% of base salary; and
  – LTIP Part B – performance shares equivalent in value to 120% of base salary.

These arrangements are all in line with the proposed new directors' remuneration policy for 2020.

Directors' remuneration report continued

Salary (audited information)

The salary increases for the executive directors for 2020, which are in line with increases that have been implemented for other employees in the Group as discussed on page 97, are as follows:

	Salary from 1 January 2020	Salary from 1 January 2019	Increase in salary 2019 to 2020
Frank van Zanten	£887,345	£861,500	3.0%
Richard Howes	£581,950	n/a	n/a

2020 bonus targets

The structure of Frank van Zanten's and Richard Howes' annual bonus for 2020 remains unchanged and is described on pages 90 and 91. The balanced scorecard of performance measures, based on eps, RAOC, operating cash flow and specified strategic goals and with an eps underpin continues as outlined for 2019. If eps performance falls below the threshold level there will be no bonus paid. The relevant performance points are: threshold (which must be exceeded to attract any payment of bonus); target; and maximum amount (the level at which the bonus for that measure is capped). Under the proposed policy, 25% of the maximum opportunity is payable for threshold performance, and 50% for target performance. These performance points are determined at the start of the year by reference to the annual budget. No elements of the bonus are guaranteed. As in previous years, financial performance targets are confidential at the start of the year as they are short term and market sensitive and therefore are disclosed in the remuneration report which is published following the year end.

Performance measures for long term incentives to be awarded in 2020

Grants of executive share options and performance shares awarded to executive directors and senior executives in 2020 will be subject to the same performance conditions as those executive share options and performance share awards granted in 2019 as detailed on pages 104 and 105.

Chairman's and non-executive directors' fees for 2020

The Chairman's and the non-executive directors' fees were reviewed with effect from 1 January 2020.

The Chairman's fee is reviewed every two years with the previous review taking effect from 1 January 2018. The non-executive directors' fees are reviewed annually. The current fee structure for the Chairman and the non-executive directors is shown below:

	With effect from 1 January 2020	Fees paid in 2019	Increase in fees 2019 to 2020
Chairman's fee	£368,000	£357,000	3.1%
Non-executive director basic fee	£71,800	£71,800	–
Supplements:			
Senior Independent Director	£18,000	£18,000	–
Audit Committee Chairman	£20,000	£19,000	5.3%
Remuneration Committee Chair	£20,000	£19,000	5.3%

Additional information on directors' interests

Details of the executive directors' interests in outstanding share awards under the DASBS, LTIP and all employee share plans are set out below.

Deferred share awards as at 31 December 2019

The awards granted to each director of the Company and any director with an interest in the Company under the DASBS are set out in the table below. Further information relating to the deferred bonus is provided on page 90.

	Awards (shares) held at 1 January 2019	Shares awarded during 2019	Shares vested during 2019	**Total number of awards (shares) at 31 December 2019**	Normal vesting date	Share price at grant p	Market price at vesting p	Monetary value of vested awards £000
Frank van Zanten	8,190		8,190	**–**	01.03.19	1,933	2,394	196
	11,504			**11,504**	01.03.20	2,255		
	22,789			**22,789**	01.03.21	1,955		
		22,328		**22,328**	01.03.22	2,373		
Brian May	9,831		9,831	**–**	01.03.19	1,933	2,394	235
	9,001			**9,001**	01.03.20	2,255		
	13,120			**13,120**	01.03.21	1,955		
		12,324		**12,324**	01.03.22	2,373		

Note
The deferred element of the 2019 annual bonus plan as shown on page 99 is not included in the table above as the appropriate number of shares have not yet been awarded. No shares lapsed during the year. Brian May's awards due to vest in 2020, 2021 and 2022 will vest in line with his departure terms as set out on page 100.

LTIP

The tables below show the number of executive share options and performance shares held by the executive directors under the LTIP during 2019.

Executive share options – LTIP Part A

	Options held at 1 January 2019	Grant date	Exercise price p	Options exercisable between	**Options held at 31 December 2019**
Frank van Zanten	15,300	26.02.15	1,920	26.02.18–25.02.25	**–**
	17,396	27.08.15	1,687	27.08.18–26.08.25	**–**
	16,135	03.03.16	1,945	03.03.19–02.03.26	**–**
	42,636	02.09.16	2,336	02.09.19–01.09.26	**42,636**
	34,946	02.03.17	2,335	02.03.20–01.03.27	**34,946**
	35,324	01.09.17	2,310	01.09.20–31.08.27	**35,324**
	42,782	01.03.18	1,955	01.03.21–29.02.28	**42,782**
	35,010	31.08.18	2,389	31.08.21–30.08.28	**35,010**
	–	28.02.19	2,375	28.02.22–27.02.29	**36,273**
	–	11.09.19	2,107	11.09.22–10.09.29	**40,887**
Total	**239,529**				**267,858**
Brian May	25,887	03.03.16	1,945	03.03.19–02.03.20	**–**
	21,553	02.09.16	2,336	02.09.19–01.09.20	**21,553**
	21,994	02.03.17	2,335	02.03.20–01.03.21	**21,994**
	22,232	01.09.17	2,310	01.09.20–31.08.21	**22,232**
	26,920	01.03.18	1,955	01.03.21–29.02.22	**26,920**
	22,030	31.08.18	2,389	31.08.21–30.08.22	**22,030**
	–	28.02.19	2,375	28.02.22–27.02.23	**22,824**
Total	**140,616**				**137,553**

Notes
a) Executive share options were exercised during 2019 by:

(i) Frank van Zanten on 1 March 2019 in respect of 15,300 ordinary shares at an exercise price of 1,920p and 17,396 ordinary shares at an exercise price of 1,687p, at a market price of 2,376p; and on 4 March 2019 in respect of 16,135 ordinary shares at an exercise price of 1,945p, at a market price of 2,411p; resulting in a total gain of £264,738; and

(ii) Brian May on 4 March 2019 in respect of 25,887 ordinary shares at an exercise price of 1,945p, at a market price of 2,411p, resulting in a gain of £120,537.

b) The mid-market price of a share on 31 December 2019 was 2,065p and the range during 2019 was 1,943p to 2,551p.

Directors' remuneration report continued

Performance shares – LTIP Part B

	Awards (shares) held at 1 January 2019	Conditional shares awarded during 2019	Award date	Market price per share at award p	Lapsed awards (shares) during 2019	Exercised awards (shares) during 2019	Market price per share at exercise p	Value at exercise £000	**Awards (shares) held at 31 December 2019**
Frank van Zanten	10,369	–	11.04.16	2,051	2,571	7,798	2,113	165	**–**
	23,428	–	11.10.16	2,325	11,714	11,714	1,948	228	**–**
	19,565	–	10.04.17	2,346	–	–	–	–	**19,565**
	19,887	–	09.10.17	2,308	–	–	–	–	**19,887**
	22,510	–	09.04.18	2,090	–	–	–	–	**22,510**
	20,464	–	08.10.18	2,299	–	–	–	–	**20,464**
	–	22,072	08.04.19	2,537	–	–	–	–	**22,072**
	–	27,817	07.10.19	2,013	–	–	–	–	**27,817**
Total	**116,223**	**49,889**			**14,285**	**19,512**			**132,315**
Brian May	13,566	–	11.04.16	2,051	3,364	10,202	1,896	193	**–**
	11,967	–	11.10.16	2,325	5,984	5,983	1,896	113	**–**
	12,097	–	10.04.17	2,346	–	–	–	–	**12,097**
	12,297	–	09.10.17	2,308	–	–	–	–	**12,297**
	13,916	–	09.04.18	2,090	–	–	–	–	**13,916**
	12,651	–	08.10.18	2,299	–	–	–	–	**12,651**
	–	11,807	08.04.19	2,537	–	–	–	–	**11,807**
Total	**76,494**	**11,807**			**9,348**	**16,185**			**62,768**

All employees share scheme

The table below shows the number of share options granted to the executive directors under the Sharesave Schemes. Details of the Sharesave Schemes are set out on page 92.

Sharesave schemes

	Options at 1 January 2019	Grant date	Exercise price p	Options exercisable between	**Options at 31 December 2019**
Frank van Zanten	964	29.03.16	1,556	01.05.21–31.10.21	**964**
	959	27.03.18	1,564	01.05.23–31.10.23	**959**
Brian May	1,197	21.03.14	1,253	01.05.19–31.10.19	**–**
	976	20.03.15	1,536	01.05.20–31.10.20	**976**
	–	29.03.19	1,916	01.05.24–31.10.24	**782**

The operation of the Committee

Committee membership, role and remit

The Committee comprises all the independent non-executive directors of the Company. While neither the Chairman of the Board, the Chairman designate nor the Chief Executive Officer are members of the Committee, they normally attend meetings by invitation except when the Committee is considering their personal remuneration. The Secretary to the Committee is the Director of Group Human Resources.

The primary role of the Committee is to determine the policy and practice for the remuneration of the Chairman, the executive directors of the Board and senior management (directly below Board level). The Committee's terms of reference, which were reviewed by both the Committee and the Board in 2019, are available on the Company's website, www.bunzl.com.

The Committee proposes the directors' remuneration policy for shareholder approval. It also governs the implementation of the policy, ensuring that the remuneration for the executive directors and senior management supports the sustainable performance of the business and that it is aligned with the Company's shareholders' interests. The Committee considers market practice, shareholders' views and the Group's broader remuneration arrangements when setting the Group's performance related incentives and ensures compliance with UK corporate governance good practice.

The following independent non-executive directors were members of the Committee during 2019:

	Date of appointment to the Committee	Meetings eligible to attend in 2019	Meetings attended in 2019
Eugenia Ulasewicz	20 April 2011	4	4
Vanda Murray	1 February 2015	4	4
Lloyd Pitchford	1 March 2017	4	4
Stephan Nanninga	1 May 2017	4	4

The key responsibilities of the Committee include:

- ensuring that executive directors and senior executives are properly incentivised to attract, retain and fairly reward them for their individual contribution to the Company and having due regard to the policies and practices applied to the rest of the employees within the Group;
- determining the framework or broad policy for the remuneration of the Board Chairman and the executive directors of the Board including setting their individual remuneration packages as well as their level of remuneration and overseeing all the Company's long term incentive plans;
- ensuring that remuneration is aligned with and supports the Company's strategy and performance, having due regard to the interests of the shareholders and to the financial and commercial health of the Company, while at the same time not encouraging undue risk taking; and
- communicating and discussing any remuneration issues with the Company's stakeholders as and when appropriate.

Advisers to the Remuneration Committee

In carrying out their responsibilities, the Committee seeks external remuneration advice as necessary. During the year the Committee received advice from Willis Towers Watson ('WTW') and Aon Hewitt. WTW provided external survey data on directors' remuneration and benefit levels. Aon Hewitt provided information to determine whether, and if so to what extent, the performance conditions attached to existing share option and performance share awards under the LTIP had been satisfied and in addition advised the Committee on the changes to the remuneration policy. The fees payable to each adviser, based on hourly rates, were: £16,872 (WTW) and £118,631 (Aon Hewitt) respectively for such work undertaken in 2019. Advisers are appointed by the Committee and reviewed periodically. The Committee conducts regular reviews of the effectiveness of the advisers.

Statement of voting at the 2019 AGM for the remuneration report and at the 2017 AGM for the remuneration policy

The remuneration report and remuneration policy received the following shareholder votes in 2019 and 2017 respectively, being the years that they were last voted on by shareholders:

	Votes cast	Votes For	% of shares voted	Votes Against	% of shares voted	Votes Withheld
Remuneration report (2019 AGM)	278,212,127	267,821,934	96.27	10,390,193	3.73	52,731
Remuneration policy (2017 AGM)	259,865,084	239,494,126	92.16	20,370,958	7.84	11,215,438

Notes
a) The votes 'For' include votes given at the Company Chairman's discretion.

b) A vote 'Withheld' is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution. Votes 'For' and 'Against' are expressed as a percentage of the votes cast.

Vanda Murray OBE
Chair of the Remuneration Committee
24 February 2020

Other statutory information

Annual General Meeting
The Notice convening the Company's Annual General Meeting ('AGM'), to be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 15 April 2020 at 11.00 am, is set out in a separate letter from the Chairman to shareholders.

Dividends
An interim dividend of 15.5p was paid on 2 January 2020 in respect of 2019 and the directors are recommending a final dividend of 35.8p, making a total for the year of 51.3p per share (2018: 50.2p). Dividend details are given in Note 20 to the consolidated financial statements. Subject to shareholder approval at the 2020 AGM, the final dividend will be paid on 1 July 2020 to those shareholders on the register at the close of business on 22 May 2020.

Share capital
The Company has a single class of share capital which is divided into ordinary shares of 32⁴⁄₇p each which rank pari passu in respect of participation and voting rights. The shares are in registered form, are fully paid up and are quoted on the London Stock Exchange. In addition, the Company operates a Level 1 American Depositary Receipt programme with Citibank N.A. under which the Company's shares are traded on the over-the-counter market in the form of American Depositary Receipts.

Details of changes to the issued share capital during the year are set out in Note 19 to the consolidated financial statements.

Bunzl Group General Employee Benefit Trust
The trustee of the Bunzl Group General Employee Benefit Trust (the 'EBT') holds shares in respect of employee share options and awards that have not been exercised or vested. The EBT abstains from voting in respect of these shares. The trustee has agreed to waive the right to dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 19 to the consolidated financial statements.

Rights and obligations attaching to shares
Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares, the Company may resolve by ordinary resolution to issue shares with such rights and restrictions as set out in such resolution or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Subject to the provisions of the Companies Act 2006 and of any resolution of the Company passed pursuant thereto and without prejudice to any rights attached to existing shares, the Board is duly authorised to issue and allot, grant options over or otherwise dispose of the Company's shares on such terms and conditions and at such times as it thinks fit. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated by special resolution passed at a separate general meeting of such holders. Subject to the rights attached to any existing shares, rights attached to shares will be deemed to be varied by the reduction of capital paid up on the shares and by the allotment of further shares ranking in priority in respect of dividend or capital or which confer on the holders more favourable voting rights than the first-mentioned shares, but will not otherwise be deemed to be varied by the creation or issue of further shares.

Power to issue and allot shares
The directors are generally and unconditionally authorised under the authorities granted at the 2019 AGM to allot shares in the Company up to approximately one third of the Company's issued share capital or two thirds in respect of a rights issue. The directors were also given the power to allot ordinary shares for cash up to a limit representing approximately 10% of the Company's issued share capital as at 11 March 2019, without regard to the pre-emption provisions of the Companies Act 2006 (however, more than 5% can only be used in connection with an acquisition or specified capital investment).

No such shares were issued or allotted under these authorities in 2019, nor is there any current intention to do so, other than to satisfy share options under the Company's share option schemes and, if necessary, to satisfy the consideration payable for businesses to be acquired.

These authorities are valid until the conclusion of the forthcoming AGM and the directors again propose to seek equivalent authorities at such AGM.

Restrictions on transfer of shares
Dealings in the Company's ordinary shares by its directors, persons discharging managerial responsibilities, certain employees of the Company and, in each case, any persons closely associated with them, are subject to the Company's Share Dealing Code.

Certain restrictions, which are customary for a listed company, apply to transfers of shares in the Company. The Board may refuse to register an instrument of transfer of any share which is not a fully paid share and of a certificated share at its discretion unless it is:

- lodged, duly stamped or duly certified, at the offices of the Company's registrar or such other place as the Board may specify and is accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- in respect of only one class of share; and
- in favour of not more than four transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

In addition, no instrument of transfer for certificated shares shall be registered if the transferor has been served with a restriction notice (as defined in the Company's Articles of Association (the 'Articles') after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arm's length sale. The Board has the power to procure that uncertificated shares are converted into certificated shares and kept in certificated form for as long as the Board requires.

The Company is not aware of any agreements between shareholders that may result in any restriction of the transfer of shares or voting rights.

Restrictions on voting rights
A member shall not be entitled to vote, unless the Board otherwise decides, at any general meeting or class meeting in respect of any shares held by them if any call or other sums payable remain unpaid. Currently, all issued shares are fully paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice after failing to provide the Company with information concerning certain interests in the Company's shares required to be

provided under the Companies Act 2006. Votes may be exercised in person or by proxy. The Articles currently provide a deadline for submission of proxy forms of 48 hours before the relevant meeting, 24 hours before a poll is taken if such poll is taken more than 48 hours after it was demanded or during the meeting at which the poll was demanded if the poll is not taken straight away but is taken not more than 48 hours after it was demanded.

Purchase of own shares

At the 2019 AGM, shareholders gave the Company authority to purchase up to a maximum amount equivalent to approximately 10% of its issued share capital. During the year ended 31 December 2019, the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2018 AGM and no shares have been purchased between 31 December 2019 and 24 February 2020. As a result, directors again propose to seek the equivalent authority at the 2020 AGM.

Directors

Directors may be elected by ordinary resolution at a duly convened general meeting or appointed by the Board. Under the Articles, the minimum number of directors shall be two and the maximum shall be 15. In accordance with the Articles, each director is required to retire at the AGM held in the third calendar year after which he or she was appointed or last appointed and any director who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the AGM is subject to annual re-appointment. The Board may also appoint a person willing to act as a director during the year either to fill a vacancy or as an additional director but so that the total number of directors shall not at any time exceed 15. However, such appointee shall only hold office until the next AGM of the Company.

In addition to any power to remove a director from office conferred by company law, the Company may also by special resolution remove a director from office before the expiration of his or her period of office under the Articles.

The office of a director shall also be vacated pursuant to the Articles if the director:

- resigns by giving notice to the Company or is asked to resign by all of the other directors who are not less than three in number; or
- is or has been suffering from mental or physical ill health and the Board resolves that his or her office be vacated; or
- is absent without permission from Board meetings for six consecutive months and the Board resolves that his or her office be vacated; or
- becomes bankrupt or compounds with his or her creditors generally; or
- is prohibited by law from being a director; or
- ceases to be a director by virtue of any provisions of company law or is removed from office pursuant to the Articles.

Biographical details of all of the current directors are set out on pages 66 and 67. Notwithstanding the retirement by rotation provisions in the Articles, each of the directors will retire and offer themselves for re-election at the forthcoming AGM in accordance with the UK Corporate Governance Code apart from Philip Rogerson and Eugenia Ulasewicz who will retire from Board at the conclusion of the AGM.

Directors' interests in the Company's ordinary shares are shown in Note 22 to the consolidated financial statements. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 2019. Information relating to the directors' service agreements and their remuneration for the year and details of the directors' share options under the Company's share option schemes and awards under the Long Term Incentive Plan and Deferred Annual Share Bonus Scheme are set out in the Directors' remuneration report on pages 85 to 113.

Substantial shareholdings

As at 31 December 2019, the Company had been notified of the following significant interests in the issued share capital of the Company, in accordance with rule 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Shareholder	Date of notification	Number of shares	% of issued share capital
BlackRock, Inc.	06.03.17	17,257,793	5.14
Mawer Investment Management Ltd.	18.07.19	16,961,895	5.04

No other notifications have been received between 31 December 2019 and 24 February 2020.

Powers of the directors

Subject to the Articles, the Companies Act 2006 and any directions given by the Company by special resolution, the business of the Company is managed by the Board who may exercise all powers of the Company. The Board may, by power of attorney or otherwise, appoint any person or persons to be the agent or agents of the Company for such purposes and on such conditions as the Board determines.

Directors' indemnities

Indemnities were in force throughout 2019 and remain in force as at the date of this report under which the Company has agreed to indemnify the directors and the Company Secretary, in addition to other senior executives who are directors of subsidiaries of the Company, to the extent permitted by law and the Articles in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as a director or officer of the Company or any of its subsidiaries.

Amendment of articles

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the Company's shareholders.

Environmental and social responsibility

The directors recognise that the Company is part of a wider community and that it has a responsibility to act in a way that respects the environment and social and community issues. Further information relating to the Company's approach to these matters is set out in the Sustainability report on pages 34 to 49.

Other statutory information continued

Greenhouse gas emissions
Information relating to greenhouse gas emissions has been set out in the Sustainability report on pages 34 to 49.

Employment policies
The employment policies of the Group have been developed to meet the needs of its different business areas and the locations in which they operate worldwide, embodying the principles of equal opportunity. The Group has standards of business conduct with which it expects all its employees to comply. Bunzl encourages the involvement of its employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment. In addition to a regular magazine and the Company's intranet, which provide a variety of information on activities and developments within the Group and incorporate half year and annual financial reports, announcements are periodically circulated to give details of corporate and employee matters, together with a number of subsidiary or business area publications dealing with activities in specific parts of the Group.

It is the Group's policy that disabled applicants should be considered for employment and career development on the basis of their aptitudes and abilities. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation and training.

Further information relating to the Group's employees can be found in the Sustainability report on pages 34 to 49.

Significant agreements
The Company's wholly owned subsidiary, Bunzl Finance plc, has a number of bilateral loan facilities with a range of different counterparties, all of which are guaranteed by the Company, are in substantially the same form and are repayable at the option of the lender in the event of a change of control of the Company. Similar change of control provisions in relation to the Company are included in the US dollar, sterling and euro US private placement notes and the senior unsecured bond (which is listed on the London Stock Exchange), all of which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

Political donations
During 2019, no contributions were made for political purposes.

Use of financial instruments
Information on the use of financial instruments can be found in the Financial review on pages 56 to 65 and in the Notes to the financial statements on pages 124 to 168.

Disclosures required under UK Listing Rule 9.8.4
Apart from the dividend waiver which has been issued in respect of shares held by the EBT referred to in Note 19 to the consolidated financial statements on page 156, there are no disclosures required to be made under UK Listing Rule 9.8.4.

External auditors
Each of the directors in office at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group and the Company's auditors are unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make the director aware of any relevant audit information and to establish that the Group and the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Resolutions are to be proposed at the forthcoming AGM for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company, at a rate of remuneration to be determined by the directors.

Future developments within the Group
An indication of likely future developments in the Group's business can be found in the Strategic report on pages 1 to 65.

Strategic report and Directors' report
Pages 1 to 65 inclusive consist of the Strategic report and pages 66 to 116 inclusive consist of the Directors' report. These reports have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report. These matters are referred to above and are explained in more detail in the Strategic report on pages 1 to 65.

Under the Companies Act 2006, a safe harbour limits the liability of directors in respect of statements in and omissions from a strategic report and a directors' report. Under English law, the directors would be liable to the Company, but not to any third party, if the Strategic report or the Directors' report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

The Strategic report and the Directors' report were approved by the Board on 24 February 2020.

By order of the Board

Paul Hussey
Secretary
24 February 2020

Financial statements

Consolidated income statement
for the year ended 31 December 2019

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition and, in accordance with the standard, the Group's financial results for the prior year have not been restated. As a result, with the exception of revenue, the financial results shown below for the year ended 31 December 2019 are not directly comparable with the prior year. To provide a meaningful comparison with the prior year an alternative presentation of the Group's results prepared under IAS 17 'Leases', the previous accounting standard for leases, is shown in Note 3.

	Notes	2019 £m	2018 £m
Revenue	5	**9,326.7**	9,079.4
Operating profit	5	**528.4**	466.2
Finance income	7	**12.4**	11.6
Finance expense	7	**(87.5)**	(66.6)
Profit on disposal of businesses	28	**–**	13.6
Profit before income tax		**453.3**	424.8
Income tax	8	**(104.1)**	(98.3)
Profit for the year attributable to the Company's equity holders		**349.2**	326.5
Earnings per share attributable to the Company's equity holders			
Basic	9	**104.8p**	98.4p
Diluted	9	**104.5p**	97.8p

	Notes	2019 £m	2018 £m
Alternative performance measures†			
Operating profit	5	**528.4**	466.2
Adjusted for:			
Customer relationships amortisation	5	**107.3**	111.1
Acquisition related items	5	**17.6**	33.4
GMP equalisation charge	6	**–**	3.3
Adjusted operating profit◊		**653.3**	614.0
Finance income	7	**12.4**	11.6
Finance expense	7	**(87.5)**	(66.6)
Adjusted profit before income tax◊		**578.2**	559.0
Tax on adjusted profit	8	**(137.6)**	(129.1)
Adjusted profit for the year◊		**440.6**	429.9
Adjusted earnings per share◊	9	**132.2p**	129.6p

† See Note 4 on page 134 for further details of the alternative performance measures.

◊ Excluding the profit on disposal of businesses and associated tax where relevant.

The Accounting policies and other Notes on pages 124 to 168 form part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Profit for the year		**349.2**	326.5
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	23	**(8.3)**	11.0
Tax on items that will not be reclassified to profit or loss	8	**2.2**	(3.7)
Total items that will not be reclassified to profit or loss		**(6.1)**	7.3
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		**(104.1)**	3.0
Movement from translation reserve to income statement on disposal of foreign operation		**–**	(2.4)
Gain/(loss) taken to equity as a result of effective net investment hedges		**16.9**	(7.5)
(Loss)/gain recognised in cash flow hedge reserve		**(0.5)**	7.9
Movement from cash flow hedge reserve to inventory/income statement		**(4.3)**	(4.4)
Tax on items that may be reclassified to profit or loss	8	**0.8**	(0.4)
Total items that may be reclassified subsequently to profit or loss		**(91.2)**	(3.8)
Other comprehensive (expense)/income for the year		**(97.3)**	3.5
Total comprehensive income attributable to the Company's equity holders		**251.9**	330.0

Consolidated balance sheet
at 31 December 2019

	Notes	2019 £m	2018 £m
Assets			
Property, plant and equipment	10	**118.3**	122.4
Right-of-use assets	11	**432.9**	–
Intangible assets	12	**2,290.9**	2,382.5
Defined benefit pension assets	23	**10.8**	3.4
Derivative financial assets		**11.5**	5.9
Deferred tax assets	18	**3.7**	4.0
Total non-current assets		**2,868.1**	2,518.2
Inventories	13	**1,177.2**	1,213.6
Trade and other receivables	14	**1,254.1**	1,330.0
Income tax receivable		**6.7**	4.0
Derivative financial assets		**3.4**	12.6
Cash at bank and in hand	26	**610.5**	477.7
Total current assets		**3,051.9**	3,037.9
Total assets		**5,920.0**	5,556.1
Equity			
Share capital	19	**108.3**	108.1
Share premium		**184.0**	178.5
Translation reserve		**(111.8)**	(24.6)
Other reserves		**16.2**	20.2
Retained earnings		**1,547.6**	1,412.3
Total equity attributable to the Company's equity holders		**1,744.3**	1,694.5
Liabilities			
Interest bearing loans and borrowings	26	**1,314.2**	1,456.3
Defined benefit pension liabilities	23	**46.8**	41.9
Other payables		**19.5**	29.4
Income tax payable		**2.4**	2.9
Provisions	17	**33.9**	41.3
Lease liabilities	25	**358.2**	–
Derivative financial liabilities		**–**	5.1
Deferred tax liabilities	18	**127.5**	153.7
Total non-current liabilities		**1,902.5**	1,730.6
Bank overdrafts	26	**469.7**	333.5
Interest bearing loans and borrowings	26	**83.7**	74.9
Trade and other payables	15	**1,502.8**	1,613.6
Income tax payable		**81.0**	91.9
Provisions	17	**6.5**	6.1
Lease liabilities	25	**121.8**	–
Derivative financial liabilities		**7.7**	11.0
Total current liabilities		**2,273.2**	2,131.0
Total liabilities		**4,175.7**	3,861.6
Total equity and liabilities		**5,920.0**	5,556.1

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 24 February 2020 and signed on its behalf by Frank van Zanten, Chief Executive Officer and Richard Howes, Chief Financial Officer.

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves: Merger £m	Other reserves: Capital redemption £m	Other reserves: Cash flow hedge £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 31 December 2018	**108.1**	**178.5**	**(24.6)**	**2.5**	**16.1**	**1.6**	**(63.9)**	**1,476.2**	**1,694.5**
Impact of transition to IFRS 16								**(23.9)**	**(23.9)**
Restated equity at 1 January 2019	**108.1**	**178.5**	**(24.6)**	**2.5**	**16.1**	**1.6**	**(63.9)**	**1,452.3**	**1,670.6**
Profit for the year								**349.2**	**349.2**
Actuarial loss on defined benefit pension schemes								**(8.3)**	**(8.3)**
Foreign currency translation differences on foreign operations			**(104.1)**						**(104.1)**
Gain taken to equity as a result of effective net investment hedges			**16.9**						**16.9**
Loss recognised in cash flow hedge reserve						**(0.5)**			**(0.5)**
Movement from cash flow hedge reserve to inventory/income statement						**(4.3)**			**(4.3)**
Income tax credit on other comprehensive expense			**–**			**0.8**		**2.2**	**3.0**
Total comprehensive income			**(87.2)**			**(4.0)**		**343.1**	**251.9**
2018 interim dividend								**(50.7)**	**(50.7)**
2018 final dividend								**(116.6)**	**(116.6)**
Issue of share capital	**0.2**	**5.5**							**5.7**
Employee trust shares							**(30.4)**		**(30.4)**
Movement on own share reserves							**24.4**	**(24.4)**	**–**
Share based payments								**13.8**	**13.8**
At 31 December 2019	**108.3**	**184.0**	**(111.8)**	**2.5**	**16.1**	**(2.4)**	**(69.9)**	**1,617.5**	**1,744.3**

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves: Merger £m	Other reserves: Capital redemption £m	Other reserves: Cash flow hedge £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 1 January 2018	108.0	171.4	(17.9)	2.5	16.1	(1.3)	(122.9)	1,292.7	1,448.6
Profit for the year								326.5	326.5
Actuarial gain on defined benefit pension schemes								11.0	11.0
Foreign currency translation differences on foreign operations			3.0						3.0
Movement from translation reserve to income statement on disposal of foreign operation			(2.4)						(2.4)
Loss taken to equity as a result of effective net investment hedges			(7.5)						(7.5)
Gain recognised in cash flow hedge reserve						7.9			7.9
Movement from cash flow hedge reserve to inventory/income statement						(4.4)			(4.4)
Income tax credit/(charge) on other comprehensive income			0.2			(0.6)		(3.7)	(4.1)
Total comprehensive income			(6.7)			2.9		333.8	330.0
2017 interim dividend								(46.2)	(46.2)
2017 final dividend								(106.0)	(106.0)
Issue of share capital	0.1	7.1							7.2
Employee trust shares							45.6		45.6
Movement on own share reserves							13.4	(13.4)	–
Share based payments								15.3	15.3
At 31 December 2018	108.1	178.5	(24.6)	2.5	16.1	1.6	(63.9)	1,476.2	1,694.5

Consolidated cash flow statement
for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Cash flow from operating activities			
Profit before income tax		**453.3**	424.8
Adjusted for:			
net finance expense	7	**75.1**	55.0
customer relationships amortisation	12	**107.3**	111.1
acquisition related items	5	**17.6**	33.4
profit on disposal of businesses		**–**	(13.6)
GMP equalisation charge		**–**	3.3
Adjusted operating profit		**653.3**	614.0
Adjustments:			
depreciation and software amortisation	29	**160.0**	32.6
other non-cash items	29	**(3.5)**	(0.8)
working capital movement	29	**4.3**	(38.7)
Cash generated from operations before acquisition related items		**814.1**	607.1
Cash outflow from acquisition related items	27	**(19.2)**	(13.9)
Income tax paid		**(125.6)**	(113.2)
Cash inflow from operating activities		**669.3**	480.0
Cash flow from investing activities			
Interest received		**9.8**	2.0
Purchase of property, plant and equipment and software	10,12	**(36.9)**	(31.1)
Sale of property, plant and equipment		**8.1**	2.5
Purchase of businesses	27	**(143.6)**	(170.3)
Disposal of businesses	28	**–**	55.1
Cash outflow from investing activities		**(162.6)**	(141.8)
Cash flow from financing activities			
Interest paid excluding interest on lease liabilities		**(61.0)**	(51.1)
Dividends paid	20	**(167.3)**	(152.2)
Increase in borrowings		**75.5**	71.6
Repayment of borrowings		**(173.7)**	(228.5)
Realised gains on foreign exchange contracts		**13.6**	3.3
Payment of lease liabilities – principal	25	**(128.3)**	–
Payment of lease liabilities – interest	25	**(23.3)**	–
Proceeds from issue of ordinary shares to settle share options		**5.7**	7.2
Proceeds from exercise of market purchase share options		**15.8**	42.8
Purchase of employee trust shares		**(49.2)**	–
Cash outflow from financing activities		**(492.2)**	(306.9)
Increase in cash and cash equivalents		**14.5**	31.3
Cash and cash equivalents at start of year		**144.2**	112.3
Increase in cash and cash equivalents		**14.5**	31.3
Currency translation		**(17.9)**	0.6
Cash and cash equivalents at end of year	26	**140.8**	144.2

Consolidated cash flow statement continued
for the year ended 31 December 2019

Alternative performance measures†	Notes	2019* £m	2018 £m
Cash generated from operations before acquisition related items		**814.1**	607.1
Purchase of property, plant and equipment and software		**(36.9)**	(31.1)
Sale of property, plant and equipment		**8.1**	2.5
Payment of lease liabilities	25	**(151.6)**	–
Operating cash flow		**633.7**	578.5
Adjusted operating profit		**653.3**	614.0
Add back depreciation of right-of-use assets	11	**128.1**	–
Deduct payment of lease liabilities	25	**(151.6)**	–
Lease adjusted operating profit		**629.8**	614.0
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)◊		**101%**	94%

† See Note 4 on page 134 for further details of the alternative performance measures.

* The Group adopted IFRS 16 'Leases' with effect from 1 January 2019 which, while having no overall net cash flow impact, significantly distorts comparisons with previous periods for certain line items, particularly because the payment of lease liabilities is now included as a deduction within financing activities whereas previously under IAS 17 'Leases' operating lease charges were included as a deduction within cash flow from operating activities. See Note 1b for further details of the impact of the transition to IFRS 16.

◊ Following the adoption of IFRS 16 the Group has updated its definition of cash conversion to be operating cash flow, which now includes the payment of lease liabilities as a deduction, as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back depreciation of right-of-use assets and deducting the payment of lease liabilities.

Notes

1 Basis of preparation

Bunzl plc (the 'Company') is a public company, which is limited by shares and is listed on the London Stock Exchange. The Company is incorporated and domiciled in the United Kingdom and is registered in England and Wales.

a. Basis of accounting

The consolidated financial statements for the year ended 31 December 2019 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with (i) EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the IFRS Interpretations Committee ('IFRIC') and those parts of the Companies Act 2006 as applicable to companies using IFRS and (ii) IFRS as issued by the International Accounting Standards Board ('IASB'). They are prepared under the historical cost convention with the exception of certain items which are measured at fair value as described in the accounting policies below. The directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

b. Newly adopted accounting policies

(i) IFRS 16 'Leases'

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition. The new standard requires that the Group's leased assets are recorded as right-of-use assets together with their corresponding lease liabilities. Adoption of the new standard has had a material impact on the Group's consolidated financial statements, with right-of-use assets of £449.4m recognised on transition together with lease liabilities of £498.3m. As at 31 December 2019 the right-of-use assets were £432.9m and the lease liabilities were £480.0m.

The Group's lease portfolio consists of approximately 5,000 leases principally for warehouses, offices, vehicles and equipment for which the Group has been collating data for a number of years in preparation for the new standard. This data has been used in conjunction with a lease accounting tool specifically developed for the Group to provide the accounting entries required under IFRS 16.

On transition the lease liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate on the date of transition. The right-of-use assets have been measured at the carrying amounts that would have been in place had the standard been applied since the commencement of each lease, discounted using the incremental borrowing rate at the date of transition. The weighted average incremental borrowing rate applied to the Group's lease portfolio on 1 January 2019 was 4.8%.

On transition the Group elected not to reassess whether a contract is, or contains, a lease, instead relying on the assessment already made in applying International Accounting Standard ('IAS') 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. In addition, the Group applied the following available practical expedients permitted by the standard:

- the exclusion of leases relating to low value assets (less than £5,000 when new);
- the exclusion of short term leases, being those with a lease term of 12 months or less;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- reliance on its assessment of whether leases are onerous immediately prior to the date of transition.

The impact of the adoption of IFRS 16 on the opening balance sheet as at 1 January 2019 is shown in the table below:

	As at 31.12.2018 £m	Impact of IFRS 16* £m	Restated 1.1.2019 £m
Right-of-use assets	–	449.4	449.4
Net deferred tax liabilities	(149.7)	7.6	(142.1)
Other receivables	74.2	(3.0)	71.2
Accruals	(277.2)	20.4	(256.8)
Lease liabilities	–	(498.3)	(498.3)
Equity	(1,694.5)	23.9	(1,670.6)

* Since the Group's half yearly financial report for the six months ended 30 June 2019 there have been refinements to some of the Group's lease assumptions relating to term changes and rent changes up to the date of transition. This has changed the transition disclosures previously disclosed as part of the Group's half yearly financial report for the six months ended 30 June 2019, though the differences are not significant.

Under IFRS 16, the operating lease expense previously recorded in operating costs has been replaced by a depreciation charge, which is lower than the operating lease expense recognised under IAS 17, the previous accounting standard for leases, and a separate interest expense, recorded in finance expense. This significantly impacts certain line items in the Group's Consolidated income statement and distorts comparisons with the prior year since, in accordance with the standard, as a result of the Group transitioning to IFRS 16 using the modified retrospective approach, the prior year has not been restated. However, in order to provide a meaningful comparison with the prior year, the Group's financial results for the year ended 31 December 2019 have also been presented in accordance with IAS 17. The results for the year ended 31 December 2019 under IAS 17 are referred to as 'Proforma IAS 17'. Note 3 includes a Consolidated income statement showing the results for the year ended 31 December 2019 both as reported under IFRS 16 and on a Proforma IAS 17 basis.

1 Basis of preparation continued

A summary of the impact of the adoption of IFRS 16 on the Group's results for the year ended 31 December 2019 is shown in the table below:

	Proforma IAS 17 2019 £m	Impact of IFRS 16 £m	IFRS 2019 £m
Adjusted operating profit*	630.9	22.4	653.3
Finance income	12.4	–	12.4
Finance expense	(64.2)	(23.3)	(87.5)
Adjusted profit before income tax*	579.1	(0.9)	578.2
Tax on adjusted profit	(137.8)	0.2	(137.6)
Adjusted profit for the year*	441.3	(0.7)	440.6
Adjusted earnings per share*	132.4p	(0.2)p	132.2p

* Alternative performance measures – see Note 4.

There is no net cash flow impact arising from the adoption of the new standard. The Group has however updated the definition of cash conversion, one of its alternative performance measures, to give meaningful comparisons with prior periods (see Note 4). The Group's principal debt covenants, which are net debt to EBITDA and interest cover, are measured against debt covenants based on historical accounting standards and are therefore unaffected by the adoption of IFRS 16. The Group does not intend to alter its approach going forward as to whether assets should be leased or bought.

The lease liabilities as at the transition date of 1 January 2019 are reconciled to the operating lease commitments reported as at 31 December 2018 as follows:

	1 January 2019 £m
Operating lease commitments disclosed as at 31 December 2018	623.7
Discounted using the lessee's incremental borrowing rate at 1 January 2019	(77.5)
Leases committed not yet started	(68.9)
Adjustments from different treatment of extension and termination options	33.2
Short term and low value leases recognised on a straight line basis as an expense	(12.2)
Lease liability recognised as at 1 January 2019	**498.3**
Ageing of lease liabilities recognised:	
Current lease liabilities	119.3
Non-current lease liabilities	379.0
Lease liability recognised as at 1 January 2019	**498.3**

See Note 2g for the Group's lease accounting policy.

(ii) IFRIC 23 'Uncertainty over Income Tax Treatments'

The Group applied IFRIC 23 'Uncertainty over Income Tax Treatments' with effect from 1 January 2019. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' where there is uncertainty over income tax treatments. The interpretation provides guidance on determining whether uncertain tax positions should be considered separately or together and that measurement should be either the single most likely outcome or the probability weighted sum of a range of outcomes, whichever better predicts the resolution. There was no material impact on the Group's consolidated financial statements as a result of the application of IFRIC 23.

There are no other new standards or amendments to existing standards that are effective that have had a material impact on the Group, nor does the Group anticipate any new or revised standards and interpretations that are effective from 1 January 2020 and beyond to have a material impact on its consolidated results or financial position.

Notes continued

2 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the consolidated financial statements.

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is either exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A list of all of Bunzl plc's subsidiary undertakings is included in the Related undertakings note in the Shareholder information section on pages 184 to 187 and is subject to audit. The results of all of the subsidiary undertakings are included in full in these consolidated financial statements.

(ii) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The consideration paid or payable in respect of acquisitions comprises amounts paid on completion and deferred consideration, excluding payments which are contingent on the continued employment of former owners of businesses acquired. The excess of the consideration (excluding payments contingent on future employment) over the fair value of the identifiable net assets acquired is recorded as goodwill. Payments that are contingent on future employment and transaction costs and expenses such as professional fees are charged to the income statement.

When less than 100% of the issued share capital of a subsidiary is acquired, and the acquisition includes an option to purchase the remaining share capital of the subsidiary, the anticipated acquisition method is applied, where judged appropriate to do so, meaning that no non-controlling interest is recognised. A liability is carried on the balance sheet equal to the fair value of the option and this is revised to fair value at each reporting date with differences being recorded in acquisition related items in the income statement.

(iii) Disposal of businesses

Where a subsidiary undertaking is sold, the profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the carrying amount of the assets and liabilities of the subsidiary on the date of disposal less any transaction costs relating to the disposal. On the disposal of a subsidiary with assets and liabilities denominated in foreign currency, the cumulative translation difference associated with that subsidiary in the translation reserve is credited or debited to the profit or loss on disposal recognised in the income statement. Cash received on disposal of businesses is shown within investing activities in the Consolidated cash flow statement, net of cash and cash equivalents disposed of and transaction costs.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

b. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement, unless they qualify for cash flow or net investment hedge accounting treatment, in which case the effective portion is recognised directly in other comprehensive income.

Assets and liabilities of foreign operations are translated at the exchange rate prevailing at the balance sheet date. Income and expenses of foreign operations are translated at average exchange rates. All resulting exchange differences, including exchange differences arising from the translation of borrowings and other financial instruments designated as hedges of such balances, are recognised directly in other comprehensive income and accumulated in the translation reserve. Differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented in this separate component of equity.

c. Revenue

The Group is principally engaged in the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. Revenue related to the provision of services is recognised when the service is provided, which for the majority of the Group's service revenue represents a single performance obligation. Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

Revenue is valued at invoiced amounts, excluding sales taxes and including estimates for variable consideration where relevant, such as returns and discounts, for which a liability is recognised as required. Returns and early settlement discount liabilities are based on experience over an appropriate period whereas volume discount liabilities are based on agreements with customers and expected volumes.

d. Cost of goods sold

Cost of goods sold consists of the cost of the inventories sold or disposed of in the period where the cost of inventories is net of supplier rebate income related to those inventories.

2 Accounting policies continued

e. Supplier rebates

The Group has various rebate arrangements with a number of suppliers. Some of these arrangements are based on the volume of products purchased and others are based on the volume of products sold. Supplier rebate income is recognised in cost of goods sold concurrent with the sale of the inventories to which it relates and is calculated by reference to the expected consideration receivable from each rebate arrangement. Substantially all supplier rebate income is unconditional and non-judgemental. Supplier rebate income is not recognised if there is significant uncertainty regarding recovery of the amount due. Supplier rebate income accrued but not yet received is included in other receivables.

f. Share based payments

The Group operates a number of equity settled share based payment compensation plans. Details of these plans are outlined in Note 19 and the Directors' remuneration report. The total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity.

g. Leases

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019. Until 31 December 2018, the Group applied IAS 17, the previous accounting standard for leases. From 1 January 2019, the Group's accounting policy for leases under IFRS 16 is as follows:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot readily be determined, as is the case in the vast majority of the leasing activities of the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index/rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Judgements are involved in determining the lease term, particularly because termination options are included in a number of property leases across the Group to facilitate operational flexibility. The majority of termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Periods after the date of a termination option are only included in the lease term if it is reasonably certain that the lease will not be terminated. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the Group.

Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are assets with a value of less than £5,000 when new, typically small items of IT equipment, office equipment and office furniture.

h. Income tax

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years. Current tax payable is recognised when it is probable that the Group will be required to settle the obligation. The Group's policy for accounting for current tax payable or receivable where it is uncertain is described in more detail in Note 2y – Sources of estimation uncertainty part (iv) – Taxation.

Deferred tax is provided using the balance sheet liability method providing for temporary differences arising between tax bases and carrying amounts in the consolidated financial statements. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Notes continued

2 Accounting policies continued

Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and where the Company controls the timing of the reversal. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

i. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. The carrying values of property, plant and equipment are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

j. Depreciation

Depreciation is charged to profit or loss on a straight line basis to write off cost less estimated residual value over the assets' estimated remaining useful lives. The estimated useful lives are as follows:

Buildings	50 years (or depreciated over life of lease if shorter than 50 years)
Plant and machinery	3 to 12 years
Fixtures, fittings and equipment	3 to 12 years
Freehold land	Not depreciated

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

k. Intangible assets

(i) Goodwill

Acquisitions are accounted for using the acquisition method. As permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards', the Group chose to apply IFRS 3 'Business Combinations' from 1 January 2004 and elected not to restate previous business combinations. For acquisitions made before 1 January 2004, goodwill represents the amount previously recorded under UK Generally Accepted Accounting Practice ('UK GAAP'). For acquisitions that occurred between 1 January 2004 and 31 December 2009, goodwill represents the cost of the business combination in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. For acquisitions that have occurred on or after 1 January 2010, goodwill represents the cost of the business combination (excluding payments contingent on future employment and transaction costs and expenses) in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash generating units ('CGUs') and is tested annually for impairment. Negative goodwill arising on acquisition is recognised immediately in the income statement.

(ii) Customer relationships

Customer relationships intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. Subsequent to initial recognition, customer relationships intangible assets are stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives which range from 10 to 19 years.

(iii) Software

Software is stated at historical cost less accumulated amortisation and any impairment losses. The carrying values of software are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives which range from three to 10 years.

l. Impairment

The carrying amounts of the Group's assets are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts of assets carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at appropriate pre-tax discount rates. The recoverable amounts of other assets are the greater of their fair value less the costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. Impairment losses are recognised when the carrying amount of an asset or CGU exceeds its recoverable amount, with impairment losses being recognised in the income statement.

m. Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and comprises the purchase price, net of any related supplier volume rebates, plus import duties and other taxes, inbound freight and haulage costs and other related costs incurred to bring the product into its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated cost necessary to make the sale. Provision is made for obsolete, slow moving or defective items where appropriate.

2 Accounting policies continued

n. Trade and other receivables

Trade and other receivables are initially measured at fair value, which for trade receivables is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses including expected credit losses. In accordance with IFRS 9 the Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics such as the ageing of the debt and the credit risk of the customers. An historical credit loss rate is then calculated for each group and then adjusted to reflect expectations about future credit losses. The Group does not have any significant contract assets.

o. Trade and other payables

Trade and other payables are initially measured at fair value including any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost. The Group has contract liabilities in the form of deferred income which arises from consideration received in advance of the satisfaction of performance obligations.

p. Financial instruments

Classification and measurement

Under IFRS 9 'Financial Instruments', financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument. IFRS 13 'Fair Value Measurement' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All non-derivative financial assets and liabilities are subsequently held at amortised cost unless they are in a fair value hedge relationship. Financial assets and liabilities held in a fair value hedge relationship are classified at fair value through profit or loss and are initially measured at fair value with subsequent changes in fair value recorded in the income statement.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- a hedge of the fair value of recognised assets or liabilities or a firm commitment ('fair value hedge');
- a hedge of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions ('cash flow hedge'); or
- a hedge of a net investment in a foreign operation ('net investment hedge').

The Group documents its risk management objectives and strategy for undertaking its hedge transactions. At inception of hedge relationships, the Group documents the economic relationship between the hedging instruments and the hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is 12 months or less.

(i) Fair value hedge

Where a derivative instrument is designated and qualifies as a hedge of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the income statement within finance expense. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged with changes recognised in the income statement, also within finance expense. The gain or loss relating to any ineffective portion of the hedging arrangement is recognised immediately in the income statement.

If the hedge relationship is de-designated, then from the point of de-designation there is no further fair valuing of the hedged item. Any previous adjustment to the carrying amount of the hedged item is amortised over the remaining maturity of the hedged item.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Where a derivative instrument is designated and qualifies as a hedge of a forecast transaction, only the change in fair value of the forward contract related to the spot component is designated as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contract are initially recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised in the income statement.

Gains or losses accumulated in equity are reclassified to the income statement when the hedged item affects profit or loss or to the non-financial asset when the hedged item results in the recognition of a non-financial asset with the deferred gains or losses ultimately being recognised in the income statement as the non-financial asset affects profit or loss.

Notes continued

2 Accounting policies continued

When a hedging instrument expires, any cumulative deferred gain/loss in equity relating to that instrument remains in equity until the forecast transaction occurs at which point it is reclassified to the income statement. When the forecast transaction is no longer expected to occur, the cumulative deferred gain/loss recorded in equity is immediately reclassified to the income statement.

(iii) Net investment hedge

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity to the extent the hedge is effective and are accumulated in a separate reserve within equity. To the extent that the hedge is ineffective such differences are recognised in the income statement.

(iv) Other derivative instruments

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the income statement.

q. Cash and cash equivalents

Cash and cash equivalents, as reported in the cash flow statement, comprises cash at bank and in hand and bank overdrafts. Cash at bank and in hand includes cash balances and short term deposits with maturities of three months or less from the date the deposit is made.

r. Net debt

Net debt is defined as interest bearing loans and borrowings adjusted for the fair value of interest rate swaps on fixed interest rate borrowings and other derivatives managing the interest rate risk and currency profile less cash and cash equivalents.

s. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

t. Investment in own shares

The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised in retained earnings.

At each reporting date the Group remeasures the value of the shares held in the employee benefit trust to present them in the own shares reserve at the market value of those shares at the reporting date. This is done through a reclassification from retained earnings to the own shares reserve. This movement has no effect on the actual numbers of shares held by the employee benefit trust.

u. Retirement benefits

(i) Defined contribution pension schemes

A defined contribution pension scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement in the periods during which services are rendered by employees.

(ii) Defined benefit pension schemes

A defined benefit pension scheme is a post-employment benefit plan other than a defined contribution pension scheme. Defined benefit pension schemes are recognised on the balance sheet as a defined benefit pension asset or a defined benefit pension liability based on the difference between the fair value of pension scheme assets and the present value of pension scheme liabilities.

The present value of pension scheme liabilities is calculated by a qualified actuary using the projected unit method by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted using the rate applicable to AA rated corporate bonds that have a similar maturity and currency to the pension scheme liabilities. The fair value of any pension scheme assets (at bid price) is deducted from the present value of pension scheme liabilities to determine the net deficit or surplus of each scheme. Remeasurements arising from defined benefit pension schemes comprise actuarial gains and losses on pension scheme liabilities and the actual return on pension scheme assets excluding amounts already included in net interest. The net actuarial gain or loss for the year is recorded in full in the statement of comprehensive income.

Current service cost, past service cost or gain and gains and losses on any settlements and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested. Net interest on the net defined benefit pension liability or asset is calculated by applying the discount rate used to measure the defined benefit pension scheme deficit or surplus at the beginning of the year to the net defined benefit pension liability or asset at the beginning of the year. Net interest is recorded within finance expense or finance income in the income statement.

2 Accounting policies continued

When the valuation of a defined benefit pension scheme results in a surplus, the recognised defined benefit pension asset is limited to the present value of benefits available in the form of any future refunds from the pension scheme or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

v. Dividends

The interim dividend is recognised in the statement of changes in equity in the period in which it is paid and the final dividend in the period in which it is approved by shareholders at the Annual General Meeting.

w. Hyperinflationary economies

Where the Group has operations in countries to which hyperinflation accounting applies, the financial statements of the business concerned are accounted for under IAS 29 'Financial Reporting in Hyperinflationary Economies'.

x. Judgements made in applying the Group's accounting policies

In the course of preparing the financial statements, other than judgements involved in determining lease terms under the application of IFRS 16 and in determining estimates and assumptions (see Note 2y below), no other judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

In measuring its right-of-use assets and lease liabilities, management is required to make judgements, particularly in relation to lease termination options. Periods after the date of a termination option are only included in the lease term if it is reasonably certain that the lease will not be terminated. While management determine lease terms across the Group on a case-by-case basis, if different judgements were applied relating to a number of leases, it could have a significant effect on the overall amounts recognised in the financial statements.

y. Sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. As at 31 December 2019, sources of estimation uncertainty where there was a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year were limited to the following items:

(i) Accounting for business combinations

Part of the Company's strategy is to grow through acquisitions. Acquisitions are accounted for using the acquisition method as described in the business combinations accounting policy, Note 2a(ii), and the goodwill accounting policy, Note 2k(i). This includes the determination of fair values for assets and liabilities acquired, including the separate identification of intangible assets, which use assumptions and estimates and are therefore subjective. The Group has developed a process to meet the requirements of IFRS 3 including the separate identification of customer relationships intangible assets based on estimated future performance and customer attrition rates. External valuation specialists are used where appropriate. The process applied is described in Note 27. Given the relatively low level of acquisition activity during the year, the estimates applied in 2019 are unlikely to lead to a significant misstatement in the next financial year. However it remains likely to be a source of material uncertainty in future years.

(ii) Recoverability of goodwill and customer relationships intangible assets

As noted above, part of the Company's strategy is to grow through acquisitions which has led to material goodwill and customer relationships intangible assets being recognised on the balance sheet. Goodwill, which is allocated across CGUs, is tested annually to determine if there is any indication of impairment by comparing the carrying amount of the goodwill to the recoverable amount of the CGU to which it has been allocated. Assumptions and estimates are used to determine the recoverable amount of each CGU, principally based on the present value of estimated future cash flows. Actual performance may differ from management's expectations. The estimates and assumptions used in performing impairment testing are described in Note 12. Customer relationships assets are also reviewed annually for indicators of impairment and if an indicator of impairment exists then similar recoverability testing, involving the use of estimates and assumptions, is performed for the business to which the customer relationships asset relates. The useful economic lives of customer relationships intangible assets are also reviewed at least annually, with any revisions to the original estimated useful economic lives accounted for prospectively. The goodwill balance as at 31 December 2019 was £1,403.6m (2018: £1,420.4m) and the amount of customer relationships intangible assets as at 31 December 2019 was £864.9m (2018: £941.2m).

(iii) Defined benefit pension schemes

The measurement of the present value of defined benefit pension scheme liabilities involves the use of various actuarial assumptions. The Group uses independent actuarial experts to assist with the estimation of the discount rates, inflation rates and longevity assumptions used for the measurement of defined benefit pension scheme liabilities but the actual liabilities could be materially different. The main risks to which the Group is exposed in relation to the valuation of the defined benefit pension schemes are described in Note 23. The Group's net pension deficit balance as at 31 December 2019 was £36.0m (2018: £38.5m).

Notes continued

2 Accounting policies continued

(iv) Taxation

The Group operates in many countries and is therefore subject to tax laws in a number of different tax jurisdictions. The amount of tax payable or receivable on profits or losses for any period is subject to the agreement of the tax authority in each respective jurisdiction and the tax liability or asset position is open to review for several years after the relevant accounting period ends. In determining the provisions for income taxes, management is required to make assumptions based on interpretations of tax statute and case law, which it does after taking account of professional advice and prior experience.

The majority of the Group's tax payable balance of £83.4m (2018: £94.8m) relates to provisions for uncertain tax matters. Uncertainties in respect of enquiries and additional tax assessments raised by tax authorities are measured by management according to the guidance provided by IFRIC 23 'Uncertainty over Income Tax Treatments' but the amounts ultimately payable or receivable may differ from the amounts of any provisions recognised in the consolidated financial statements as a result of the estimates and assumptions used.

Although not likely to lead to a material adjustment in the next financial year, the principal uncertainty relates to the legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions.

Overall, management does not consider there to exist a significant risk of material adjustment within the next financial year because tax provisions cover a range of matters across multiple tax jurisdictions with a variety of timescales before such matters are expected to be concluded.

3 Proforma IAS 17 Consolidated income statement

As referred to in Note 1b, the Group adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition. In accordance with the standard, the prior year has not been restated and, as a result, the financial results for the year ended 31 December 2019 are not directly comparable with the prior year. However, in order to provide a meaningful comparison with the prior year which was accounted for under IAS 17 'Leases', the table below, and also other Notes where relevant, show the Group's financial results for the year ended 31 December 2019 presented in accordance with IAS 17 under the heading 'Proforma IAS 17'.

	Notes	IFRS 2019 £m	Impact of IFRS 16 £m	Proforma IAS 17 2019 £m	IAS 17 2018 £m
Revenue	5	**9,326.7**	**–**	**9,326.7**	9,079.4
Operating profit	5	**528.4**	**22.4**	**506.0**	466.2
Finance income	7	**12.4**	**–**	**12.4**	11.6
Finance expense	7	**(87.5)**	**(23.3)**	**(64.2)**	(66.6)
Profit on disposal of businesses	28	**–**	**–**	**–**	13.6
Profit before income tax		**453.3**	**(0.9)**	**454.2**	424.8
Income tax	8	**(104.1)**	**0.2**	**(104.3)**	(98.3)
Profit for the year attributable to the Company's equity holders		**349.2**	**(0.7)**	**349.9**	326.5
Earnings per share attributable to the Company's equity holders					
Basic	9	**104.8p**	**(0.2)p**	**105.0p**	98.4p
Diluted	9	**104.5p**	**(0.2)p**	**104.7p**	97.8p
Alternative performance measures†					
Operating profit	5	**528.4**	**22.4**	**506.0**	466.2
Adjusted for:					
Customer relationships amortisation	5	**107.3**	**–**	**107.3**	111.1
Acquisition related items	5	**17.6**	**–**	**17.6**	33.4
GMP equalisation charge	6	**–**	**–**	**–**	3.3
Adjusted operating profit◊		**653.3**	**22.4**	**630.9**	614.0
Finance income	7	**12.4**	**–**	**12.4**	11.6
Finance expense	7	**(87.5)**	**(23.3)**	**(64.2)**	(66.6)
Adjusted profit before income tax◊		**578.2**	**(0.9)**	**579.1**	559.0
Tax on adjusted profit	8	**(137.6)**	**0.2**	**(137.8)**	(129.1)
Adjusted profit for the year◊		**440.6**	**(0.7)**	**441.3**	429.9
Adjusted earnings per share◊	9	**132.2p**	**(0.2)p**	**132.4p**	129.6p

† See Note 4 on page 134 for further details of the alternative performance measures.

◊ Excluding the profit on disposal of businesses and associated tax where relevant.

Notes continued

4 Alternative performance measures

In addition to the various performance measures defined under IFRS, the Group reports a number of other measures that are designed to assist with the understanding of the underlying performance of the Group and its businesses. These measures are not defined under IFRS and, as a result, do not comply with Generally Accepted Accounting Practice ('GAAP') and are therefore known as 'alternative performance measures'. Accordingly, these measures, which are not designed to be a substitute for any of the IFRS measures of performance, may not be directly comparable with other companies' alternative performance measures. The principal alternative performance measures used within the consolidated financial statements and the location of the reconciliation to equivalent IFRS measures are shown and defined in the table below:

Adjusted operating profit	Operating profit before customer relationships amortisation, acquisition related items, the GMP equalisation charge and profit or loss on disposal of businesses (reconciled in the following table and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships amortisation, acquisition related items, the GMP equalisation charge and profit or loss on disposal of businesses (reconciled in the following table)
Adjusted profit for the year	Profit for the year before customer relationships amortisation, acquisition related items, the GMP equalisation charge, profit or loss on disposal of businesses and the associated tax (reconciled in the following table)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 8)
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares in issue (reconciled in the following table and in Note 9)
Adjusted diluted earnings per share	Adjusted profit for the year divided by the diluted weighted average number of ordinary shares (reconciled in Note 9)
Operating cash flow*	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Cash conversion*	Operating cash flow as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Return on average operating capital*	The ratio of adjusted operating profit 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)
Return on invested capital*	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
EBITDA	Adjusted operating profit on an historical GAAP basis, before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's debt covenants, principally to exclude share option charges and to annualise for the effect of acquisitions and disposal of businesses
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for the year ended 31 December 2018 at the average rates for the year ended 31 December 2019 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2019 and 2018 can be found in the Financial review on page 57

* Following the adoption of IFRS 16 on a modified retrospective basis with effect from 1 January 2019 the definitions of these alternative performance measures have been updated.

These alternative performance measures exclude the charge for customer relationships amortisation, acquisition related items, the GMP equalisation charge, profit or loss on disposal of businesses and any associated tax, where relevant.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs and interest on acquisition related income tax. Customer relationships amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. The GMP equalisation charge was a non-recurring cost in 2018 of the equalisation of guaranteed minimum pension between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment in 2018 in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others. Disposal of businesses represents the profit or loss on disposal of non-core businesses. 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 are removed in calculating the profitability measures by which management assesses the performance of the Group.

Other alternative performance measures, including the Group's key performance indicators which are set out and defined on pages 22 and 23, are used to monitor the performance of the Group and a number of these are based on, or derived from, the alternative performance measures noted above. All alternative performance measures have been calculated consistently with the methods applied in the

4 Alternative performance measures continued

consolidated financial statements for the year ended 31 December 2018, with the exception of the definition of cash conversion and its components, return on average operating capital and return on invested capital, which have been updated following the adoption of IFRS 16.

For 2019, both the statutory measures and the alternative performance measures are also shown on a Proforma IAS 17 basis to enable a meaningful comparison with prior periods.

Reconciliation of alternative performance measures to statutory measures

The principal profit related alternative performance measures, being adjusted operating profit, adjusted profit before income tax, adjusted profit for the year and adjusted earnings per share, are reconciled to the most directly reconcilable statutory measures in the tables below, both on an IFRS and on a Proforma IAS 17 basis.

Year ended 31 December 2019

		Adjusting items					
IFRS	Alternative performance measures £m	Customer relationships amortisation £m	Acquisition related items £m	GMP equalisation charge £m	Disposal of businesses £m	Statutory measures £m	
Adjusted operating profit	**653.3**	**(107.3)**	**(17.6)**	**–**		**528.4**	**Operating profit**
Finance income	**12.4**					**12.4**	Finance income
Finance expense	**(87.5)**					**(87.5)**	Finance expense
Disposal of businesses	**–**				**–**	**–**	Disposal of businesses
Adjusted profit before income tax	**578.2**	**(107.3)**	**(17.6)**	**–**	**–**	**453.3**	**Profit before income tax**
Tax on adjusted profit	**(137.6)**	**29.1**	**4.4**	**–**	**–**	**(104.1)**	Income tax
Adjusted profit for the year	**440.6**	**(78.2)**	**(13.2)**	**–**	**–**	**349.2**	**Profit for the year**
Adjusted earnings per share	**132.2p**	**(23.4)p**	**(4.0)p**	**–**	**–**	**104.8p**	**Basic earnings per share**

		Adjusting items					
Proforma IAS 17	Alternative performance measures £m	Customer relationships amortisation £m	Acquisition related items £m	GMP equalisation charge £m	Disposal of businesses £m	Statutory measures* £m	
Adjusted operating profit	**630.9**	**(107.3)**	**(17.6)**	**–**		**506.0**	**Operating profit**
Finance income	**12.4**					**12.4**	Finance income
Finance expense	**(64.2)**					**(64.2)**	Finance expense
Disposal of businesses	**–**				**–**	**–**	Disposal of businesses
Adjusted profit before income tax	**579.1**	**(107.3)**	**(17.6)**	**–**	**–**	**454.2**	**Profit before income tax**
Tax on adjusted profit	**(137.8)**	**29.1**	**4.4**	**–**	**–**	**(104.3)**	Income tax
Adjusted profit for the year	**441.3**	**(78.2)**	**(13.2)**	**–**	**–**	**349.9**	**Profit for the year**
Adjusted earnings per share	**132.4p**	**(23.4)p**	**(4.0)p**	**–**	**–**	**105.0p**	**Basic earnings per share**

* See Note 3 for the reconciliation of the Proforma IAS 17 statutory measures for the year ended 31 December 2019 to the equivalent IFRS statutory measures.

Year ended 31 December 2018

		Adjusting items					
As previously reported under IAS 17	Alternative performance measures £m	Customer relationships amortisation £m	Acquisition related items £m	GMP equalisation charge £m	Disposal of businesses £m	Statutory measures £m	
Adjusted operating profit	614.0	(111.1)	(33.4)	(3.3)		466.2	Operating profit
Finance income	11.6					11.6	Finance income
Finance expense	(66.6)					(66.6)	Finance expense
Disposal of businesses					13.6	13.6	Disposal of businesses
Adjusted profit before income tax	559.0	(111.1)	(33.4)	(3.3)	13.6	424.8	Profit before income tax
Tax on adjusted profit	(129.1)	29.6	3.5	0.5	(2.8)	(98.3)	Income tax
Adjusted profit for the year	429.9	(81.5)	(29.9)	(2.8)	10.8	326.5	Profit for the year
Adjusted earnings per share	129.6p	(24.6)p	(9.0)p	(0.9)p	3.3p	98.4p	Basic earnings per share

Notes continued

5 Segment analysis

The Group results are reported as four business areas based on geographical regions which are reviewed regularly by the Company's chief operating decision maker, the Board of directors. The principal results reviewed for each business area are revenue and adjusted operating profit. During the year ended 31 December 2019 segmental results have been reviewed on both an IFRS and Proforma IAS 17 basis. The segmental results for the year ended 31 December 2019 are therefore shown under both bases.

Year ended 31 December 2019

IFRS	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,473.2	1,829.8	1,242.1	781.6		9,326.7
Adjusted operating profit/(loss)	343.6	182.1	87.1	61.6	(21.1)	653.3
Customer relationships amortisation	(36.8)	(40.9)	(8.2)	(21.4)		(107.3)
Acquisition related items	(6.6)	(5.9)	(2.0)	(3.1)		(17.6)
Operating profit/(loss)	300.2	135.3	76.9	37.1	(21.1)	528.4
Finance income						12.4
Finance expense						(87.5)
Profit before income tax						453.3
Adjusted profit before income tax						578.2
Income tax						(104.1)
Profit for the year						349.2
Purchase of property, plant and equipment	8.8	8.8	5.7	3.7	0.1	27.1
Depreciation of property, plant and equipment	8.8	8.2	4.1	3.3	0.1	24.5
Additions to right-of-use assets	56.6	29.2	12.4	7.0	–	105.2
Depreciation of right-of-use assets	61.8	29.9	20.4	15.5	0.5	128.1
Purchase of software	4.8	2.1	1.4	1.5	–	9.8
Software amortisation	2.4	2.6	0.9	1.3	0.2	7.4

Proforma IAS 17	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,473.2	1,829.8	1,242.1	781.6		9,326.7
Adjusted operating profit/(loss)	331.0	178.8	83.3	59.0	(21.2)	630.9
Customer relationships amortisation	(36.8)	(40.9)	(8.2)	(21.4)		(107.3)
Acquisition related items	(6.6)	(5.9)	(2.0)	(3.1)		(17.6)
Operating profit/(loss)	287.6	132.0	73.1	34.5	(21.2)	506.0
Finance income						12.4
Finance expense						(64.2)
Profit before income tax						454.2
Adjusted profit before income tax						579.1
Income tax						(104.3)
Profit for the year						349.9

5 Segment analysis continued
Year ended 31 December 2018

As previously reported under IAS 17	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,277.8	1,797.5	1,263.6	740.5		9,079.4
Adjusted operating profit/(loss)	317.1	176.8	86.8	56.4	(23.1)	614.0
Customer relationships amortisation	(34.1)	(51.0)	(9.4)	(16.6)		(111.1)
Acquisition related items	(11.8)	(14.5)	(3.0)	(4.1)		(33.4)
GMP equalisation charge					(3.3)	(3.3)
Operating profit/(loss)	271.2	111.3	74.4	35.7	(26.4)	466.2
Finance income						11.6
Finance expense						(66.6)
Disposal of businesses						13.6
Profit before income tax						424.8
Adjusted profit before income tax						559.0
Income tax						(98.3)
Profit for the year						326.5
Purchase of property, plant and equipment	6.6	8.0	4.0	3.1	0.2	21.9
Depreciation of property, plant and equipment	9.1	8.2	4.1	3.0	0.1	24.5
Purchase of software	4.2	2.9	1.3	0.7	0.1	9.2
Software amortisation	1.9	3.6	1.2	1.2	0.2	8.1

Acquisition related items	2019 £m	2018 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**13.3**	19.1
Transaction costs and expenses	**4.1**	5.5
Adjustments to previously estimated earn outs	**(0.3)**	8.3
Interest on acquisition related income tax	**0.5**	0.5
	17.6	33.4

Reportable segments are determined based on quantitative thresholds in accordance with IFRS 8 'Operating Segments'. The three business areas of North America, Continental Europe and UK & Ireland are operating segments that meet the quantitative thresholds for reportable segments and are therefore disclosed separately above. The Rest of the World business area contains businesses in Latin America and Asia Pacific which individually do not meet the quantitative thresholds for separate disclosure as reportable segments. Rest of the World is therefore an 'other' segment that is disclosed above as a reportable segment as this information is considered to be useful to users of the financial statements and it also helps to reconcile the results of the reportable segments to the Group's consolidated results.

The revenue presented relates to external customers. Sales between the business areas are not material. Each of the business areas supplies a range of products to customers operating primarily in the foodservice, grocery, safety, cleaning & hygiene, retail and healthcare market sectors but results are not monitored on this basis. The performance of the four business areas is assessed by reference to adjusted operating profit and this measure also represents the segment results for the purposes of reporting in accordance with IFRS 8. Debt and associated interest is managed at a Group level and therefore has not been allocated across the business areas.

In the year ended 31 December 2019 the Group had no customer that represented 10% or more of total Group revenue (2018: one customer).

Revenue generated in the parent company's country of domicile, the UK, for the year ended 31 December 2019 was £1,143.5m (2018: £1,168.9m).

As noted above, the businesses within each operating segment operate in a number of different countries and sell products across a range of market sectors, with the vast majority of revenue generated from the delivery of goods to customers. The following table provides a breakdown of revenue by market sector. The other category covers a wide range of market sectors, none of which is sufficiently material to warrant separate disclosure.

Notes continued

5 Segment analysis continued

Revenue by market sector	2019 £m	2018 £m
Foodservice	**2,710.9**	2,656.5
Grocery	**2,399.8**	2,388.5
Safety	**1,208.7**	1,090.8
Cleaning & hygiene	**1,110.9**	1,065.3
Retail	**1,036.3**	1,001.6
Healthcare	**618.6**	618.3
Other	**241.5**	258.4
	9,326.7	9,079.4

The table below reconciles segment assets and liabilities to the Group's total assets and total liabilities. Unallocated assets and liabilities include corporate assets and liabilities, tax assets and liabilities, cash at bank and in hand, bank overdrafts, interest bearing loans and borrowings, derivative financial assets and liabilities and defined benefit pension assets and liabilities. Non-current assets (other than derivative financial assets and deferred tax assets) in the parent company's country of domicile, the UK, at 31 December 2019 were £418.8m (2018: £334.4m).

At 31 December 2019

IFRS	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	**2,246.2**	**1,567.6**	**809.8**	**640.0**		**5,263.6**
Unallocated assets					**656.4**	**656.4**
Total assets	**2,246.2**	**1,567.6**	**809.8**	**640.0**	**656.4**	**5,920.0**
Segment liabilities	**880.0**	**522.8**	**421.3**	**173.4**		**1,997.5**
Unallocated liabilities					**2,178.2**	**2,178.2**
Total liabilities	**880.0**	**522.8**	**421.3**	**173.4**	**2,178.2**	**4,175.7**

Proforma IAS 17	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	**2,047.6**	**1,463.4**	**719.9**	**603.8**		**4,834.7**
Unallocated assets					**655.2**	**655.2**
Total assets	**2,047.6**	**1,463.4**	**719.9**	**603.8**	**655.2**	**5,489.9**
Segment liabilities	**666.4**	**414.1**	**322.9**	**134.1**		**1,537.5**
Unallocated liabilities					**2,176.7**	**2,176.7**
Total liabilities	**666.4**	**414.1**	**322.9**	**134.1**	**2,176.7**	**3,714.2**

At 31 December 2018

As previously reported under IAS 17	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	2,125.4	1,594.0	727.3	595.7		5,042.4
Unallocated assets					513.7	513.7
Total assets	2,125.4	1,594.0	727.3	595.7	513.7	5,556.1
Segment liabilities	745.5	444.0	327.8	126.2		1,643.5
Unallocated liabilities					2,218.1	2,218.1
Total liabilities	745.5	444.0	327.8	126.2	2,218.1	3,861.6

6 Analysis of operating income and expenses

	2019 £m	2018 £m
Cost of goods sold	**7,033.2**	6,851.8
Employee costs (Note 24)	**873.8**	859.4
GMP equalisation charge	**–**	3.3
Depreciation of property, plant and equipment (Note 10)	**24.5**	24.5
Depreciation of right-of-use assets (Note 11)	**128.1**	–
Amortisation of intangible assets (Note 12)	**114.7**	119.2
Acquisition related items (Note 5)	**17.6**	33.4
Impairment losses on trade receivables (Note 14)	**6.9**	3.5
Profit on disposal of property, plant and equipment	**(4.7)**	(1.4)
Expense relating to short term leases and low value assets	**7.1**	–
Rentals payable under operating leases and subleases	**–**	145.4
Lease and sublease income	**(2.6)**	(0.9)
Other operating expenses	**599.7**	575.0
Net operating expenses	**8,798.3**	8,613.2

Cost of goods sold consists of the cost of the inventories sold or disposed of in the period where the cost of inventories is net of supplier rebate income related to those inventories.

The GMP equalisation charge in 2018 of £3.3m was the non-recurring cost of the equalisation of guaranteed minimum pensions between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment in 2018 in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others.

			2019			2018
Auditors' remuneration	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Audit of these financial statements	**0.5**	**–**	**0.5**	0.4	–	0.4
Amounts receivable by the Company's auditors and their associates in respect of:						
audit of financial statements of subsidiaries of the Company	**0.4**	**2.6**	**3.0**	0.4	2.5	2.9
audit related assurance services	**0.1**	**–**	**0.1**	0.1	–	0.1
all other services	**0.1**	**–**	**0.1**	0.1	–	0.1
Total auditors' remuneration	**1.1**	**2.6**	**3.7**	1.0	2.5	3.5

Audit related assurance services comprise the review of the half yearly financial report for the six months ended 30 June. All other services comprise other non-audit work which was permissible in accordance with the Company's policy and the prevailing regulations concerning the provision of non-audit services by the Company's external auditors. It is the Company's policy to assess the non-audit services to be performed by the Company's auditors on a case-by-case basis to ensure adherence to the prevailing ethical standards and regulations. In the main, other firms are used by the Company to provide non-audit services. However, if the provision of a service by the Company's auditors is not prohibited and adequate safeguards are in place, it is sometimes appropriate for this additional work to be carried out by the Company's auditors.

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the external auditors perform, including the fees paid for such work, to ensure that the auditors' objectivity and independence are not compromised. Further information is set out in the Audit Committee's report on pages 80 to 84.

Notes continued

7 Finance income/(expense)

	IFRS 2019 £m	Proforma IAS 17 2019 £m	2018 £m
Interest on cash and cash equivalents	**4.4**	**4.4**	5.3
Interest income from foreign exchange contracts	**7.2**	**7.2**	5.7
Net interest income on defined benefit pension schemes in surplus	**0.2**	**0.2**	0.1
Other finance income	**0.6**	**0.6**	0.5
Finance income	**12.4**	**12.4**	11.6
Interest on loans and overdrafts	**(56.6)**	**(56.6)**	(59.8)
Lease interest expense	**(23.3)**	**–**	–
Interest expense from foreign exchange contracts	**(3.9)**	**(3.9)**	(3.6)
Net interest expense on defined benefit pension schemes in deficit	**(1.3)**	**(1.3)**	(1.4)
Fair value (loss)/gain on US private placement notes in a hedge relationship	**(10.7)**	**(10.7)**	8.3
Fair value gain/(loss) on interest rate swaps in a hedge relationship	**10.8**	**10.8**	(8.2)
Foreign exchange (loss)/gain on intercompany funding	**(42.6)**	**(42.6)**	43.5
Foreign exchange gain/(loss) on external debt and foreign exchange forward contracts	**42.7**	**42.7**	(43.5)
Interest related to income tax	**(1.5)**	**(1.5)**	(1.2)
Other finance expense	**(1.1)**	**(1.1)**	(0.7)
Finance expense	**(87.5)**	**(64.2)**	(66.6)
Net finance expense	**(75.1)**	**(51.8)**	(55.0)

The foreign exchange loss or gain on intercompany funding arises as a result of the retranslation of foreign currency intercompany loans. This loss or gain on intercompany funding is substantially matched by the foreign exchange gain or loss on external debt and foreign exchange forward contracts not in a hedge relationship, which minimises the foreign currency exposure in the consolidated income statement.

8 Income tax

	IFRS 2019 £m	Proforma IAS 17 2019 £m	2018 £m
Current tax on profit			
current year	**122.8**	**122.8**	122.8
adjustments in respect of prior years	**(7.8)**	**(7.8)**	(6.9)
	115.0	**115.0**	115.9
Deferred tax on profit			
current year	**(11.3)**	**(11.1)**	(16.6)
adjustments in respect of prior years	**0.4**	**0.4**	(1.0)
	(10.9)	**(10.7)**	(17.6)
Income tax on profit	**104.1**	**104.3**	98.3

In assessing the underlying performance of the Group, management uses adjusted profit before income tax. The tax effect of the adjusting items (see Note 4) is excluded in monitoring the effective tax rate (being the tax rate on adjusted profit before income tax) which is shown in the table below. The Group's expectations for the effective tax rate in 2020 are included in the Financial review on page 59.

	IFRS 2019 £m	Proforma IAS 17 2019 £m	2018 £m
Income tax on profit	**104.1**	**104.3**	98.3
Tax associated with adjusting items	**33.5**	**33.5**	30.8
Tax on adjusted profit	**137.6**	**137.8**	129.1
Profit before income tax	**453.3**	**454.2**	424.8
Adjusting items	**124.9**	**124.9**	134.2
Adjusted profit before income tax	**578.2**	**579.1**	559.0
Reported tax rate	**23.0%**	**23.0%**	23.1%
Effective tax rate	**23.8%**	**23.8%**	23.1%

8 Income tax continued

Tax on other comprehensive income/(expense) and equity	2019 Gross £m	2019 Tax credit £m	2019 Net £m	2018 Gross £m	2018 Tax credit £m	2018 Net £m
Actuarial (loss)/gain on defined benefit pension schemes	**(8.3)**	**2.2**	**(6.1)**	11.0	(3.7)	7.3
Foreign currency translation differences on foreign operations	**(104.1)**	**–**	**(104.1)**	3.0	–	3.0
Movement from translation reserve to income statement on disposal of foreign operation	**–**	**–**	**–**	(2.4)	–	(2.4)
Gain/(loss) taken to equity as a result of effective net investment hedges	**16.9**	**–**	**16.9**	(7.5)	0.2	(7.3)
(Loss)/gain recognised in cash flow hedge reserve	**(0.5)**	**0.1**	**(0.4)**	7.9	(1.3)	6.6
Movement from cash flow hedge reserve to inventory/ income statement	**(4.3)**	**0.7**	**(3.6)**	(4.4)	0.7	(3.7)
Other comprehensive (expense)/income	**(100.3)**	**3.0**	**(97.3)**	7.6	(4.1)	3.5
Dividends	**(167.3)**	**–**	**(167.3)**	(152.2)	–	(152.2)
Issue of share capital	**5.7**	**–**	**5.7**	7.2	–	7.2
Employee trust shares	**(30.4)**	**–**	**(30.4)**	45.6	–	45.6
Share based payments	**13.5**	**0.3**	**13.8**	12.9	2.4	15.3
Other comprehensive expense and equity	**(278.8)**	**3.3**	**(275.5)**	(78.9)	(1.7)	(80.6)

Factors affecting the tax charge for the year

The Group operates in many countries and is subject to different rates of income tax in those countries. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, most of which are higher than the UK statutory rate for the year of 19.0% (2018: 19.0%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2019 £m	2018 £m
Profit before income tax	**453.3**	424.8
Tax charge at weighted average rate (2019: 23.3%; 2018: 25.1%)	**105.6**	106.5
Effects of:		
non-deductible expenditure	**6.4**	7.5
impact of intercompany finance	**(0.4)**	(5.1)
change in tax rates	**(1.0)**	(2.3)
prior year adjustments	**(7.4)**	(7.9)
other	**0.9**	(0.4)
Income tax on profit	**104.1**	98.3

Deferred tax in the income statement	2019 £m	2018 £m
Property, plant and equipment	**0.4**	–
Defined benefit pension schemes	**1.7**	0.8
Goodwill and customer relationships	**(13.6)**	(14.3)
Provisions	**1.0**	(0.5)
Inventories	**(0.4)**	0.7
Leases	**(0.2)**	–
Other	**0.2**	(4.3)
Deferred tax on profit	**(10.9)**	(17.6)

Notes continued

8 Income tax continued

Future tax liabilities may be affected by the European Commission's ('the Commission') assertion that part of the UK's tax regime amounts to State aid. Management has considered the Commission's decision of 2 April 2019 and does not agree with their conclusion that the UK tax legislation up until December 2018 partially represents State aid. The Group has filed an appeal with the EU General Court for annulment of this decision and notes that HM Government has also lodged an appeal. The potential amount payable for this risk is estimated to be between £nil and £36m as at 31 December 2019 depending on the outcome of the legal appeal process and the basis of calculation. The final impact on the Group remains uncertain but based on the current legal analysis the Group does not consider any provision to be required for this risk. Resolution of this issue will depend on the decision of the EU General Court and any further legal appeals.

In addition, the Group is required to make an additional cash tax payment in 2020 of approximately £19m for tax plus interest and penalties in relation to a tax dispute in Brazil. The Group has provided for the best estimate of the ultimate liability in this matter and expects to recover the remainder once the legal process is completed.

9 Earnings per share

	IFRS 2019 £m	Proforma IAS 17 2019 £m	2018 £m
Profit for the year	**349.2**	**349.9**	326.5
Adjusted for:			
customer relationships amortisation	**107.3**	**107.3**	111.1
acquisition related items	**17.6**	**17.6**	33.4
GMP equalisation charge	**–**	**–**	3.3
profit on disposal of businesses	**–**	**–**	(13.6)
tax credit on adjusting items	**(33.5)**	**(33.5)**	(30.8)
Adjusted profit for the year	**440.6**	**441.3**	429.9

	IFRS 2019	Proforma IAS 17 2019	2018
Basic weighted average number of ordinary shares in issue (million)	**333.3**	**333.3**	331.7
Dilutive effect of employee share plans (million)	**1.0**	**1.0**	2.2
Diluted weighted average number of ordinary shares (million)	**334.3**	**334.3**	333.9
Basic earnings per share	**104.8p**	**105.0p**	98.4p
Adjustment	**27.4p**	**27.4p**	31.2p
Adjusted earnings per share	**132.2p**	**132.4p**	129.6p
Diluted basic earnings per share	**104.5p**	**104.7p**	97.8p
Adjustment	**27.3p**	**27.3p**	31.0p
Adjusted diluted earnings per share	**131.8p**	**132.0p**	128.8p

10 Property, plant and equipment

2019	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	**90.1**	**157.0**	**105.1**	**352.2**
Acquisitions	**0.1**	**0.3**	**0.8**	**1.2**
Additions	**4.3**	**11.9**	**10.9**	**27.1**
Disposals	**(8.2)**	**(11.9)**	**(12.3)**	**(32.4)**
Currency translation	**(3.1)**	**(5.9)**	**(3.9)**	**(12.9)**
End of year	**83.2**	**151.4**	**100.6**	**335.2**
Accumulated depreciation				
Beginning of year	**45.2**	**105.4**	**79.2**	**229.8**
Charge in year	**3.7**	**11.9**	**8.9**	**24.5**
Disposals	**(5.8)**	**(10.8)**	**(12.4)**	**(29.0)**
Currency translation	**(1.5)**	**(4.4)**	**(2.5)**	**(8.4)**
End of year	**41.6**	**102.1**	**73.2**	**216.9**
Net book value at 31 December 2019	**41.6**	**49.3**	**27.4**	**118.3**

2018	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	93.3	148.5	103.9	345.7
Acquisitions	0.2	1.3	1.6	3.1
Additions	1.8	10.1	10.0	21.9
Disposals	(2.8)	(6.4)	(4.5)	(13.7)
Disposal of businesses	(4.8)	(2.0)	(6.4)	(13.2)
Currency translation	2.4	5.5	0.5	8.4
End of year	90.1	157.0	105.1	352.2
Accumulated depreciation				
Beginning of year	45.3	97.7	77.5	220.5
Charge in year	3.5	12.0	9.0	24.5
Disposals	(2.4)	(5.8)	(4.4)	(12.6)
Disposal of businesses	(3.0)	(1.6)	(4.2)	(8.8)
Currency translation	1.8	3.1	1.3	6.2
End of year	45.2	105.4	79.2	229.8
Net book value at 31 December 2018	44.9	51.6	25.9	122.4

Notes continued

11 Right-of-use assets

2019	Property £m	Motor vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	–	–	–	–
Right-of-use assets on transition to IFRS 16	359.4	65.4	24.6	449.4
Acquisitions (Note 27)	5.7	0.2	0.6	6.5
Additions	65.3	30.4	9.5	105.2
Depreciation charge in the year	(91.4)	(27.8)	(8.9)	(128.1)
Remeasurement adjustments	13.8	0.6	–	14.4
Currency translation	(11.3)	(2.4)	(0.8)	(14.5)
Net book value at 31 December 2019	341.5	66.4	25.0	432.9

12 Intangible assets

2019	Goodwill £m	Customer relationships £m	Software £m	Total £m
Cost				
Beginning of year	1,420.4	1,719.2	72.5	3,212.1
Acquisitions	39.8	71.7	–	111.5
Additions		–	9.8	9.8
Disposals		–	(4.6)	(4.6)
Currency translation	(56.6)	(80.0)	(3.0)	(139.6)
End of year	1,403.6	1,710.9	74.7	3,189.2
Accumulated amortisation				
Beginning of year		778.0	51.6	829.6
Charge in year		107.3	7.4	114.7
Disposals		–	(4.6)	(4.6)
Currency translation		(39.3)	(2.1)	(41.4)
End of year		846.0	52.3	898.3
Net book value at 31 December 2019	1,403.6	864.9	22.4	2,290.9

2018	Goodwill £m	Customer relationships £m	Software £m	Total £m
Cost				
Beginning of year	1,378.0	1,613.8	64.5	3,056.3
Acquisitions	33.9	96.7	0.1	130.7
Additions		–	9.2	9.2
Disposals		–	(0.3)	(0.3)
Disposal of businesses	(10.1)	(15.9)	(2.7)	(28.7)
Currency translation	18.6	24.6	1.7	44.9
End of year	1,420.4	1,719.2	72.5	3,212.1
Accumulated amortisation				
Beginning of year		659.2	45.4	704.6
Charge in year		111.1	8.1	119.2
Disposals		–	(0.3)	(0.3)
Disposal of businesses		(3.9)	(2.5)	(6.4)
Currency translation		11.6	0.9	12.5
End of year		778.0	51.6	829.6
Net book value at 31 December 2018	1,420.4	941.2	20.9	2,382.5

Both goodwill and customer relationships have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 27.

12 Intangible assets continued

Impairment tests

The carrying amount of goodwill is allocated across CGUs and is tested annually for impairment by comparing the recoverable amount of each CGU with its carrying value.

A description of the Group's principal activities is set out in the Chief Executive Officer's review. There is no significant difference in the nature of activities across different geographies. The identification of CGUs reflects the way the business is managed and monitored on a geographical basis, taking into account the generation of cash flows and the sharing of synergies. Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts. The recoverable amount is the higher of the value in use and the fair value less the costs of disposal. The value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value. The projection period is the time period over which future cash flows are predicted. The Group's methodology is to use a projection period of five years consisting of detailed cash flow forecasts for the first two years and CGU specific growth assumptions for years three, four and five. For periods after this five year period, the methodology applies a long term growth rate specific to the CGU to derive a terminal value. Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period.

The value in use calculations are principally sensitive to revenue growth, including any significant changes to the customer base, achievability of future profit margins and the discount rates used in the present value calculation. The information used for valuation purposes takes into consideration past experience and the current economic environment with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience in controlling the underlying cost base. This information is used to determine a long term growth rate which is consistent with the geographic segments in which the Group operates and management's assessment of future operating performance and market share movements. The discount rates used are determined with assistance provided by external valuation specialists.

The Group allocates goodwill across 11 CGUs (2018: 11). Based on our impairment testing, no impairments were identified to the carrying value of goodwill within the Group.

At 31 December 2019 North America, France and Rest of Continental Europe carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. At 31 December 2019 the carrying value of goodwill in respect of North America was £428.9m (2018: £417.7m), France was £247.1m (2018: £262.7m) and Rest of Continental Europe was £183.6m (2018: £195.0m). At 31 December 2019 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, France and Rest of Continental Europe, was £544.0m (2018: £545.0m), none of which is individually significant.

For North America, France and Rest of Continental Europe, the weighted average long term growth rate used in 2019 was in the range of 2.5%–3.5% (2018: 2.5%–3.5%) reflecting anticipated revenue and profit growth. A pre-tax discount rate in the range of 7%–10% (2018: 7%–9%) has been applied to the value in use calculations reflecting market assessments of the time value of money at the balance sheet date. Similar assumptions have been applied to the other CGUs but where appropriate the directors have considered alternative market risk assumptions to reflect the specific conditions arising in individual CGUs with long term growth rates ranging from 2.5%–6.5% (2018: 2.5%–6.5%) and discount rates ranging from 7%–16% (2018: 6%–16%).

As part of the annual impairment testing for goodwill, the Group also considered whether there were any indicators that individual customer relationships assets were impaired by comparing the recoverable amounts to the carrying values of the customer relationships assets. Recoverable amount was based on value in use. An impairment charge of £4.0m relating to the customer relationships intangible asset of a business in China within the Asia Pacific CGU was recognised in the year. This charge is included within the customer relationship charge for the year. There were no other such impairments.

Sensitivity to changes in key assumptions

Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, expected long term growth rates and the discount rates selected. Key assumptions on which value in use calculations are dependent relate to the discount rates used and revenue growth including the impact of changes to the underlying customer base from customer attrition and the rate at which new customer relationships are introduced and established.

As part of the annual impairment testing, management performed sensitivity analysis by modelling the impact of higher discount rates, and reviewing the combination of discount rates and long term growth rates which would bring the value in use to the net book value or below. From this sensitivity testing management has concluded that no reasonably possible change in key assumptions would result in a material change to the carrying amounts of any of the Group's intangible assets in the next 12 months.

Notes continued

13 Inventories

	2019 £m	2018 £m
Goods for resale	**1,177.2**	1,213.6

During the year £5.5m (2018: £6.0m) was written off from inventories due to obsolescence or damage. The provision for slow moving, obsolete or defective inventories at 31 December 2019 was £80.3m (2018: £84.4m).

14 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**1,020.2**	1,083.1
Prepayments	**70.3**	74.2
Other receivables	**163.6**	172.7
	1,254.1	1,330.0

The Group does not have any significant contract assets.

The ageing of trade receivables at 31 December was:

	2019		2018	
	Gross £m	Provision £m	Gross £m	Provision £m
Current	**832.9**	**3.8**	847.5	3.4
0–30 days overdue	**146.2**	**1.4**	186.4	1.8
31–90 days overdue	**42.9**	**1.5**	55.6	2.2
Over 90 days overdue	**22.1**	**17.2**	19.2	18.2
	1,044.1	**23.9**	1,108.7	25.6

The trade receivables provision includes provisions for expected credit losses and credit notes to be issued. The movement in the provision during the year was as follows:

	2019 £m	2018 £m
Beginning of year	**25.6**	25.2
Acquisitions	**0.1**	0.8
Charge	**6.9**	3.5
Utilised and unused	**(7.6)**	(3.8)
Currency translation	**(1.1)**	(0.1)
End of year	**23.9**	25.6

15 Trade and other payables – current

	2019 £m	2018 £m
Trade payables	**1,067.9**	1,143.9
Other tax and social security contributions	**23.7**	25.9
Other payables	**151.2**	161.1
Accruals and contract liabilities	**260.0**	282.7
	1,502.8	1,613.6

The Group's contract liabilities are limited to deferred income of £4.4m (2018: £5.5m). This arises from contracts with customers in the form of consideration that has been received in advance of the satisfaction of performance obligations.

16 Risk management and financial instruments

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on average operating capital employed and the return on invested capital (as defined on page 134) as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders.

The principal covenant limits are net debt to EBITDA, calculated at average exchange rates and in accordance with the Group's external debt covenants, 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. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. During 2019 all covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. All of the 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 and, in order to do so, the Group arranges a mixture of borrowings from different sources with a variety of maturity dates.

The Group's businesses provide a high and consistent level of cash generation which helps fund future development and growth. The Group seeks to maintain an appropriate balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Treasury policies and controls

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

Derivatives and hedge accounting

The Group designates derivatives which qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The accounting treatment for hedges and derivatives is set out in the financial instruments' accounting policy in Note 2p. The Group tests the effectiveness of hedges on a prospective basis to ensure compliance with IFRS 9. Information about the methods and assumptions used in determining the fair value of derivatives is provided under the 'Financial instruments' section on pages 129 and 130.

Hedge effectiveness

For hedges of foreign currency purchases and sales, the Group enters into cash flow hedge relationships where the critical terms of the hedging instrument are similar to those of the hedged item, such as notional amount, expected maturity date and currency. Hedge ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated. The Group therefore performs a quantitative hedge effectiveness assessment to calculate any ineffectiveness during the period.

Part of the Group's fixed rate debt portfolio is swapped to floating using interest rate swaps where the hedged items are individual tranches of fixed rate debt. These interest rate swaps are held in fair value hedges with critical terms exactly matching those of the underlying hedged items, such as notional amounts, payment dates, reset dates, maturity dates and currencies. As all critical terms matched during the year, the economic relationship was 100% effective. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group will perform a quantitative assessment of effectiveness. Hedge ineffectiveness may arise due to a change in credit risk of the counterparty or if there is a change in timings or amounts of the hedged cash flows.

There was no material ineffectiveness during 2019 in relation to the interest rate swaps or the forward currency contracts.

16 Risk management and financial instruments continued

Risk management

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and a senior unsecured bond.

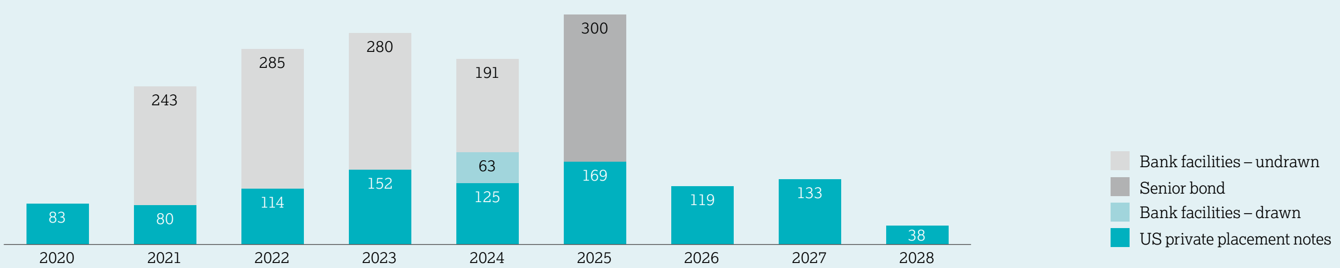
Loans, borrowings and net debt

	2019 £m	2018 £m
Bank overdrafts	**(469.7)**	(333.5)
Bank loans	**(0.4)**	(6.9)
US private placement notes	**(83.3)**	(67.8)
Finance lease creditors	**–**	(0.2)
Borrowings due within one year	**(553.4)**	(408.4)
Bank loans	**(63.1)**	(104.3)
US private placement notes	**(953.1)**	(1,054.3)
Senior bond	**(298.0)**	(297.6)
Finance lease creditors	**–**	(0.1)
Borrowings due after one year	**(1,314.2)**	(1,456.3)
Derivatives managing the interest rate risk and currency profile of the debt	**10.1**	0.5
Gross debt	**(1,857.5)**	(1,864.2)
Cash at bank and in hand	**610.5**	477.7
Net debt excluding lease liabilities	**(1,247.0)**	(1,386.5)
Lease liabilities	**(480.0)**	–
Net debt including lease liabilities	**(1,727.0)**	(1,386.5)

Further information on the movement in net debt and lease liabilities is shown in Note 26.

The total available committed funding at 31 December 2019 was £2,374.5m (2018: £2,464.4m). The committed funding maturity profile at 31 December 2019 is set out in the chart below.

Committed funding maturity profile by year
£m



The undrawn committed bank facilities available at 31 December were as follows:

	2019 £m	2018 £m
Expiring within one year	**–**	40.0
Expiring after one year but within two years	**243.1**	152.6
Expiring after two years	**756.3**	746.9
	999.4	939.5

In addition, the Group maintains overdraft and uncommitted facilities to provide short term flexibility. At 31 December 2019 there were no loans secured by fixed charges on property (2018: none).

16 Risk management and financial instruments continued

Contractual maturity profile

The contractual maturity profile of the Group's financial liabilities at 31 December is set out in the tables below. The amounts disclosed are the contractual undiscounted cash flows and therefore include interest cash flows (forecast using LIBOR interest rates at 31 December in the case of floating rate financial assets and liabilities). Derivative assets and liabilities have been included within the tables since they predominantly relate to derivatives which are used to manage the interest cash flows on the Group's debt. Bank loans have been drawn under committed facilities and can be refinanced on maturity from these same facilities. Accordingly they have been aged based on the maturity dates of the underlying facilities. Foreign currency cash flows have been translated using spot rates as at 31 December.

	Contractual cash (outflows)/inflows				
2019	Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After five years £m
Financial liabilities					
Bank overdrafts	**(469.7)**	**(469.7)**	**–**	**–**	**–**
Bank loans	**(67.1)**	**(1.2)**	**(1.0)**	**(64.9)**	**–**
US private placement notes	**(1,184.1)**	**(117.1)**	**(110.8)**	**(464.4)**	**(491.8)**
Senior bond	**(340.7)**	**(6.8)**	**(6.8)**	**(20.3)**	**(306.8)**
Lease payments	**(570.7)**	**(138.8)**	**(118.5)**	**(198.1)**	**(115.3)**
Trade and other payables	**(1,498.6)**	**(1,479.1)**	**(19.5)**	**–**	**–**
	(4,130.9)	**(2,212.7)**	**(256.6)**	**(747.7)**	**(913.9)**
Derivative financial instruments					
Net settled:					
Interest rate swaps	**12.3**	**1.6**	**1.6**	**4.8**	**4.3**
Gross settled:					
Foreign exchange inflows	**1,089.3**	**1,089.3**	**–**	**–**	**–**
Foreign exchange outflows	**(1,091.6)**	**(1,091.6)**	**–**	**–**	**–**
	10.0	**(0.7)**	**1.6**	**4.8**	**4.3**
Total	**(4,120.9)**	**(2,213.4)**	**(255.0)**	**(742.9)**	**(909.6)**

	Contractual cash (outflows)/inflows				
2018	Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After five years £m
Financial liabilities					
Bank overdrafts	(333.5)	(333.5)	–	–	–
Bank loans	(117.1)	(8.5)	(1.5)	(107.1)	–
US private placement notes	(1,338.0)	(106.9)	(121.7)	(451.1)	(658.3)
Senior bond	(347.4)	(6.8)	(6.8)	(20.3)	(313.5)
Finance lease creditors	(0.3)	(0.2)	(0.1)	–	–
Trade and other payables	(1,643.0)	(1,613.6)	(29.4)	–	–
	(3,779.3)	(2,069.5)	(159.5)	(578.5)	(971.8)
Derivative financial instruments					
Net settled:					
Interest rate swaps	(3.5)	(0.3)	(0.3)	(0.8)	(2.1)
Gross settled:					
Foreign exchange inflows	1,741.9	1,741.5	0.4	–	–
Foreign exchange outflows	(1,738.2)	(1,737.8)	(0.4)	–	–
	0.2	3.4	(0.3)	(0.8)	(2.1)
Total	(3,779.1)	(2,066.1)	(159.8)	(579.3)	(973.9)

Notes continued

16 Risk management and financial instruments continued

(b) Interest rate risk

The Group is funded by a mixture of fixed and floating rate debt with the Group's main interest rate risk arising on its floating rate debt. Interest rate swaps and interest rate caps are used to manage the interest rate risk profile.

The table below shows the fixed/floating rate debt mix after interest rate swaps. Of the US private placement notes of £1,036.4m (2018: £1,122.1m), there are US dollar denominated amounts totalling £235.7m (2018: £377.1m), with maturities ranging from 2026 to 2028, which have been swapped to floating rates using interest rate swaps which reprice every three or six months.

During 2019, £137.9m of interest rate swaps were terminated in line with the Group's interest rate risk management policy. This resulted in de-designation of a number of fair value hedge relationships. At the date of de-designation, there was a fair value adjustment on the US private placement notes which will be amortised to the income statement across the remaining life of the debt. At 31 December 2019 this remaining fair value adjustment on the US private placement notes was a credit of £12.2m*.

The interest rate risk on the floating rate liability is managed using interest rate options. Hedge accounting is not applied to the interest rate caps since the majority of their value is related to time value. The strike rates of these options are based on LIBOR and are repriced every three months.

Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR.

Fixed vs floating interest rate table

	2019 £m	2018 £m
Fixed rate debt		
US private placement notes	**(1,036.4)**	(1,122.1)
Senior bond	**(298.0)**	(297.6)
Total fixed rate debt	**(1,334.4)**	(1,419.7)
Interest rate swaps (fixed leg)	**235.7**	377.1
Fixed rate liability	**(1,098.7)**	(1,042.6)
Floating rate debt		
Bank overdrafts	**(469.7)**	(333.5)
Bank loans	**(63.5)**	(111.2)
Total floating rate debt	**(533.2)**	(444.7)
Interest rate swaps (floating leg)	**(235.7)**	(377.1)
Floating rate liability	**(768.9)**	(821.8)
Derivatives managing the interest rate risk and currency profile of the debt	**10.1**	0.5
Finance lease creditors	**–**	(0.3)
Gross debt	**(1,857.5)**	(1,864.2)

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2019	2018
Interest rate swaps		
Net carrying amount (asset) (£m)	**11.5**	0.7
Notional amount (£m)	**223.5**	375.6
Maturity date range	**2026–2028**	2025–2028
Hedge ratio	**1:1**	1:1
Fair value (loss)/gain on US private placement notes in a hedge relationship (£m)	**(10.7)**	8.3
Fair value gain/(loss) on interest rate swaps in a hedge relationship (£m)	**10.8**	(8.2)

* In the Consolidated cash flow statement the cash inflow of £12.2m from the cancellation of the interest rate swap is shown within increase in borrowings.

16 Risk management and financial instruments continued

Sensitivity to movements in interest rates

After taking account of hedge relationships, a change of 1% in the interest rate forward curves on 31 December would have affected profit before income tax for the year and equity as at the year end as a result of changes in the fair values of derivative assets and liabilities at that date by the amounts shown below:

	Impact on profit before tax		Impact on equity	
	+1% £m	–1% £m	+1% £m	–1% £m
2019	**0.6**	**–**	**0.6**	**–**
2018	1.3	–	1.3	–

(c) Foreign currency risk

The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2019	2018	2019	2018
US dollar	**1.28**	1.33	**1.32**	1.27
Euro	**1.14**	1.13	**1.18**	1.11

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are usually relatively limited. Where they do occur the Group's policy is to hedge exposures of highly probable forecast transactions using forward foreign exchange contracts and these are designated as cash flow hedges. During the year the Group hedged highly probable forecast transactions for periods of up to 18 months. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing the resulting price increases on to customers.

For the year ended 31 December 2019, all foreign exchange cash flow hedges were effective with a cumulative pre-tax loss of £2.9m (2018 cumulative pre-tax gain of £1.9m) recognised in equity at the end of the year and this will affect the income statement during 2020.

Effects of hedge accounting on the financial position and performance

	2019	2018
Forward foreign currency hedges in relation to inventory purchases		
Net carrying amount ((liability)/asset) (£m)	**(2.9)**	1.9
Notional amount at 31 December 2019 (£m)	**131.5**	140.5
Maturity date range	**2020**	2019–2020
Hedge ratio	**1:1**	1:1
Change in value of hedged items since 1 January (£m)	**4.8**	(3.6)
Change in fair value of outstanding foreign currency forward contracts since 1 January (£m)	**(4.8)**	3.6

The majority of the Group's borrowings are effectively denominated in US dollars, sterling and euros, aligning them to the respective functional currencies of the component parts of the Group's EBITDA. This currency profile is achieved using short term foreign exchange contracts and foreign currency debt, which are designated as hedging instruments to achieve net investment hedge accounting at a Group level. This currency composition minimises the impact of movements in foreign exchange rates on the ratio of net debt to EBITDA. No ineffectiveness was recorded from net investments in foreign entity hedges.

The currency profile of the Group's net debt excluding lease liabilities at 31 December is set out in the table below:

	2019 £m	2018 £m
US dollar	**485.3**	598.4
Sterling	**426.7**	351.4
Euro	**295.9**	375.2
Other	**39.1**	61.5
	1,247.0	1,386.5

Notes continued

16 Risk management and financial instruments continued

The Group also enters into foreign currency derivatives to hedge intercompany loans economically although these do not qualify for hedge accounting and therefore gains and losses are recorded in the income statement. These currency derivatives are subject to the same risk management policies as all other derivative contracts.

Sensitivity to movements in foreign exchange rates

For the year ended 31 December 2019, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before income tax by £1.7m and £0.8m respectively (2018: £1.5m and £0.7m) and adjusted profit before income tax by £2.0m and £1.2m respectively (2018: £1.8m and £1.2m).

If a 10% strengthening or weakening of sterling had taken place on 31 December it would have increased/(decreased) profit before income tax and (decreased)/increased equity for the year by the amounts shown below. The impact of this translation is much greater on equity than it is on profit before income tax since equity is translated using the closing exchange rates at the year end and profit before income tax is translated using the average exchange rates for the year. As a result, the value of equity is more sensitive than the value of profit before income tax to a movement in exchange rates on 31 December and the resulting movement in profit before income tax is due solely to the translation effect on monetary items. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit before tax		Impact on equity	
	+10% £m	–10% £m	+10% £m	–10% £m
2019	**1.7**	**(2.1)**	**(174.1)**	**205.0**
2018	0.8	(1.0)	(160.7)*	192.7*

* During the year the calculation of the sensitivity to movements in foreign exchange rates was amended and as a result the 2018 amounts have been restated to aid comparability.

(d) Credit risk

Credit risk is the risk of loss in relation to a financial asset due to non-payment by the relevant counterparty. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of financial assets.

The Group's financial assets are cash at bank and in hand, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash at bank and in hand, derivative financial assets (see page 154) and trade and other receivables (see Note 14) is their respective carrying amounts.

Dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty.

For trade and other receivables, the amounts represented in the balance sheet are net of any impairment losses measured using the expected credit loss model. Note 14 sets out an analysis of trade and other receivables and the provision for doubtful debts in respect of trade receivables.

At the balance sheet date there were no significant concentrations of credit risk (2018: none).

16 Risk management and financial instruments continued
Financial instruments
Financial assets and liabilities

	2019 £m	2018 £m
Financial assets held at amortised cost		
Cash at bank and in hand	**610.5**	477.7
Trade and other receivables	**1,183.8**	1,330.0
Financial assets held at fair value		
Interest rate derivatives in fair value hedges	**11.5**	5.8
Foreign exchange derivatives in cash flow hedges	**0.3**	3.8
Foreign exchange derivatives in net investment hedges	**0.3**	4.9
Other foreign exchange and interest rate derivatives	**2.8**	4.0
Total financial assets	**1,809.2**	1,826.2
Financial liabilities held at amortised cost		
Bank overdrafts	**(469.7)**	(333.5)
Bank loans	**(63.5)**	(111.2)
US private placement notes	**(1,036.4)**	(1,122.1)
Senior bond	**(298.0)**	(297.6)
Finance lease creditors	**–**	(0.3)
Lease liabilities	**(480.0)**	–
Trade and other payables	**(1,498.6)**	(1,643.0)
Financial liabilities held at fair value		
Interest rate derivatives in fair value hedges	**–**	(5.1)
Foreign exchange derivatives in cash flow hedges	**(3.2)**	(1.9)
Foreign exchange derivatives in net investment hedges	**(3.8)**	(2.1)
Other foreign exchange derivatives	**(0.7)**	(7.0)
Total financial liabilities	**(3,853.9)**	(3,523.8)

All financial assets and liabilities stated as being measured at fair value in the tables above (including all derivative financial instruments) have carrying amounts where the fair value is, and has been throughout the year, a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The fair values of financial assets and liabilities stated at fair value have been determined by discounting expected future cash flows, translated at the appropriate balance sheet date exchange rates and adjusted for counterparty or own credit risk as applicable. There were no transfers between levels for recurring fair value measurements during the year.

At 31 December 2019 the fair values, based on unadjusted market data, of the US private placement notes was £1,069.4m (2018: £1,132.1m) and of the senior unsecured bond was £306.7m (2018: £290.1m).

For other financial assets and financial liabilities not measured at fair value, including cash at bank and in hand, bank loans and overdrafts, trade and other receivables and trade and other payables, their carrying amount is a reasonable approximation of fair value due to their short term nature. Bank loans are priced based on floating interest rates and the credit spread has not changed since the inception of the loan. However, within other payables there is £3.2m (2018: £14.1m) related to earn outs on businesses acquired which are recorded at fair value. This is a level three fair value which is initially measured based on the expected future profitability of the businesses acquired at the acquisition date and subsequently reassessed at each reporting date based on the most recent data available on the expected profitability of the businesses acquired.

Notes continued

16 Risk management and financial instruments continued

Offsetting of financial assets and liabilities

The following table sets out the Group's derivative financial assets and liabilities that are subject to counterparty offsetting or master netting agreements. The master netting agreements regulate settlement amounts in the event either party defaults on their obligations.

2019	Gross amounts £m	Gross amounts offset in the balance sheet £m	Net amounts recognised in the balance sheet £m	Amounts not offset in the balance sheet £m	Net amounts £m
Derivative financial assets	**14.9**	**–**	**14.9**	**(1.9)**	**13.0**
Derivative financial liabilities	**(7.7)**	**–**	**(7.7)**	**1.9**	**(5.8)**

2018					
Derivative financial assets	18.5	–	18.5	–	18.5
Derivative financial liabilities	(16.1)	–	(16.1)	–	(16.1)

17 Provisions

	2019 £m	2018 £m
Current	**6.5**	6.1
Non-current	**33.9**	41.3
	40.4	47.4

	2019			2018		
	Properties £m	Other £m	Total £m	Properties £m	Other £m	Total £m
Beginning of year	**18.7**	**28.7**	**47.4**	20.8	24.4	45.2
Charge	**0.6**	**1.1**	**1.7**	0.5	6.0	6.5
Acquisitions	**0.3**	**1.1**	**1.4**	0.9	4.4	5.3
Disposal of business	**–**	**–**	**–**	(1.0)	–	(1.0)
Utilised or released	**(0.2)**	**(8.4)**	**(8.6)**	(2.6)	(6.2)	(8.8)
Currency translation	**(0.7)**	**(0.8)**	**(1.5)**	0.1	0.1	0.2
End of year	**18.7**	**21.7**	**40.4**	18.7	28.7	47.4

The properties provision includes provisions for repairs and dilapidations. These provisions cover the relevant periods of the lease agreements, which typically extend from one to 10 years, up to the expected termination date.

Other provisions include expected legal and environmental claims, onerous contracts and other liabilities based on management's best estimate of the liability at the balance sheet date, determined by reference to known factors and past experience of similar items. Management expects these amounts to be settled within the next one to five years.

The Group is a defendant in a number of legal proceedings incidental to its operations. While any litigation has an element of uncertainty, management does not expect that the actual outcome of any such proceedings, either individually or in the aggregate, will be materially different to the amounts provided.

18 Deferred tax

	2019 Asset £m	2019 Liability £m	2019 Net £m	2018 Asset £m	2018 Liability £m	2018 Net £m
Property, plant and equipment	**1.2**	**(10.8)**	**(9.6)**	1.3	(10.0)	(8.7)
Defined benefit pension schemes	**7.6**	**(1.9)**	**5.7**	6.3	(0.7)	5.6
Goodwill and customer relationships	**3.9**	**(166.5)**	**(162.6)**	3.2	(183.5)	(180.3)
Share based payments	**5.4**	**–**	**5.4**	8.6	–	8.6
Leases	**7.4**	**–**	**7.4**	–	–	–
Provisions	**11.2**	**(0.4)**	**10.8**	12.2	(0.2)	12.0
Inventories	**7.0**	**(8.6)**	**(1.6)**	7.1	(10.2)	(3.1)
Other	**22.8**	**(2.1)**	**20.7**	19.4	(3.2)	16.2
Deferred tax asset/(liability)	**66.5**	**(190.3)**	**(123.8)**	58.1	(207.8)	(149.7)
Set-off of tax	**(62.8)**	**62.8**	**–**	(54.1)	54.1	–
Net deferred tax asset/(liability)	**3.7**	**(127.5)**	**(123.8)**	4.0	(153.7)	(149.7)

Except as noted below, deferred tax is calculated in full on temporary differences under the liability method using the tax rate of the country of operation.

The Company is able to control the dividend policy of its subsidiaries and, therefore, the timing of the remittance of the undistributed earnings of overseas subsidiaries. In general, the Company has determined either that such earnings will not be distributed in the foreseeable future or, where there are plans to remit those earnings, no tax liability is expected to arise.

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised. No deferred tax asset has been recognised in respect of unutilised tax losses of £14.6m (2018: £16.7m).

No deferred tax has been recognised in respect of unutilised capital losses of £94.7m (2018: £96.1m) as it is not considered probable that there will be suitable future taxable profits against which they can be utilised.

The movement in the net deferred tax liability is shown below:

	2019 £m	2018 £m
Beginning of year	**149.7**	154.6
Impact of transition to IFRS 16	**(7.6)**	–
Restated net deferred tax liability at beginning of year	**142.1**	154.6
Acquisitions	**1.2**	4.2
Credit to income statement	**(10.9)**	(17.6)
Recognised in other comprehensive income and equity	**(2.5)**	4.6
Reclassified to current tax	**0.3**	2.5
Currency translation	**(6.4)**	1.4
End of year	**123.8**	149.7

Notes continued

19 Share capital and share based payments

	2019 £m	2018 £m
Issued and fully paid ordinary shares of 32⁴⁄₇p each	**108.3**	108.1

Number of ordinary shares in issue and fully paid	2019	2018
Beginning of year	**336,425,304**	335,931,546
Issued – option exercises	**367,303**	493,758
End of year	**336,792,607**	336,425,304

The Company operates a number of share plans for the benefit of employees of the Company and its subsidiaries. Further details of the share plans as they relate to the directors of the Company are set out in the Directors' remuneration report.

Sharesave Scheme, International Sharesave Plan and Irish Sharesave Plan

For many years, the Company has operated all employee savings related share option schemes. The existing scheme in the UK, the Sharesave Scheme (2011), was approved by shareholders at the 2011 Annual General Meeting. It is an HM Revenue & Customs ('HMRC') tax advantaged scheme and is open to all UK employees, including UK based executive directors.

The Irish Sharesave Plan, which is approved by the Irish Revenue Commissioners, and the International Sharesave Plan, were first introduced in 2006 and have since been extended, most recently following the approval of the Sharesave Scheme (2011).

The Sharesave Scheme, International Sharesave Plan and Irish Sharesave Plan operate on a similar basis with options granted to participating employees who have completed at least three months of continuous service at a discount of up to 20% of the market price prevailing shortly before the invitation to apply for the options. Depending on the scheme, options are normally exercisable either three or five years after they have been granted with employees saving up to £500 (2018: £500) per month (or the equivalent value in other currencies under the International Sharesave Plan) or €500 (2018: €500) per month under the Irish Sharesave Plan.

Long Term Incentive Plan 2004 ('2004 LTIP') and 2014 ('2014 LTIP')

The 2004 LTIP was approved by shareholders at the 2004 Annual General Meeting and expired in May 2014. No further share options or performance share awards have been granted under the 2004 LTIP since that date. The 2014 LTIP was approved by shareholders at the 2014 Annual General Meeting and replaced the 2004 LTIP. The operation of both LTIPs is overseen by the Remuneration Committee of the Board and each is divided into two parts.

Part A of the LTIP relates to the grant of market priced executive share options. In normal circumstances options granted under Part A are only exercisable if the relevant performance condition has been satisfied. The performance condition is based on the Company's adjusted earnings per share growth exceeding UK RPI inflation over three financial years by a specified margin (for the 2004 LTIP) or meeting certain specified targets (for the 2014 LTIP).

Part B of the LTIP relates to the grant of performance share awards which are conditional rights to receive shares in the Company for nil consideration. A performance share award will usually vest (i.e. become exercisable) on the third anniversary of its grant. The extent to which a performance share award will vest is usually subject to the extent to which the applicable performance conditions have been satisfied, based partly on the Company's total shareholder return performance, relative to a comparator group of companies over a three year period, and partly subject to the Company's adjusted earnings per share growth exceeding UK RPI inflation over three years by a specified margin (for the 2004 LTIP) or meeting certain specified targets (for the 2014 LTIP).

Investment in own shares

The Company holds a number of its ordinary shares in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors in relation to options granted and awards made under the LTIPs and the Deferred Annual Share Bonus Scheme ('DASBS') over market purchase shares. Details of these plans are set out above and in the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance expenses and administration charges are included in the income statement on an accruals basis. At 31 December 2019 the trust held 3,383,452 (2018: 2,698,287) shares, upon which dividends have been waived, with an aggregate nominal value of £1.1m (2018: £0.9m) and market value of £69.9m (2018: £63.9m).

19 Share capital and share based payments continued

IFRS 2 disclosures

Options granted during the year have been valued using a stochastic model. The fair value per option granted during the year and the assumptions used in the calculations are as follows:

	2019	2018
Grant date	**28.02.19–07.10.19**	01.03.18–19.12.18
Share price at grant date (£)	**20.19–25.51**	19.36–24.04
Exercise price (£)	**nil–24.41**	nil–24.01
Number of options granted during the year (shares)	**3,457,106**	3,179,752
Vesting period (years)	**1–5**	3–5
Expected volatility (%)	**17–19**	17–18
Option life (years)	**0.7–10**	2–10
Expected life (years)	**0.7–6.3**	2.2–6.3
Risk free rate of return (%)	**0.3–1.0**	0.9–1.3
Expected dividends expressed as a dividend yield (%)	**2.0–2.5**	1.9–2.4
Fair value per option (£)	**1.95–23.84**	1.91–13.38

The expected volatility is based on historical volatility over the last three to seven years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £23.76 (2018: £23.04). The total charge for the year relating to share based payments was £13.5m (2018: £12.9m). After tax the total charge was £13.5m (2018: £10.6m).

Details of share options and awards which have been granted and exercised, those which have lapsed during 2019 and those outstanding and available to exercise at 31 December 2019, whether over new issue or market purchase shares, under the Sharesave Scheme (2011), International Sharesave Plan, Irish Sharesave Plan, the 2004 LTIP Part A and Part B and 2014 LTIP Part A and Part B, are set out in the following table:

	Options outstanding at 01.01.19	Grants/awards 2019		Exercises 2019		Lapses* 2019	Options outstanding at 31.12.19		Options available to exercise at 31.12.19
	Number	Number	Price (£)	Number	Price (£)	Number	Number	Price (£)	Number
Sharesave Scheme (2011)	706,784	263,069	19.16	185,825	12.53-19.16	108,501	675,527	15.36-19.16	9,694
International Sharesave Plan	278,536	91,149	19.16	73,639	15.56-18.68	29,549	266,497	15.64-19.16	1,004
Irish Sharesave Plan	46,032	16,279	19.16	11,135	15.56	8,867	42,309	15.64-19.16	1,023
2004 LTIP Part A	1,436,140	–	–	317,115	5.85-15.97	–	1,119,025	6.77-15.66	1,119,025
2004 LTIP Part B	14,796	–	–	10,355	nil	–	4,441	nil	4,441
2014 LTIP Part A	8,496,943	2,561,116	21.07-24.41	767,146	16.38-23.89	509,428	9,781,485	16.38-24.41	3,076,378
2014 LTIP Part B	1,063,142	525,493	nil	154,112	nil	152,841	1,281,682	nil	78,119
	12,042,373	**3,457,106**		**1,519,327**		**809,186**	**13,170,966**		**4,289,684**

* Share option lapses relate to those which have either been forfeited or have expired during the year.

For the options outstanding at 31 December 2019, the weighted average fair values and the weighted average remaining contractual lives (being the time period from 31 December 2019 until the lapse date of each share option) are set out below:

	Weighted average fair value of options outstanding (£)	Weighted average remaining contractual life (years)
Sharesave Scheme (2011)	4.95	2.15
International Sharesave Plan	5.16	1.95
Irish Sharesave Plan	5.11	1.95
2004 LTIP and 2014 LTIP Part A	2.82	7.35
2004 LTIP and 2014 LTIP Part B	14.64	4.40

The outstanding share options and performance share awards are exercisable at various dates up to September 2029.

Notes continued

20 Dividends

	2019 £m	2018 £m
2017 interim		46.2
2017 final		106.0
2018 interim	**50.7**	
2018 final	**116.6**	
Total	**167.3**	152.2

Total dividends per share for the year to which they relate are:

	Per share	
	2019	2018
Interim	**15.5p**	15.2p
Final	**35.8p**	35.0p
Total	**51.3p**	50.2p

The 2019 interim dividend of 15.5p per share was paid on 2 January 2020 and comprised £51.7m of cash. The 2019 final dividend of 35.8p per share will be paid on 1 July 2020 to shareholders on the register at the close of business on 22 May 2020. The 2019 final dividend will comprise approximately £119m of cash.

21 Contingent liabilities

	2019 £m	2018 £m
Bank guarantees	**2.2**	2.5

In addition see Note 8 on page 142 for details of the separate contingent liability relating to the European Commission's assertion that part of the UK's tax regime amounts to State aid.

22 Directors' ordinary share interests

The interests of the directors, and their connected persons, in the share capital of the Company at 31 December were:

	2019	2018
Philip Rogerson	**10,000**	10,000
Peter Ventress*	**–**	–
Frank van Zanten	**104,438**	93,991
Brian May◊	**114,995**	105,240
Eugenia Ulasewicz	**4,000**	4,000
Vanda Murray	**3,000**	3,000
Lloyd Pitchford	**4,000**	4,000
Stephan Nanninga	**–**	–
	240,433	220,231

* Peter Ventress was appointed as a director of the Company on 1 June 2019.

◊ Brian May retired as a director of the Company on 31 December 2019.

Details of the directors' options and awards over ordinary shares made under the 2014 LTIP, Sharesave Scheme (2011) and DASBS are set out in the Directors' remuneration report. No changes to the directors' ordinary share interests shown in this Note and the Directors' remuneration report have taken place between 31 December 2019 and 24 February 2020.

23 Retirement benefits

The Group operates a number of defined benefit and defined contribution retirement benefit schemes in the US, the UK and elsewhere in Europe (including France, the Netherlands and the Republic of Ireland). The funds of the principal defined benefit schemes are administered by trustees and are held independently from the Group. Pension costs of defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Contributions to all schemes are determined in line with actuarial advice and local conditions and practices. Scheme assets for the purpose of IAS 19 'Employee Benefits' are stated at their bid value.

Characteristics of defined benefit pension schemes

UK

The UK defined benefit scheme is a contributory defined benefit pension scheme providing benefits based on final pensionable pay. The scheme has been closed to new members since 2003. The valuation of the UK defined benefit pension scheme has been updated to 31 December 2019 by the Group's actuaries.

The UK scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the scheme is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension scheme has a corporate trustee. Although the Company bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustee, which has a duty to act in the best interest of members at all times. The assets of the scheme are held in trust by the trustee who consults with the Company on investment strategy decisions.

The trustee, in agreement with the Company, has hedging in place to reduce the impact of inflation and interest rate movements on the funding of the plan.

The last full triennial valuation on the UK defined benefit pension scheme was carried out by a qualified actuary as at 5 April 2018 and showed that there was a deficit on the agreed funding basis. To address the deficit, the Company has agreed to contribute an additional £5.5m per year from April 2016 to 30 June 2022.

US

The principal US defined benefit pension scheme is a non-contributory defined benefit pension scheme providing benefits based on final pensionable pay. The scheme has been closed to new members since 2003. The valuation of the US defined benefit pension scheme has been updated to 31 December 2019 by the Group's actuaries.

The US scheme is a qualified pension scheme and is subject to standard regulations under the Employee Retirement Income Security Act of 1974, the Pension Protection Act of 2006 and the Department of Labor and Internal Revenue reporting requirements. The scheme pays annual premiums to the Pension Benefit Guaranty Corporation to insure the benefits of the scheme.

The assets of the scheme are held in trust by an independent custodian. The Company has established a Retirement Scheme Investment Committee. The members of the Committee are the scheme fiduciaries and, as such, are ultimately responsible for the management of the scheme assets. The Committee performs the oversight function and delegates the day-to-day management process to appropriate staff. A registered investment adviser advises the Committee regarding the investment of scheme assets.

A de-risking strategy has been agreed for the scheme to reduce the mismatch between the assets and liabilities, whereby investments are switched from return seeking assets to liability matching assets as the funding improves, based on pre-agreed triggers.

Annual actuarial valuations are performed on the US defined benefit pension scheme. The last annual review was carried out by a qualified actuary as at 1 January 2019 and showed that there was a required annual contribution of $6.5m. In 2020, the Group plans to contribute $8.0m for the 2019 plan year to cover prudently this required contribution and anticipate future funding needs. In 2019, the Group also paid a contribution of $8.0m for the 2018 plan year. The annual review as at 1 January 2020 is ongoing.

Risks

The main risks to which the Group is exposed in relation to the defined benefit pension schemes are described below:

- Inflation risk – the majority of the UK scheme's liabilities increase in line with inflation and, as a result, if inflation is greater than expected the liabilities will increase. The impact of high inflation is capped each year for the UK scheme's benefits. The US scheme's liabilities are not directly tied to inflationary increases.
- Interest rate risk – a fall in bond yields will increase the value of the schemes' liabilities. A proportion of both the UK and US schemes' assets are invested in liability matching assets to mitigate the interest rate and also the inflation risk.
- Mortality risk – the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the schemes and consequently increases in the schemes' liabilities. The mortality assumptions are reviewed on a regular basis to minimise the risk of using an inappropriate assumption.

Notes continued

23 Retirement benefits continued

- Investment risk – the schemes invest in a diversified range of asset classes to mitigate the risk of falls in any one area of the investments. In the UK, the trustee implements partial currency hedging on the overseas assets to mitigate currency risk.

The risks mentioned above could lead to a material change to the deficit or surplus of the pension schemes. Given the long term time horizon of the schemes' cash flows, the assumptions used can lead to volatility in the scheme valuations from year to year. The Company and the trustee seek to mitigate actively the risks associated with the schemes.

A higher defined benefit obligation could lead to additional funding requirements in future years. Any deficit measured on a funding valuation basis, which may differ from the actuarial valuation under IAS 19, will generally be financed over a period that ensures the contributions are appropriate to the Group and in line with the relevant regulations.

Financial information

The amounts included in the consolidated financial statements at 31 December were:

Amounts included in the income statement	2019 £m	2018 £m
Defined contribution pension schemes	**25.1**	22.4
Defined benefit pension schemes		
current service cost (net of contributions by employees)	**5.2**	6.9
Total included in employee costs excluding past service cost	**30.3**	29.3
Defined benefit pension schemes		
past service cost	**–**	3.3
Total included in employee costs	**30.3**	32.6
Amounts included in finance (income)/expense		
Net interest income on defined benefit pension schemes in surplus	**(0.2)**	(0.1)
Net interest expense on defined benefit pension schemes in deficit	**1.3**	1.4
Total charge to the income statement	**31.4**	33.9

The past service cost in 2018 of £3.3m relates to the cost of the equalisation of guaranteed minimum pensions between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment in 2018 in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others.

Amounts recognised in the statement of comprehensive income	2019 £m	2018 £m
Actual return less expected return on pension scheme assets	**68.9**	(25.6)
Experience gain on pension scheme liabilities	**1.3**	2.0
Impact of changes in financial assumptions relating to the present value of pension scheme liabilities	**(79.1)**	32.1
Impact of changes in demographic assumptions relating to the present value of pension scheme liabilities	**0.6**	2.5
Actuarial (loss)/gain on defined benefit pension schemes	**(8.3)**	11.0

The cumulative amount of net actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2019 was £99.8m (2018: £91.5m).

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 were:

UK	2019	2018
Longevity at age 65 for current pensioners (years)	**22.0**	22.2
Longevity at age 65 for future pensioners (years)	**23.4**	23.6
US		
Longevity at age 65 for current and future pensioners (years)	**21.6**	21.7

23 Retirement benefits continued

	UK			US		
	2019	2018	2017	2019	2018	2017
Rate of increase in salaries	**3.4%**	3.6%	3.6%	**3.0%**	3.0%	3.0%
Rate of increase in pensions	**2.2%**	2.2%	2.2%	**–**	–	–
Discount rate	**2.1%**	2.9%	2.6%	**3.1%**	4.2%	3.6%
Inflation rate	**2.2%**	2.2%	2.2%	**2.3%**	2.3%	2.3%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

The (increase)/decrease that would arise on the overall net pension deficit as at 31 December 2019 as a result of reasonably possible changes to key assumptions was:

	Impact of change in longevity		Impact of change in inflation rate		Impact of change in discount rate	
	+1 year £m	–1 year £m	+0.25% £m	–0.25% £m	+0.25% £m	–0.25% £m
UK	**(13.3)**	**13.4**	**(10.7)**	**9.3**	**17.5**	**(18.7)**
US	**(3.2)**	**4.3**	**(0.1)**	**0.1**	**4.2**	**(4.4)**

The market value of pension scheme assets and the present value of retirement benefit obligations at 31 December were:

2019	UK £m	US £m	Other £m	Total £m
Equities	**129.9**	**57.2**	**5.8**	**192.9**
Bonds	**259.6**	**50.9**	**6.0**	**316.5**
Other	**0.5**	**13.4**	**13.3**	**27.2**
Total market value of pension scheme assets	**390.0**	**121.5**	**25.1**	**536.6**
Present value of funded obligations	**(379.2)**	**(140.2)**	**(28.9)**	**(548.3)**
Present value of unfunded obligations	**–**	**(11.9)**	**(12.4)**	**(24.3)**
Present value of funded and unfunded obligations	**(379.2)**	**(152.1)**	**(41.3)**	**(572.6)**
Defined benefit pension schemes in deficit	**–**	**(30.6)**	**(16.2)**	**(46.8)**
Defined benefit pension schemes in surplus	**10.8**	**–**	**–**	**10.8**
Total surplus/(deficit) before tax	**10.8**	**(30.6)**	**(16.2)**	**(36.0)**
Deferred tax	**(1.9)**	**3.1**	**4.5**	**5.7**
Total surplus/(deficit) after tax	**8.9**	**(27.5)**	**(11.7)**	**(30.3)**

2018	UK £m	US £m	Other £m	Total £m
Equities	101.0	49.4	4.7	155.1
Bonds	231.1	49.7	5.6	286.4
Other	0.4	16.0	11.3	27.7
Total market value of pension scheme assets	332.5	115.1	21.6	469.2
Present value of funded obligations	(329.1)	(131.1)	(24.4)	(484.6)
Present value of unfunded obligations	–	(11.8)	(11.3)	(23.1)
Present value of funded and unfunded obligations	(329.1)	(142.9)	(35.7)	(507.7)
Defined benefit pension schemes in deficit	–	(27.8)	(14.1)	(41.9)
Defined benefit pension schemes in surplus	3.4	–	–	3.4
Total surplus/(deficit) before tax	3.4	(27.8)	(14.1)	(38.5)
Deferred tax	(0.6)	2.5	3.7	5.6
Total surplus/(deficit) after tax	2.8	(25.3)	(10.4)	(32.9)

Of the pension scheme assets, £512.3m (2018: £449.4m) are valued based on quoted market prices.

Notes continued

23 Retirement benefits continued

Movement in net deficit	2019 £m	2018 £m
Beginning of year	**(38.5)**	(51.0)
Current service cost	**(5.2)**	(6.9)
Past service cost	**–**	(3.3)
Contributions	**14.9**	14.9
Net interest expense	**(1.1)**	(1.3)
Actuarial (loss)/gain	**(8.3)**	11.0
Currency translation	**2.2**	(1.9)
End of year	**(36.0)**	(38.5)

Changes in the present value of defined benefit pension scheme liabilities	2019 £m	2018 £m
Beginning of year	**507.7**	531.5
Acquisitions	**–**	0.7
Current service cost	**5.2**	6.9
Past service cost	**–**	3.3
Interest expense	**15.8**	14.6
Contributions by employees	**0.7**	0.7
Actuarial loss/(gain)	**77.2**	(36.6)
Benefits paid	**(25.7)**	(22.6)
Currency translation	**(8.3)**	9.2
End of year	**572.6**	507.7

Changes in the fair value of defined benefit pension scheme assets	2019 £m	2018 £m
Beginning of year	**469.2**	480.5
Acquisitions	**–**	0.7
Interest income	**14.7**	13.3
Actuarial gain/(loss)	**68.9**	(25.6)
Contributions by employer	**14.9**	14.9
Contributions by employees	**0.7**	0.7
Benefits paid	**(25.7)**	(22.6)
Currency translation	**(6.1)**	7.3
End of year	**536.6**	469.2

The actual return on pension scheme assets was a gain of £83.6m (2018: loss of £12.3m).

The Group expects to pay approximately £15.3m in contributions to the defined benefit pension schemes in the year ending 31 December 2020 (expected as of 31 December 2018 for the year ending 31 December 2019: £15.6m) including £7.0m for the UK (expected as of 31 December 2018 for the year ending 31 December 2019: £7.3m).

The weighted average duration of the defined benefit pension scheme liabilities at 31 December 2019 was approximately 19.1 years (2018: 18.3 years) for the UK and 11.7 years (2018: 11.4 years) for the US.

The total defined benefit pension scheme liabilities are divided between active members (£193.0m (2018: £174.0m)), deferred members (£174.9m (2018: £150.7m)) and pensioners (£204.7m (2018: £183.0m)).

24 Directors and employees

Average number of employees	2019	2018
North America	**6,746**	6,531
Continental Europe	**5,058**	5,007
UK & Ireland	**3,862**	4,037
Rest of the World	**3,257**	3,210
	18,923	18,785
Corporate	**61**	61
	18,984	18,846

Employee costs	2019 £m	2018 £m
Wages and salaries	**742.0**	729.8
Social security costs	**88.0**	87.4
Pension costs excluding past service cost	**30.3**	29.3
Share based payments	**13.5**	12.9
	873.8	859.4
GMP equalisation charge	**–**	3.3
	873.8	862.7

In addition to the above, acquisition related items for the year ended 31 December 2019 include deferred consideration payments of £13.3m (2018: £19.1m) relating to the retention of former owners of businesses acquired.

Key management remuneration	2019 £m	2018 £m
Salaries and short term employee benefits	**6.4**	7.1
Share based payments	**2.0**	1.7
Retirement benefits	**0.9**	0.9
	9.3	9.7

The Group considers key management personnel as defined in IAS 24 'Related Party Disclosures' to be the directors of the Company and those members of the Executive Committee and the Managing Directors of the major geographic regions who are not directors of the Company.

Directors' emoluments	2019 £m	2018 £m
Non-executive directors	**0.7**	0.8
Executive directors:		
remuneration excluding performance related elements	**1.9**	2.7
annual bonus	**1.2**	2.3
	3.8	5.8

Following the retirement of Patrick Larmon on 31 December 2018, the number of executive directors reduced from three to two.

More detailed information concerning directors' emoluments and long term incentives is set out in the Directors' remuneration report. The aggregate amount of gains made by directors on the exercise of share options during the year was £0.4m (2018: £2.9m). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £0.7m (2018: £1.2m). The aggregate market value of share awards exercised by directors under the DASBS was £0.4m (2018: £0.6m).

Notes continued

25 Lease liabilities

The Group leases certain property, plant, equipment and vehicles under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. From 1 January 2019, on adoption of IFRS 16 'Leases', the Group has recognised right-of-use assets and lease liabilities for these leases, except for short term and low value leases.

Movement in lease liabilities

2019	£m
Beginning of year	–
Lease liabilities on transition to IFRS 16	**498.3**
Acquisitions (Note 27)	**6.5**
New leases	**105.2**
Interest charge in the year	**23.3**
Payment of lease liabilities	**(151.6)**
Remeasurement adjustments	**14.4**
Currency translation	**(16.1)**
End of year	**480.0**
Ageing of lease liabilities:	
Current lease liabilities	**121.8**
Non-current lease liabilities	**358.2**
End of year	**480.0**

As at 31 December 2019, the Group had £33.2m of leases which had been committed to but which had not yet started. Such leases are not included in the Group's lease liabilities as at 31 December 2019. In relation to leases which are included in lease liabilities, there are potential further future cash flows of £46.2m if termination options are not exercised and extension options are exercised.

The cash outflow for low value and short term leases was £7.1m for the year ended 31 December 2019.

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases in accordance with IAS 17, the previous accounting standard for leases, were:

	2018	
	Land & buildings £m	Other £m
Within one year	104.8	36.8
Between one and five years	286.5	70.1
After five years	121.2	4.3
	512.5	111.2

26 Cash and cash equivalents and net debt

	2019 £m	2018 £m
Cash at bank and in hand	**610.5**	477.7
Bank overdrafts	**(469.7)**	(333.5)
Cash and cash equivalents	**140.8**	144.2
Interest bearing loans and borrowings – current liabilities	**(83.7)**	(74.9)
Interest bearing loans and borrowings – non-current liabilities	**(1,314.2)**	(1,456.3)
Derivatives managing the interest rate risk and currency profile of the debt	**10.1**	0.5
Net debt excluding lease liabilities	**(1,247.0)**	(1,386.5)
Lease liabilities	**(480.0)**	–
Net debt including lease liabilities	**(1,727.0)**	(1,386.5)

The cash at bank and in hand and bank overdrafts amounts included in the table above include the amounts associated with the Group's cash pool. The cash pool enables the Group to access cash in its subsidiaries to pay down the Group's borrowings. The Group has the legal right of set-off of balances within the cash pool which is an enforceable right which the Group intends to use. The cash at bank and in hand and bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	2019 £m	2018 £m
Cash at bank and in hand net of amounts in the cash pool	**180.6**	187.8
Bank overdrafts net of amounts in the cash pool	**(39.8)**	(43.6)
Cash and cash equivalents	**140.8**	144.2

26 Cash and cash equivalents and net debt continued

Movement in net debt

2019	**Net debt £m**	**Cash and cash equivalents £m**	**Other components £m**
Beginning of year	**(1,386.5)**	**144.2**	**(1,530.7)**
Net cash inflow	**99.1**	**14.5**	**84.6**
Realised gains on foreign exchange contracts	**13.6**	**–**	**13.6**
Currency translation	**26.8**	**(17.9)**	**44.7**
End of year excluding lease liabilities	**(1,247.0)**	**140.8**	**(1,387.8)**
Lease liabilities	**(480.0)**	**–**	**(480.0)**
End of year including lease liabilities	**(1,727.0)**	**140.8**	**(1,867.8)**

2018	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of year	(1,523.6)	112.3	(1,635.9)
Net cash inflow	184.9	31.3	153.6
Realised gains on foreign exchange contracts	3.3	–	3.3
Currency translation	(51.1)	0.6	(51.7)
End of year	(1,386.5)	144.2	(1,530.7)

The net cash inflow (2018: inflow) on other components of net debt comprises an increase in borrowings of £75.5m (2018: £71.6m), a repayment of borrowings of £173.7m (2018: £228.5m) and the impact of a realised gain of £13.6m on foreign exchange contracts (2018: gain of £3.3m).

27 Acquisitions

Acquisitions involving the purchase of the acquiree's share capital or, as the case may be, the relevant assets of the businesses acquired, have been accounted for under the acquisition method of accounting. Part of the Group's strategy is to grow through acquisition. The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. There were no significant adjustments to the assets acquired and liabilities assumed in 2019 relating to acquisitions completed in 2018. At 31 December 2019 the allocation period for all acquisitions completed since 1 January 2019 remained open and accordingly the fair values presented are provisional.

Adjustments are made to the assets acquired and liabilities assumed during the allocation period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date. To date, the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly, adjustments have been made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments have also been made to reflect the associated tax effects.

The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the retention of former owners of businesses acquired. IFRS 3 requires that any payments that are contingent on future employment, including payments which are contingent on the retention of former owners of businesses acquired, are charged to the income statement. All other consideration has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the income statement. The acquisitions provide opportunities for further development of the Group's activities and to create enhanced returns. Such opportunities and the workforces inherent in each of the acquired businesses do not translate to separately identifiable intangible assets but do represent much of the assessed value that supports the recognised goodwill.

For each of the businesses acquired during the year, the name of the business, the market sector served, its location and date of acquisition, as well as the estimated annualised revenue it would have contributed to the Group for the year if such acquisitions had been made at the beginning of the year, are separately disclosed. The remaining disclosures required by IFRS 3 are provided separately for those individual acquisitions that are considered to be material and in aggregate for individually immaterial acquisitions. An acquisition would generally be considered individually material if the impact on the Group's revenue or profit measures (on an annualised basis) or the relevant amounts on the balance sheet is greater than 5%. Management also applies judgement in considering whether there are any material qualitative differences from other acquisitions made.

Notes continued

27 Acquisitions continued

2019

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2019 are shown in the table below:

Business	Sector	Country	Acquisition date 2019	Annualised revenue £m
Volk do Brasil*	Safety	Brazil	2 January	40.1
Liberty Glove & Safety	Safety	US	21 February	73.4
Coolpack	Foodservice	Netherlands	4 April	3.1
FRSA◊	Safety	Australia	29 November	20.1
Acquisitions completed in the current year				**136.7**
Volk do Brasil*	Safety	Brazil	2 January	(40.1)
Acquisitions agreed in the current year				**96.6**

* Acquisition committed at 31 December 2018.

◊ Acquisition of 80% of share capital.

There were no significant acquisitions in 2019 (2018: none).

A summary of the effect of acquisitions completed in 2019 and 2018 is shown below:

	2019 £m	2018 £m
Customer relationships	**71.7**	96.7
Property, plant and equipment and software	**1.2**	3.2
Right-of-use assets	**6.5**	–
Inventories	**25.9**	26.8
Trade and other receivables	**17.4**	23.5
Trade and other payables	**(10.8)**	(21.0)
Net cash	**1.1**	3.6
Provisions	**(1.4)**	(5.3)
Lease liabilities	**(6.5)**	–
Income tax payable and deferred tax liabilities	**(1.9)**	(10.8)
Fair value of net assets acquired	**103.2**	116.7
Goodwill	**39.8**	33.9
Consideration	**143.0**	150.6
Satisfied by:		
cash consideration	**138.6**	148.5
deferred consideration	**4.4**	2.1
	143.0	150.6
Contingent payments relating to retention of former owners	**13.4**	12.7
Net cash acquired	**(1.1)**	(3.6)
Transaction costs and expenses	**4.1**	5.5
Total committed spend in respect of acquisitions completed in the current year	**159.4**	165.2
Spend on acquisitions committed but not completed at the year end	**–**	39.5
Spend on acquisitions committed at prior year end but completed in the current year	**(35.1)**	(22.0)
Total committed spend in respect of acquisitions agreed in the current year	**124.3**	182.7

27 Acquisitions continued

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

	2019 £m	2018 £m
Cash consideration	**138.6**	148.5
Net cash acquired	**(1.1)**	(3.6)
Deferred consideration in respect of prior year acquisitions	**6.1**	25.4
Net cash outflow in respect of acquisitions	**143.6**	170.3
Transaction costs and expenses paid	**3.8**	7.8
Payments relating to retention of former owners	**15.4**	6.1
Total cash outflow in respect of acquisitions	**162.8**	184.2

Acquisitions completed in the year ended 31 December 2019 contributed £109.0m (2018: £151.2m) to the Group's revenue and £14.5m (2018: £19.2m) to the Group's adjusted operating profit for the year ended 31 December 2019.

The estimated contributions from acquisitions completed during the year to the results of the Group for the year ended 31 December if such acquisitions had been made at the beginning of the year, are as follows:

	2019 £m	2018 £m
Revenue	**136.7**	162.0
Adjusted operating profit	**17.0**	20.7

The estimated revenue which would have been contributed by the acquisitions agreed during the current year to the results for the year ended 31 December 2019 if such acquisitions had been made at the beginning of the year is £96.6m (2018: £148.1m).

The total amount of goodwill expected to be deductible for tax purposes in relation to acquisitions completed during the year is £29.8m (2018: £13.4m).

2018

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2018 are shown in the table below:

Business	Sector	Country	Acquisition date 2018	Annualised revenue £m
Aggora	Foodservice	UK	2 January	27.0
Talge	Foodservice	Brazil	3 January	28.4
Revco	Safety	US	9 January	28.6
QS◊	Cleaning & hygiene	Netherlands	1 March	4.9
Monte Package Company	Foodservice	US	9 March	43.4
Enor	Foodservice	Norway	12 July	25.7
CM Supply	Foodservice	Denmark	11 December	4.0
Acquisitions completed in 2018				**162.0**
Aggora*	Foodservice	UK	2 January 2018	(27.0)
Talge*	Foodservice	Brazil	3 January 2018	(28.4)
Volk do Brasil†	Safety	Brazil	2 January 2019	41.5
Acquisitions agreed in 2018				**148.1**

◊ Acquisition of 85% of share capital.

* Acquisitions committed at 31 December 2017.

† Acquisition committed at 31 December 2018.

Although not considered to be individually material, Revco accounted for approximately 25% of the total cash outflow in respect of acquisitions during the year ended 31 December 2018.

28 Disposal of businesses

The Group did not dispose of any businesses during the year ended 31 December 2019. Disposal of businesses in 2018 related to OPM in France and marketing services in the UK, two businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. The disposals were completed on 2 February 2018 and 7 June 2018 respectively.

Notes continued

29 Cash flow from operating activities

The tables below give further details on the adjustments for depreciation and software amortisation, other non-cash items and the working capital movement shown in the Consolidated cash flow statement.

Depreciation and software amortisation	2019 £m	2018 £m
Depreciation of right-of-use assets	**128.1**	–
Other depreciation and software amortisation	**31.9**	32.6
	160.0	32.6

Other non-cash items	2019 £m	2018 £m
Share based payments	**13.5**	12.9
Provisions	**(6.3)**	(6.4)
Retirement benefit obligations	**(9.7)**	(8.0)
Other	**(1.0)**	0.7
	(3.5)	(0.8)

Working capital movement	2019 £m	2018 £m
Decrease/(increase) in inventories	**15.2**	(96.6)
Decrease/(increase) in trade and other receivables	**38.9**	(44.6)
(Decrease)/increase in trade and other payables	**(49.8)**	102.5
	4.3	(38.7)

30 Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group's defined benefit pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 23 and Note 24 respectively. All transactions with subsidiaries are eliminated on consolidation.

Company balance sheet
at 31 December 2019

	Notes	2019 £m	2018 £m
Fixed assets			
Property, plant and equipment	3	**0.2**	0.3
Right-of-use assets	4	**1.2**	–
Intangible assets	3	**1.1**	1.2
Investments	5	**707.0**	695.9
		709.5	697.4
Current assets			
Deferred tax asset	6	**–**	1.0
Defined benefit pension asset	11	**10.8**	3.4
Debtors: amounts falling due after more than one year	7	**837.9**	952.4
Debtors: amounts falling due within one year	7	**571.9**	604.8
Cash at bank and in hand		**0.7**	0.7
		1,421.3	1,562.3
Current liabilities			
Creditors: amounts falling due within one year	8	**(116.9)**	(110.1)
Deferred tax liability	6	**(0.5)**	–
Lease liabilities	10	**(0.7)**	–
Net current assets		**1,303.2**	1,452.2
Total assets less current liabilities		**2,012.7**	2,149.6
Non-current liabilities			
Provisions	9	**(1.7)**	(1.7)
Lease liabilities	10	**(0.9)**	–
Net assets		**2,010.1**	2,147.9
Capital and reserves			
Share capital	12	**108.3**	108.1
Share premium		**184.0**	178.5
Other reserves		**5.6**	5.6
Capital redemption reserve	13	**16.1**	16.1
Profit and loss account†	13	**1,696.1**	1,839.6
Total shareholders' funds		**2,010.1**	2,147.9

Approved by the Board of directors of Bunzl plc (Company registration number 358948) on 24 February 2020 and signed on its behalf by Frank van Zanten, Chief Executive Officer and Richard Howes, Chief Financial Officer.

The Accounting policies and other Notes on pages 171 to 176 form part of these financial statements.

† Profit and loss account includes a net profit after tax for the year of £35.0m (2018: £6.3m). As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

Company statement of changes in equity
for the year ended 31 December 2019

	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account: Own shares £m	Profit and loss account: Retained earnings £m	Total shareholders' funds £m
At 31 December 2018	**108.1**	**178.5**	**5.6**	**16.1**	**(63.9)**	**1,903.5**	**2,147.9**
Impact of transition to IFRS 16						**(0.3)**	**(0.3)**
Restated equity at 1 January 2019	**108.1**	**178.5**	**5.6**	**16.1**	**(63.9)**	**1,903.2**	**2,147.6**
Profit for the year						**35.0**	**35.0**
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						**4.5**	**4.5**
Actuarial gain on defined benefit pension scheme						**2.2**	**2.2**
Income tax charge on other comprehensive income						**(0.4)**	**(0.4)**
Total comprehensive income						**41.3**	**41.3**
2018 interim dividend						**(50.7)**	**(50.7)**
2018 final dividend						**(116.6)**	**(116.6)**
Issue of share capital	**0.2**	**5.5**					**5.7**
Employee trust shares					**(30.4)**		**(30.4)**
Movement on own share reserves					**24.4**	**(24.4)**	**–**
Share based payments						**13.2**	**13.2**
At 31 December 2019	**108.3**	**184.0**	**5.6**	**16.1**	**(69.9)**	**1,766.0**	**2,010.1**

	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Profit and loss account: Own shares £m	Profit and loss account: Retained earnings £m	Total shareholders' funds £m
At 1 January 2018	108.0	171.4	5.6	16.1	(122.9)	2,042.6	2,220.8
Profit for the year						6.3	6.3
Other comprehensive income							
Contributions to pension scheme by participating subsidiaries						4.5	4.5
Actuarial gain on defined benefit pension scheme						3.1	3.1
Income tax charge on other comprehensive income						(0.4)	(0.4)
Total comprehensive income						13.5	13.5
2017 interim dividend						(46.2)	(46.2)
2017 final dividend						(106.0)	(106.0)
Issue of share capital	0.1	7.1					7.2
Employee trust shares					45.6		45.6
Movement on own share reserves					13.4	(13.4)	–
Share based payments						13.0	13.0
At 31 December 2018	108.1	178.5	5.6	16.1	(63.9)	1,903.5	2,147.9

Notes to the Company financial statements

1 Basis of preparation

Bunzl plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These financial statements present information about the Company as an individual undertaking and not about its Group. The financial statements of the Company have been prepared on a going concern basis and under the historical cost convention with the exception of certain items which are measured at fair value as described in the accounting policies below.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 as applicable to companies using FRS 101. The Company adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition. The adoption of IFRS 16 did not have a material impact on the Company. There are no other new standards, amendments or interpretations that are applicable to the Company for the year ended 31 December 2019. In preparing these financial statements the Company has applied the exemptions available under FRS 101 in respect of:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures relating to transactions with wholly owned subsidiaries and capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures relating to the compensation of key management personnel.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also applied the exemptions available under FRS 101 in respect of:

- certain disclosures required by IFRS 2 'Share Based Payments' in respect of Group settled share based payments; and
- certain disclosures required by IFRS 13 'Fair Value Measurement' and disclosures required by IFRS 7 'Financial Instruments'.

2 Accounting policies

The accounting policies of the Company have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. In most cases the accounting policies for the Company are fully aligned with the equivalent accounting policies for the Group as stated on pages 126 to 132 in Note 2 to the consolidated financial statements. The accounting policies of the Company which are aligned with those of the Group are the policies for tangible assets, leases, intangible assets, income tax, trade and other payables, provisions, retirement benefits, investment in own shares, dividends and leases. The accounting policies that are specific to the Company are set out below.

a. Investment in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less any provision for impairment. The subsidiary undertakings which the Company held at 31 December 2019 are disclosed in the Related undertakings note in the Shareholder information section on pages 184 to 187.

b. Share based payments

The Company operates a number of equity settled share based payment compensation plans. Details of these plans are outlined in Note 19 to the consolidated financial statements and the Directors' remuneration report. The total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity.

Where the Company grants options over its own shares to the employees of its subsidiaries and it has not recharged the cost to the relevant subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settled share based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised directly in equity.

c. Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Company financial statements continued

2 Accounting policies continued

d. Intercompany and other receivables

Intercompany and other receivables are initially measured at fair value. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses. The Group measures impairment losses using the expected credit loss model in accordance with IFRS 9. There were no impairment losses on intercompany or other receivables during the year (2018: none).

e. Defined benefit pension schemes

The Company is the sponsoring company of the UK defined benefit pension scheme. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the scheme to participating subsidiaries, the net defined benefit pension cost or benefit is recognised fully by the Company. The contributions paid by the participating subsidiaries other than the Company are credited to profit or loss of the Company where the amounts relate to service and are independent of the number of years of service or to other comprehensive income if not linked to service.

f. Judgements made in applying the Company's accounting policies

In the course of preparing the financial statements, other than judgements involved in determining estimates and assumptions (see Note 2g below), no judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

g. Sources of estimation uncertainty

In applying the Company's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect, there may be an impact on the following year's financial statements. As at 31 December 2019, sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the carrying value of investments, as explained below, and the measurement of the defined benefit pension scheme liability which is explained in Note 2u to the consolidated financial statements.

Recoverability of investments

The carrying amounts of the Company's non-financial assets, in particular the investments in subsidiary undertakings, are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts of assets are the greater of their fair value less the costs of disposal and their value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. Impairment losses are recognised when the carrying amount of an asset exceeds its estimated recoverable amount with impairment losses being recognised in profit or loss.

3 Property, plant and equipment and intangible assets

	Short leasehold improvement £m	Fixtures, fittings and equipment £m	Total tangible assets £m	Total intangible assets £m
Cost				
Beginning of year	**0.1**	**1.6**	**1.7**	**1.8**
Additions	**–**	**–**	**–**	**0.1**
Disposals	**–**	**(0.2)**	**(0.2)**	**–**
End of year	**0.1**	**1.4**	**1.5**	**1.9**
Accumulated depreciation and amortisation				
Beginning of year	**0.1**	**1.3**	**1.4**	**0.6**
Disposals	**–**	**(0.2)**	**(0.2)**	**–**
Charge in year	**–**	**0.1**	**0.1**	**0.2**
End of year	**0.1**	**1.2**	**1.3**	**0.8**
Net book value at 31 December 2019	**–**	**0.2**	**0.2**	**1.1**
Net book value at 31 December 2018	–	0.3	0.3	1.2

4 Right-of-use assets

Net book value	Property £m	Total £m
Beginning of year	–	–
Right-of-use assets on transition to IFRS 16	**1.7**	**1.7**
Depreciation charge in the year	**(0.5)**	**(0.5)**
End of year	**1.2**	**1.2**

5 Investments

Investments in subsidiary undertakings	2019 £m	2018 £m
Cost		
Beginning of year	**699.2**	690.8
Additions	**11.1**	8.4
End of year	**710.3**	699.2
Impairment provisions		
Beginning and end of year	**3.3**	3.3
Net book value at 31 December	**707.0**	695.9

6 Deferred tax asset/(liability)

Recognised deferred tax assets net of deferred tax liabilities are attributable to the following:

	Defined benefit pension scheme £m	Share based payments £m	Other £m	Net deferred tax asset/ (liability) £m
1 January 2018	0.2	1.4	0.1	1.7
Recognised in profit or loss	(0.4)	–	–	(0.4)
Recognised in other comprehensive income or directly in equity	(0.4)	0.1	–	(0.3)
31 December 2018/1 January 2019	**(0.6)**	**1.5**	**0.1**	**1.0**
Impact of transition to IFRS 16	**–**	**–**	**0.1**	**0.1**
Recognised in profit or loss	**(0.9)**	**–**	**–**	**(0.9)**
Recognised in other comprehensive income or directly in equity	**(0.4)**	**(0.3)**	**–**	**(0.7)**
31 December 2019	**(1.9)**	**1.2**	**0.2**	**(0.5)**

No deferred tax asset has been recognised in respect of unutilised capital losses of £68.5m (2018: £70.6m).

7 Debtors

	2019 £m	2018 £m
Debtors: amounts falling due within one year		
Amounts owed by Group undertakings	**568.7**	603.6
Prepayments and other debtors	**3.2**	1.2
	571.9	604.8
Debtors: amounts falling due after more than one year		
Amounts owed by Group undertakings	**837.9**	952.4

The carrying value of the amounts owed by Group undertakings falling due after more than one year is a reasonable approximation of their fair values. These amounts have a fixed repayment date and are interest bearing at an interest rate which is reset periodically based on the Bank of England base rate.

Notes to the Company financial statements continued

8 Creditors: amounts falling due within one year

	2019 £m	2018 £m
Trade creditors	**1.2**	1.5
Amounts owed to Group undertakings	**82.5**	82.4
Other tax and social security contributions	**0.3**	0.4
Income tax payable	**21.0**	14.2
Accruals	**11.9**	11.6
	116.9	110.1

Amounts due to Group undertakings are repayable on demand and are not interest bearing.

9 Provisions

	2019 £m	2018 £m
Beginning of year	**1.7**	1.7
Utilised or released	**–**	–
End of year	**1.7**	1.7

The provisions relate to properties, where amounts are held against liabilities for repairs and dilapidations, and other claims.

10 Lease liabilities

2019	£m
Beginning of year	**–**
Lease liabilities on transition to IFRS 16	**(2.3)**
Interest charge in the year	**(0.1)**
Payments of lease liabilities	**0.8**
End of year	**(1.6)**
Ageing of lease liabilities:	
Current lease liabilities	**(0.7)**
Non-current lease liabilities	**(0.9)**
End of year	**(1.6)**

In accordance with IAS 17, the previous accounting standard for leases, at 31 December 2018 the total future minimum lease payments under a non-cancellable operating lease with a duration of between one and five years was £2.5m.

11 Retirement benefits

The Company operates a number of retirement benefit schemes in the UK, including both defined benefit and defined contribution schemes. A description of the characteristics and risks to which the Company is exposed in relation to the UK defined benefit pension scheme together with the principal assumptions used and sensitivity to changes in assumptions are detailed in Note 23 to the consolidated financial statements. The amounts included in the Company financial statements relating to the defined benefit pension scheme at 31 December were:

Amounts included in profit for the year	2019 £m	2018 £m
Current service cost (net of contributions by employees)	**2.0**	2.5
Past service cost	**–**	3.3
Net interest income	**(0.2)**	(0.1)
Contributions paid by participating subsidiaries linked to service	**(1.3)**	(1.4)
Total charge to profit for the year	**0.5**	4.3

The past service cost in 2018 of £3.3m relates to the cost of the equalisation of guaranteed minimum pensions between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment in 2018 in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others.

11 Retirement benefits continued

Amounts recognised in other comprehensive income	2019 £m	2018 £m
Actual return less expected return on pension scheme assets	**52.7**	(18.3)
Experience gain on pension scheme liabilities	**–**	0.4
Impact of changes in assumptions relating to the present value of pension scheme liabilities	**(50.5)**	21.0
Actuarial gain on defined benefit pension scheme	**2.2**	3.1
Contributions paid by participating subsidiaries not linked to service	**4.5**	4.5
Total credit to other comprehensive income	**6.7**	7.6

Movement in defined benefit pension scheme surplus/(deficit)	2019 £m	2018 £m
Beginning of year	**3.4**	(1.1)
Current service cost	**(2.0)**	(2.5)
Past service cost	**–**	(3.3)
Contributions	**7.0**	7.1
Net interest income	**0.2**	0.1
Actuarial gain	**2.2**	3.1
End of year	**10.8**	3.4

Changes in the present value of defined benefit pension scheme liabilities	2019 £m	2018 £m
Beginning of year	**329.1**	347.4
Current service cost	**2.0**	2.5
Past service cost	**–**	3.3
Interest expense	**9.4**	8.9
Contributions by employees	**0.5**	0.6
Actuarial loss/(gain)	**50.5**	(21.4)
Benefits paid	**(12.3)**	(12.2)
End of year	**379.2**	329.1

Changes in the fair value of defined benefit pension scheme assets	2019 £m	2018 £m
Beginning of year	**332.5**	346.3
Interest income	**9.6**	9.0
Actuarial gain/(loss)	**52.7**	(18.3)
Contributions by the Company	**1.2**	1.2
Contributions by participating subsidiaries	**5.8**	5.9
Contributions by employees	**0.5**	0.6
Benefits paid	**(12.3)**	(12.2)
End of year	**390.0**	332.5

The actual return on pension scheme assets was a gain of £62.3m (2018: loss of £9.3m). The market value of scheme assets and the present value of retirement benefit obligations at 31 December are detailed in Note 23 to the consolidated financial statements. The total defined benefit pension liability is divided between active members (£86.2m (2018: £74.6m)), deferred members (£147.8m (2018: £127.8m)) and pensioners (£145.2m (2018: £126.7m)).

12 Share capital

	2019 £m	2018 £m
Issued and fully paid ordinary shares of 32¹⁄₇p each	**108.3**	108.1

Number of ordinary shares in issue and fully paid	2019	2018
Beginning of year	**336,425,304**	335,931,546
Issued – option exercises	**367,303**	493,758
End of year	**336,792,607**	336,425,304

Notes to the Company financial statements continued

13 Reserves

Included in the profit and loss account within retained earnings is £837.9m (2018: £952.4m) relating to dividends which were declared from the Company's subsidiary undertakings during the year ended 31 December 2016 but which were not settled in cash and are therefore unrealised. Until these outstanding balances are settled in cash the relevant amounts outstanding are not distributable as dividends to the Company's shareholders. Excluding these amounts the Company has substantial distributable reserves to cover more than four years of dividends at the cost of the dividends paid or payable in relation to the year ended 31 December 2019, which is expected to be approximately £171m.

The capital redemption reserve of £16.1m (2018: £16.1m) as presented in the statement of changes in equity records the aggregate nominal value of treasury shares that have been cancelled.

The own shares reserve of £69.9m (2018: £63.9m) as presented in the statement of changes in equity comprises ordinary shares of the Company held by the Company in an employee benefit trust. The assets, liabilities and expenditure of the trust are included in the Company financial statements. Details of the trust and investment in own shares reserve are set out in Note 19 to the consolidated financial statements.

The dividends paid and declared in the current and prior year are detailed in Note 20 to the consolidated financial statements.

14 Contingent liabilities

Borrowings by subsidiary undertakings totalling £1,375.1m (2018: £1,525.6m) which are included in the Group's borrowings have been guaranteed by the Company.

15 Employees' and directors' remuneration

The average number of persons employed by the Company during the year (including directors) was 53 (2018: 53) and the aggregate employee costs relating to these persons were:

	2019 £m	2018 £m
Wages and salaries	**9.2**	8.8
Social security costs	**1.4**	2.2
Share based payments	**1.1**	2.3
Pension costs	**1.0**	1.1
	12.7	14.4

Conditional awards of executive share options and performance shares are granted to executive directors and other senior employees of the Company. Employees of the Company can also participate in the Company's Sharesave Scheme. Further information on the Company's share plans is disclosed in Note 19 to the consolidated financial statements.

16 Related party disclosures

The Company has identified the directors of the Company, their close family members, its key management, the UK pension scheme and its subsidiary undertakings as related parties for the purpose of IAS 24 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 23 and Note 24 to the consolidated financial statements and the Related undertakings note in the Shareholder information section on pages 184 to 187.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, which includes the Directors' remuneration report and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). In preparing the Group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ('IASB'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's performance, business model and strategy.

Each of the directors, whose names and functions are set out on pages 66 and 67 of the Annual Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union – Dual IFRS (European Union and IASB), give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Frank van Zanten
Chief Executive Officer
24 February 2020

Richard Howes
Chief Financial Officer

Independent auditors' report to the members of Bunzl plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Bunzl plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2019; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 6 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

Materiality	• Overall Group materiality: £29 million (2018: £28 million), based on 5% of adjusted profit before tax. • Overall Company materiality: £20 million (2018: £6 million), based on 1% of net assets value (0.5% of net assets value in prior year).
Audit scope	• We performed full scope audits and other procedures of the financial information of 93 components spread across 29 different countries across North America, Continental Europe, UK & Ireland and Rest of the World. • Specific audit procedures in relation to various Group activities, including taxation, pensions, acquisitions and the impairment of goodwill and intangible assets, were performed by the Group audit team centrally.
Key audit matters	• Corporate tax exposures (Group). • Business combinations (Group). • Impairment of goodwill and other intangible assets (Group). • IFRS 16 'Leases' (Group). • Defined benefit pension schemes (Group and Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the preparation of financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and the UK Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included discussions with in-house legal counsel, assessment of matters reported on the Group's whistleblowing helpline, challenging assumptions and judgements made by management in their significant accounting estimates and testing journal entries.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Corporate tax exposures – Group	
Refer to page 83 (Audit Committee report), pages 127 and 128 (Accounting policies) and pages 140 to 142 (Note 8). The Group operates in a number of countries with complex taxation rules and regulations. The interpretation of these complex regulations and the unknown future outcome of pending judgements by the tax authorities result in the need to provide against a number of uncertain tax positions. We focused on this area because of the risk surrounding the level of estimation and judgement that is necessary in determining the provisions required.	We assessed management's process for identifying uncertain tax positions and the related accounting policy of providing for tax exposures. We engaged our taxation specialists to assist us in challenging the appropriateness of management's judgements in relation to these positions and to understand the current status of tax assessments and investigations, including monitoring developments in ongoing disputes and regulatory changes. We read recent correspondence with local tax authorities to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest external developments. We also considered factors such as possible penalties and interest. These procedures assisted in our corroboration of management's position on the amount of significant tax exposures and the provisions and disclosures made in the financial statements. We then determined whether the calculations were in line with the accounting standards and that the methodology and principles had been applied consistently. Based on the procedures performed, we determined the provisions reflect management's current best estimate of the expected economic outflows. We considered the appropriateness of the related disclosures in Note 8 to the financial statements. Based on the procedures performed, we noted no material issues arising from our work.

Independent auditors' report to the members of Bunzl plc continued

Key audit matter	How our audit addressed the key audit matter
Business combinations – Group	
Refer to page 82 (Audit Committee report), page 126 (Accounting policies) and pages 165 to 167 (Note 27). Given that the Group continues to make significant investment in acquisitions, accounting for business combinations is an area of focus due to the level of judgement involved. Business combinations can involve judgements in relation to the value of assets and liabilities that are recognised on acquisition, particularly the allocation of purchase consideration to goodwill and separately identified intangible assets.	Management relies on external valuation specialists for larger acquisitions to value significant intangibles acquired in business combinations. Where management has relied on such specialists, we assessed their objectivity and competence and tested the results of their work and found no material issues. We focused in particular on the following areas: • we challenged the methodology and key assumptions used in determining the value of the customer relationship assets for the more significant acquisitions; • we evaluated the consideration paid or payable in respect of acquisitions made; • we determined whether the cash flows applied within the valuation models and the key assumptions such as the discount rates, growth rates, customer attrition and period for amortisation, were appropriate; and • we assessed material adjustments made to prior period acquisitions. Based on the procedures performed, we noted no material issues arising from our work.
Impairment of goodwill and other intangible assets – Group	
Refer to page 82 (Audit Committee report), page 128 (Accounting policies) and pages 144 and 145 (Note 12). The Group has material goodwill balances of £1,403.6 million (2018: £1,420.4 million) and customer relationship intangible assets of £864.9 million (2018: £941.2 million) spread across multiple geographies and relating to multiple cash generating units ('CGUs'). In assessing whether the carrying amount of the goodwill assets has been impaired, management considers forecast cash flows of the 11 individual CGUs which are identified on a market or geographical basis. We focused our goodwill impairment procedures on the CGUs with the lowest levels of headroom between each respective value in use model and carrying value. We also focused our impairment procedures on recently acquired businesses or in circumstances where a triggering event occurred during the year and where a further impairment assessment was performed by management. Management's impairment assessment involves significant estimation, principally relating to short and long-term revenue growth, future profitability and discount rates. Due to the acquisitive nature of the Group and the magnitude of the aggregated related goodwill and intangible assets, together with the subjectivity of the principal assumptions, a significant amount of audit effort was required, particularly as some of these assumptions are dependent on economic factors and trading conditions specific to overseas territories.	In our testing of management's annual goodwill and other intangible assets impairment calculations, we used valuation experts to assist our evaluation of the appropriateness of the models and the key assumptions used by management. We evaluated the reasonableness of the directors' cash flow forecasts by comparing the assumptions made to internal and external data. In particular: • we compared short term revenue growth rates to the latest strategic plans and found them to be consistent. We also compared against external market data and found the assumptions to be plausible based on past and current performance; • we determined that long-term growth rates are generally consistent when compared to third party nominal GDP rates; • we found the achievability of future margins to be plausible based on past and current performance and consistent with budgets; • we challenged the discount rate used to determine the present value by assessing the cost of capital for the Company and comparable organisations and considered them to be acceptable; and • we obtained evidence to assess historical accuracy in management's forecasting process. We also evaluated management's triggering event assessment regarding customer list intangible assets. As described in Note 12 to the consolidated financial statements, management concluded that there is an impairment charge of £4.0 million relating to the customer relationships intangible asset of a business in China within the Asia Pacific CGU. We concur with this assessment. Based on management's own sensitivity calculations, no other reasonable change in assumptions would lead to an impairment of goodwill or other intangible assets. Having ascertained the extent of changes in key assumptions either individually or collectively that would be required for goodwill and other intangible assets to be materially impaired, we considered such a change in those key assumptions to be unlikely.
Completeness and accuracy of lease liability and right-of-use asset – Group	
Refer to page 127 (Accounting policies), page 144 (Note 11) and 164 (Note 25). On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities of £449.4 million and £498.3 million respectively, which is material in the context of the Consolidated balance sheet. The impact of not capturing all leases across the Group, not capturing all relevant data points from each lease and/or inaccurately calculating the right-of-use asset or lease liability could be material.	We assessed management's process for identifying leases. We focused in particular on the following areas: • we audited the lease input data for a sample of leases; • we then recalculated the right-of-use asset and lease liability balances for the sample selected and compared these to the outputs from management's IFRS 16 model; • we audited the assumptions used in the incremental borrowing rates used to discount the future cash flows associated with the right-of-use asset and lease liability. • we assessed the reconciliation of the lease liability between IAS 17 and IFRS 16. We considered the appropriateness of the related disclosures in Notes 11 and 25 to the financial statements. Based on the procedures performed, we noted no material issues arising from our work.

Key audit matter	How our audit addressed the key audit matter
Defined benefit pension schemes – Group and Company	
Refer to pages 82 and 83 (Audit Committee report), pages 130 and 131 (Accounting policies) and pages 159 to 162 (Note 23). The Group has defined benefit pension schemes (with material schemes in the US and the UK) with a net surplus in the UK of £10.8 million and a net deficit across the remaining schemes of £46.8 million at the current year end (2018: net surplus in the UK of £3.4 million and a net deficit across the remaining schemes of £41.9 million), which is material in the context of the Consolidated balance sheet. Management estimation is required in relation to the measurement of pension scheme obligations, and management employs independent actuarial experts to assist it in determining appropriate assumptions such as inflation levels, discount rates, salary increases and mortality rates. Movements in these assumptions can have a material impact on the determination of the liability and, therefore, the extent of any surplus or deficit.	We used our own actuarial experts to satisfy ourselves that the assumptions used in calculating the US and UK pension scheme liabilities are appropriate, including confirming that salary increases and mortality rate assumptions were consistent with relevant benchmarks. We determined that the discount and inflation rates used in the valuation of the pension scheme liabilities were consistent with our internally developed benchmarks and, where available, with those disclosed in the published financial statements of other companies as at 31 December 2019. In each case we considered the assumptions made by management to be reasonable in light of the available evidence.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We identified one financially significant component, being North America, where a full scope audit has been performed. We identified five components across UK, France and Australia for which a full scope audit of their financial information was required. In order to satisfy the request of the Audit Committee and management, we performed full scope audits and other procedures on a further 87 components. The components where we performed audit procedures covered over 94% of Group revenue, adjusted profit before taxation and total assets.

Where work was performed by component auditors, detailed instructions were issued by us and the Group audit team visited North America, France, UK, Belgium and Romania. Telephone discussions were also held with component auditors at these locations and with a number of other component teams that the Group audit team did not visit in person. Specific audit procedures over central functions and areas of significant judgement, including taxation, pensions, acquisitions and the impairment of goodwill and other intangible assets, were performed by the Group audit team centrally.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£29 million (2018: £28 million).	£20 million (2018: £6 million).
How we determined it	5% of adjusted profit before tax.	1% of net assets value (0.5% of net assets value in prior year).
Rationale for benchmark applied	Given that the Group's businesses are profit oriented and the directors use adjusted profit measures to assess the performance of the business, we believe that adjusted profit before tax is the best benchmark to use.	Considering the nature of the business and activities in Bunzl plc (holding activities) we use the Company net assets value as a basis for the calculation of the overall materiality level.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was up to £25 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.5 million (Group audit) (2018: £1.4 million) and £1.5 million (Company audit) (2018: £1.4 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of Bunzl plc continued

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 ('CA06'), ISAs (UK) and the Listing Rules of the Financial Conduct Authority ('FCA') require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- the directors' confirmation on page 51 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- the directors' explanation on page 55 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- the statement given by the directors, on page 177, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- the section of the Annual Report on pages 81 and 82 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 177, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 19 May 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2014 to 31 December 2019.

Neil Grimes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 February 2020

Shareholder information

Related undertakings

In accordance with section 409 of the Companies Act 2006 a full list of Bunzl plc's subsidiary undertakings and other shares held by the Company as at 31 December 2019 is disclosed below. The registered office address of each entity or, in the case of unincorporated entities, the principal place of business, is disclosed on pages 187 to 189. Unless otherwise stated the subsidiary undertakings listed are wholly owned and held indirectly by Bunzl plc with ordinary shares issued (or the equivalent of ordinary shares in the relevant country of incorporation). In some of the jurisdictions in which the Group operates share classes are not defined and in these instances, for the purposes of this disclosure, the shares issued have been classified as ordinary shares. Bunzl plc does not have any joint venture companies or associated undertakings.

Subsidiary undertakings	Registered office address
Argentina	
Vicsa Steelpro S.A.	1
Australia	
Atlas Health Care Pty Limited	6
Bunzl Australasia Holdings Pty Limited	5
Bunzl Australasia Limited	5
Bunzl Brands & Operations Pty Limited	4
Bunzl Catering Supplies Limited	6
Bunzl Food Processor Supplies Pty Limited	3
Bunzl Outsourcing Services Limited	6
Fire Rescue Safety Australia Pty Ltd (80%)	2
Interpath Services Pty. Ltd.	5
Network Packaging Pty Limited	4
Protect-A-Clean Pty Ltd	6
Robertsons Lifting & Rigging Pty Limited	4
Sanicare Australia Pty Limited	5
Star Wholesale Distribution Pty Limited	6
Worksense Workwear and Safety Pty Limited	4
Austria	
Bunzl Holdings Austria GmbH	7
Meier Verpackungen GmbH	7
Belgium	
Établissements Glorieux SA	8
King Belgium NV	12
Polaris Chemicals SPRL	10
Total Safety Supply Belgium BVBA	11
Varia-Pack NV	9
Brazil	
B2B Web Distribuicao De Produtos Ltda	16
Bunzl Armazenagem, Logística e Prestação de Serviços Administrativos Ltda.	15
Bunzl Equipamentos para Proteção Individual Ltda.	14
Dental Sorria Ltda.	17
DVT Comércio, Importação e Exportação Ltda.	18
Labor Import Comercial Importadora Exportadora Ltda	19
VCH – Importadora, Exportadora e Distribuição de Produtos Ltda.	13
Canada	
Bunzl Canada, Inc.	20
Chile	
B2B Web Distribuicao de Produtos Chile SpA	21
Bunzl Chile Holdings SpA	21
DPS Chile Comercial Limitada	23
Tecno Boga Comercial Limitada	22
Vicsa Safety Comercial Limitada	21

Subsidiary undertakings	Registered office address
China	
Beijing HSESF Safety Technology Co., Ltd.	29
Bunzl Trading (Shanghai) Limited	26
Diversified Distribution Systems Trading (Shanghai) Ltd.	32
Keenpac (Shenzhen) Trading Company Limited	33
Shanghai BeiZhi Industrial Technology Co., LTD	28
Shanghai Cosafety Technology Co., Ltd.	25
Shanghai HSESF Safety Technology Co., Ltd.	24
Shanghai Mai Xi Protection Technology Co., Ltd.	31
Shanghai Yinghao Protection Technology Co., Ltd.	27
Suzhou Sai Wo Trading Co., Ltd.	34
Vicsa Commerce and Trading (Shanghai) Co., Ltd	30
Colombia	
Importadores Exportadores Solmaq SAS	35
Tecnoboga Colombia S.A.S.	35
Vicsa Steelpro Colombia S.A.S.	36
Czech Republic	
Blyth s.r.o.	38
Bunzl CS s.r.o.	37
Denmark	
Bunzl Distribution Danmark A/S	39
Bunzl Holding Danmark A/S	39
Bunzl Properties Danmark A/S	39
Clean Care A/S	40
CM Supply ApS	41
MultiLine A/S	42
Saebe Compagniet ApS	43
France	
Alpes Entretien Distribution SAS	58
Blanc SAS	73
Bourgogne Hygiene Entretien SAS	71
Bunzl Catering Développement SAS	68
Bunzl Holdings France SAS	52
Comatec SAS	59
Comptoir de Bretagne SAS	68
Daugeron & Fils SAS	60
Fichot Hygiene SAS	49
France Sécurité SAS	56
Gama 29 SAS	54
Générale Collectivités SAS	67
GM Equipement S.A.S.	44
Groupe Pierre Le Goff – Ile de France – Allodics – Adage SAS	50
Groupe Pierre Le Goff – Ile de France – ODI SAS	72
Groupe Pierre Le Goff – Ile de France-Adage SAS	52

Subsidiary undertakings	Registered office address
Groupe Pierre Le Goff Bourgogne Franche-Comte SAS	65
Groupe Pierre Le Goff Grand Ouest SAS	69
Groupe Pierre Le Goff Méditerranée SAS	55
Groupe Pierre Le Goff Nord-Est SAS	74
Groupe Pierre Le Goff Normandie SAS	48
Groupe Pierre Le Goff Rhône-Alpes Centre SAS	62
Groupe Pierre Le Goff Sud-Ouest SAS	61
Hedis SAS	46
Hygiadis SAS	51
Industrie du Compactage Alimentaire Hygiene ICA Hygiene L'image du Propre SAS	64
Keenpac France SAS	47
Ligne T SAS	53
Mat'hygiene SAS	57
Nicolas Entretien SAS	70
ORRU SAS	63
PLG Finances SAS	52
Prorisk S.A.S.	44
SCI des Saules SCI	51
Société Civile Immobilière Sainte Claire Deville SC	51
Sodiscol SAS	45
Sopecal Hygiene SAS	66
Germany	
Bäumer Betriebshygiene Vertriebsgesellschaft mbH(iii)	78
Bunzl Holding GmbH(iii)	75
Bunzl Verpackungen GmbH	75
Inkozell Zellstoff-Vertrieb GmbH	77
Logmed GmbH	77
Majestic GmbH	79
Mo Ha Ge Mommsen Handelsgesellschaft mbH	77
MoHaGe Holdings GmbH	75
PKA Klöcker Gmbh(iii)	76
Protemo GmbH	78
Hong Kong	
Bunzl Asia Limited(iii)	80
DDS of Hong Kong Limited	81
Keenpac Asia Limited	82
Hungary	
Bunzl CEE Kft	85
Bunzl Magyarország Kft.	85
Propack Kereskedelmi Korlátolt Felelősségű Társaság	85
Silwell Kereskedelmi Korlátolt Felelősségű Társaság	84
Ireland	
Bunzl Finance Ireland Unlimited Company(ii)	86
Bunzl Hospitality Supplies Ireland Limited	86
Bunzl Ireland Limited	86
Latharna Ireland Finance No. 1 Unlimited Company	86
Latharna Ireland Finance No. 2 Unlimited Company(ii)	86
Thomas McLaughlin (Ireland) Limited	86

Subsidiary undertakings	Registered office address
Yorse Ireland Unlimited Company	86
Israel	
M.S. Global Limited	87
Meichaley Zahav Packages Ltd	88
Silco (Utensils) A.S. Limited(iii)	87
Italy	
B2B Distribution Italy Holdings S.r.l.	90
Keenpac Italia S.r.l.	89
Neri S.p.A.	90
Secure Line S.r.l.	92
Secure Service S.r.l.	91
Mexico	
Bunzl De Mexico SA de CV(ii)(iii)	93
Bunzl Servicios, SA. De CV	99
Cool Pak AG Packaging, S. de R. L. de C.V.	97
Cool Pak Exports S. de R.L. de C.V.	98
CP AG Servicios, S. de R.L. de C.V.	95
Diversified DS of Mexico, S. De R.L. De C.V.	94
Espomega S. de R.L. de C.V.(iii)	101
Proepta, S.A. DE C.V.(iii)	100
Steel pro S.A de C.V.(iii)	96
Web Distribucion Safety Mexico, S. de R.L. de C.V.	102
Netherlands	
Allshoes Benelux B.V.	103
Bunzl Outsourcing Services B.V.	111
Bunzl Verpakkingen Arnhem B.V.	106
Coolpack B.V.	105
De Ridder B.V.	109
King Nederland B.V.	108
Majestic Products B.V.	110
QS Nederland B.V. (85%)	104
Worldpack Trading B.V.	107
New Zealand	
Bunzl Outsourcing Services NZ Limited	113
Corded Strap (NZ) Limited	114
ICB Cleaning Supplies Limited	112
Nelson Packaging Supplies Limited	114
Norway	
Art Trading AS	116
Culina AS	116
Enor AS	117
Riise & G G Storkjøkken AS	117
Skien Storkjøkken AS (51%)	115
Peru	
Vicsa Safety Peru S.A.C.	118
Puerto Rico	
Melissa Sales Corp.	119
Romania	
Bunzl Distributie SRL	120
Singapore	

Shareholder information continued

Related undertakings continued

Subsidiary undertakings	Registered office address
LSH Industrial Solutions Pte. Ltd	121
Slovakia	
Eurobal, spol. s.r.o.	122
Spain	
Bunzl Distribution Spain, S.A.U.	124
Bunzl Mallorca 2018, S.L.U.	125
Faru, S.L.U.	129
Guantes Juba, S.A.U.	130
Juba Personal Protective Equipment, S.L.U.	130
Lovilia Spain, S.L.U.	124
Marca Proteccion Laboral, S.L.U.	126
Marvel Proteccion Laboral, S.L.U.	127
Quirumed, S.L.U.	128
Tecnopacking, S.L.U.	123
Switzerland	
Distrimondo AG	135
Keenpac (Switzerland) SA	131
MMH Holding AG	135
Uehlinger AG	132
Weita AG	134
Weita Holding AG	134
WGS AG	133
Turkey	
Bursa Pazarı İnşaat Sanayi Ve Ticaret Anonim Şirketi	136
İstanbul Ticaret Hırdavat Sanayi A.Ş.	138
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Bunzl Pension Trustees Limited(i)	141
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Classic Bag Company Holdings Limited	141
Continental Chef Supplies Limited	141
Dialene Limited	141
GrowModule 365 Limited	141
Guardsman Limited	141

Subsidiary undertakings	Registered office address
Henares Limited(i)	141
Howper 800 Limited(iii)	141
Kingsbury Packaging (Limavady) Ltd	140
Lee Brothers Bilston Limited	141
Lightning Packaging Supplies Limited	141
London Bio Packaging Limited	141
Packaging 2 Buy Limited	141
Portabottle Limited	141
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Selectuser Limited(ii)	141
The Classic Printed Bag Company Limited	141
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Tri-Star Packaging Supplies Limited	141
Woodway Packaging Limited	141
Woodway UK Limited	141
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Wycombe Marsh Paper Mills Limited(i)	141
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United States	
Arch Logistics, LLC	146
Bunzl Corporate Holdings, Inc.	146
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Cool-Pak, LLC	156
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Earthwise Bag Company, Inc.	145
Foodhandler Inc.	147
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International Sourcing Company Inc.(iii)	148

List of registered office addresses

Subsidiary undertakings	Registered office address
John Tillman Company	156
Keenpac, LLC	146
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Liberty Glove & Safety, LLC	156
M.L. Kishigo Manufacturing Company, LLC	152
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Revco Industries, Inc.[(iii)]	145
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TSN East, LLC	146
TSN West, LLC	146
U.S. Glove Co., Inc.	157
Western Glove Manufacturing, Inc.	145
Uruguay	
Steelpro Safety S.A.	158

Other shareholdings	Registered office address
Viner-Pack Gyarto Kereskedelmi Es Szolgaltato Korlatolt Felelossegu Tarsasag[(iii)] (20%)	83

Classifications key
(i) Directly owned by Bunzl plc
(ii) Holding of ordinary and preference shares
(iii) Holding of more than one class of ordinary share

Address	Key
Maipú 1300, piso 13, Ciudad de Buenos Aires, Argentina	1
17 Millrose Drive, Malaga WA 6090, Australia	2
34-48 Cosgrove Road, Enfield NSW 2136, Australia	3
55 Sarah Andrews Close, Erskine Park NSW 2759, Australia	4
Level 2, 700 Springvale Road, Mulgrave VIC 3170, Australia	5
Unit 1, 52 Fox Drive, Dandenong South VIC 3175, Australia	6
Diepoldsauer Straße 37, 6845, Hohenems, Austria	7
1 Rue du Bois des Hospices, 2iémé étage, 7522 Tournai, Belgium	8
Aarschotsesteenweg 114 3012 Leuven (Wilsele), Belgium	9
Avenue Sabin 23, 1300 Wavre, Belgium	10
Oudenaardsesteenweg 19 9000 Ghent, Belgium	11
Rue du Cerf 190 1332 Genval, Belgium	12
Avenida Doutor Alberto Jackson Byington, 1435 Jardim Santa Fe, City of Osasco, São Paulo, CEP 06273-050, Brazil	13
Estrada Velha de Guarulhos – São Miguel, 5135, Box 301 – Jardim Arapongas, city of Guarulhos, São Paulo, CEP 07210-250, Brazil	14
Estrada Velha de Guarulhos – São Miguel, 5135, Box 311 – Jardim Arapongas, city of Guarulhos, São Paulo, CEP 07210-250, Brazil	15
Rua Cardeal Arcoverde, 2365, Andar 5, Conjunto 51, Pinheiros, CEP 05407-003, Brazil	16
Rua Crepusculo, No 58 Bairro California, City of Belo Horizonte, Minas Gerais, CEP 30855-435, Brazil	17
Rua João Thomaz Pinto, No. 1570, Shed A, Modules 6, 7 and 8 Condominium Byblos, district of Canhanduba, City of Itajaí, State of Santa Catarina, 88.313-045, Brazil	18
Rua Padre Damaso 165, 173 e 187, Osasco, São Paulo, CEP 06016-010, Brazil	19
SNR Dentons LLP, 77 King Street West, Suite 400, Toronto ON M5K 0A1, Canada	20
Av. Presidente Eduardo Frei Montalva 5151, Conchalí, 8550678 Santiago, Chile	21
Avenida Boulevard, Aeropuerto Norte #9649, Pudahuel, Santiago, Chile	22
Camino Coquimbo N' 16.000, Colina, Sanitago, Chile	23
2F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	24
3F, Building 4, No. 115 Lane 1276, Nanle Road, Songjiang District, Shanghai, China	25
Floor 9, Xinpeng Plaza, No. 200, Lane 91, E'shan Road, Pudong New Area, Shanghai, 200127, China	26
No. 181 Zhongshe Road, Maogag Town, Songjiang District, Shanghai, China	27
No. 301 Rongle East Road, Songjiang District, Shanghai, China	28
No. 9 Fuqian Road, Shandong Zhuang Town, Pinggu District, Beijing, China	29
Room 3123, Building 3, 112-118 Gaoyi Road, Baoshan District, Shanghai, China	30
Room 368, Part 302, No. 211 Fute North Road, Free Trade Zone, Shanghai, China	31
Room 850, No. 1111 Chang Shou Rd, Jingan District, Shanghai, China	32

Shareholder information continued

List of registered office addresses continued

Address	Key
Room 912, Central Business Tower, 88 Fuhua 1st Road, Futian, Shenzhen, China	33
Southwest of No.1 House, 3F, Building A, Tower 2, Xinhaiyi, No. 58 Heshun Road, Suzhou Industrial Park, Jiangsu, China	34
Carrera 30 No. 15-30, Bogota D.C., Colombia	35
Km 7 Vía Medellín, Parque Empresarial Celta, Módulo 1, Bodega 49, Funza (Cundinamarca), Colombia	36
Dolnokrčská 2029/54a, Krč, Praha 4, 140 00, Czech Republic	37
Přátelstvi 1011/17, Uhřiněves, Praha 10, 10 400, Czech Republic	38
Greve Main 30, 2670 Greve, Denmark	39
Indkildevej 2 c, DK-9210, Aalborg SØ, Denmark	40
Jydekrogen 7, DK-2625, Vallensbaek, Denmark	41
Kirkebjergvej 17, 4180 Sorø, Denmark	42
Vesterlundvej 5-7, DK-2730 Herlev, Denmark	43
11 C rue des Aulnes, 69410 Champagne-au-Mont-d'or, France	44
13 rue des Battants RN 20, 31140, Saint-Alban, France	45
140 rue Victor Hugo, 92300 Levallois-Perret, France	46
191-195 Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, Paris, France	47
2 Rue Paul Vaillant Couturier, 76120 Le Grand Quevilly, France	48
26/28 rue Jean Perrin, 28300, Mainvilliers, France	49
29 avenue des Morillons, ZA des Doucettes, 95140 Garges les Gonesses, France	50
440 route de Rosporden, Le Grand Guelen, 29000 Quimper, France	51
5 avenue Gutenberg, ZA Pariwest, 78310 Maurepas, France	52
50 Avenue d'Allemagne, Rond Point de L'Europe ZA Albasud, 82000 Montauban, France	53
530 rue Jacqueline Auriol ZA de Saint Thudon, 29490, Guipavas, France	54
556 Chemin du Mas de Cheylon, CAP Delta 30941, Nimes, France	55
585, Rue Alain Colas, 29200, Brest, France	56
7 route de Villiers, 77780, Bourron-Marlotte, France	57
725 Route des Vernes Pringy, 74370, Annecy, France	58
Boulevard Francois-Xavier Faffeur, Zone Industrielle Lannolier, 11000, Carcassonne, France	59
Lieudit la Trentaine, 77690, La Genevraye, France	60
Parc d'activité Des Lacs, 22 rue Saint Exupéry, 33 290 Blanquefort, France	61
Quai Louis Aulagne, 69 190 Saint Fons, France	62
Route Nationale 97, ZA Les Plantades, 83130 La Garde, France	63
Route Nationale, 57420, Louvigny, France	64
Rue Charles Remi Arnoult, 21700 Nuits Saint Georges, France	65
Rue de Pau, 40500 Saint-Server, France	66
Rue Edouard Branly, ZAC des Chamonds 58640 Varennes-Vauzelles, France	67
Rue Jean-Marie David, ZA la Teillais, 35740, Pacé, France	68
Rue Nungesser et Coli d2A Nantes Atlantique, 44860 Saint-Aignan de Grand Lieu, France	69
Rue Pierre Pascal Fauvelle, 66000 Perpignan, France	70

Address	Key
ZI Maison Dieu RN 74, 21220 Fixin, France	71
ZI Val de Seine, 17 avenue Nobel, 92390 Villeneuve la Garenne, France	72
Zone Artisanale Maritime du Bassin de Thau, Route de Séte, 34540 Ballaruc Les Bains, France	73
Zone d'activité Sud Saint Jean, 57130 Jouy aux Arches, France	74
Elbestraße 1-3, 45768 Marl, Germany	75
Friedrichstrasse 2, 40699 Erkrath, Germany	76
Malteserstrasse 139-143, 12277, Berlin, Germany	77
Maysweg 11, 47918 Tönisvorst, Germany	78
Stadtweide 17, 46446 Emmerich, Germany	79
11th Floor, One Pacific Place, 88 Queensway, Hong Kong	80
Room 2103, Futura Plaza, 111 How Ming Street, Kwun Tun, Hong Kong	81
Unit 3-4 18F Tower 6, China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong	82
2336 Dunavarsány, 071/33 hrsz, Hungary	83
H-1097 Budapest, Gyáli út 37/A, Hungary	84
Vendel Park, Erdőalja út 3., 2051 Biatorbágy, Hungary	85
10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland	86
4 Kinneret Street, POB 1139, Airport City, Ben Gurion Airport, 7019802, Israel	87
Emek Ha'Ela 250, Modi'in, P.O.B 553, LOD 7110601, Israel	88
Corsa Italia n.6, 50123 Florence, Italy	89
Via 8 Marzo n. 6, 42025 Corte Tegge di Cavriago, Reggio Emilia, Italy	90
Via Brigata Reggio no. 24, Reggio Emilia, Italy	91
Via Guglielmo Marconi no. 35, Rozzano, Italy	92
Arzipe Valdes & Marco, Ave. Batallón de San Patricio #111, Piso 28, Despacho 2801, Colonia Valle Oriente, San Pedro Garza Garcia, Nuevo León, C.P. 66269, Mexico	93
Avenida Cafetales No. 1702, Interior 201, between streets Rancho Recoveco and Rancho Estopila, Hacienda de Coyoacán, Coyoacán, 04970, Mexico	94
Avenida Circunvalación Agustín Yáñez 2613, int 1A-110, Arcos Vallarta Sur, 44500 Guadalajara, Jalisco	95
Calle Rio San Lorenzo No. 503, Col. Fuentes del Valle, CP 6620, CD San Pedro Garza Garcia, Nuevo León, Mexico	96
Carretera al CUCBA No. 400 Interior 5 Colonia La Venta del Astillero, C.P. 45221 Zapopan, Jalisco	97
Carretera Corredor Tijuana Rosarito 2000 Exterior 15202. Interior Mt3 A, Colonia Zona Cerril General, Tijuana, Baja California	98
Carretera Miguel Alemán KM21 Edificio 4C Prologis Park, Apodaca, N.L., México C.P, 66627, Mexico	99
Galileo # 11, Colonia Polanco V Secc., Delagación Miguel Hidalgo, 11560, Ciudad de México, Mexico	100
Pablo A. Gonzalez Garza Pte., 820, Chepevera, Monterrey, Nuevo León, 64030, Mexico	101
Rio San Lorenzo No. 503 Local I, Col. Fuentes Del Valle, San Pedro Garza Garcia, C.P. 66220, Mexico	102
Barnsteenstraat 1-A, 1812 SE Alkmaar, Netherlands	103
Bijsterhuizen 3005C, 6604 LP Wijchen, Netherlands	104

Address	Key
De Kronkels 31c, 3752LM Bunschoten-Spakenburg, Netherlands	105
Delta 57, 6825 ML Arnhem, Netherlands	106
Esp 125, 5633 AA Eindhoven, Netherlands	107
Grotewei 2, 4004 LW Tiel, Netherlands	108
Industrieweg 11B, 1566JN, Assendelft, Netherlands	109
Jan Campertlaan 6, 3201AX, Spijkenisse, Netherlands	110
Rondebeltweg 82, 1329 BG Almere, Netherlands	111
686 Rosebank Road, Avondale, Auckland, 1026, New Zealand	112
97 Sawyers Arm Road, Christchurch, 8052, New Zealand	113
KPMG Level 5, 79 Cashel Street, Christchurch, 8140, New Zealand	114
Bedriftsveien 24, 3735 Skien, Norway	115
c/o Enor AS, Holmaveien 20, 1339 Vøyenenga, Norway	116
Holmaveien 20, 1339 Vøyenenga, Norway	117
Av. Santa Rosa 350. Ate., Lima, Peru	118
PO Box 6494, PR 00914-6494, San Juan, Puerto Rico	119
Sat Dragomiresti-Deal, Comuna Dragomiresti-Vale, DE 287/1, Bucharest West Logistic Park, Cladirea C, Unitatea C01, Ilfov, Romania	120
1 Penjuru Close, 608617, Singapore	121
Na pántoch 18, 831 06 Bratislava, Slovakia	122
Calle Castilla-León, Parcela 45 Onda, 12200, Castellón, Spain	123
Calle Filats, 8 Polg. Industrial Prologis Park, Sant Boi de Llobregat, Barcelona, Spain	124
Calle las Palmeras 7, Polígono Industrial La Sendeilla, 28350 Ciempozuelos, Spain	125
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Bruselas, 30353, esquina calle Amsterdam, parcela R 100, Spain	126
Cartagena, Murcia, poligono industrial Cabezo Beaza, Avenida Luxemburgo, calle Artes y Oficios, nave B-3, Spain	127
Corretger No 115-117-119, Parque Empresarial Táctica, Paterna, 46980, Valencia, Spain	128
Edificio Plaza, Nave 5, Ali-4 Plataforma Logistica de Zaragoza, 50197, Zaragoza, Spain	129
Santo Domingo De La Calzada, La Rioja, 26250, Carretera De Logrono, Spain	130
c/o ALR Fiduciaire Rummel SA, ch. Valmont 224, 1260, NYON, Switzerland	131
c/o Weita AG, Nordring 2, 4147 Aesch, Switzerland	132
Güterstrasse, 4313 Möhlin, Switzerland	133
Nordring 2, 4147 Aesch, Switzerland	134
Oberebenestrasse 53, CH-5620 Bremgarten, Switzerland	135
Akçaburgaz Mahallesi, 3137. Sokak, No.19, Esenyurt, Istanbul, Turkey	136
Akçaburgaz Mahallesi, 3137. Sokak, No.19, K. 1, Esenyurt, Istanbul, Turkey	137
Arapcami Mah, Tersane Cad, No. 115, Beyoğlu, Istanbul, Turkey	138
Şerifali Mah., Turgut Özal Blv, B Blok No:170/1, Ümraniye, İstanbul, Turkey	139
Arthur Cox, Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS, United Kingdom	140
York House, 45 Seymour Street, London, W1H 7JT, United Kingdom	141
701 Emerson #500, St Louis MO 63141-9111, United States	142
7503 Nottoway Place, Springfield VA 22150, United States	143
Corporate Creations Network Inc., 1001 State Street #1400, Erie PA 16501, United States	144
Corporate Creations Network Inc., 11380 Prosperity Farms Rd #221E, Palm Beach Gardens FL 33410, United States	145
Corporate Creations Network Inc., 12747 Olive Boulevard, Suite 300, St. Louis, MO 63141, St. Louis County, United States	146
Corporate Creations Network Inc., 15 North Mill Street, Nyack NY 10960, United States	147
Corporate Creations Network Inc., 205 Powell Place, Brentwood TN 37027-7522, United States	148
Corporate Creations Network Inc., 2425 W Loop South #200, Houston TX, United States	149
Corporate Creations Network Inc., 2825 East Cottonwood Parkway #500, Salt Lake City UT 84121, United States	150
Corporate Creations Network Inc., 3106 Ingersoll Avenue, Des Moines, IA 50321 IL, United States	151
Corporate Creations Network Inc., 3411 Silverside Road, Tatnall Building Ste 104, Wilmington DE 19810, United States	152
Corporate Creations Network Inc., 350 S. Northwest Highway #300, Park Ridge IL 60068, United States	153
Corporate Creations Network Inc., 406 South Boulder #400, Tulsa OK 74103, United States	154
Corporate Creations Network Inc., 5200 Willson Road #150, Edina MN 55424, United States	155
Corporate Creations Network Inc., 6802 Paragon Place #410, Richmond, VA 23230, Henrico, United States	156
Corporate Creations Network Inc., West 505 Riverside Avenue #500, Spokane WA 99201, United States	157
César Cortinas 2037, Montevideo, Uruguay	158

Shareholder information continued

Financial calendar

	2020
Annual General Meeting	15 April
Results for the half year to 30 June 2020	24 August

	2021
Results for the year to 31 December 2020	March
Annual Report circulated	March

Dividend payments are normally made on these dates or the following working day:

Ordinary shares (final)	1 July
Ordinary shares (interim)	2 January

Analysis of ordinary shareholders

At 31 December 2019 the Company had 5,058 (2018: 4,920) registered shareholders who held 336.8 million (2018: 336.4 million) ordinary shares between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	4,353	2
10,001 – 100,000	427	4
100,001 – 500,000	185	13
500,001 – 1,000,000	37	7
1,000,001 and over	56	74
	5,058	100

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone +44 (0) 370 889 3257
Fax +44 (0) 370 703 6101
Email webqueries@computershare.co.uk
Website www.computershare.com

Investor Centre

Shareholders can manage their shareholding online at www.investorcentre.co.uk. The Investor Centre is our registrar's easy to use website, available 24 hours a day, seven days a week, where the following services are available:

- elect for electronic communications;
- change of address;
- view share balance information;
- join the dividend reinvestment plan; and
- view dividend payment and tax information.

In order to register for the Investor Centre, shareholders will need their shareholder reference number which can be found on either their share certificate or dividend confirmations.

Dividend payment by BACS

Shareholders can have their dividends paid directly into their bank or building society account using the Bankers' Automated Clearing Service ('BACS'). This means that dividends will be in the account on the same day the dividend payment is made. To use this method of payment please contact our registrar on +44 (0) 370 889 3257 or visit the Investor Centre website. Please note that this option will not override any existing dividend scheme mandate, which would need to be revoked in writing. Shareholders who have elected to have their dividends paid by BACS and who have registered a valid email address with the registrar will be able to access their dividend confirmations electronically at www.investorcentre.co.uk. If no such email address has been registered, shareholders will receive their dividend confirmations by post.

Dividend reinvestment plan

The Company operates a dividend reinvestment plan which allows shareholders to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding.

Shareholders can apply to join the plan online in the Investor Centre or can contact the Company's registrar to request the terms and conditions of the plan and a printed mandate form.

American Depositary Receipts

The Company has a sponsored Level 1 American Depositary Receipt programme that trades on the over-the-counter market in the US with ticker BZLFY. Citibank N.A. acts as the Depositary Bank.
Telephone Citibank +1 781 575 4555
Email citibank@shareholders-online.com
Website www.citi.com/dr

Shareholders may if they wish have their dividend payments paid directly into their bank account in certain foreign currencies. Please contact the Company's registrar on +44 (0) 370 889 3257 to request further information about the currencies for which this service is available.

Share dealing

Bunzl plc shares can be traded through most banks and stockbrokers. The Company's registrar also offers an internet and telephone dealing service. Further details can be found at www.computershare.trade/ or by telephoning +44 (0) 370 703 0084.

ShareGift

Sometimes shareholders have only a small holding of shares which may be uneconomical to sell. Shareholders who wish to donate these shares to charity can do so through ShareGift, an independent charity share donation scheme (registered charity no. 1052686). Further information about ShareGift may be obtained from ShareGift on +44 (0) 20 7930 3737 or at www.sharegift.org.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, offers to buy shares at a discount or offers of free company reports. More detailed information about this can be found at www.fca.org.uk in the Consumers section and at www.fca.org.uk/scamsmart. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Independent auditors

PricewaterhouseCoopers LLP

Corporate brokers

J.P. Morgan Cazenove
Citigroup

Company Secretary

Paul Hussey

Registered office

York House
45 Seymour Street
London W1H 7JT
Telephone +44 (0) 20 7725 5000
Fax +44 (0) 20 7725 5001
Website www.bunzl.com
Registered in England no. 358948

Forward-looking statements

The Annual Report contains certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Five year review

	IFRS 2019 £m	Proforma IAS 17◊ 2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Revenue	**9,326.7**	**9,326.7**	9,079.4	8,580.9	7,429.1	6,489.7
Operating profit	**528.4**	**506.0**	466.2	456.0	409.7	366.5
Finance income	**12.4**	**12.4**	11.6	10.6	7.1	4.8
Finance expense	**(87.5)**	**(64.2)**	(66.6)	(57.3)	(53.9)	(48.6)
Profit on disposal of businesses	**–**	**–**	13.6	–	–	–
Profit before income tax	**453.3**	**454.2**	424.8	409.3	362.9	322.7
Income tax	**(104.1)**	**(104.3)**	(98.3)	(98.8)	(97.0)	(90.0)
Profit for the year attributable to the Company's equity holders	**349.2**	**349.9**	326.5	310.5	265.9	232.7
Basic earnings per share	**104.8p**	**105.0p**	98.4p	94.2p	80.7p	71.0p

Alternative performance measures†						
Adjusted operating profit	**653.3**	**630.9**	614.0	589.3	525.0	455.0
Adjusted profit before income tax	**578.2**	**579.1**	559.0	542.6	478.2	411.2
Adjusted profit for the year	**440.6**	**441.3**	429.9	393.4	349.6	298.1
Adjusted earnings per share	**132.2p**	**132.4p**	129.6p	119.4p	106.1p	91.0p

◊ See Basis of preparation IFRS 16 'Leases' on page 1.

† See Note 4 on page 134 for further details of the alternative performance measures.

Bunzl plc
York House
45 Seymour Street
London
W1H 7JT

www.bunzl.com