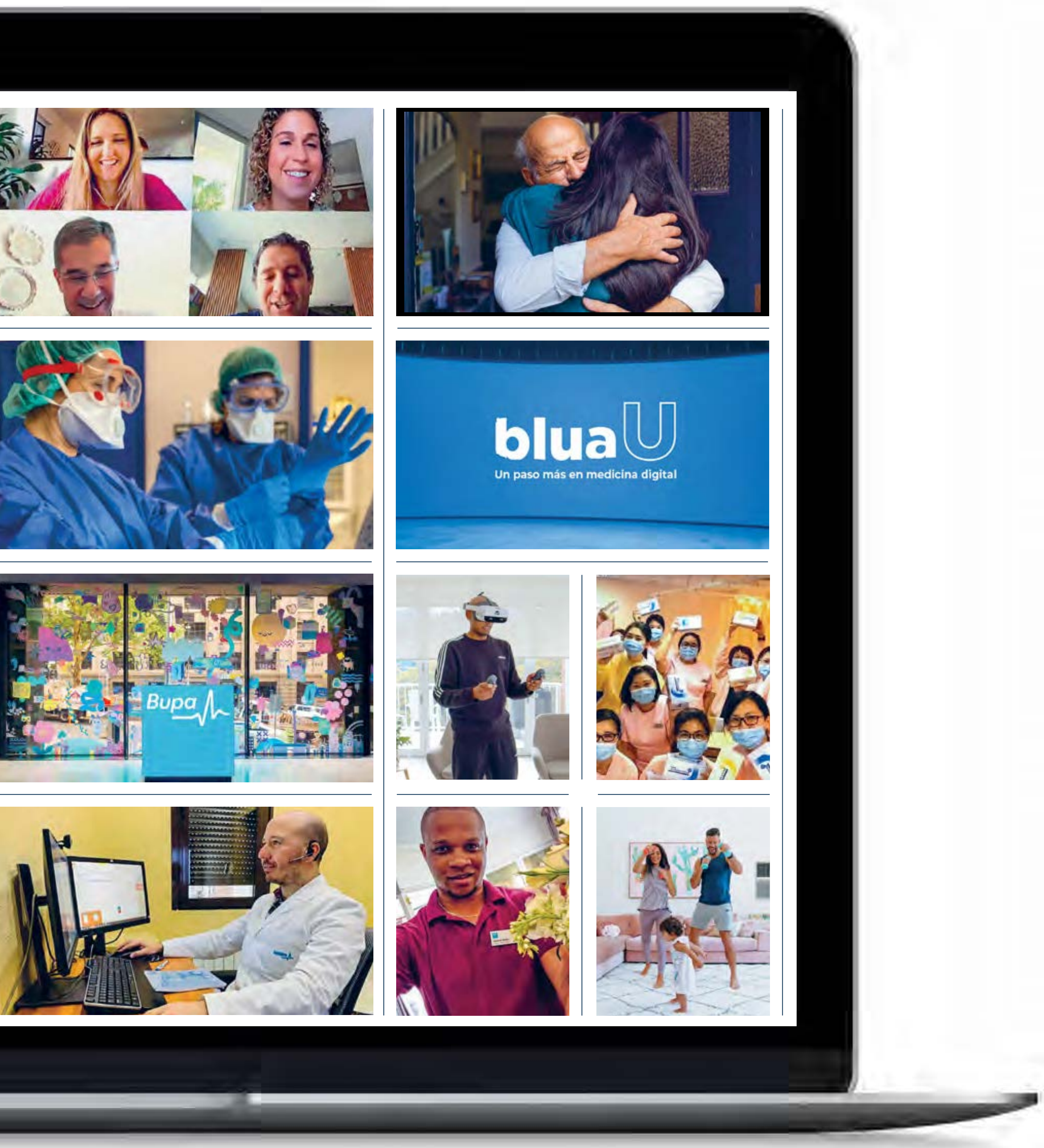


Annual Report 2020

In this report

Strategic Report

Governance

Financial statements

Sections with ESG content

Cover images

Read more about our cover stories here:

→ Customers pages 12-15
→ People pages 16-19
→ Our Market Units pages 29-32 and www.bupa.com

We are an international healthcare company. Over more than 70 years, our global footprint has grown from our origins in the UK to include businesses in Australia, Spain, Poland, Chile, Brazil, Mexico, Turkey, the Middle East, the US, Hong Kong SAR, New Zealand and Ireland. We also have associate businesses in Saudi Arabia and India.

Disclaimer: Cautionary statement concerning forward-looking statements
Bupa undertakes no obligation to update the forward looking statements in this report or any other forward-looking statements we may make. Forward-looking statements in this report are current only as of the date on which such statements are made. This report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to who this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed. Neither the content of Bupa's website nor the content of any other website accessible from hyperlinks on Bupa's website is incorporated into, or forms part of, this document.

Our Market Units

Australia and New Zealand

Our Australia and New Zealand Market Unit comprises a leading health insurer in Australia and a range of health services delivered through our network of clinics, dental centres and optical stores. It also includes residential aged care services in Australia and New Zealand.

39%
of revenue

3.9m
Health insurance customers

1.4m
Healthcare provision customers

5,800
Aged care residents Australia

3,500
Aged care residents New Zealand

Australia	Bupa Health Insurance Bupa Health Services Bupa Villages and Aged Care Australia
New Zealand	Bupa Villages and Aged Care New Zealand

Europe and Latin America

Our Europe and Latin America Market Unit comprises Sanitas, our business in Spain, which includes health insurance, hospitals, clinics, dental centres and aged care services; Bupa Chile, a leading health insurer and provider; Care Plus, our health insurance business in Brazil; and Bupa Mexico, a domestic insurance business; LuxMed, our private healthcare business in Poland; and Bupa Acıbadem Sigorta, our health insurance business in Turkey. We also have an international private medical insurance business in Latin America.

31%
of revenue

3.9m
Health insurance customers

9m
Healthcare provision customers

4,800
Aged care residents

Spain	Sanitas Seguros Sanitas Hospitales and New Services Sanitas Dental Sanitas Mayores
Poland	LuxMed
Turkey	Bupa Acıbadem Sigorta
Chile	Bupa Chile
Brazil	Care Plus
Mexico	Bupa Mexico
IPMI	Bupa Global Latin America[1]

Bupa Global and UK

Our Bupa Global and UK Market Unit includes our UK domestic health insurance business, dental centres, aged care, clinics and a hospital. In addition, our international private medical insurance (IPMI) business Bupa Global administers medical and travel insurance and medical assistance for individuals, small businesses and corporate customers.

26%
of revenue

2.7m
Health insurance customers

2.3m
Healthcare provision customers

6,000
Aged care residents

UK	Bupa UK Insurance Bupa Dental Care Bupa Care Services Bupa Health Services
IPMI	Bupa Global[1]

Other businesses

We work closely with our associate businesses in Saudi Arabia (Bupa Arabia and MyClinic) and India (Max Bupa). In China, we have a health insurance and clinics business in Hong Kong SAR, and a presence on the mainland.

4%
of revenue

Bupa Arabia[2]	Private health insurer in Saudi Arabia, in which we have a 43.25% stake.
MyClinic[2]	Health clinics business in Saudi Arabia.
Max Bupa[2] **(India)**	Private health insurer in India, in which we have a 44.42% stake.
Bupa Hong Kong SAR	Health insurance and health provision.
Bupa China	Comprises our representative office in Beijing and an integrated medical centre in Guangzhou.

1. Bupa Global includes Bupa Global European Economic Area and associate business Highway to Health, Inc (GeoBlue) in the US.
2. Associate businesses.

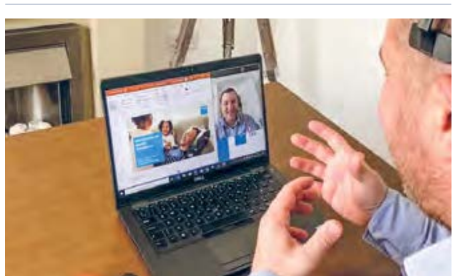
Operational highlights

Responding to COVID-19

Throughout the pandemic our priority has been to focus on the welfare of our customers and our people, and to play our part in government and public health responses.

Supporting our customers and one another

Across the world, our people worked incredibly hard to support customers and one another, adapting to the changing environment.
We invested to keep our customers and our people safe and well, ensure people and operational resilience, and deliver new services in challenging operating environments.



Digitalising our products and services

In insurance, all businesses accelerated digital programmes to make sure customers could continue to access treatment and care:

In Australia, we increased telehealth and mental health support services, developing new ways for customers to access treatment remotely.

In Spain, we launched BluaU, the second generation of our Blua digital proposition. We increased our digital customers by 24% year on year and delivered over 640,000 video consultations, 15 times higher than 2019.

In the UK, we enhanced services to provide remote, direct access to GPs, physiotherapists and nurses, and consultants via video or phone. Use of our Digital GP service increased to around 5,000 appointments per week.

Joining the national response

In Spain, we doubled the number of Intensive Care Unit (ICU) beds by constructing two field hospitals in Madrid to support both the public and private health systems and to treat thousands of COVID-19 patients.

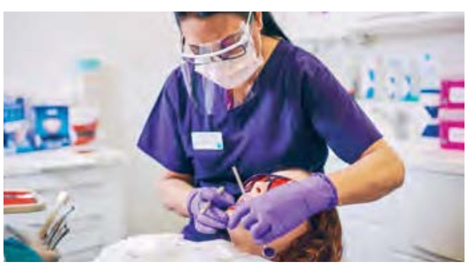
In the UK, the Cromwell Hospital treated cancer and cardiology patients on behalf of the National Health Service (NHS).

In Chile, we worked closely with the government and health authorities to provide additional capacity to the national system.

In Poland, we made a hospital in Warsaw available to the public system to treat COVID-19 patients.

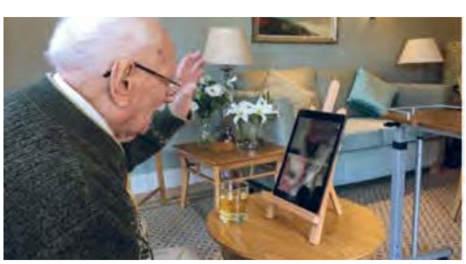
Delivering essential dental services for patients

Our dental businesses introduced new procedures to ensure the safety of customers and staff and increased virtual services.



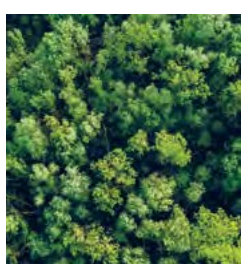
Staying safe and well

Protecting residents and staff remained the overwhelming focus, with comprehensive measures and investment in equipment and staff training. Our teams supported and cared for residents, including their emotional wellbeing and connection with their loved ones.



We established a Healthy Communities Fund to support local charities with a particular focus on supporting those hardest hit by the pandemic, and on mental health and resilience in schools.

We continued to support the work of the Bupa Foundations in Australia, the UK and Spain, and encourage the involvement of our people in contributing their time and skills in the communities in which we operate.



Taking action on climate change

We embedded a new emissions reporting tool, developed a new Environment and Climate Action plan, and strengthened our internal ESG governance.

Strengthened our approach to inclusion and diversity

Chairman's statement

2020 has been a year like no other. The Board and I are extremely proud of the way everyone across Bupa has responded to the challenge of COVID-19.

Our teams have focused on supporting our customers and contributing to national responses to the pandemic. Across the world, our people have pulled together to achieve extraordinary things, truly living our values. The Board and I would like to thank all our people working across our organisation for everything they do to serve our customers and to support one another.

In the Strategic Report, we summarise our results for 2020. Our health insurance businesses adapted to the 'new normal', rapidly accelerating digital services, developing new products and offering information and support. The pandemic brought new health and safety demands, considerable disruption and additional operating costs, particularly in our healthcare provision and aged care businesses. The team has navigated these with great care. COVID-19 meant we were operating in a time of significant financial volatility and we saw reduced investment earnings as the global economy was impacted. We actively managed our financial position to ensure that Bupa remained financially strong and well set up for the future. Delivering through these turbulent times is testament to Bupa's resilience.

I know that steering through the many challenges of 2020 was not easy and I thank the team for all their hard work, agility and focus.

The Board has been able to fully support the leadership team and oversee the response to the pandemic, particularly around risk management and operational resilience, and support for our customers. A focus on Environmental, Social and Governance (ESG) was central to Bupa's response to COVID-19. A Healthy Communities Fund was established to support the vulnerable and those hardest hit by the pandemic.

2020 was also Evelyn's final year as Chief Executive Officer (CEO). I'd like to recognise all that she achieved in her eight years at Bupa. The hallmark of her leadership was her systematic focus on Bupa's customers and the transformation of many of the fundamentals across Bupa, investing in people and technology and strengthening internal controls.

Iñaki Ereño became Bupa's new CEO on 1 January 2021. The Board and I were delighted to appoint Iñaki from within Bupa, following a robust process. Previously CEO of our Bupa Europe and Latin America Market Unit, he is a long-time member of the Executive Team with experience across all types of businesses and a wide range of countries. Iñaki has a passion for customers and the power of digital, as well as a drive for performance, which he is now bringing to his leadership of the whole of Bupa.

“Across the world, our people have pulled together to achieve extraordinary things, truly living our values.”

In March 2021, Joy Linton leaves Bupa to take up a new CFO role in her native Australia. Joy has been key to Bupa’s continued financial strength, including our navigation through COVID-19, and leaves the organisation in excellent financial shape. Martin Potkins became Interim CFO, subject to regulatory approval, in December 2020. He knows Bupa well, having previously been Group Corporate Controller, and brings substantial external experience and finance expertise.

I am delighted that Clare Thompson, our Senior Independent Director and Audit Committee Chair, has agreed to extend her term until 2022, which will provide valuable continuity for the Board.

Under Iñaki’s leadership, the team are committed to delivering strong performance, transforming Bupa to meet the demands of the new era. The Board and I would like to thank all our people working across our organisation for everything they do to serve our customers. Health could not be more relevant to the world right now, and Bupa has a vital role to play.

Our Strategic Report from pages 1-41 was reviewed and approved by the Board of Directors on 3 March 2021.

By order of the Board.

Roger Davis
Chairman

2020

People

84,000

Health insurance customers

17.9m

Provision customers

13.6m

Aged care residents

20,000

Engagement score

79

(+1 vs 2019 and 1 point away from our external benchmark – top 10% of organisations globally)

Support

80%

of employees said that they felt supported by Bupa in our employee surveys, the third highest scoring question out of 20[1]

1. 74% of 71,291 employees responded.

Group CEO's review

The COVID-19 pandemic has changed our world on every level. The past year saw a seismic shift in priorities and accelerated social and technological change.

"We must deliver for customers and play our part in society. Our focus is on growth, transformation and sustainability. We must grow the business of today. We must innovate and become the business of tomorrow. And we must act on the climate crisis – healthy people and healthy businesses need a healthy planet."

I am incredibly proud of how our team responded in 2020 and thank all our people across the world for their amazing hard work and commitment, as well as their contribution to wider society during this difficult period. COVID-19 is having a terrible impact across the world at a very human level. I want to recognise all those whose lives were lost to the virus. Our thoughts are with their families and loved ones.

The pandemic has also changed our world on every level. The past year saw a seismic shift in priorities and accelerated social and technological change. Health has been elevated in the minds of individuals, families, organisations and governments. COVID-19 and its impacts have accelerated digitalisation exponentially and permanently. This has coincided with significant shifts in social and political dynamics, including increasing expectations of businesses.

Having been at Bupa for over 15 years, most recently as CEO of Europe and Latin America, I am honoured to serve as Group CEO from the start of 2021. On behalf of the organisation, I would also like to thank Evelyn Bourke for leading Bupa as our Group CEO for many years but, in particular, through a very difficult 2020.

It is an important time for Bupa. We must deliver for customers and play our part in society. Our focus is on growth, transformation and sustainability. We must grow the business of today. We must innovate and become the business of tomorrow. And we must act on the climate crisis – healthy people and healthy businesses need a healthy planet.

Our 2020 Full Year results reflect volatile and, in some lines of business, challenging trading conditions from the pandemic across our markets. Despite this, the benefits of the diversified nature of Bupa, both in terms of health business line and geography, are demonstrated in these results with revenue at £12.1bn flat at CER on 2019 and underlying profit marginally down at £388m.

Over 2020, we responded to the fast-changing environment acting responsibly, as part of national efforts to address the pandemic, and with the interests of our customers and employees always prioritised. The actions we took to support customers and our people, our operational response to COVID-19, and the pandemic's impact by business line were as follows:

- **Insurance:** Throughout the pandemic we accelerated investment in telehealth and digital healthcare services, so that customers could continue to access healthcare remotely. We took a range of targeted actions in our markets to support our customers. These included: a pledge to pass back any exceptional financial benefit arising from COVID-19 to UK PMI customers; removing pandemic exclusions for COVID-19; delaying approved premium increases in Australia and Chile; providing free access to Blua digital consultations in Spain; and supporting those experiencing financial hardship. Claims were reduced by the restrictions on access to healthcare facilities, in particular, hospitalisation for elective surgery, giving some benefit to profit in the year. Although these restrictions have largely been lifted, postponed claims will return and the quantum and timing of claims rebound in 2021 remains uncertain. There is potential for volatility in insurance profits in the coming year, although this will be largely mitigated in Australian Health Insurance and in the UK PMI business by reserves held at year end.
- **Health provision:** Our hospitals in Spain, Poland and Chile treated thousands of COVID-19 patients as part of the national responses. In Spain, we doubled the number of ICU beds and constructed two field hospitals. In the UK, the Cromwell Hospital treated cancer and cardiology patients on behalf of the NHS. Other businesses, particularly dental and clinics, were largely closed during the initial

Performance 2020

Revenue[1]

£12.1bn

-2% AER 2019: £12.3bn
0% CER 2019: £12.1bn

Statutory profit/(loss) before taxation

£410m

AER 2019: £(78)m

Underlying profit[2]

£388m

-7% AER 2019: £416m
-4% CER 2019: £404m

1. Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included.
2. Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory profit before taxation, to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other material items not considered part of trading performance. A reconciliation to statutory profit before taxation can be found in the notes to the condensed consolidated financial statements.

lockdown periods, which affected performance. As restrictions eased, we reopened services with operational safety measures in place. Activity started to recover towards normal levels in the second half of the year, although continued to be impacted by local lockdowns.

- **Aged care:** Protecting residents and staff remains our absolute focus, with comprehensive safety measures introduced and investment in safety equipment, staff training and support. Across our businesses in Spain, the UK, Australia and New Zealand, our teams supported and cared for our residents and worked hard to maintain their connections with families and loved ones using technology. We introduced temporary admissions restrictions to protect our residents and our people. We closed the year with reduced occupancy levels, which impacted performance. We incurred higher operating costs with additional PPE and other pandemic related expenses. In Australia, we invested to improve clinical standards and ended the year with no care homes under regulatory sanction.

For our people, we focused on keeping them safe and supporting them during uncertainty. We significantly expanded the availability of mental wellbeing and resilience services, helplines and support. We enabled our frontline people to continue to work safely by implementing enhanced cleaning regimes in facilities, providing PPE and training on specialist equipment. We facilitated remote working wherever possible through technology and at the peak of the first wave of the pandemic, 96% of our people were able to work. Different working arrangements were put in place for the remainder of our people.

During 2020, we supported the work of community partners through a Healthy Communities Fund and via the Bupa Foundations in the UK, Spain and Australia.

Many thousands of our people volunteered to support those affected by the pandemic, including participating in our programmes to support mental health and resilience for young people and in schools. We continued to progress our environmental management agenda and prepare a new Environment and Climate Action plan, which we aim to publish this year.

We remain financially strong with a stable solvency capital position. Over the year, we managed liquidity prudently and improved our debt maturity profile raising £650m through a senior bond and Tier 2 bond issue. We also redeemed £330m of bonds issued in 2004. We increased our shareholding in Bupa Arabia by 4% to 43.25% as part of our ongoing investment in strengthening our market positions. I would like to thank Joy Linton, our outgoing CFO for her leadership over her years at Bupa and for her excellent handover to Martin Potkins our Interim CFO.

We have strong foundations for our future. Significant investment in technology, a streamlined organisation structure, and our diversified business model helped us end 2020 in a strong position and ready to begin a new stage of growth for the benefit of our customers, even though we face some challenges.

Outlook

We are in the early stages of vaccine deployment in many of our markets but the pace will vary, and it is clear COVID-19 will continue to impact economies, health systems and our business lines over the medium term. These impacts will vary by country. The quantum and timing of deferred health insurance claims in some markets is also uncertain. We will continue to adapt and innovate to meet the demands of this new environment, continuing to play our part in helping customers, our people and society.

The pandemic has accelerated opportunities in our markets. Customers are increasingly focused on their health and wellbeing, and both customers and clinicians are more willing to use telehealth services – presenting opportunities for healthcare companies who can adapt to these trends.

We are well-placed to address these challenges and opportunities with underlying financial strength, a resilient organisation and a diversified business model. We are developing our new strategy with a focus on excellence for customers, innovation, transformation and sustainability. I am confident we will end the year with increased momentum in all these areas.

Iñaki Ereño
Group CEO

Our priorities for 2021

Our priorities are…	▪ Excellence for customers ▪ Innovation ▪ Digital transformation ▪ Sustainability ▪ Growth
We are committed to…	▪ Continuing to adapt and innovate to meet the new demands ▪ Playing our part in helping customers, our people and society ▪ Acting on the climate crisis
Underpinned by…	▪ Underlying financial strength ▪ A resilient organisation ▪ A diversified business model ▪ A robust Risk Management Framework

Business model

What we do

Health insurance

72%
of revenue

17.9m
Insurance customers worldwide

- Our main business is health insurance for individual and corporate customers, and small and medium-sized enterprises (SMEs).
- We have a strong domestic health insurance presence via our businesses in the UK, Australia, Spain, Chile, Hong Kong SAR, Turkey, Brazil and Mexico, and our associate businesses in Saudi Arabia and India.
- We offer additional health funding products, such as subscriptions and cash plans.
- We also deliver third-party administration services in selected markets. We also offer international private medical insurance (IPMI) through our Bupa Global businesses, for international customers wanting access to quality healthcare, wherever and whenever they need it.
- We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong SAR, Brazil and through Bupa Global.

Health provision

20%
of revenue

390
health clinics

13.6m
provision customers worldwide

1,000
dental centres

22
hospitals

- Health clinics: Services include health assessments, GP services, fertility services, and physiotherapy. We also have outpatient and speciality clinics.
- Digital provision: We offer digital provision services including digital GP services, care triage and consultation, mental health coaching and support, and chronic care management.
- Hospitals: We run hospitals in Spain, Chile and Poland and one in the UK.
- Dental: We have around 1,000 dental centres across the UK, Ireland, Australia, Spain, Chile, New Zealand, Poland, Brazil and Hong Kong SAR.

Aged care

8%
of revenue

20,000
residents in our care homes

- Our aged care portfolio comprises care homes, retirement villages, day centres and homecare.
- Aged care services in Australia, New Zealand, the UK and Spain.

Who we create value for

Customers

- See pages 12-15 for more about our customers

People

- See pages 16-19 for more about our people

Partners

- See pages 25-28 for more about our partners including healthcare providers, clinicians, brokers and distributors.

Society

- See pages 20-24 for more on Environmental, Social and Governance.

External context

Global macro trends

Macroeconomic context

The pandemic has triggered a slowdown in economic growth in all major economies, which is likely to result in a global economic contraction.

Consumer spending has slowed, and public sector budgets have been put under significant pressure, presenting funding challenges within health systems.

As a global business, we have felt the impact of this across our markets. However, our industry and diversified business model benefit from a high degree of resilience.

We actively monitor and respond to the economic climate in which our businesses operate.

Changing social attitudes

Changing social attitudes, such as increasing focus on addressing inequalities and an emphasis on good corporate citizenship, continue to shape consumer behaviours – and have been reinforced by the COVID-19 pandemic.

Consumers are seeking to engage with companies that demonstrate social responsibility and companies must work harder to build trust and prove their “social licence to operate”.

Our corporate values align with this and we recognise the important role that companies play in shaping societies.

We are committed to strengthening our focus on sustainability and the wider ESG agenda.

Climate action

The climate crisis remains a critical priority, and the pandemic has placed sharper focus on climate action and reinforced societal expectations of businesses.

The pandemic has highlighted the potential for meaningful action when science, business and policy communities come together, and has reinforced expectations of the role of companies.

The public is also paying more attention to the health impacts of climate change, particularly the relationship between air quality and respiratory illness, and greater appreciation for green spaces.

We are defining the next level of detail for our Environment and Climate Action Plan, particularly our focus on the health impacts of climate change.

Healthcare trends

Health cost pressures

Before the pandemic, demand for healthcare continued to grow due to rising incidence of chronic disease, and growing patterns of healthcare consumption.

The impact of COVID-19 is expected to increase demand further on health systems, as consumers become more health-conscious and as backlogs in care and treatment must be addressed.

Medical cost inflation also remains high due to high-cost treatments and technologies and worker scarcities, resulting in persistent affordability challenges.

We are working to optimise the efficiency and effectiveness of care received by our customers and to increase digitalisation across our business, to deliver continued access to affordable and high-quality healthcare.

Consumer behaviours

Consumer behaviours are developing in response to affordability challenges, evolving views of health, and increasing digital developments.

The pandemic has accelerated the need for digitalisation in health as consumers (and clinicians) are demanding care in remote and digital settings.

This year, we have responded by enhancing our telehealth services and remote care capabilities. Going forward, digital services will be a crucial part of our customer offer, and we will build on the progress made in 2020 to further strengthen our digital capabilities and propositions.

We also continue to develop new propositions that are personalised and customer-centric, to remain competitive and relevant for current and future customers.

Regulatory environment

Governments and regulators are placing a greater focus on health systems due to concerns over quality, affordability and accessibility of care.

Healthcare providers are facing greater scrutiny of the quality of care delivered, while insurers are facing pressures over the value and the affordability of health insurance.

This year, COVID-19 has led to changes in regulatory approach and action in many markets, as regulators have sought to enable greater flexibility and efficiency in healthcare systems.

We have welcomed these changes and have responded by introducing greater agility in our businesses and deploying digital and telehealth services, rapidly and at scale. We continue to monitor our markets and work alongside government and regulatory agencies where appropriate, to ensure the long-term sustainability of the industry on behalf of our customers.

Financial performance[1]

We use our key financial metrics to focus on in-year performance and longer term sustainability. These metrics include revenue, statutory profit before taxation, underlying profit, net cash generated from operating activities and Solvency II capital coverage ratio.

See Financial review on **pages 33-35.**

Revenue

£12.1bn

Statutory profit/(loss) before tax

£410m

Underlying profit

£388m

Net cash generated from operating activities

£1,343m

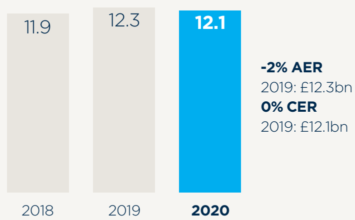
Solvency II capital coverage ratio[3]

160%

Revenue

Revenue was broadly flat as a result of growth in our Australia and New Zealand and Europe and Latin America Market Units, offset by a decline in Bupa Global and UK.

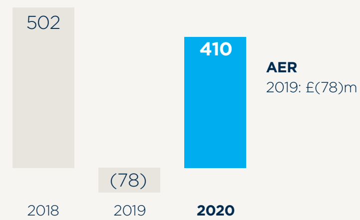
Revenue
(£bn)



Statutory profit/(loss) before taxation

Statutory profit before taxation was £410m compared to a £78m loss in 2019, largely as a result of non-recurring goodwill impairments in 2019 of £443m.

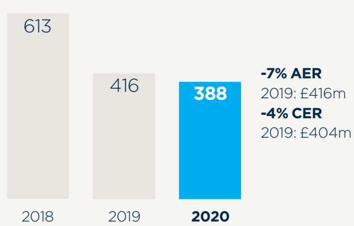
Statutory profit/(loss) before taxation
(£m)



Underlying profit[2]

Group underlying profit declined marginally by 4% to £388m (2019: £404m at CER). Overall, our insurance profits have increased, however this was more than offset by losses in provision and aged care, reflecting the significant disruption to services from lockdowns, government restrictions and additional costs from COVID-19.

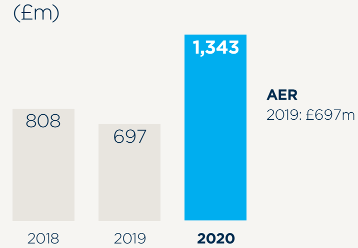
Underlying profit
(£m)



Net cash generated from operating activities

We generated cash from operating activities of £1,343m, up £646m, largely reflecting the delay in claims outflows in the insurance businesses.

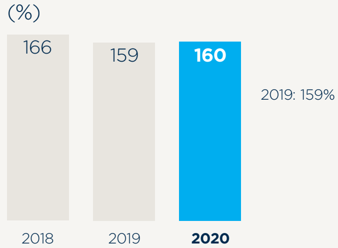
Net cash generated from operating activities
(£m)



Solvency II capital coverage ratio[3]

Our Solvency II capital coverage ratio of 160% at 31 December 2020 remained strong and comfortably within our target working range of 140-170%.

Solvency II capital coverage ratio
(%)



1. The numbers in the graphs are shown at AER.
2. Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory (loss)/profit before taxation, to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other material items not considered part of trading performance. A reconciliation to statutory (loss)/profit before taxation can be found in note 2 (page 107).
3. The 2020 Solvency II capital position, SCR and coverage ratio are estimates and unaudited.

Customers are at the heart of everything we do at Bupa. Our priority throughout 2020 was to protect and support our customers, and play our part in national responses to the pandemic. This meant adapting our products and services so that people could continue to access care.

Our people rose to the challenge. They focused on our customers, often in the toughest of circumstances.

Customers

Our COVID-19 response

Health insurance

The pandemic impacted the way we operate and changed the way many of our health insurance customers access products and services.

The measures taken by governments to protect their citizens and public health systems meant that many treatments and procedures were delayed due to lockdown measures. We responded by accelerating the introduction of, and access to, telehealth services and video consultations and by broadening our mental health support available remotely. In Australia, we rapidly expanded our telehealth offering, giving customers access to services such as physiotherapy from home. In our Bupa Global and UK Market Unit, we made virtual GP appointments available to all customers and increased access to the Babylon virtual GP app.

We made it easier for customers to communicate with us. We introduced dedicated phone lines for COVID-19 assistance and reinforced existing lines to support both physical and mental health. We launched webchats and virtual assistants and increased the frequency of direct communications with customers, launched dedicated COVID-19 information hubs on our websites and apps, and shared resources to help our customers take care of their physical and mental wellbeing.

We undertook a range of targeted actions in our markets to support our customers. These actions varied on the basis of market context and product set. In Australia, we delayed the approved premium rate increase for all customers for six months. We launched a £20m financial hardship scheme in the form of premium waivers, discounts and suspensions, which was accessed by close to 50,000 customers. In Spain, we made our Blua virtual consultation service available to all customers, free of charge. We also made financial support measures available for those in need on a case-by-case basis, and we introduced new low-cost products for customers who needed to look at different options.

In other insurance markets we removed pandemic exclusions for COVID-19, reviewed excess clauses and supported customers experiencing financial hardship. In the UK, we pledged to pass back to UK PMI customers any exceptional financial benefit arising as a result of COVID-19, as well as providing premium suspensions where customers needed them. We also delayed approved premium increases in Chile.

Provision

Our hospitals and health centres in Spain, Chile, the UK and Poland worked in partnership with public health systems to support national efforts against the disease. In Spain, our hospitals treated around 29,000 COVID-19 public and private patients, opening two field hospitals in Madrid to meet demand. In the UK, the Cromwell Hospital supported the NHS with capacity by providing treatment to cancer patients.

We introduced new protocols in our clinics and dental practices to make sure customers felt safe and were protected. This included increased use of PPE, new socially distanced layouts and other operational procedures.

In Spain, we launched dental videoconsultations so customers could access dental care from home. In the UK, teams supported our Anytime Health line, which received double the number of calls during the first lockdown in the UK compared to the previous year. In Australia, we redeployed our people to other areas of the business to support customers where they needed us. When our clinics and dental centres were able to reopen, we introduced necessary measures to ensure the correct operational safety measures were in place to protect our customers and people. In Hong Kong and Poland, our clinics were able to stay open while also making video consultations available.

The Cromwell Hospital in London significantly adapted its operating model, working in partnership with NHS England throughout the first wave of the pandemic. Our people adapted to support the hospital to provide time-critical cancer and cardiac care for NHS patients.

Aged care

We are very proud of how our people supported our residents during this challenging time.

In our care homes and villages in Australia, New Zealand, Spain and the UK, we introduced comprehensive safety measures and new operating protocols. In line with local restrictions, we temporarily closed homes to new admissions to protect our residents and our people.

Our teams successfully cared for people through the virus, saving many lives, but tragically a number of our residents did not survive the virus and our thoughts are with their loved ones. We focused on supporting families and residents through an incredibly difficult time and working with public health authorities.

We equipped our care homes with technology for residents to stay connected with their families and friends. In Australia and Spain, we introduced mobile apps to connect our residents with their loved ones. In Australia, our Visits by Mail campaign connected residents with their families and communities.

Take-up of video consultations and telehealth services has been widespread by clinicians and customers.

Customers
continued

What our customers think – 2020 Net Promoter System (NPS) scores

NPS for priority areas in 2020

Health insurance	2020	▲▼ since 2019
New customers		
Australia	+37	0 ▲
Spain	+48	6 ▲
UK	+33	3 ▲
Claims		
Australia	+28	17 ▲
Spain	+68	0 ▲
UK	+64	10 ▲
Bupa Global	+55	2 ▲
Hong Kong	+58	18 ▲

Provision		
Clinics		
Australia	+81	23 ▲
UK	+68	0 ▲
Poland	+66	6 ▲
Hong Kong	+18	10 ▼
Dental		
Australia	+79	5 ▲
Spain	+71	2 ▲
UK[1]	+77	1

Aged care		
Australia	+26	1 ▲
UK[2]	+48	3 ▲
Spain	+61	1 ▲

1. 2019 NPS was re-baselined following a change in methodology
2. Annual Residents Survey NPS

Customer excellence

The COVID-19 pandemic meant that we had to rapidly adapt to meet our customers' fast-changing needs. We continued to launch new products and services, and innovate existing ones, to ensure our customers could access health and wellbeing support when and where they needed it despite the restrictions in place in many countries.

Australia and New Zealand
Health Insurance

We partnered with an online fitness platform, 28 by Sam Wood, to give our insurance customers complimentary access to a full programme of fitness and wellbeing activities during lockdown. Over 75,000 customers signed up to the service.

Acknowledging the impact of COVID-19 lockdowns on men's mental health, we partnered with Australian mental health provider Mindstar to provide a Wellbeing Hub free of charge. We also expanded our Mind Care Choices programme to more states, allowing customers to access mental health care from a clinic, at their home or over the phone or video conference with no out-of-pocket costs.

Our customers were rewarded through a new collaboration with Australia's largest supermarket chain, Woolworths. Bupa customers received extra reward points on every shop and bonus points and discounts on fresh fruit, vegetables and organic wholefoods to encourage and support healthy eating and other healthy lifestyle choices.

Health services

Our Bupa Medical Visa Services (BMVS) business in Australia implemented an innovative technology to create a tailored message service to help our diverse client base navigate the visa medical assessment process. This robot (bot) platform can answer common customer queries, such as appointment availability, without having to make a call. If the bot is unable to answer the query, the customer is transferred to a team member. For many BMVS customers, English is not their first language, and this has meant we needed to tailor our message service to ensure the language, instructions and information are clear and easy to understand.

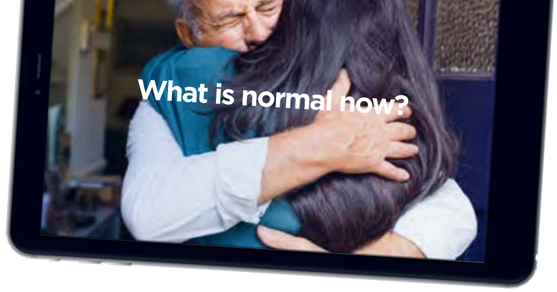
Europe and Latin America
Health Insurance, Spain

In Spain, we launched BluaU, the new generation of Blua, the digital health insurance product by Sanitas. Through BluaU, a Sanitas medical team can monitor different health conditions and assess them using facial imaging on customers' phones. Using this data, customers can access digital programmes to help prevent ill-health and support for their physical and mental health. Customers can also access video consultations with thousands of specialists and at-home services such as testing and pharmacy delivery.

Our people rated us

79

for Customer Focus in our People Pulse survey 2020



Chile

In Chile, our laboratory improved protocols for testing to double test capacity and developed testing capabilities with the Federico Santa Maria University to increase availability of PCR tests for the public. Our insurance business launched a video consultation service with doctors from our IntegraMédica network which carried out more than 115,000 video consultations over the year. In our Isapre CruzBlanca business, we launched a special COVID-19 benefits package and introduced an online symptom assessment using artificial intelligence (AI). Our IntegraMédica clinics implemented home care offering medical consultations and sample-taking for those in isolation, particularly the elderly or people with reduced mobility.

Care Plus, Brazil

In Care Plus, we connected with our customers by hosting web events and providing informative and entertaining content during the pandemic. We also created a programme to support and monitor members and their families who were diagnosed with COVID-19. We launched our virtual walk-in clinic, Consulta Fácil, and made it possible for customers to access a virtual consultation with a doctor for diagnosis and treatment at any time.

Bupa Global Latin America

In Bupa Global Latin America, we introduced our Virtual Care service, where our health insurance customers can speak directly to a health adviser over the phone at any time. We also launched Virtual Care Healthy Mind, which allows our customers to speak to a psychologist wherever they are and whenever they need it at no extra cost, deductible, or coinsurance.

Bupa Global and UK

UK Health Insurance

Our new UK brand campaign, 'Is it Normal?', ran throughout 2020. The campaign highlighted expanded cover for more mental health conditions, ongoing support for longer-term conditions and further support to families who are worried about their child's mental wellbeing through the Family Mental HealthLine. We launched a second phase focusing on mental health after months of distress brought about by the pandemic.

We created a Bupa COVID-19 online hub providing regular updates, health advice and content. We expanded our range of remote services, Bupa at Home, to meet demand, offering around-the-clock access to expert advice and care to help customers stay in control of their physical and mental health from home.

We launched Bupa Balance, designed to help big businesses scale up their essential health services to help support a greater number of employees to stay on top of their health, wellbeing and long-term chronic conditions.

Bupa Global

We introduced Global Virtual Care, giving customers access to a global network of doctors via telehealth, same-day consultations and online consultation notes. The creation of a 'virtual post room' helped us to turn around claims in record time which is especially important as speed of claims payment is a major driver of customer experience.

Health Clinics

We launched Bupa Be.Well, which replaces our health assessments with a broader plan to support customers' overall health and wellbeing. Each plan is underpinned by behavioural change science and uses data from health assessments and wearable technology to help customers achieve their goals. We also launched a new Be.Me app, as part of Bupa Be.Well, to provide customers with a virtual health and wellbeing plan and virtual coach 'Luke'.

Dental

Our dental business rapidly put tools, policy and procedures in place to facilitate virtual consulting. This has allowed us to support hundreds of thousands of patients who were unable to see us in person.

Hong Kong SAR

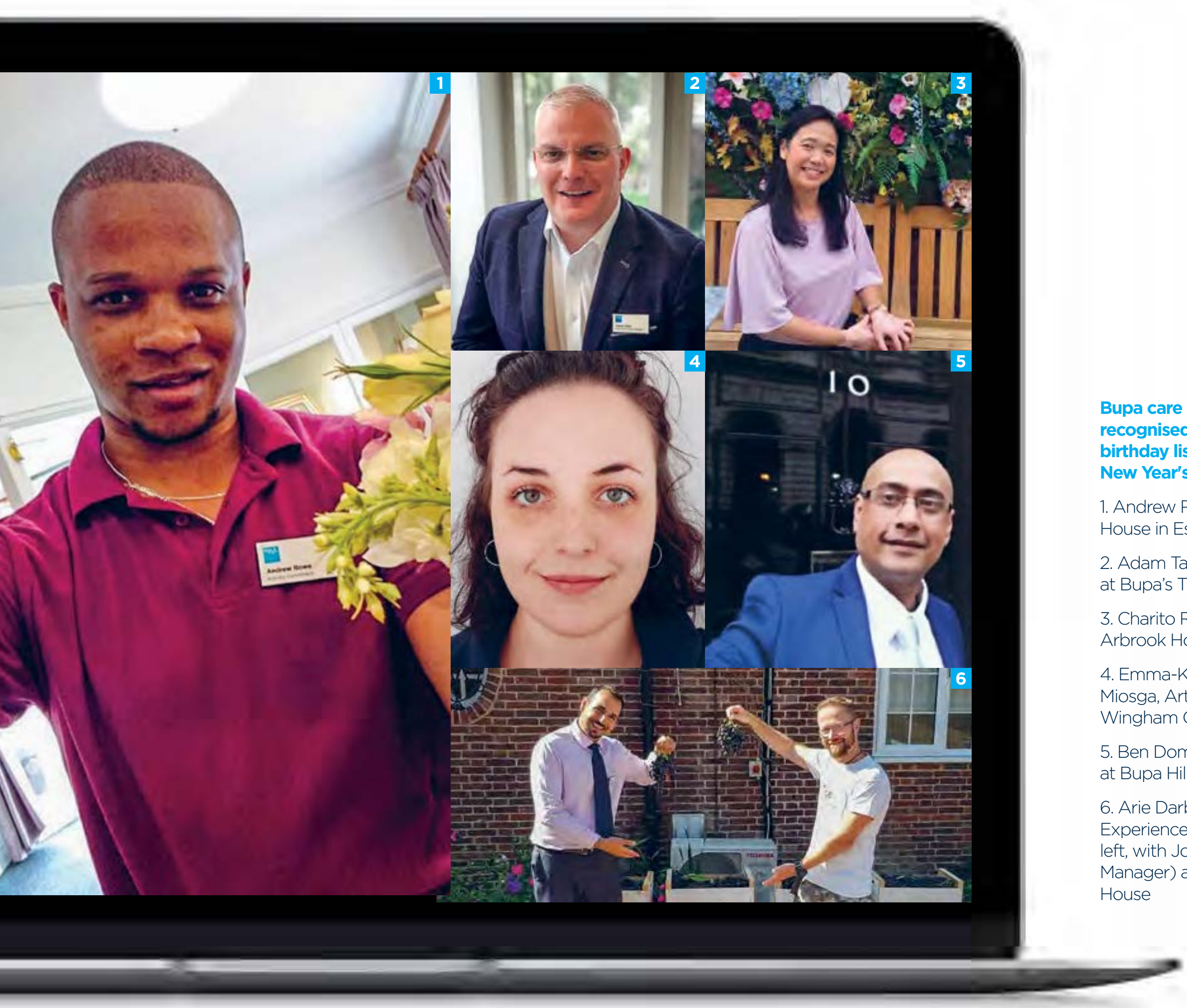
We launched the Bupa4Life app, a digital wellbeing tool that helps our health insurance customers understand and achieve their health and wellbeing goals. The app makes it easy for users to track activity, while supporting and rewarding them with access to health and wellbeing related content, products and services.

We launched new features on our Quality Healthcare mobile app. This includes online booking, an e-ticketing service to reduce wait times for appointments, a search database of clinics and specialists, an e-shop of products and services and access to tailored health information.

Bupa Arabia

Bupa Arabia created a COVID-19 command centre, enabling customers to speak to a specially trained doctor at any time for questions or advice, to relieve stresses and confusion associated with COVID-19. After two weeks of the centre being open for customers, we opened this service to the public in partnership with the Saudi Ministry of Health. Over 100 employees were redeployed to support and play a greater role in the public health response. The partnership lasted for four months with the centre taking 120,000 calls.

Our people are what makes Bupa special and it has never been more important than in 2020 for us to be there when they needed us most. Our focus has been to create a culture of care and trust, with high engagement and strong leadership. We used our global reach to learn and adapt quickly, keeping our people's needs front and centre and providing them with what they need throughout the global pandemic.



Bupa care home colleagues recognised in the Queen's birthday list (UK) 2020 and New Year's honours list 2021:

1. Andrew Rowe, Bupa's Arbrook House in Esher
2. Adam Tallis, General Manager at Bupa's The Kensington
3. Charito Romano, Bupa's Arbrook House in Esher
4. Emma-Karin 'EK' Gerdin-Miosga, Arts Facilitator at Bupa Wingham Court
5. Ben Domah, General Manager at Bupa Hill House
6. Arie Darbandi, Resident Experience Manager (pictured left, with Jonathan May, Home Manager) at Bupa Arbrook House

People

Colleagues

84,000

Colleagues across the globe

People Pulse survey response rate

74%

52,785 of 71,491 responded (a 4% increase vs Nov 2019)

Engagement score

79

(+1 vs 2019 and 1 point away from our external benchmark – top 10% of organisations globally)

Engagement

68,506

comments were received (16% increase vs Nov 2019)

Support

80%

of employees answered that they felt supported – the third highest scoring question out of 20 in our surveys.

2020 was an incredibly challenging year for all of our people.

Facing into the global pandemic forced us to think differently about how we supported our people, so they in turn could continue to serve our customers. We adapted our ways of working, reprioritised activity and acted quickly to ensure an increased focus on the health, safety and support of our people. More than ever before, we connected globally to learn from each other and quickly adapt. Together we created six guiding principles that were adopted in each market and locally applied throughout the year:

- Exercise our duty of care to our people
- Keep our approach anchored to our Values and our Bupa Code
- Work within the Bupa Operating Model, enabling our Market Units and Businesses to manage appropriately to their local context, supported by enterprise-level principles, frameworks and standards
- Prioritise business continuity to enable good customer and patient outcomes
- Follow relevant governmental advice and employment legislation, adapting our policies and processes if/where needed
- Ensure we communicate regularly and proactively to our people and stakeholders.

Recognising the efforts of our people.
As a result of the pandemic, initiatives were taken by management teams across the group in terms of pay and conditions of employment to recognise the effort our people put in. These initiatives varied by business, depending on the local context. As referenced in the Section 172(1) statement on page 28 and the Directors' Remuneration Report on page 72, examples include one-off recognition awards to frontline employees in hospitals and care homes, additional pay for certain groups of employees, and support with financial hardship.

Keeping our people safe

Keeping our people and our workplaces safe is always a priority. In the peak of the crisis, 96% of our people were able to continue to work. We enabled our frontline to keep working by implementing enhanced cleaning regimes in our facilities, providing PPE and training on specialist equipment. We moved thousands of our people to remote working, by supplying equipment and technology to help them work effectively from home.

For some countries, such as Australia who were recovering from the impacts of bushfires, and Hong Kong and Chile's civil unrest, the impact of COVID-19 compounded and extended what had already been an incredibly stressful time for employees and customers.

Bupa's 'Feel Better' mental health campaign in Hong Kong

Bupa Hong Kong launched our 'Feel Better' campaign to make mental health support more accessible and understood, which included an industry-wide survey, a recognition scheme for employers endorsed by the Mental Health Association of Hong Kong, and a series of tools to empower young people to talk about mental health.

Taking care of our people's mental health

Throughout 2020, mental health became more important than ever before. Advice and information to support our people through uncertainty and change was regularly promoted. Right across Bupa we saw increased access to mental health resources, 24/7 helplines, access to psychological services and virtual sessions to build resilience and mindfulness. 'Care calls' were made to individuals significantly impacted by the pandemic and we offered direct support such as counselling for those in need.

We encouraged our leaders and our people to look after their own wellbeing, to have honest, open conversations about mental health, to role model self-care and help people look for the signs that someone in their team needs support. We ensured that mental health was a core part of communication from our leaders, including information from Dr Paula Franklin, our Chief Medical Officer.

In Spain, we launched weekly podcasts and videos for adults and children to support them with their mental health.

In the UK, we launched a digital Mental Health Hub as part of the 'Is it Normal?' campaign. To help relieve concerns from financial pressures, we launched Wagestream, a pay-on-demand service giving our employees access to money earned in the month, ahead of the pay cycle.

In Australia and New Zealand, we launched our 'Return to Workplace' strategy, to support specific and immediate needs such as remote leadership and home schooling, as well as helping longer-term workplace transformation.

People
continued

We are extremely proud of how our people responded to the challenges brought by the pandemic. They demonstrated great commitment to continuing to care for and serve our customers, while also contributing to national responses to fighting the pandemic. They did this through times of significant uncertainty and often in the toughest of circumstances. Our volunteering programmes across Bupa showed how our people rose up and offered to do different roles or work in different places to support the teams most vulnerable and in need. Tragically, we did have employees who sadly passed away who were confirmed as being infected with COVID-19. We have been doing all we can to support their families through this incredibly difficult time.

In Spain, almost 400 people volunteered to support front line staff during the pandemic. Doctors in management roles returned to active duty and colleagues supported staff in administrative and logistical roles to redirect medical equipment to where it was most needed. Others coordinated new initiatives like a letter writing campaign for inpatients, while volunteers also helped out in care homes, supporting clerical staff and residents.

In the UK, over 370 employees volunteered to support our care homes as the pandemic unfolded. Following all government guidelines, they were granted time from their usual Bupa roles, to support with cleaning, kitchen duties and reception tasks so that staff trained to care could concentrate on caring for our residents.

Engaging with our people

Our global People Pulse runs across all markets, where every employee has the opportunity to participate and share their feedback openly. This provides us with insights to prioritise actions locally in support of key business drivers. We usually run this twice yearly. In 2020, we adjusted the scope of the global survey in the first half of the year to take account of the pressures across our businesses from the pandemic. In the second half of 2020 we introduced some new questions to capture feedback on inclusion and wellbeing, ESG and 'accountability to take action', as well as how well people felt supported and communicated with during the pandemic. These questions sit alongside questions relating to areas such as 'company prospects', 'empowerment', the Bupa Values and Bupa's Speak Up whistleblowing channel.

Overall results from our November 2020 global People Pulse showed that we have continued to rise since 2018 in both score and increased levels of participation, despite the disruption of 2020. Our priority areas of focus are ensuring that leaders create the best environments for high engagement and supporting areas that have consistently scored lower in this area, showing we are listening to the feedback and driving change.

Listening to our people to inform our response

As the pandemic unfolded, hearing directly from our people was fundamental in how we prioritised support and action. At the start of the pandemic, we conducted localised surveys across many countries using a recommended set of questions (endorsed by our engagement partner Glint). This created an instant and open feedback channel to understand the impact the crisis was having on our people and to ensure our actions were relevant and supportive. Our strong culture was reflected through the positive sentiment and volume of feedback which was received. The insights were used to prioritise actions and to design return to work plans, understanding how to best support our people, both frontline and remotely. Positive feedback included:

- Increased communications – our people feel informed of company decisions, what is being done, why and how.
- Leadership transparency – leaders are speaking far more openly and honestly, being transparent about what they are doing and why.
- Collaboration – people feel the crisis has helped bring groups together to work through problems collectively.

Our dental business in Spain deployed an ambitious training programme. Our employees have completed significantly more training hours as a result.

Attracting, developing and retaining outstanding people and leaders

We continue to build leadership capability and to nurture talent, anticipating future trends to deliver our business goals. The external events of 2020 highlighted the importance of leadership strengths in adaptability, communication, inclusive leadership, innovative customer solutions and driving for performance under challenging circumstances. All of these areas will remain important for Bupa. Our engagement levels in 2020 help to spotlight Bupa as a great place to work.

In Australia and New Zealand, we focused on psychological safety. We provided timely and targeted support to our people, particularly during the Australian bushfire crisis and COVID-19 pandemic. The Psychological Health and Safety team provided 1,344 hours of support and 114 mental health-related education sessions to managers, senior leaders, People teams, to ensure that increased support was given to our people's mental health and reduce the risk of psychological harm.

Online learning became crucially important and our online portal showed a significant increase in engagement on last year, with people using the platform for personal learning interests as well as mandatory training.

A new talent assessment tool was launched in Bupa Arabia, developed in line with our global leadership imperatives to accurately compare candidates against our own internal talent. This proved especially important as the pandemic raised demand for specialist roles, particularly in technology, allowing Bupa Arabia to attract the right people for the role.

Business practices

The Bupa Code outlines a clear set of standards for our people to adhere to. These standards are reinforced through our operating model, processes and policies. Our suite of controls and measures tells us whether our standards are being upheld so that if there are issues, we can identify the root cause and take appropriate action. These controls include risk framework assurance, employee surveys, audit findings and various management information metrics.

Inclusion and Diversity (I&D)

We continue to focus on Inclusion and Diversity. In 2020, the Black Lives Matter movement caused us all to reflect and unlocked more open conversations about race and racial injustice. We remain committed to listening to and talking with our people to ensure we truly support and understand them. Our global executive team reaffirmed their personal and organisational commitment to a workplace and a world that is diverse, inclusive, tolerant, empowered and respectful.

We know that we have more to do. We strive to be an inclusive and diverse organisation that welcomes everyone of all beliefs, talents and backgrounds. We believe that teams of greater diversity provide us with the best opportunity to solve the business and social challenges that we face. And we have no tolerance for racism or discrimination of any kind.

We are working to improve representation of minority groups, reduce our gender pay gap and achieve balanced gender representation across Bupa. In 2020, female representation on both the Bupa Board (45% female representation) and Bupa Executive Team (42% female representation) were above the 35% target set out by the Women in Finance Charter, which reflects the UK HM Treasury's aspiration to see gender balance across financial services.

Bupa is committed to Gender Pay Gap (GPG) reporting in all geographies. Whilst the GPG legislation and reporting requirements differ by country, we have a global ambition to remove the gap. Our key focus areas in driving a change and making a positive difference globally include:

- Working practices that reflect equality and fairness with more flexible roles and ways of working
- Attracting and promoting more females into senior roles
- Easier access to data to track progress and support action.

Our 2020 UK GPG was 18.7%, showing an increase of 3.2% but below sector average of 33.2%. See our 2020 GPG report published here: https://www.bupa.com/corporate/legal-notices/gender-pay-gap. (Other country reports for GPG are in progress at time of this report).

We provide an inclusive and accessible recruitment process ensuring there are no barriers to the career development and progression of disabled people. In the case that a member of staff becomes disabled during employment, we make every effort to enable them to continue working and provide appropriate training and support where needed.

Our approach to inclusion and diversity supports our ESG agenda (page 20-24) and is sponsored by two members of the executive team on our I&D steering committee. The Board also has a Board Diversity Policy which was last updated in December 2020 and is published here: https://www.bupa.com/corporate/who-we-are/corporate-governance/board-diversity-policy.

Tackling gender representation in Saudi Arabia – Bupa Arabia is focused on ensuring female representation throughout the business and at senior management levels. They launched 'Empower Her,' a women leadership development workshop aimed at equipping our female leaders and managers with the right skills and capabilities to succeed in a more male dominant culture.

Introducing I&D policies and protocols in Chile – Bupa Chile established an I&D policy to encourage and promote the value of diversity, to accept each employee with respect and create an inclusive work environment. To date, we have hosted more than 130 workshops to raise awareness and promote diversity. Nearly 1,400 out of all 8,500 employees had participated by the end of 2020.

Recognition

Forbes World's Best Employers

Bupa was ranked 83 out of 750 multinationals in the Forbes World's Best Employers 2020 list – the highest ranking of an insurance or healthcare company. Areas measured include COVID-19 response, image, economic footprint, talent development, gender equality and social responsibility.

The Financial Times (Europe's most inclusive companies)

In 2020, the Financial Times reviewed Europe's most inclusive companies as ranked by employees, and Bupa ranked 359 out of 850 diversity leaders. Companies in the top 10 achieved 8.11 or higher out of 10, Bupa achieved 7.34 out of 10.

Inclusive Companies – Top 50 UK Employers

In the UK, we were ranked 9th in the Inclusive Top 50 UK Employers 2020/21 list, compiled by Inclusive Companies.

CIPD Middle East – Best Employee Engagement Initiative

Bupa Arabia achieved recognition from CIPD Middle East who award top employers in the Middle East for their people practices.

Recognition of Dr Paula Franklin, Chief Medical Officer

Dr Paula Franklin, listed tenth out of the Top 100 Senior Executives in the Empower Ethnic Minority list.

Environmental, Social and Governance (ESG) agenda

Through 2020, we maintained a focus on environment, social impact and governance considerations in how we responded to the pandemic and more broadly.

Over 2020 sustainability and the wider ESG agenda have become even more important to all stakeholder groups. The COVID-19 pandemic has been a test of responsible business in action. Wider societal issues were thrown into sharper relief during 2020, with greater focus on social equality, including developments such as the Black Lives Matter movement. The pandemic has also meant that employees, customers, partners, suppliers, governments and wider society have increased their expectations of business. Throughout 2020 we have sought to act responsibly and make a positive social impact, responding to these trends and expectations. And like many others, we see the opportunity for society to 'build back better' and are committed to playing our part in this.

2020 Priorities

A key part of our response to the pandemic has been how we support our communities. Throughout 2020 we engaged with local and national community partners to support their work, including through our existing charitable Foundations in Australia, the UK and Spain, and through our people volunteering their time and skills. We established a Healthy Communities Fund, which is being directed towards mitigating the impact of COVID-19 for those hardest hit, and with a particular focus on mental health and wellbeing in schools.

The pandemic has not diluted our continuing sense of urgency towards addressing the climate crisis.
During 2020, we worked on a new Environment and Climate Action plan, using Science Based Targets. This included embedding new environmental data reporting processes and governance, and additional focus on understanding our indirect footprints. We continue to develop these plans and will publish more details during 2021.

ESG Governance

We strengthened our ESG governance, with ESG issues discussed regularly at Group executive team level and through global and local COVID-19 management processes.

We established Group-level bodies:

- The Corporate Responsibility and Sustainability Advisory Committee is chaired by a Non-Executive Group Board Director and comprises a combination of Non-Executive Group Board Directors and senior management representation. This Committee focuses on Environment and Climate Action, Community and Social Impact, and Responsible Business Conduct. It advises the executive and Board on external statements, disclosures and reporting. The Committee met three times in 2020 and received updates on: Community, Environment and Climate Action and Responsible Business Conduct. We intend to elevate the work of this committee by replacing it with a Board Sustainability Committee from 1 April 2021, which will be a standing committee of the Board with a majority of independent non-executive directors as members.
- The ESG Executive Steering Committee is chaired by the Chief Sustainability and Corporate Affairs Officer. It comprises the Chief Financial Officer, Chief People Officer, Chief Medical Officer, Chief Risk Officer and Chief Legal Officer. This Committee reviews the total ESG agenda, including risks and opportunities; considers cross-cutting themes; and finalises recommendations to the CEO, Chief Executive's Committee, Board, and CRS Advisory Committee. This Committee met twice in 2020.
- The Environment and Climate Action Steering Committee comprises selected members of the ESG Executive Steering Group and representatives from Bupa's Market Units. It is accountable to the Chief Executive's Committee to drive Bupa's Environment and Climate Action outcomes. It assesses performance against deliverables and timeframes; ensures that risks and issues are being managed; and oversees reporting against targets.

ESG Governance (cont.)

The management of our ESG agenda is embedded into our wider governance to ensure we manage it in an integrated way.

As of April 2021 a Group Board Sustainability Committee will be established to assist the Board and its other Committees in ensuring the integrated management of ESG matters.

During 2020 we strengthened our approach to the fundamentals of Responsible Business Conduct, increasing governance and reporting in this area. We are developing plans for a new level of ambition on Environment and Climate Action.

Further information is communicated on bupa.com.

Group CEO

Group Board

Chief Executive's Committee (CEC)
Comprises the direct reports of the CEO, the leaders of the Market Units and the leaders of Global Functions.

Sustainability Committee
This committee will be established as a full Board committee from April 2021. It assists the Board and its Committees (below) in ensuring the integrated management of ESG, and leads the consideration of Environment and Social matters. It replaces the former Corporate Responsibility and Sustainability Advisory Committee.

ESG Executive Steering Committee
Reviews opportunities and risks across the agenda and considers cross-cutting themes. Makes recommendations to the CEC and Board Sustainability Committee. Comprises the CEC Group-level sponsors of ESG items.

Other Board Committees
Nomination & Governance
Audit
Risk
Remuneration

See pages 61–85

Environment & Climate Action Programme
Oversees the development and delivery of our decarbonisation and sustainable resource usage agenda.

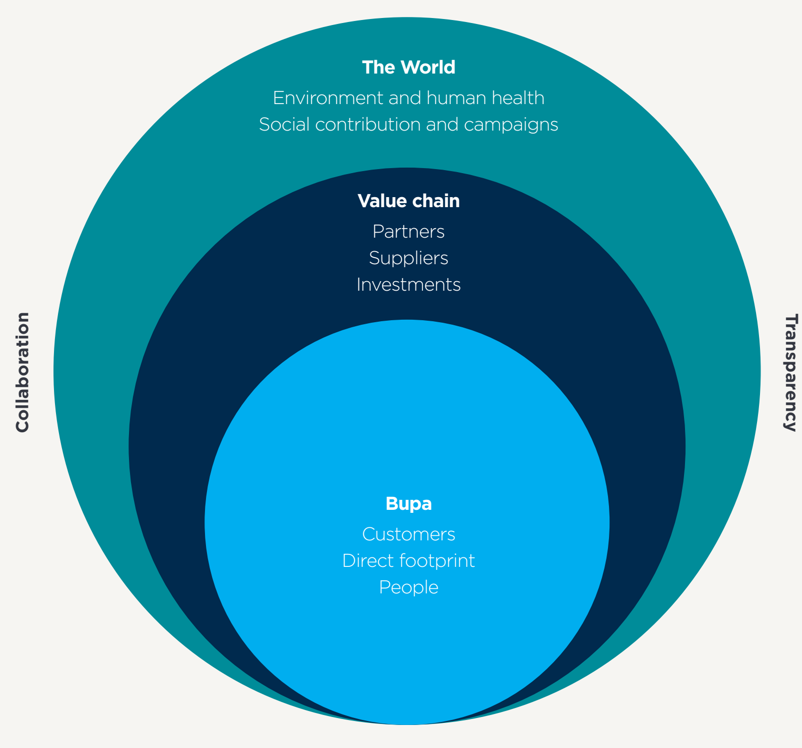
Sustainability & Corporate Affairs Executive Team
Focuses on the delivery of ESG activation in businesses, and leads advocacy and social contribution.

Responsible Business Conduct & Reporting
Ensures governance, horizon-scanning and consistency of external reporting of material themes at an Enterprise level.

Market Unit and Business Unit teams
Operationalises and localises ESG activities

Other Global Executive Teams & Networks
Subject-specific teams, networks and working groups

We manage a holistic approach to ESG across all areas of materiality to Bupa considering Bupa's direct operations, value chain and contribution in the wider world.



Environmental, Social and Governance (ESG) agenda
continued

Responsible Business Conduct

Our Responsible Business Conduct agenda seeks to ensure Bupa demonstrates its commitment to conducting our activities in a responsible way. It also ensures consistency of approach to reporting on ESG themes, including responsible investment.

Responsible Investment

Bupa invests primarily through our regulated insurance subsidiaries. Our investment portfolio is largely invested in cash and deposits, but with an allocation to bonds and loans managed by third parties.

Bupa Finance plc has been a signatory of the UN Principles for Responsible Investment (UN PRI) since 2014. We are also members of the Institutional Investors Group on Climate Change (IIGCC) and the UK Sustainable Investment Forum (UK SIF). We published certain Task Force on Climate-related Financial Disclosures (TCFD) aligned disclosures in our annual UNPRI report this year (https://www.unpri.org/signatory-directory/bupa/983.article). Our UNPRI rating was reviewed and our ratings were upgraded for: Strategy & Governance upgraded to 'A' from 'C'; and for Indirect Fixed Income – Corporate non-financial to 'B' from 'C'. This reflects our positive approach to Responsible Investment and continued improvements in this area.

In January 2021, Bupa received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment[1].

1. The use by Bupa of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Bupa by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

Disclosures and relevant external publications

Report/disclosure		Country
Responsible Investment	Our Responsible Investment statement which focuses on how we invest Bupa's cash and investments is published here. https://www.bupa.com/-/media/files/site-specific-files/our-performance/pdfs/responsible-investments/responsible-investment.pdf	Enterprise-wide
Responsible Supply Chain Management	Bupa works closely with its suppliers and is committed to ensuring a responsible supply chain. In 2020, we agreed a responsible supply chain statement, stipulating what we expect of our suppliers. It was published in January 2021 and can be read here: https://www.bupa.com/corporate/legal-notices/responsible-supply-chain	Enterprise-wide
Speak Up	We have a confidential whistleblowing channel in place that can be used by suppliers and other stakeholders as well as employees. More information is available here: https://www.bupa.com/corporate/legal-notices/bupa-speak-up	Enterprise-wide
Approach to Tax	Bupa is committed to complying with tax laws responsibly, ensuring that tax is paid in the jurisdictions in which the Group operates based upon applicable laws and practices. We significantly enhanced our statement in 2020, which sets out Bupa's approach to tax and tax risk and has been published in accordance with the UK Finance Act 2016. This can be read here: https://www.bupa.com/corporate/legal-notices/approach-to-tax	UK
Gender Pay Gap	We publish our annual Gender Pay Gap report for our operations in the UK. The 2020 report can be read here: https://www.bupa.com/corporate/legal-notices/gender-pay-gap	UK
Modern Slavery Statement	Bupa is committed to combatting the real and growing problem of modern slavery and human trafficking. In accordance with the UK's Modern Slavery Act, we publish annually our statement setting out the steps taken to prevent modern slavery and human trafficking in our business and supply chain. Read our annual statements here: https://www.bupa.com/corporate/legal-notices/modern-slavery-statement	UK

Contributing to communities

Playing our part in the community has never been more important. In 2020, we created a Healthy Communities Fund in addition to the work of the Bupa Foundations in Australia, the UK and Spain. We focused on helping communities deal with the impact of COVID-19 as well as supporting mental wellbeing in young people and educators. This included our people volunteering their time and using their skills to support community causes and organisations.

We support people's mental wellbeing and resilience, especially those most vulnerable and hardest hit. We provided access to health and wellbeing support for key community groups in need affected by natural disasters and COVID-19.

Australia

The Bupa Health Foundation in Australia extended their partnership with Kids Helpline. around 25,000 primary age children were supported through the Wellbeing @ School early intervention programme which was delivered remotely in schools. In 2020, a new session was created including coping strategies for kids who may be feeling anxious or overwhelmed about COVID-19. A further 10,000 young Australians were supported through the My Circle online peer-to-peer mental wellbeing support platform. Funds were donated to the bushfire relief programme, and up to 20 days paid community service leave was provided for employees involved in firefighting and disaster relief activities. Local grants and donations were made to support local community initiatives, which included supplying essential items to vulnerable community members during the pandemic.

UK

The Bupa Foundation's Wellbeing for Educators programme supports teachers and others working in schools to take care of their wellbeing and build resilience. More than 1,000 teachers benefitted from the programme in 2020, its first year. In the pilot, 91% of educators said they felt confident applying the wellbeing principles they had learned about, and one to four months after the programme 70% had adopted a more positive attitude to their daily life and work. The Bupa Foundation also established a partnership with mental health charity Mind to help 2.5 million young people over the next three years. This enabled Mind to develop online resources to help young people manage their mental wellbeing during the pandemic, which were viewed nearly a quarter of a million times in 2020. We also provided practical COVID-19 recovery support, with emergency grants for local charities in the UK and across Bupa Global.

Europe and Latin America (ELA)

We helped local communities and especially front line healthcare professionals, during the pandemic. In Spain, Sanitas participated in the creation of the country's largest ever collective insurance policy for healthcare workers, covering over 700,000 people. Bupa Mexico contributed to a similar scheme. LuxMed in Poland donated over 55,000 masks to public hospitals and nursing homes and offered a free COVID-19 helpline to the public. Across Latin America, the Bupa Contigo programme was set up to support busy public hospital workers and local communities through a meals scheme sourced from local businesses. A second phase saw the development of educational materials for health workers' children. Bupa Chile signed a new partnership with Las Rosas, the country's biggest age care foundation, providing in-kind medical support. This complemented a pre-pandemic collaboration with free flu vaccination programmes, as well as pro bono surgery organised by regional clinics. Employees made donations of both time and money, with Bupa Global Latin America offering match funding to the WHO COVID-19 Fund, and Care Plus in Brazil doubling employee contributions to food charities. Businesses also shared health and wellbeing information, through free webinars and open information platforms. We also adapted our long-standing flagship programmes online, such as Inclusive Sports and Healthy Cities, to support people at home with activity challenges, nutrition and mental health support. Healthy Cities, which had already raised awareness of the link between health and environment, encouraged participants to keep up their activity challenges at home, unlocking donations to support urban regeneration projects. In Turkey, we supported rewilding projects.

Australia
The Bupa Health Foundation announced funding of more than £1m to projects focused on youth mental health, including the flagship partnership with Kids Helpline to provide more young Australians with access to free, quality, mental health support. The Foundation also continued to support the community-led End Rheumatic Heart Disease program in remote Indigenous communities.

UK
The Bupa Foundation awarded £1m in grants to community projects, the majority of which focus on improving mental health and emergency funding for local charities supporting vulnerable people affected by the pandemic. To mark World Mental Health Day, the Bupa Foundation launched 'Beyond Words' together with Cheltenham Festivals, the National Literacy Trust and Mind. This national creative writing project saw hundreds of children put their feelings about a year like no other into words, raising funds for the charities.

Spain
The Sanitas Foundation continued to drive social change and equality within health and wellbeing. In 2020, it invested in its flagship project, Inclusive Sports, which promotes sports for people with and without disabilities. The website for teachers and schools was opened to the public during lockdown so that everyone could follow tutorials and activity plans to stay fit at home, while additional support was provided to local inclusive sports federations. It also continued to recognise the value of medical training through its Best Resident Clinician Award, presented (virtually) for the 24th year.

Environment and Climate Action

Climate change will be a shaping force on human health and we must understand it and act on it. This means addressing our direct business footprint to minimise harm, and maximise our sustainability. It also means acting on our indirect value chain, and advocating for change in the wider world.

2020 Group activities

During 2020 we continued to manage the impact of our business on the environment while developing a new strategy for the future. We put key foundations in place for increased future action in this agenda.

- **Governance:** As outlined on pages 20-21, we enhanced our governance of this critical agenda with the establishment of a dedicated global executive team committee for environment and climate action and global programme team comprising of subject matter experts from our Finance, Risk, Corporate Affairs, Procurement and Clinical functions. Board scrutiny of this agenda was maintained through the CRS Advisory Committee.
- **Enhancing data collection:** We implemented a new global environmental reporting tool across our businesses worldwide which added new rigour to our system for data collection.
- **Future strategy development:** We progressed the development of our Environment and Climate Action strategy. We are taking decisive action to reduce our footprint and embrace sustainability.
  - Integrating into strategy and planning
  - Embedding climate risks/opportunities in our operations and risk management approach
  - Decarbonising direct and indirect value chain with plans to adopt science-based targets
  - Managing resource use (waste, plastics and water), promoting circular economy and restorative action
  - Building clinical horizon-scanning and health outcomes capability, focusing on the link between health and the environment
  - Developing products and services to incorporate climate adaptation and mitigation.
- We have placed an immediate and specific focus on carbon reduction by assessing how we apply science-based targets across our direct (i.e. Scope 1 and 2) carbon impacts. This work, together with a new reporting tool, has meant that we have interrogated 2019 data and sources further across the Group and spent more time analysing our 2020 results. This work continues and will go through external audit in the first half of 2021. As a consequence, in this Annual Report we are only publishing UK energy use and emissions data for 2020 as explained below. Further global performance data for 2020 (and 2019) and our future targets will be published during 2021.
- We will develop a target for our indirect carbon impacts (i.e. Scope 3). Together, these targets will serve as a baseline ambition, with opportunities to explore greater levels of ambition.

2020 activity in the UK

In 2020, our aged care business and the Cromwell Hospital acted on the Energy Savings Opportunity Scheme (ESOS) report findings to further lower their carbon emissions, including replacing inefficient chillers and adjusting timers on air handling units to reduce energy consumption. A number of our corporate offices and health clinics installed new Building Energy Management Systems. As a supporter of the UN Climate Neutral Now initiative, we work to offset our carbon emissions by supporting One Carbon World's reforestation projects in Uruguay and renewable energy initiatives in India[1]. We also moved to a new, centralised carbon reporting tool to improve energy management.

2020 data

For this financial year, we are reporting in line with the Streamlined Energy and Carbon Reporting (SECR) requirements of a large unquoted UK company for the first time and reporting our emissions for UK only. As we progress the external audit by the Carbon Trust of our other markets during 2021, we will publish the remainder of the 2020 global emissions data from our other markets across the group on bupa.com. We will also confirm 2019 global data once this too has been fully audited.

In the next Annual Report we plan to report in line with the SECR requirements of a quoted UK company, further adopt the Task Force on Climate-related Financial Disclosures (TCFD) requirements, and include our global footprint for 2021.

UK emissions[2]

The following table shows the carbon intensity of our UK operations:

UK-based energy and carbon footprint	Quantity	Unit
Energy usage (fuel used in fleet and buildings and electricity from grid and solar generation)	152,819	MWh
Footprint Scope 1&2: Location based (grid average factors)	31,422	tCO_2e
Footprint Scope 1&2: Market based (account for tariff-specific footprint)	19,142	tCO_2e
Intensity		
All customers (insurance, provision and aged care)[3]	5,040	thousand customers
Energy intensity	30.32	MWh/ thousand customers
Scope 1&2 market based intensity	3.80	tCO_2e/ thousand customers

2021 focus

In 2021, we will refine and embed ambition for reducing Bupa's environmental footprint (i.e. carbon, waste, water). This includes our commitment to the Science Based Targets initiative. We will focus more on the intersection between health, climate change and biodiversity. We will continue the work to fully embed climate change considerations into the Risk Management Framework and strengthen and embed business ownership of data and decision-making. This includes enhancing and expanding our approach to climate stress testing and further developing our external disclosure to ensure we comply with TCFD requirements.

See the Risks section on pages 36-41 for more about our work related to the environment and climate action.

CARBON NEUTRAL CERTIFIED 2020 ONE CARBON WORLD 2020

1. Pre-audited 2019 carbon emissions for our BGUK Market Unit. Any adjustment on the figures will be offset in 2020.
2. Activities and emissions across operational control approach against criteria set out in the GHG Protocol. These figures have been verified by The Carbon Trust in accordance with the ISO 14064 standard.
3. Customer numbers across: insurance businesses (2.7m), health provision (2.3m) and aged care (6,000).

Section 172(1) statement

Engaging with our stakeholders

The Board has a duty to achieve Bupa's purpose of helping people live longer, healthier, happier lives. It does this by having regard for the interests of our customers, our people, the impact of our operations on the communities in which we operate, and on the environment, our relationship with our suppliers and partners, and by ensuring that we maintain a reputation for high standards of business conduct.

Bupa's status as a company without shareholders means that we can reinvest our profits into providing more and better healthcare for the benefit of current and future customers.

Our key stakeholders are our customers and our people. Our Association Members (AMs), bondholders, regulators, suppliers, partners and the communities we operate in are also important stakeholder groups. All key Board decisions take into account the impact on relevant stakeholders.

Increasingly, stakeholders are looking to understand our performance across multiple areas – from financial performance to products and services, innovation, governance, workplace practices and corporate citizenship. The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action to promote Bupa's long-term success.

The pandemic required us to adapt our approach to engaging with our stakeholders to reflect their changing needs and expectations in light of the pandemic as a result of lockdown restrictions and different ways of working.

Customers

As a healthcare business without shareholders, we are focused on serving our customers. We champion quality, medically evidenced treatment and care, creating shared value. We seek to deliver value for money, provide exceptional care, keep our customers' data safe and help customers navigate the complex world of healthcare. The Board receives regular reports tracking key customer metrics, such as NPS scores, complaints and customer research, to track how we are performing for our customers. From these reports, the key issues that our customers raise include:

- affordability of health insurance
- high-quality products with broad coverage and high standards of care
- simpler and quicker access to services, such as through digital applications.

The Board is regularly updated on matters affecting Bupa's customers via the CEO's reports, through Market Unit and Business Unit updates and via specific customer performance updates.

More information can be found on pages **12-15**

People

As a service organisation, our people are key to our business. We want our people to feel engaged and empowered to deliver great outcomes for our customers and be healthier and happier themselves.

We operate several lines of business in numerous markets and the issues important to our people vary by market and business. Our approach is therefore led locally, with all teams planning actions in the light of regular people surveys, and local boards and management teams engaging with their people on the issues important to them.

The Board discusses the results of the global employee survey programme (People Pulse) which assesses engagement across the Group, considers the trends they reveal and makes recommendations to management as necessary. The scope of the global survey undertaken in the first half of the year was adjusted to take account of the pressures across our businesses from the pandemic. Instead, at the start of the pandemic, we conducted localised surveys across many countries.

Details of the latest survey can be found in the People section on pages **16-19**

Regulators

Bupa operates in highly regulated environments across all its business areas. Regulators ultimately aim to make sure that we have the financial resources and the Risk Management Framework necessary to protect customers and ensure that they receive high levels of care and are treated fairly. This clearly aligns with our strategy to put our customers front and centre. Our regulators expect us to:

- maintain sufficient capital, with specific requirements for reserves in our insurance businesses
- provide high-quality, clinically robust services
- ensure that we operate in a sustainable way.
- have robust and effective processes and controls in place to mitigate risks to protect our customers

We have a regular programme of interaction with the Group's lead insurance regulator, the Prudential Regulation Authority (PRA), and engage with them on key Board decisions. Senior members of the management team, the Chairman and the Chairs of the Board's standing committees have regular meetings with the PRA.

Section 172(1) statement
Engaging with stakeholders
continued

Investors

The Group has a number of debt securities in issue through Bupa's subsidiary company, Bupa Finance plc, which is therefore required to operate in accordance with the relevant UK Listing Rules and Disclosure Guidance and Transparency Rules. Briefing calls are held for bondholders to discuss the full year and half year results. This provides an opportunity for them to question management on Bupa's financial performance and strategy. We hold roadshows for bondholders annually, and other significant developments are communicated via regulatory announcements, press releases and published on our website: bupa.com.

Investors are interested in the Group's financial performance and strength and also in our wider ESG and sustainability activities.

Association Members

We appoint AMs to carry out the governance and oversight role usually performed by shareholders. This includes voting on resolutions at the Annual General Meeting (AGM) that shareholders of a UK public listed company would typically be asked to approve. All Board Directors are automatically appointed as AMs. All AMs, other than Directors (who serve as AMs during their tenure as Directors), normally serve for an initial term of ten years, which can be extended for further terms of five years. AMs have no equity holding in Bupa and no right to dividends, only receiving reasonable expenses for travelling for Bupa meetings or events. They are eminent individuals in their own field, coming from a diverse range of sectors including international businesses – with an emphasis on insurance and financial services, healthcare, academia, non-governmental organisations, regulatory and public service.

AMs are selected based on recent and relevant experience in their field, independence from Bupa, the capacity to make a contribution and experience in the key overseas markets in which Bupa operates. We engage with AMs through the AGM, which usually includes a seminar providing an in-depth view of a particular aspect of the business, calls on our half year and full year results, briefing sessions on the business each year, and regular email updates. As a result of the pandemic, our events for AMs, including the AGM, were held predominantly online rather than in person during 2020 and we adapted the approach to and content of our events accordingly. The frequency of updates to AMs was increased during the height of the pandemic so that they were fully briefed on Bupa's response to the pandemic in order to be able to carry out their oversight responsibilities.

The Group CEO, Chairman, Senior Independent Director and Group Company Secretary are available to the AMs throughout the year. AMs are interested in all aspects of the business that affect stakeholders – from strategy and performance to our products and services, our people and the standard of care provided to customers.

Communities and the environment

We play our part in society, helping to build healthier and more resilient communities and having a positive impact on the environment. We have dedicated Foundations in Australia, Spain and the UK to channel some of our investment.

Our ESG and sustainability strategy includes workstreams focusing on Community and the Environment and Climate Action. As part of our focus on the Community, we established a Healthy Communities Fund, which is being directed towards mitigating the impact of COVID-19 for those hardest hit, with a particular focus on mental health and wellbeing in schools.

We continue to evaluate the business risks and consequences of climate change, closely managing our environmental impact, embedding a strategy for reducing our environmental footprint and assessing how Bupa can contribute in areas outside of our direct control.

More information can be found on pages **23-24**

Suppliers and partners

Our suppliers and partners are critical to delivering a high-quality service to our customers and include hospitals, medical consultants and other healthcare professionals, systems suppliers and suppliers of products to our hospitals, clinics, dental centres and care homes. We aim to treat our suppliers fairly, holding ourselves to high standards of business conduct. We work with our suppliers to ensure that they have effective controls in place to protect our customers' health and safety and the security and privacy of their data.

Board decisions and their impact on stakeholders

The table below sets out a number of decisions taken by the Board during the year and how stakeholder views were taken into account. Further information on some of these decisions can be found in the Governance section on page 42.

Decision	How we took stakeholders into account	Long-term implications
Helping customers through the pandemic	**Customers:** In March, the Board approved a proposal from Bupa ANZ to defer the scheduled increase to Australia health insurance premiums on 1 April, which had been approved by the Australian Government. The deferral of these premium increases was part of a package of measures, implemented by Bupa ANZ management with the Board's support, to help customers cope with the impacts of the pandemic, including, for example, the launch of a financial hardship scheme, which was accessed by close to 50,000 customers. In April, the Board approved a proposal from Bupa's UK insurance business to pass on any exceptional financial benefit ultimately arising from the pandemic to its UK health insurance customers. The decision was made when it was anticipated that clinical treatments that customers would normally receive would be deferred as the healthcare system focused on responding to the pandemic and as access to services was restricted due to government-mandated lockdowns. At the time of this decision, it was not yet possible to predict the full impact of the pandemic on customers or on the Group's long-term financial position. We also permitted premium suspensions to the customers that needed them. The Board also approved a proposal from the management of Bupa Global to change its IPMI policy terms to remove exclusions for claims related to pandemics. This decision benefitted customers, because it allowed Bupa Global to pay IPMI claims in line with individual policy terms, benefits and limits, relating to the diagnosis and treatment for each customer, including for the treatment costs of hospitalisation and medicines related to COVID-19. The Board concluded that it was right to accept the short-term financial impacts of these decisions in order to do the right thing by our customers, which also strengthens our reputation among our current and future customers in the longer term. The response in each market took account of the local environment, including customers' and regulators' expectations. More information can be found on page **13**	Being a responsible business and doing the right thing underpins our long-term success and, as an organisation without any shareholders, our customers come first. These Board decisions are in line with the vision to be the most trusted health insurer and provider, which means being there for our customers whenever they need us, now and in future.
Bond issuances and redemptions	**Customers, regulators and bondholders:** The Board is responsible for promoting Bupa's long-term sustainable success and ensuring that the necessary resources are in place to meet its objectives. In May, the Board approved the issuance of two tranches of debt, with part of the proceeds used to redeem the previously issued restricted Tier 1 bond on its call date in September 2020. Maintaining a strong capital base and access to liquidity means that the Group has the resources now and in future to be able to maintain and improve its offer to customers. The pandemic heightened financial services regulators' concerns that all insurance companies should be adequately resourced to protect the companies concerned, and the interests of their customers. The bond issuance enabled Bupa to demonstrate that it would continue to hold sufficient capital reserves and could continue to comply with the relevant capital adequacy regulations. Companies that can demonstrate financial stability attract and maintain support from a stable bond investor base and can secure more efficient capital-raising terms. The bond transactions attracted strong demand from bond investors, with the combined bond offer being twice oversubscribed. More information can be found on page **49**	The issuance of these bonds and the redemption of the previously issued restricted Tier 1 bond enabled us to continue to: – enhance our strong liquidity and capital positions and extend our debt maturity profile – maintain our good standing in the bond market by meeting investors' expectations through redeeming our Tier 1 bond on the first call date – improve our offer to our customers and to generate sustainable long-term growth.

Section 172(1) statement Engaging with stakeholders
continued

Decision	How we took stakeholders into account	Long-term implications
Australia health insurance strategy review	**Customers, people and suppliers:** In June, the Board considered management's review of the Australia health insurance business, in the context of the challenging market conditions, and endorsed the associated strategic proposals. The strategy focuses on: enhancing the product offer to customers; optimising sales and distribution channels; improving claims management; and working with hospitals and other providers to deliver affordable, quality outcomes to Bupa customers and their patients. The strategy is underpinned by a restructured operating model and over 100 initiatives managed through a dedicated programme management office, which is also responsible for engaging our people in supporting these changes. More information can be found on page **49**	This decision was in line with the Board's responsibility for setting, monitoring, reviewing and adapting Bupa's strategy to ensure that long-term strategic objectives are met. The decision was also informed by the need to ensure the wider long-term sustainability of the Australia health insurance industry for the benefit of customers, suppliers of clinical services, and people working in all aspects of the industry.
Looking after our people during the pandemic	**People:** The impact of the pandemic put a great deal of pressure on all our people, particularly those in the frontline of the response in our healthcare provision and aged care businesses. From an early stage of the pandemic, the Board was kept informed of and gave guidance to management regarding how Bupa looked after its people. In particular, the Board was appraised of and considered matters such as employee wellbeing, additional financial support (increases in pay, and access to hardship funds and additional support), maintaining the stability of the workplace (including the redeployment of staff), health and safety, working from home arrangements, and managing the safe return to our offices and other facilities. Communication to and from our people was also crucial, and the Board considered the results of employee surveys, which were carried out during the first half of the year, in the period shortly after the pandemic was at its height in many of our markets. More information can be found on pages **17-18** and page **48**	Investing in support for our people, and recognising their hard work during the challenging circumstances of the pandemic, was the right thing to do during the unprecedented situation. Being a responsible business and doing the right thing underpins our long-term success, and our people are crucial to the delivery of Bupa's purpose and to the strength of our organisation. Companies that care for their people and treat them fairly will also continue to attract high-quality talent in the future.
Changes to Bupa's UK pension schemes	**People:** The Board reviewed management's proposals to review and transform Bupa's pension schemes in the UK. In considering the impact of the changes, the Board was conscious of the need to balance the interests among employees themselves, as well as to consider the wider impact on Bupa's finances, including its capital and liquidity position; the regulatory impact; and the wider communication of the changes to external stakeholders. The Board also considered the consequences for the business of not taking any action, which would allow current inequalities to persist, create barriers to mobility amongst employees moving between Bupa's businesses and hinder Bupa's ability to grow through recruitment, acquisition integration, re-organisations and employee redeployment within the UK.	A simpler, more equitable, engaging and efficient pension offer is an important factor in retaining and attracting good people to work for Bupa. Harmonising UK pension schemes removes obstacles to Bupa's growth plans and so helps the long-term sustainability of the business.

Our Market Units

Australia and New Zealand

Revenue

£4,737m

2% AER 2019: £4,652m
3% CER 2019: £4,589m

Underlying profit

£113m

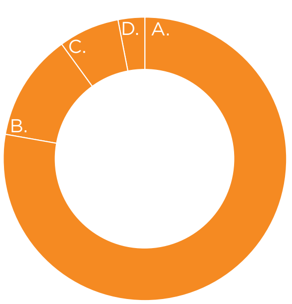
(29)% AER 2019: 160m
(28)% CER 2019: £158m

Customers

3.9m Health insurance
1.4m Healthcare provision
5,800 Aged care, Australia
3,500 Aged care, New Zealand

Revenue by business

A. Bupa Health Insurance **78%**
B. Bupa Health Services **12%**
C. Bupa Villages and Aged Care Australia **7%**
D. Bupa Villages and Aged Care New Zealand **3%**



Revenue increased by 3% to £4,737m at CER. Underlying profit was £113m, a decrease of 28% at CER driven by losses in Australian Aged Care, as well as declines in Australian Health Insurance and New Zealand Aged Care.

At the start of 2020, many parts of Australia experienced severe bushfires. Three care homes in regions under threat were temporarily evacuated and we provided a disaster relief package for affected customers and communities. The impact of COVID-19 was significant, affecting our care homes, retail stores, dental, optical and medical clinics and workplaces, particularly in Victoria, which was under strict restrictions for several months.

In Australian Health Insurance, revenue was down due to the actions we took to support customers as a result of COVID-19. We delayed the approved premium rate increase for all customers for six months and launched a £20m financial hardship scheme in the form of premium waivers, discounts and suspensions. This was accessed by close to 50,000 customers. Membership volumes were down by 1% due to restrictions on movements and retail store openings. Incurred claims were lower due to lockdown restrictions on health providers and the suspension of non-urgent elective surgery. The combined operating ratio[1] (COR) was 95[2]% (2019: 94%). We maintained our position as a leading health insurer, with 25%[3] market share. In response to the pandemic, we were the first health insurer in the Australian market to fund claims for services delivered via telehealth. We also introduced new mental health support, innovative diabetes management options and a new physiotherapy treatment service supported by virtual reality. We continue to invest in meeting our customers' evolving needs and advocate for reforms to enhance the delivery and affordability of healthcare in Australia.

Health Services in Australia delivered revenue growth with the inclusion of a full year of the Australian Defence Force (ADF) contract, which started in 2019. While revenue in Dental and Optical improved, both businesses were adversely impacted by pandemic restrictions. We received Government COVID-19 JobKeeper financial support for eligible employees in our Dental and Optical businesses. This enabled us retain jobs and be able to meet community needs for services as lockdown restrictions eased. Revenue for Medical Visa Services finished largely in line with the prior year.

We supported the ADF throughout 2020 including commencing hearing assessments to personnel and acquiring two optical stores to enhance accessibility. We expanded our dental portfolio with two new brands – Clearly Dental and Mint*d, a hygiene-led model targeted at millennials.

Revenue in Australian Aged Care remained flat and the closing occupancy rate was 85% (2019: 83%). An underlying loss resulted largely from increased staff and operating costs, including costs of PPE. We introduced restrictions on resident admissions in line with guidance from local authorities to protect residents and our people. From July, care homes in Victoria were affected during the second wave of COVID-19, where we implemented precautionary measures and strict infection control protocols. By October, all our homes were clear of outbreaks and open again to visitors. Throughout 2020, we made significant improvements in our operating model and addressed previous compliance issues. Our last homes came off regulatory sanction in May. We continue to engage with the Royal Commission into Aged Care Quality and Safety, which has just published its final report. As part of our portfolio optimisation programme, we sold three and closed one of our homes in December, and announced the closure of four more homes in January 2021.

In New Zealand Aged Care, revenue improved with the closing care home occupancy rate increasing to 91% (2019: 89%). Village unit sales also improved increasing to 260 units (2019: 226 units). Underlying profit decreased due to higher staffing, COVID-19 related costs and lower Investment Property valuation uplift. In November, we announced an agreement to divest our rehabilitation business, which will complete in 2021, subject to regulatory approvals.

1. Combined operating ratio is an alternative performance metric for insurance businesses. It is calculated based on incurred claims and operating expenses divided by net earned premiums.
2. Bupa HI Pty Ltd (Australia): based on S.05.01 Prudential Regulation Authority (SII) form (estimated and unaudited).
3. Australian Prudential Regulation Authority (APRA), Operations of private health insurers annual report (June 2020). Market share based on policy holders was 25.4% as at 30 June 2020.

Our Market Units continued

Europe and Latin America

Revenue

£3,765m

(2)% AER 2019: £3,853m
3% CER 2019: £3,656m

Underlying profit

£184m

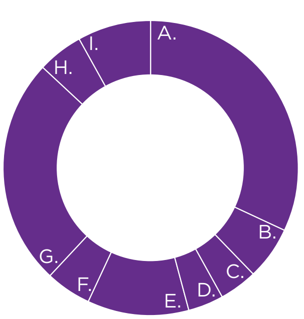
18% AER 2019: £156m
19% CER 2019: £155m

Customers

3.9m Health insurance
9m Healthcare provision
4,800 Aged care

Revenue by business

A. Sanitas Seguros **32%**
B. Sanitas Hospitales & New Services **6%**
C. Sanitas Dental **4%**
D. Sanitas Mayores **4%**
E. LuxMed **11%**
F. Bupa Acıbadem Sigorta, Turkey **5%**
G. Bupa Chile **25%**
H. Care Plus, Brazil **5%**
I. Bupa Global Latin America **8%**
J. Bupa Mexico **0%**



Revenue grew by 3% and underlying profit grew by 19% at CER mainly driven by our insurance businesses, partially offset by the performance in our provision and aged care businesses.

Our health insurance business in Spain, Sanitas Seguros, delivered solid revenue growth, partly driven by increased customer numbers (an additional 33,000). Underlying profit grew because of higher revenues together with lower claims. This was partly driven by lockdowns reducing the availability of health provision. The COR improved to 84%[4] (2019: 89%). We significantly enhanced our digital offer so that customers could continue to access advice and care from home. We launched BluaU, the second generation of our digital proposition, with new functionality. The number of our customers who accessed services digitally increased by 24% year on year. We expanded our network of doctors to 3,100 covering 37 specialities. The number of virtual consultations delivered was over 640,000, 15 times higher than 2019. Our bancassurance partnerships continued to develop. We now have over 300,000 customers with BBVA. In September, we signed a partnership with Banco Sabadell which reached 8,500 customers by the end of the year. As part of our response to COVID-19, we waived the pandemic exclusion clause in policies and introduced new coverage for the antigen test. We also provided premium relief to those in financial hardship.

In our dental business in Spain, performance was impacted by the temporary closure of the majority of our centres due to restrictions. Activity recovered quickly with new operating protocols to ensure the safety of our patients and people. We launched a dental video consultation service and opened nine new dental centres during 2020, closing the year with a total of 200.

In our Hospitals and New Services business in Spain, revenue declined during the lockdown period. We made an underlying loss mainly as a result of the temporary suspension of elective treatments. We contributed to the national response, doubling ICU bed capacity by creating two field hospitals in Madrid, attached to our La Moraleja and La Zarzuela hospitals. These hospitals supported both the public and private health systems. We developed Salud Conectada, a service linked to our BluaU insurance offer that allows the remote monitoring of patients by wearables. During the year, we treated around 29,000 patients with COVID-19 in our facilities. In September, we opened a COVID-19 testing laboratory which tested over 200,000 people by the end of 2020.

Our aged care business in Spain, Sanitas Mayores, had a year-on-year decline in revenue and made an underlying loss due to reduced occupancy levels as we regrettably experienced an increase in deaths from COVID-19 among our residents. Occupancy was further affected by admission restrictions to protect residents and our people. Our closing occupancy rate was 76% (2019: 96%). We took steps to reduce the spread of infection and worked closely with the public health system. We launched a new insurance product for our aged care residents, provided by Sanitas Seguros, to increase access to video consultations and medical tests and provide 24/7 access to medical professionals.

In Chile, revenue declined, and we made an underlying loss in our hospitals and clinics businesses because of reduced activity due to the pandemic. We worked closely with the government and health authorities to provide additional capacity to the national system. Our insurance business saw steady increases in revenue and good profit performance, reflecting lower claims during the pandemic. To alleviate pressure on customers we also delayed the approved premium increase until 2021. We invested in telehealth and digital products and launched the MiBupa app, connecting insurance patients to our hospitals and clinics.

In Poland, LuxMed delivered good revenue growth, driven by the corporate medical subscription business which offset the impact of restrictions on our clinical centres. Underlying profit growth was also robust. We continued to enhance and expand telehealth and digital health services. We expanded our portfolio of clinics and acquired a hospital in Warsaw. As part of our response to the pandemic, we made this hospital available to the public system to treat COVID-19 patients.

In Turkey, our health insurance business Bupa Acıbadem Sigorta, delivered increased revenue and improved underlying profit. Our portfolio grew by 7% year on year to around 653,000 customers driven by new contract wins, an enhanced digitalised offer and COVID-19 coverage.

We made progress implementing the restructure of Bupa Global Latin America (BGLA) into three business units: Care Plus in Brazil, Bupa Mexico and a new BGLA with insurance operations across Guatemala, Panama, Dominican Republic, Colombia, Ecuador and Bolivia. Care Plus delivered strong performance and increased its digital services portfolio. Bupa Mexico made good progress in developing products for the domestic market and announced the acquisition of Vitamedica, a third-party administrator. This transaction completed in January 2021. The new BGLA business grew in customer numbers in domestic markets.

4. Sanitas S.A de Seguros (Spain): Prepared under local GAAP (unaudited).

Our Market Units continued

Bupa Global and UK

Revenue

£3,122m

(6)% AER 2019: £3,323m
(6)% CER 2019: £3,322m

Underlying profit

£110m

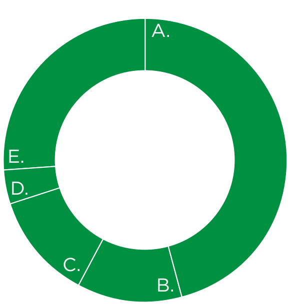
(6)% AER 2019: £117m
(5)% CER 2019: £116m

Customers

2.7m Health insurance
2.3m Healthcare provision
6,000 Aged care

Revenue by business

A. Bupa UK Insurance **46%**
B. Bupa Dental Care **12%**
C. Bupa Care Services **12%**
D. Bupa Health Services **4%**
E. Bupa Global **26%**



Revenue was down by 6%, with underlying profit down 5% at CER. This mainly reflected the impact of COVID-19 on our health provision businesses and our UK return of premium commitment.

UK Insurance revenue on an underlying basis was up, driven by growth in customer numbers towards the end of 2019 and early 2020. Although underlying profit was higher in 2020 as a result of lower claims because of disruption to treatments, we expect a proportion of these claims to rebound during 2021. Any exceptional financial benefit ultimately arising from our UK PMI business will be passed back to customers. We responded quickly to the pandemic to support our customers with their physical and mental health. We enhanced services to provide remote, direct access to GPs, physiotherapists and nurses, and consultants via video or phone. Use of our Digital GP service has doubled since April with around 5,000 appointments per week. We launched new remote services for fast detection of skin cancers and heart problems, expanded our chemotherapy at home service and introduced virtual oral assessments for dental insurance customers. To help customers manage their policies online, we started rolling out our Bupa Touch digital platform to corporates, with over 100,000 registrations in total. Our agreement with CS Healthcare, a friendly society, completed in January 2021 and its 17,500 health insurance members and business transferred to Bupa.

In Bupa Global, our International Private Medical Insurance (IPMI) business, revenue was stable while underlying profit grew, reflecting favourable claims performance. During the pandemic we saw a significant increase in customers using our Global Virtual Care app which provides remote access to a global network of doctors. Our enhanced mobile app, alongside our digital web services, enabled more customers to manage claims and policies online. This resulted in over 65% of our customers interacting with us through digital channels in 2020. We provided full cover for COVID-19 care, giving reassurance of access to healthcare and support to our globally mobile customers.

The COR for Bupa Insurance Limited, the UK-based insurance entity that underwrites both domestic and international insurance, improved to 92%[5] due to favourable claims performance in both our PMI and IPMI businesses (2019: 95%). Whilst a provision is held at the year end for our UK return of premium commitment, we expect a portion of the claims deferred during 2020 to rebound in 2021 which will have an adverse impact on the 2021 COR.

In UK Dental, revenue reduced and we incurred an underlying loss due to the temporary closure of practices for routine care. We invested in adapting operating and safety procedures to keep our people and customers safe and reduce the downtime required between patients due to new infection control requirements. We partnered with the NHS to offer telephone advice to patients, prescribe medicines and provide emergency face-to-face care, including through 11 urgent dental centres. We are continuing to address recruitment challenges by attracting more clinicians into corporate dentistry and positioning Bupa as a dental employer of choice, while also focusing on overcoming potential barriers for overseas recruitment.

Revenue in UK Care Services was down and the business made an underlying loss due to the impact of COVID-19. Our closing occupancy rate at December 2020 was down to 82% (2019: 87%). This was due both to reduced resident admissions and the sad loss of a number of our residents with COVID-19. Occupancy started to recover but was impacted by the second wave of the pandemic. Property sales were also down in Richmond Villages, where viewings were impacted by lockdown. The safety of our residents and people remains the key priority. We invested considerably in PPE, introduced whole home testing and followed government guidance to reduce infection and prepare for the winter flu season. We increased video technology to keep residents connected with loved ones when there were visitor restrictions.

Performance in our Health Services business was down, reflecting the temporary closure of clinics. We expanded virtual appointments for musculoskeletal conditions and GP services and launched the new Be.Well range of health assessments with added mental health support. We continued to develop our COVID-19 testing services. At the Cromwell Hospital, we opened a radiotherapy unit in partnership with Genesis Healthcare, and a new intensive care unit. The hospital worked in partnership with NHS England throughout the first wave of pandemic, providing time critical cancer and cardiac care for NHS patients.

In January, we launched our new mental health brand campaign 'Is It Normal?' focusing on tackling the stigma surrounding mental health and raising awareness of the support available via our online Mental Health Hub. The campaign ran again in September.

5. Bupa Insurance Limited: Prepared under local GAAP. Excludes our Irish insurer and our associate, Highway to Health (GeoBlue).

Our Market Units continued

Other businesses

Revenue in our Hong Kong business was flat at CER, with the impact of reduced activity in our clinics due to the pandemic offset by improved performance in insurance. Underlying profit in other businesses was up 33% to £61m. This was partly as a result of: lower claims in Hong Kong Insurance; and favourable performance in our associate businesses Bupa Arabia (with results up to Q3 2020 reported to the Saudi Stock Exchange or Tadawul) and Max Bupa in India. In August, we further increased our stake in Bupa Arabia by 4% to 43.25%.

Revenue[1]

£494m

1% AER 2019: £488m
1% CER 2019: £491m

Underlying profit

£61m

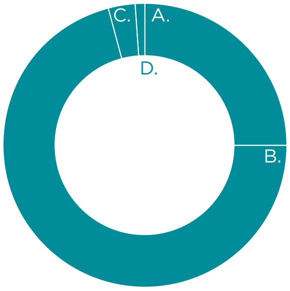
33% AER 2019: £46m
33% CER 2019: £46m

Customers

7.4m Health insurance
1m Healthcare provision

Share of revenue by business[2]

A. Hong Kong SAR **25%**
B. Bupa Arabia **71%**
C. Max Bupa **3%**
D. Other **1%**



1. Revenues from our associates are excluded from our reported figures. Customer numbers and the appropriate share of profit from these businesses are included in our reported figures.
2. Chart includes our share of revenues from associates to give a sense of scale.

Financial review

Joy Linton
Chief Financial Officer
(outgoing March 2021)

Revenue

£12.1bn

Statutory profit/(loss) before tax

£410m

Underlying profit

£388m

Net cash generated from operating activities

£1,343m

Solvency II capital coverage ratio[1]

160%

Overview

Revenue was £12.1bn, in line with prior year (2019: £12.1bn at CER), and underlying profit was £388m, down 4% (2019: £404m at CER). The Group's underlying results reflect volatile trading conditions caused by the COVID-19 pandemic. Despite this, the diversified nature of our operating businesses resulted in an underlying profit that was only marginally reduced on prior year.

Our statutory profit before taxation was £410m, up £488m compared to a statutory loss of £78m (at AER) in 2019, as a result of non-recurring goodwill impairments in 2019. Despite the pandemic, our investment in technology capabilities continued although at a slightly lower level than the prior year.

We generated cash from operating activities of £1,343m, up £646m, largely reflecting the delay in claims outflows in the insurance businesses.

Our Solvency II capital coverage ratio of 160% at 31 December 2020 remained strong and comfortably within our target working range of 140-170%. This is regarded as the range within which we would expect to operate in normal circumstances.

In June, Bupa Finance plc issued two tranches of debt: £300m 1.750% fixed rate senior notes due 2027, and £350m 4.125% fixed rate, Tier 2 subordinated notes due 2035. These bonds improve our liquidity and debt maturity profiles. In September, the £330m restricted Tier 1 bond was repaid on its call date.

Revenue (CER)

Revenue was broadly flat as a result of growth in our Australia and New Zealand and Europe and Latin America Market Units, offset by a decline in Bupa Global and UK.

By business lines, revenue in our health insurance businesses stayed broadly flat. Our insurance portfolio in ELA grew but this was offset by COVID-19 impacts and by the targeted actions we took across our markets worldwide to support our insurance customers. These included removing pandemic exclusions for COVID-19, delaying approved premium increases, our UK return of premium commitment, and supporting those experiencing financial hardship.

Our health provision businesses saw revenue growth of 3% with the full year contribution of the ADF contract in Australia, which came into effect from 1 July 2019, offset by COVID-19 impacts as many of our facilities were temporarily closed due to government-imposed restrictions.

In our aged care businesses, revenue was down 3% on 2019. Occupancy rates were significantly reduced as a result of local restrictions on new resident admissions into homes. Tragically, we also lost a number of our residents to COVID-19 in Spain, UK and Australia.

Underlying profit (CER)

Group underlying profit declined by 4% to £388m (2019: £404m at CER). Overall, our insurance profits have increased, however this was more than offset by losses in provision and aged care reflecting the significant disruption to services from lockdowns, government restrictions and additional costs from COVID-19.

For our largest line of business, health insurance, underlying profit increased, due to the reduced levels of claims as countries applied lockdown measures that restricted availability of private healthcare and postponed elective procedures, particularly in the early stages of the pandemic. At half year, this restriction on supply led us to hold deferred claims reserves, where we had a constructive obligation to service claims deferred until after the reporting date, which could postdate the customer's contract period. During the second half, private healthcare generally returned to full capacity in all our markets and customers have since been able to access treatment, and no such obligation remains. Although claims have rebounded, it is clear that the ongoing impact of the pandemic means some claims volumes postponed from 2020 may rebound beyond the year end. For Australian Health Insurance, local regulation has required us to hold a reserve of £171m, reflecting our estimate of the likely rebound. In addition to this reserve, the impact of reduced claims across the businesses has been offset by delayed premium rises in Australian Health Insurance and Chile, and hardship discounts in Australia and the UK. As noted, we are also holding a premium reserve to satisfy our UK return of premium commitment.

We incurred an underlying loss in our health provision businesses. Across our markets, there were temporary closures at several points throughout the year, with a variety of government restrictions, such as mandated time gaps between dental appointments, and higher PPE costs. Many of these restrictions were eased in the second half of 2020 but have continued in some form into 2021.

1. The 2020 Solvency II capital position, SCR and coverage ratio are estimates and unaudited.

Financial review
continued

We experienced an underlying loss in aged care due to a decline in occupancy and higher costs, particularly agency staffing and PPE costs which increased as a result of the pandemic. Occupancy rates were at their lowest in May and June, as the pandemic affected our four aged care markets with strict restrictions on new admissions. Since then, as restrictions to admissions have been lifted, occupancy rates have increased, particularly in ANZ. At the end of December 2020, the number of residents across the four countries in which we operate aged care businesses was down around 2,000 or 9% on 2019.

Central expenses and net interest margin of £80m were £9m higher (2019: £71m at CER) as comparatively lower interest rates adversely impacted investment returns. This was partly offset by savings arising from simplifying our organisation structure in 2019 to remove the International Markets Market Unit, thus lowering central costs.

Statutory profit (AER)

Statutory profit before taxation was £410m compared to a £78m loss in 2019, largely as a result of non-recurring goodwill impairments in 2019 of £443m.

In 2020, non-underlying items totaled £22m profit, compared with £494m loss in 2019. The key items in 2020 were property revaluation gains in our ANZ care homes, lower foreign exchange losses compared to 2019, and lower losses on disposals of businesses and transaction costs on business combinations. This was partly offset by lower gains in our return seeking assets as credit spreads widened following the onset of COVID-19, in contrast to gains made on these assets in 2019.

Taxation

The Group's effective tax rate for the period was 44% (2019: negative 171%), which is higher than the current UK corporation tax rate of 19%. This is mainly due to a one-off deferred tax charge (£68m) as a result of the change in the basis of recognition of the pension surplus following the closure of the UK defined benefit scheme to future accrual (see note 2.6). In addition, all other UK deferred tax balances were revalued as a result of the change in the enacted UK tax rate (from 17% to 19%) increasing the overall tax charge by a further £15m. If these exceptional items are removed Bupa's effective tax rate would be 24%, which is in line with expectations and higher than 19% due to significant profits arising in overseas locations with a higher statutory tax rate than the UK.

Following an IFRIC clarification published in the year, 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income Taxes), the Group's deferred taxation accounting policy has been amended to take into account the multiple consequences of asset recovery, which impacts the accounting for some indefinite lived intangibles in the ANZ segment. The 31 December 2019 consolidated statement of financial position has been restated as a result, with goodwill increasing by £27m and an offsetting increase in deferred tax liabilities.

	2020 £m	2019 £m
Australia and New Zealand at CER	**113**	158
Europe and Latin America at CER	**184**	155
Bupa Global and UK at CER	**110**	116
Other businesses at CER	**61**	46
Underlying profit for reportable segments at CER	**468**	475
Central expenses and net interest margin at CER	**(80)**	(71)
Consolidated underlying profit before taxation at CER	**388**	404
Foreign exchange re-translation on 2019 results (CER/AER)	**–**	12
Consolidated underlying profit before taxation at AER	**388**	416
Impairment of intangible assets and goodwill arising on business combinations	**(12)**	(443)
Net loss on disposal of businesses and transaction costs on business combinations	**(1)**	(31)
Net property revaluation gains	**26**	6
Realised and unrealised foreign exchange losses	**(2)**	(23)
Gains on return-seeking-assets, net of hedging	**15**	28
Other non-underlying items	**(4)**	(31)
Total non-underlying items	**22**	(494)
Statutory profit/(loss) before taxation at AER	**410**	(78)

Cash flow

Net cash generated from operating activities increased by £646m to £1,343m primarily as a result of the lower claims paid due to the disruption of elective healthcare procedures and a one-off tax settlement in 2019 in Australia.

Net cash used in investing activities increased by £339m to £904m in 2020 with higher deposits and net investments in financial assets being made in the year as a result of lower claims paid. During the year, we increased our investment in Bupa Arabia by 4% and made a small number of dental and clinic acquisitions. We have continued to invest in IT infrastructure during 2020 albeit at a slower rate than 2019.

Net cash generated from financing activities decreased to £209m, a change of £10m from last year.

Funding

We manage our funding prudently to ensure a strong platform for continued growth. A key element of our funding policy is to target an A-/A3 senior credit rating for Bupa Finance plc, the main issuer of Bupa's debt.

In March 2020, Fitch downgraded Bupa Finance plc's Long-Term Issuer Default Rating (LT IDR) to 'A- 'from 'A', and senior and Tier 2 bonds one notch to BBB+ and BBB- respectively. Fitch affirmed Bupa Insurance Limited's Insurer Financial Strength (IFS) rating and LT IDR as A+ (Strong) and A respectively. The outlook on both Bupa Finance plc's LT IDR and Bupa Insurance Limited's IFS ratings is stable. In April Moody's affirmed Bupa Insurance Limited's Insurance Financial Strength Rating at A1 and affirmed the senior and subordinated debt ratings of Bupa Finance plc, while changing the outlook from stable to negative. The senior and Tier 2 bond ratings stand at A3 and Baa1.

Following the annual review of Bupa's ESG rating with MSCI in December 2020, Bupa received an upgrade to an A rating in January 2021.

The key development in 2020 was the issuance of both a £300m senior and a £350m Tier 2 bond in June. These transactions enhance both our liquidity and debt maturity profiles.

At 31 December 2020, we had no drawings under our £800m revolving credit facility, which is due to mature in August 2022. The bond proceeds were received in June and were used in part to repay the £330m restricted Tier 1 bond on its call date in September. The balance of the proceeds were used to repay all remaining drawings under the £800m revolving credit facility.

We focus on managing our leverage in line with our credit rating targets. Leverage excluding operating leases at 31 December 2020 was 25.3% (2019: 25.1%). Leverage is 32.4% (2019: 32.7%) when IFRS 16 lease liabilities are taken into account.

Coverage of financial covenants remains well within the levels required in our bank facilities.

Solvency[1]

Our solvency coverage ratio of 160% remains strong and comfortably within our target working range of 140-170%.

The Group holds capital to cover its Solvency Capital Requirement (SCR), calculated on a Standard Formula basis, considering all our risks, including those related to non-insurance businesses. As at 31 December 2020, the estimated SCR of £2.5bn was £0.1bn higher and Own Funds of £4.0bn was £0.1bn higher when compared to 31 December 2019.

Our surplus capital was estimated to be £1.5bn, compared to £1.5bn at 31 December 2019, representing a solvency coverage ratio of 160% (2019: 159%). Our business continued to generate capital through our underlying profitability. This capital generation was largely offset by capital expenditure, debt financing activities and the purchase of an additional 4% shareholding of Bupa Arabia.

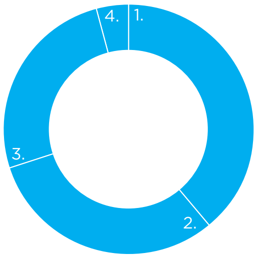
We perform an analysis of the relative sensitivity of our estimated solvency coverage ratio to changes in market conditions and underwriting performance. Each sensitivity is an independent stress of a single risk and before any management actions. The selected sensitivities do not represent our expectations for future market and business conditions. A movement in values of properties that we own continues to be the most sensitive item, with a 10% decrease having a 15 percentage point reduction to the solvency coverage ratio.

Our capital position is resilient in the face of the individual risks, illustrating the strength of our balance sheet.

Risk Sensitivities	Solvency II coverage ratio
Solvency coverage ratio	160%
Property values -10%	145%
Loss ratio worsening by 2%	153%
Interest rate -100bps	157%
Group Specific Parameter (GSP)[2] +0.2%	159%
Sterling appreciates by 10%	159%
Credit spreads +100bps (no credit transition)	159%
Pension risk +10%	160%
Equity markets -20%	160%

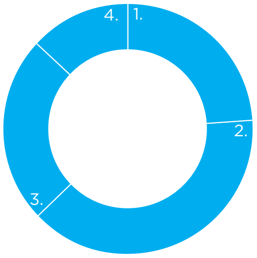
1. The 2020 Solvency II capital coverage ratio is an estimate and unaudited.
2. Group Specific Parameter (GSP) is substituted for the insurance premium risk parameter in the standard formula, reflecting the Group's own loss experience.

Revenue by Market Unit



	2020 AER	2019 CER	2019 AER
1. Australia and New Zealand	39%	38%	38%
2. Europe and Latin America	31%	30%	31%
3. Bupa Global and UK	26%	28%	27%
4. Other businesses	4%	4%	4%

Underlying profit by Market Unit



	2020 AER	2019 CER	2019 AER
1. Australia and New Zealand	24%	33%	33%
2. Europe and Latin America	39%	33%	33%
3. Bupa Global and UK	24%	24%	24%
4. Other businesses	13%	10%	10%

Risk

Embedding a strong risk management culture is a strategic priority across Bupa supported by robust risk management and controls. This focus on culture is essential in order to respond to changing environments and evolving regulation. This means we can foresee the potential risks of future changes that could affect our customers and our business, and to mitigate them. Together with our controls, ensuring a strong risk culture helps us to continue to serve our customers well and meet all of our stakeholders' expectations.

"The success of our business depends on us managing risks to deliver our purpose. Everyone at Bupa is accountable for managing risk and it is the actions each of us do every day that makes the difference."

David Fletcher
Chief Risk Officer

Our comprehensive risk management programme ensures that risk management should come as second nature to everyone at Bupa and they are equipped to manage risk. We have tools in place to achieve this, including the Bupa Code, our code of conduct, risk appetites, Enterprise Policies and our 'Speak Up' whistleblowing process (see more on our People pages 16-19).

We are continuing to raise our standards and expectations in order to ensure the right outcomes for our customers, our markets and our business.

Our local businesses are exposed to a wide range of political, regulatory, legal and economic risks. Our health insurance, provision and aged care activities also carry different risk profiles including clinical risk.

We make sure we are in the best place to manage and diversify our risks, including emerging and strategic, by understanding the factors behind the risk to each individual business and to our balance sheet, and by assessing how these risks interact.

Progress in 2020

We continued to strengthen our approach to risk management during the year and have further embedded this capability within the business. Our approach is in line with the evolution of our business as a whole and the nature of how risks are evolving globally.

While we have put significant risk management focus on the pandemic, with a particular emphasis on the safety and resilience of our people and customers, we have ensured that we continue to focus on the wider risk management agenda throughout the year, including:

- conducting in-depth reviews of specific aspects of risk as they arise in the external environment and focusing on specific areas of risk for our insurance and healthcare provision businesses.;
- reviewing our strategic and emerging risk profiles with a particular emphasis on how these are likely to be affected by the pandemic;
- reviewing our climate change risk profile and evaluating our approach to enhancing climate change risk management and disclosures in Bupa;
- reviewing the risks associated with increasing our stake in Bupa Arabia;
- reviewing our approach to the calibration of our capital risk appetite statement to update for changes in our risk profile;
- improving our regular risk reporting to the Risk Committee to assist in its effective oversight;
- continuing to review the risks to Bupa associated with the UK leaving the EU as they evolve;
- reviewing the risks associated with changing regulatory and political environments across the Group;
- undertaking a stress and scenario testing programme to improve our understanding of severe risks and how they may affect the business plan in both our insurance and healthcare provision businesses. This included regular assessments of the impacts of the pandemic as the situation was evolving;
- strengthening our clinical governance structures and approach
- continuing to improve our information security and privacy controls to respond to the ever-evolving external environment; and
- continuing to improve our wider information technology and IT operational resilience controls.

Our approach to risk management

Governance

We have governance processes overseen by non-executive directors at Group Board level and at subsidiary board level for our main insurance subsidiaries (more on our system of governance on page 52).

The Board Risk Committee receives reports from the Chief Risk Officer, Chief Medical Officer and other Bupa executives as appropriate, and sees minutes from the major insurance subsidiary boards' risk committees and the Group level executive committee, Bupa Enterprise Risk Committee (BERC). The BERC is responsible for the leadership and oversight of risk across the Group and recommends risk appetite to the Board Risk Committee. The BERC is chaired by the Group CEO.

Each of our large insurance entities is overseen by a local Board Risk Committee, consisting mainly of independent Non-Executive Directors (NEDs) who oversee the Risk Management Framework. Our other businesses have formal governance structures in place appropriate to the size, nature and complexity of the business. The subsidiary boards receive regular reports from local management and Chief Risk Officers.

Approach and implementation

We use a 'three lines of defence' approach to risk management.

We manage risk across our health insurance, provision and aged care businesses in line with our Board-approved Risk Management Framework. This sets out the principles behind a robust and continuous risk management system in our first line of defence.

This ensures that:

- we identify current and emerging risks to the businesses and strategy and understand the potential consequences;
- we have clear and established risk appetites within which we operate (these are discussed further below);
- we take appropriate and effective steps to mitigate and manage identified risks;
- we use risk management information to help inform risk-based decisions across the business; and
- there is clear ownership of, and accountability for, risk;

We have a culture in which:

- appropriate risk behaviours are encouraged and rewarded;
- inappropriate behaviours are challenged with appropriate consequences; and
- risk events are communicated quickly without fear of blame.

We have well-established reporting systems in place to make sure that major risks to our businesses are identified, escalated, managed and mitigated. We carry out detailed reviews and in-depth analyses on particular risks where required, and have a stress and scenario testing programme for key risks.

Our risk management processes include explicit consideration of how future risks to our strategy might emerge or evolve and what actions we should be taking now to mitigate these risks or to benefit from the opportunities they provide. This includes:

- consideration of how technology may evolve;
- the future of health and healthcare and the impact of emerging and increasingly prevalent medical conditions;
- how society may evolve including the impacts of ageing populations; and
- geopolitical and economic considerations.

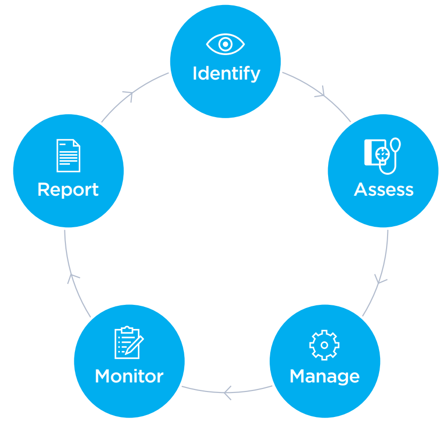
We manage the risks to Bupa from climate change using our risk management systems and structures as described above.

Our Enterprise Policies define the way we conduct business. The policies are reviewed annually and cover all key areas of risk for our health insurance, provision and aged care businesses. These are implemented by our Market Units and in Group Functions, and overseen by Group Functions to ensure compliance with the requirements in each Market and Business Unit. Each policy has a designated owner with defined roles and responsibilities at both enterprise and local levels.

Our annual Internal Control and Risk Management Assessment (ICRMA) tests how effectively we put the Risk Management Framework into practice. Through this, we assess how well internal control and risk management practices and policy compliance is embedded across Bupa. This is a self-assessment conducted by the first line of defence and reviewed and challenged by the second and third lines, with the results presented to the Risk Committee.

The importance of risk management is reinforced by the effectiveness of our risk management processes being a factor in remuneration, with defined outcomes for all Market Units.

Risk management life cycle



Risk appetite

Our Board risk appetite is a measure of the degree of risk we are prepared to accept in our work to deliver on our strategy. Our core risk appetite statements focus on:

- the treatment of customers and employees;
- management of our financial strength;
- the sustainability of our business; and
- operational risk, including information security, privacy and clinical risks.

The risk appetite statements are reviewed annually, with the Risk Committee recommending any changes to the statements to the Board for approval.

Risk profile

We accept risk as part of our business. Some risks are avoidable while others are inherent in our business model. We have an effective risk management system and internal controls in place to mitigate these risks.

We maintain significant economic capital as a means of mitigating certain inherent risks. This reflects the nature of our operations and the level of risk associated with them.

Risk
continued

These risks are set out in the table below in order of the solvency capital required to mitigate them.

Risk	Description	Comment and outlook	Mitigating actions
Property	The risk of the volatility in values or the devaluation of properties held for own use (including owned care provision properties), or for investment purposes, resulting in adverse impacts. This includes capital associated with leased properties following the introduction of IFRS 16.	▪ We generally own rather than rent property. This could leave us exposed to falls in property values. ▪ Care home valuations are based on their trading potential based on discounted cash flow techniques.	▪ By maintaining a geographic spread of businesses across a number of countries, we are able to diversify exposure to national or regional property markets.
Insurance	Risks relating to our insurance businesses. Risk of inadequate pricing and/or underwriting of insurance policies, and of claims experience being materially adversely different to expectations.	▪ Health insurance is short-tailed with lower outstanding claims as a percentage of revenue than most general insurers. ▪ Insurance risk exposure will grow in step with planned growth in premium income of the insurance businesses. ▪ While the Group is currently seeing lower claims due to short term delays to elective healthcare, the average cost of claims that have been deferred could increase, as a consequence of the delay in treating progressive illnesses.	▪ The relatively short-tailed nature of Bupa's products allows us to respond to market changes quickly, although this can be limited by government-set pricing controls in some markets. ▪ We have extensive control mechanisms in place to ensure that reserves are adequate to mitigate against the risk of higher-than-expected claims costs. ▪ The geographical diversity of Bupa offers further mitigation against insurance risk.
Currency	Risk arising from changes in the level or volatility of currency exchange rates impacting on cash flows and assets held in currencies other than sterling, and on the financial statements.	▪ As the net assets of businesses outside the UK grow, there will be a corresponding increase in currency risk in relation to translation into sterling. ▪ There is transaction risk relating to policies for which premiums and claims are in different currencies.	▪ Currency translation risk is, where possible, significantly mitigated through a hedging programme to a Board-approved level of risk. ▪ We limit currency risk exposure through asset liability matching in local currencies.
Credit spread and counterparty default	Risk of a loss in value of bond assets and/or that a counterparty fails to meet its obligations in the face of adverse economic conditions. This also includes the risk of a loss in value of the bond assets held within the pension schemes.	▪ Our health insurance businesses have modest holdings of corporate and other bonds. ▪ These are exposed to the risk of widening spreads and defaults. ▪ There is banking counterparty default risk in respect of deposits.	▪ Our bond portfolio is small in relation to our other financial assets and the majority is investment grade. ▪ Counterparty exposure is managed by dealing with highly-rated counterparties with exposure limits defined by Group Treasury Policy.
Operational (including conduct risk and clinical risk)	Risk of loss arising from inadequate or failed internal processes, or from personnel, systems or external events. This risk also includes conduct risk (the risk that our behaviours, actions or controls result in detriment or unfair outcomes for our customers), and clinical risk (the risk of injury, loss or harm to customers in receipt of healthcare)	▪ We are committed to managing operational risks effectively. This includes continued close attention to management of regulatory risk and proactive engagement with regulators. ▪ If we expand our provision and aged care businesses, there will be an increase in inherent exposure to clinical risk. This is actively managed through continued refinement of our approach to clinical risk governance.	▪ Maintaining internal control processes and governance frameworks, approving risk policies and assessing compliance help to mitigate this risk. ▪ We have reviewed and updated relevant internal controls to reflect the increased prevalence of staff working from home. ▪ The Clinical Function, led by the Group Chief Medical Officer, is responsible for ensuring clinical quality and governance within the business.

Other significant risks to Bupa, such as operational risk, cannot be effectively mitigated through holding capital alone, although we do hold significant capital for operational risks. Our Market Unit Executive Risk Committees regularly review these residual risks and the mitigating actions taken to reduce them. They also inform the Risk Committee and BERC about key areas of specific concern. This provides management with a view of the priority areas in which resources should be focused. The table below reflects the themes of the most significant risks currently facing Bupa. Whilst the risk categories remained stable throughout 2020 with additional focus on climate change risks, the residual and strategic risks were heightened due to the pandemic.

Risk	Description	Comment and outlook	Mitigating actions
Information security including cyber-resilience	The risk of significant financial and reputational impacts due to a failure to appropriately secure information (including personal information).	▪ Businesses are increasingly being targeted by cyber attacks. ▪ The COVID-19 pandemic and the significant increase in staff working from home has increased certain aspects of information security risk.	▪ We have a detailed programme of activities across Bupa to appropriately mitigate this risk. ▪ We are continuing to invest in actions to enhance security and digitise customer experience.
Privacy	The risk of adverse impacts due to failure to handle personal information fairly, lawfully and securely.	▪ Regulatory requirements and expectations in relation to privacy are increasing globally. ▪ This is also true of customer expectations as people become increasingly more aware of the value and risks associated with personal information.	▪ We continually review and improve our controls over the management and security of personal information. ▪ We have appointed Data Protection Officers and other privacy experts as part of our enterprise-wide Privacy Risk Management Framework activities to help manage this risk.
Changes in government and regulatory policy	The risk of failure to anticipate or influence changes in governmental and regulatory environment which may impact our customers and the viability or profitability of our business	▪ Our health insurance, provision and aged care businesses are subject to government and regulatory policy, including minimum wage requirements, prudential requirements, changes to tax regimes and the interpretation of existing tax practices, pricing controls in some of our health insurance businesses and clinical care requirements for our provision and aged care businesses. ▪ The significant governmental and regulatory responses to the pandemic have shown that future legislation, regulations and government funding decisions could have a material impact on the Group. Any measures put in place may improve or reduce the attractiveness and affordability of private health insurance.	▪ All our markets have defined key activities to make sure we can continue to monitor and assess the strategic implications on our businesses of any future changes in policy or regulation, and advocate for appropriate change in these areas.
Social licence to operate	The risk that reputational damage could impact our social licence to operate and therefore our ability to achieve our strategic objectives.	▪ Like many global companies, we face an increased risk of stakeholder activism and greater scrutiny of our record as a socially responsible company on topics such as the environment, climate change and other issues which can be interpreted as having an 'ethical' dimension e.g. executive and/or low pay, Inclusion and Diversity, treatment of suppliers, governance, responsible investment. Adverse comments and unfavourable media coverage can impact Bupa's reputation. ▪ There is also a risk that organisations will be judged in the future on how they have responded to the pandemic. It is more important now than ever that we continue to deliver on our purpose and serve and support our customers, our people and the communities we operate in.	▪ In order to ensure issues in one business or Market Unit do not spread and impact the trust in our brand in another, contagion risk remains prominent in our operational and reputational risk management agenda with a focus on resolving and learning from issues faced.

Risk
continued

Risk	Description	Comment and outlook	Mitigating actions
People resilience as a result of the pandemic	Risks associated with the resilience of our own people, particularly as a result of the pandemic, including safety, wellbeing and capacity, which impact on our employees' ability to deliver for our customers.	▪ The pandemic has presented significant challenges to workplace safety and employee health and wellbeing, including the risk of infection to our people in the course of their work ▪ Our people have had to adapt to new ways of working as a result of government restrictions, which has been very challenging for many of them. ▪ In markets where we are able to transition back to office-based working, we are doing so in accordance with government advice and are prioritising staff who are at least risk and would benefit the most from being back in the office. ▪ Our front-line staff, in particular our clinical staff, have been under significant pressure throughout the crisis and there is a risk of staff fatigue and burnout as the crisis continues.	▪ Considerable work has been done to address the people risks associated with COVID-19. This has been led by the People Function with the support of all functions and businesses. ▪ This risk will remain as long as the pandemic continues and will evolve as we go in and out of various states of lockdown in our markets. We will continue to take appropriate action to support our people through this. ▪ Read more on People on pages 16-19.
Technology disruption	The risk of failure to anticipate and/or respond to changing expectations in relation to information technology and resilience which could impact the viability or profitability of the business.	▪ Changing consumer expectations/ behaviours with higher expectations for technological solutions to improve interactions and the need for businesses to ensure appropriate IT capabilities and operational resilience to deliver for customers. ▪ Customers have looked towards digital offerings during the pandemic and, where these have been available, they have been well received. This has also helped demonstrate value in digital insurance offerings in a period where people cannot claim for physical procedures.	▪ Operational resilience capabilities tested around the Group during the crisis and generally found to be performing well. ▪ We have significantly increased our digital offerings for customers during the pandemic and this will remain an area of focus in the future.
Economic conditions and product value	The risk of geopolitical volatility, changing customer dynamics and competitor activity having an adverse impact on our business model.	▪ The macroeconomic environment is challenging in most markets, and this will be compounded by COVID-19. It is uncertain how severe the impacts will be and how long they will last but any reduction in consumer or government spending may impact our businesses. ▪ We will manage any macroeconomic and regulatory and political uncertainty that may arise following the UK's exit from the EU as part of our ongoing business as usual risk profile. ▪ Weakened economic environments are also likely to compound the existing affordability challenges in health insurance as premiums rise, driven by medical inflation which continues to increase at a higher rate than inflation.	▪ We regularly review our products and offerings to ensure that we continue to provide value to our customers despite the economic challenges.

Risk	Description	Comment and outlook	Mitigating actions
Environmental risks and climate change	The risk that our activities cause harm to the environment, and the risks that climate change could mean for our business	▪ Climate change is a health concern as well as an environmental risk. We play an active part in promoting positive environmental practices and we look for opportunities to reduce waste and conserve energy where possible. ▪ We have performed a risk assessment of the risks associated with climate change considering the physical, transitional and liability risks for the Group. We have direct property-related exposure to physical risks, especially in our provision and aged care businesses. Our investment and insurance risks exposures are not material. We may be impacted by transitional risks that impact the ability for our customers to afford our products.	▪ We have a Corporate Responsibility and Sustainability policy which includes environmental considerations and is reviewed on an annual basis. Each of our Market Units has developed a plan outlining actions to manage our social and environmental responsibilities. ▪ As detailed under ESG Governance on page 20, the Corporate Responsibility and Sustainability Advisory Committee advises the Board and Executive on actions to address the five pillars, including the environment and climate change risk. ▪ We have established a Group-wide Environment and Climate Action programme to consider and take appropriate action for Bupa. This programme includes considerations relating to our own carbon output, Risk Management processes and procedures, health implications from climate change and reporting and disclosure. ▪ The direct impacts of climate change on health are unclear but these impacts are likely to emerge over time and the short-tailed nature of our products allows us to respond to these developments, although this can be limited by pricing controls in some markets. ▪ We have stressed the impact of climate change scenarios on our investment profile. We will continue to explore further potential scenario analysis and stress tests to perform.

There are further risks that capital cannot appropriately mitigate which remain a priority for management. These are detailed in the table below.

Risk	Description	Comment and outlook	Mitigating actions
Liquidity risk	The risk that we hold insufficient financial resources to enable us to meet our obligations as they fall due or to take advantage of potential opportunities, or of being able to secure such resources only at excessive cost, resulting in adverse impacts.	▪ Liquidity risk is addressed not through capital but by holding liquid assets and maintaining appropriate controls. ▪ Policyholder liabilities are predominantly backed by liquid assets, so our liquidity risk exposure primarily relates to the funding risk associated with borrowings.	▪ This is mitigated by the Treasury function actively managing borrowings, for which the amount and timing of outflows are known, and by maintaining a portion of the bank facility undrawn. ▪ We have significantly de-risked our liquidity and capital positions, having issued senior and Tier 2 bonds in June 2020. However, we continue to monitor the markets to ensure that we appropriately fund the Group.
Strategic risks	The risk that we are unable to design or implement appropriate business plans and strategies, to make decisions, to allocate resources, or to adapt to changes in the business environment. This includes the risks associated with acquisition and disposal decisions and their implementation.	▪ Global trends and key areas influencing our markets are set out on page 10.	▪ Our purpose – helping people live longer, healthier, happier lives – and our values shape how we act and deliver for our customers and our people. ▪ Through the identification and assessment of emerging risks, we can react to issues in a timely and appropriate manner.

Governance

Governance

Key

Environmental Social and Governance (ESG) and 'People' content contained in this section

Beyond words

In partnership with the Cheltenham Festivals, The National Literary Trust and Mind, we launched a new creative writing project for young people to help them express their feelings about this extraordinary year and support their mental wellbeing.

Chairman's introduction to governance

The Board's role is to provide strategic leadership and to oversee management's implementation of the strategy within a prudent and effective governance and risk management structure. As a global healthcare company, we recognise that strong and demonstrable governance is key to earning stakeholders' trust in our business. The following pages explain how the Board, supported by its Committees, fulfilled its governance role during 2020.

"Strong, demonstrable governance is key to earning stakeholders' trust in our business."

Challenges in 2020

The pandemic presented a major challenge during 2020, testing the resilience, adaptability and flexibility of our governance systems and our people throughout the Group. In response to the pandemic, a comprehensive global crisis response was implemented by management, with the Board receiving weekly updates on the impact of the pandemic and how the business was managing its response.

The Board and I had full confidence in management's tactical response to the pandemic. Additional Board meetings in April were dedicated to discussing that response and the strategic issues arising as a result of the pandemic and to establish a Board sub-committee on funding and liquidity concerning the bond issuance programme. Board Committees were closely involved in the pandemic-related governance response. Examples include the Audit Committee's work in reviewing insurance reserving, the Risk Committees' oversight of the risks related to clinical governance within our health provision and aged care businesses, and both committees' consideration of enhanced stress and scenario testing results to ensure that the Group's capital and risk positions were safeguarded. The separate Committee reports that follow provide more detail.

The pandemic meant that the Board and its Committees all had to adapt to remote working and virtual meetings. Thanks to the superb efforts of Bupa's Technology teams, our systems proved more than capable of supporting continued business interaction and working from home throughout the Group. I look forward to meetings taking place in person again when that becomes possible.

Maintaining resources

Preserving a prudent capital base and access to liquidity in the capital markets are important factors in maintaining stakeholders' confidence in our business. Management implemented tactical capital expenditure controls in light of the pandemic and the funding and liquidity sub-committee established by the Board approved the significant bond issuance programme in June, further bolstering our capital reserves, supported by the Audit Committee, which carefully considered the associated financial disclosures. Further details are on pages 27 and 35 and in the Audit Committee report on page 62.

Planning for the future

The pandemic has not diminished our focus on planning a sustainable future for the business. Throughout 2020, the Board considered strategic initiatives in all Market Units and opportunities in a post-pandemic environment, assisted by the Risk Committee's analysis of strategic and emerging risk themes. For example, in June, the Board approved an increased stake in Bupa Arabia, our associated business in Saudi Arabia, further cementing our presence in the Middle East. We also continue to invest in technology capabilities and enhancements in the underlying technology and information security governance to support our digital transformation.

We will continue to be proactive in enhancing our governance oversight, with the Board and its Committees now receiving updates on the Clinical Governance Framework developed in 2020 and more detail on the governance of our healthcare provision subsidiaries.

Board changes

As mentioned earlier, Evelyn Bourke retired in December 2020. My deepest thanks go to Evelyn for all that she has contributed to the Bupa Board, both as CFO from 2012 to 2016 and latterly as CEO. Following a rigorous, formal selection process (see the Nomination and Governance Committee report on page 69 for further details), Iñaki Ereño was chosen as Evelyn's successor, and the Board and I are excited about what he will bring to the next chapter in Bupa's development. I am also delighted that Clare Thompson, our Senior Independent Director and Audit Committee Chair, has agreed to extend her term until 2022, which will provide valuable continuity given the change in External Auditor and the intended appointment of a new CFO. All Directors will be presented for election or re-election at the 2021 AGM.

Ensuring good governance

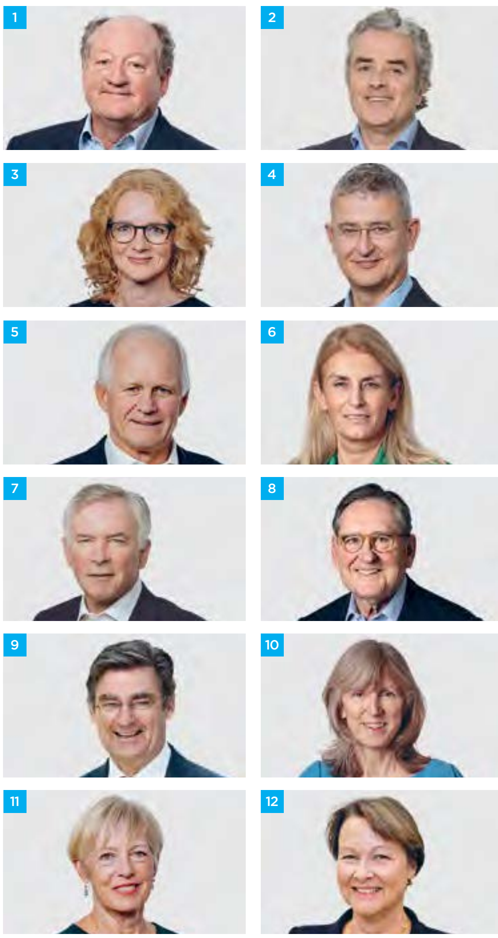
We have applied the 2018 UK Corporate Governance Code (the Code) during the year and disclose in this report how we have met its requirements. The Board also evaluated its effectiveness during the year. The results are summarised on page 51. During 2021, the Board will continue to focus on strategic delivery and strengthening our governance and risk management practices.

Despite the pressures presented by the pandemic, it is a testament to the dedication of my Bupa colleagues that governance standards throughout the Group were maintained and enhanced. The variety of people and customer-related industry awards received by Bupa during the year (see pages 16 and 19) is a fitting reflection of the significant progress we've made this year and, I believe, clearly demonstrates our commitment to strong governance.

Roger Davis
Chairman

Board of Directors

Board

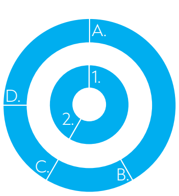


Nationality

A. **British** (5)
B. **Australian** (2)
C. **Spanish** (2)
D. **Other** (3)

Gender diversity

1. **Men** (7)
2. **Women** (5)



Non-Executive Directors' skills and experience

1 Roger Davis
Chairman/**N**/Re

Roger was appointed as Chairman in 2019, having joined the Board in 2015. He is Chair of the Nomination and Governance Committee and a member of the Remuneration Committee.

Roger has extensive business experience and an international mindset acquired during a wide-ranging career in financial services.

Roger is Chairman of Global RadioData Communications and Future for Heroes. He has extensive experience in the UK and Asia with previous positions including Managing Director of India for Jardine Fleming, Chief Executive Officer of BZW Asia Pacific, and Chairman and Chief Executive of Barclays Capital Asia Pacific. He left Barclays as Executive Director and Head of the UK Bank in 2005. He was formerly Chairman of Sainsbury's Bank and a Non-Executive Director of Experian plc.

2 Iñaki Ereño
Group Chief Executive Officer

Iñaki became Bupa Group CEO on 1 January 2021.

Iñaki joined Bupa in 2005 and has held a number of leadership roles. He became CEO of Sanitas, the Bupa Group's insurance and provision businesses in Spain in 2008, and in 2012 became CEO of the Spain and Latin America (SLA) Market Unit and joined the Bupa Executive Team. In 2016, SLA was expanded to Europe and Latin America (ELA). ELA consists of Bupa's businesses in Spain, Chile, Poland, Brazil, Turkey, Mexico and Latin America.

Before joining Bupa in 2005, Iñaki held senior positions at the Telefonica Group and Carrefour as well as founding an online start-up.

3 Joy Linton
Chief Financial Officer (outgoing March 2021)

Joy became Group CFO in March 2016. She joined Bupa in 2011 as CFO of the Australian health insurance business, before becoming Finance and Commercial Director of the Australia and New Zealand (ANZ) Market Unit. She moved to the UK in 2015 and was General Manager of the health services business as well as the Group's Interim Chief People Officer.

Prior to joining Bupa, she was CFO of National Foods, one of Australia's largest food and beverage companies. She was also a Non-Executive Director of Bega Cheese Ltd, an ASX-200 listed company, serving as Chair of their Audit and Risk Committee.

In October 2020, we announced Joy will be leaving Bupa in 2021 to take up a new role in Australia. Martin Potkins became Interim Group CFO from 1 December 2020.

4 Paul Evans
Non-Executive Director A/N/Ri

Paul joined the Board in 2018 and is a member of the Audit, Nomination and Governance, and Risk Committees. He also joined the boards of Bupa's UK regulated entities in 2019 and chairs their audit committee.

Paul is a Chartered Accountant with over 30 years' experience in the financial services industry. He joined Allianz Holdings plc as Chairman-elect from November 2020 and is a Non-Executive Director of Swiss Re Europe SA, Swiss Re International SE and Anorak Technologies Group, and chairman of the board of trustees of Youth@Heart.

Paul spent 13 years with PricewaterhouseCoopers before joining AXA where he held a number of senior roles including Chief Financial Officer of AXA UK, CEO of AXA Life, Group CEO AXA UK and Group CEO of AXA's global Life, Savings and Health businesses. He is a former Chairman of the Association of British Insurers.

Committee key

Committee Chairman	**B**
Audit	A
Nomination and Governance	N
Remuneration	Re
Risk	Ri

5 Michael Hawker
Non-Executive Director/Ri

Michael joined the Board in 2019, is a member of the Risk Committee and is Deputy Chairman of Bupa's Australian and New Zealand business.

Michael brings extensive knowledge and experience of financial services gained over a long career in the banking and insurance industries, in both executive and non-executive roles in Europe, Asia and Australia.

Michael is Lead Independent Director at Washington H Soul Pattinson Pty and Company Ltd and Non-Executive Director of Westpac Banking Corporation and Jawun, a non-profit organisation which supports indigenous and rural communities to establish self-management. He was awarded the General Division of the Order of Australia for services to the community.

6 Cath Keers
Non-Executive Director/**Re**

Cath joined the Board in November 2019. Cath is Chair of Bupa's Remuneration Committee.

Cath brings substantial digital consumer expertise to the Bupa Board, with over three decades of professional and leadership experience across the retail, consumer, digital and technology sectors.

She is Chairman of both Ustwo – a digital product and games studio – and Trusted House Sitters, the largest pet sitting platform. She is also an independent Non-Executive Director of Funding Circle Holdings plc and Chief Marketing Officer of Sage Group plc. Previously, Cath was a Non-Executive Director of Sage Group plc, Royal Mail, Home Retail Group, LV= and Telefonica Europe. She has held a number of commercial roles including marketing and business development at Sky TV, Avon, Next, and O2, and was chairman of Tesco Mobile.

7 Nicholas Lyons
Non-Executive Director N/Re

Nicholas joined the Board in 2018 and is a member of the Nomination and Governance, and Remuneration Committees. He is also the Chair of our Corporate Responsibility and Sustainability Committee.

Nicholas brings substantial experience from his executive career and non-executive roles at financial services and insurance companies. He is currently Chairman of Phoenix Group Holdings plc and a Non-Executive Director of Convex Group.

In his executive career, Nicholas spent 12 years at JP Morgan working in Debt and Equity Capital Markets and Mergers and Acquisitions, and eight years at Lehman Brothers as a Managing Director in their European Financial Institutions Group and, finally, as Global Co-Head of Recruitment with a focus on corporate culture, diversity and inclusion.

He was previously the Chairman of Miller Insurance Services LLP, Senior Independent Director and Chairman of the Remuneration Committee of Pension Insurance Corporation plc, Senior Independent Director and Audit Committee Chairman of Catlin Group Limited, and a Non-Executive Director of Temple Bar Investment Trust, Friends Life Group Limited and Friends Life Holdings plc. Nicholas is also an Alderman of the City of London Corporation and is involved with a number of educational and charitable organisations.

8 Matías Rodríguez Inciarte
Non-Executive Director A/Ri

Matías joined the Board in January 2019 and is a member of the Risk and Audit Committees.

Matías brings experience of Spanish financial services, risk management and government to the Board.

Matías is currently a Non-Executive Director of Sanitas, S.A. de Seguros, Bupa's Spanish health insurance business, Chairman of Unión de Créditos Inmobiliarios, S.A., E.F.C., a Non-Executive Director of Financiera El Corte Inglés E.F.C., S.A., both credit institutions, and an Independent Director of Financiera Ponferrada S.A. Sicav, a Spanish investment fund. He is also Head of Santander Universities, a Department of Banco Santander in charge of Santander's programme with universities.

Matías' early career included roles in the Spanish civil service and as a Minister in Spanish Government. He then held a number of executive roles at Banco Santander SA including Executive Vice President and Chief Financial Officer, and Vice Chairman and Head of Risk Management. He has also been Head of Princess of Asturias Foundation.

9 Professor Melvin Samsom
Non-Executive Director/Ri

Melvin joined the Board in 2019 and is a member of the Risk Committee.

Melvin brings substantial clinical and management experience from his career in gastroenterology as both a consultant and researcher and, more recently, as a hospital chief executive. He is the Director of Health, Wellbeing and Biotech and a member of the executive board of Neom, a proposed new, futuristic city in the north-west of Saudi Arabia.

Melvin began his clinical career at the University of Utrecht in the Netherlands and also worked at leading academic medical centres including the Royal Adelaide Hospital in Australia and the Mayo Clinic in the US. Melvin was formerly Chairman of the Supervisory Board of Stockholm Care AB, a Supervisory Board member for TIAS School for Business and Society, Chief Medical Officer and latterly Chief Executive of Radboud University Medical Center in The Netherlands and Chief Executive of Karolinska University Hospital in Sweden.

10 Caroline Silver
Non-Executive Director A/Re/**Ri**

Caroline joined the Board in 2017, is Chair of the Risk Committee and a member of the Audit and Remuneration Committees. She brings over 30 years of experience in international investment banking as well as extensive experience in advising clients and regulators across Europe.

She is an advisory Partner at Moelis & Company, Chairman of FMCG Group PZ Cussons plc, Director of Intercontinental Exchange and ICE Clear Europe, and a Non-Executive Director of Meggitt plc. She is also a Trustee of the Victoria and Albert Museum.

A Chartered Accountant, Caroline was previously Vice Chairman of EMEA Investment Banking at Bank of America Merrill Lynch and spent 14 years at Morgan Stanley where she held a number of senior positions including Global Vice Chairman of Investment Banking and European Head of Financial Institutions.

11 Clare Thompson
Senior Independent Director/N/**A**/Ri

Clare joined the Board in 2015 and is Senior Independent Director, Chair of the Audit Committee and a member of the Nomination and Governance, and Risk Committees. She is also a member of our Corporate Responsibility and Sustainability Committee, a management advisory committee.

Clare brings a wealth of experience, particularly in finance and insurance, and is a Non-Executive Director and Chairman of the Audit Committee of M&G plc.

Her executive career at PricewaterhouseCoopers included 23 years as audit/lead partner on major financial services groups, during which time she served as UK Insurance Lead. She was formerly a Non-Executive Director and Chairman of the audit committee of Bupa's UK regulated insurance subsidiaries, a Non-Executive Director of Direct Line Insurance Group plc and Retail Charity Bonds plc and a Non-Executive Member of the Partnership Board of Miller Insurance Services. Clare is a Fellow of the Institute of Chartered Accountants in England and Wales.

12 Janet Voûte
Non-Executive Director N/Re

Janet joined the Board in 2016 and is a member of the Nomination and Governance, and Remuneration Committees. She is also a member of our Corporate Responsibility and Sustainability Committee.

Janet brings an international perspective and experience gained in corporate strategy, the health and care sector and consumer-facing businesses. She is Chairman of the Creating Shared Value Council at Nestle SA, a Council Member at SustainAbility, an ERM Group Company, and serves as an Ambassador of the International Integrated Reporting Initiative.

Janet previously served as Global Head of Public Affairs at Nestle SA and was a member of the board of Bamboo Finance SA. She also served as Partnership Advisor at the World Health Organization in the area of non-communicable diseases and mental health and as CEO of the World Heart Federation. Janet was formerly Vice President and Managing Partner at Bain & Company Switzerland.

Leadership

Bupa's governance framework and the role of the Board

The Board is responsible for the long-term success and sustainability of Bupa for the benefit of its customers, now and in the future. It does this by providing clear leadership in setting strategy and risk appetite and by overseeing management's implementation of strategy within a prudent and effective governance structure and ensuring that Bupa's culture is aligned with our purpose, values and strategy. The diagram on page 52 shows how the Board and its Committees oversee the business through the 'three lines of defence' model. The Board delegates certain activities to its Committees to ensure that there is sufficient time to discuss and provide challenge in these areas, and to allow the Board to focus on key strategic decisions. In turn, the Board is held to account by the Association Members (AMs) as set out in more detail in the Engaging with our stakeholders section on page 26.

There is a schedule of matters reserved for the Board, which includes: strategy and management; Group structure and capital; financial reporting and controls; internal control and risk management; mergers and acquisitions and material contracts; and various corporate governance matters. The schedule is reviewed annually and is available on bupa.com. All other matters are delegated to the Group CEO, who cascades authority to the business and Group Functions through a delegated authority framework.

The Chairman has reviewed the frequency, timing and content of Board meetings in 2020 to ensure that sufficient time is devoted to strategy matters. Regular site visits would normally be held across the Group to deepen the Directors' understanding of the business and build relationships with local management, and for the Board to hear directly from our people through local 'town hall' meetings. While the pandemic precluded such direct contact, alternative arrangements included: weekly updates to the Board from senior management on pandemic-related issues, including those affecting our people; the Chairman attending senior leadership team conference calls to understand management's immediate challenges and proposed responses; and increased use of targeted internal communications at all levels of the business. Board members also took the opportunity to attend, virtually, subsidiary board committee meetings in Market Units, with the chairs of both the Risk and Audit Committees attending regional audit and risk committee meetings in Spain, Chile and Australia and taking the opportunity to talk separately with regional finance, risk and audit staff.

The Chairman and the Group CEO

The roles of the Chairman and the Group CEO are separate with distinct accountabilities.

The Chairman is responsible for leading the Board and focusing it on strategic matters, overseeing the Group's business and setting high governance standards. He plays a pivotal role in fostering the effectiveness of the Board and individual Directors, both inside and outside the boardroom. The Chairman is also responsible for ensuring that there is effective communication with the AMs, acting as a sounding board for the Group CEO and representing the Group externally. With the support of the Group Company Secretary, he ensures that the Board receives accurate, timely and clear information.

The Group CEO is responsible for the day-to-day leadership and management of the business, in line with the Strategic Framework, risk appetite and annual and long-term objectives approved by the Board.

The Group CEO may make decisions in all matters affecting the operations, performance and implementation of strategy of Bupa's businesses, except for those matters reserved for the Board or specifically delegated by the Board to its Committees, executive committees or subsidiary company boards.

The Group CEO leads the Chief Executive's Committee (CEC) in driving the performance of the business and setting the overall strategic agenda.

Iñaki Ereño succeeded Evelyn Bourke as the Group Chief Executive from 1 January 2021. A summary of his skills and experience can be found on page 44.

Roger Davis was appointed as Chairman from 1 January 2019, having been an independent Non-Executive Director since July 2015. The Board was satisfied that Roger met the independence criteria in the Code at the time of his appointment as Chairman. Roger has a number of external appointments which the Board considers do not prevent him from providing sufficient time to his duties at Bupa. Details of his other appointments are set out in his biography on page 44.

The Senior Independent Director

Clare Thompson is the current Senior Independent Director. Her role is to serve as a conduit for AMs and Directors who may have concerns that have not been resolved through other channels, to act as a sounding board for the Chairman and Group CEO on Board and AM matters, and to lead the annual review of the Chairman's performance.

Q&A with Cath Keers – technology and digitalisation focus

Cath joined the Board in November 2019 as a Non-Executive Director and is the Chair of the Remuneration Committee. Having been on the Board for just over a year, we spoke to Cath about her thoughts on Bupa.

Q What interested you about Bupa and what experience do you bring to the Board?

Cath: I was drawn to Bupa by its statement of purpose – helping people live longer, healthier, happier lives. I think it's essential for companies to have a clear statement of why they exist, and Bupa's purpose strongly resonated with me. And healthcare is a fascinating area which is obviously important to all of us, as the events of the last year have emphasised even more.

My background is in marketing and business development – I've had executive roles in various companies in the technology and retail sectors over the last 30 years. More recently, I've been a non-executive director of several financial services, retail and technology companies and am a board member at a number of technology start-ups. As part of my non-executive roles, I've also chaired and been a member of remuneration committees and so have a good understanding of the governance of executive pay. At the moment I'm combining my non-executive roles with being Chief Marketing Officer for Sage, the UK-headquartered supplier of enterprise resource planning software.

Q What do you think are the main opportunities for Bupa?

Cath: I think there are significant opportunities to grow digital healthcare, and the pandemic has already accelerated progress in that space, with customers and clinicians embracing technology in healthcare in a way they hadn't before. The Group is already doing some great things – I was lucky enough to fit in a trip to Madrid just before the pandemic hit, and was able to spend some time with the innovation and transformation teams at Sanitas . I was impressed with the work they have done in developing new customer propositions. But there is more we can do to take advantage of the opportunities that exist, and I know our new CEO, Iñaki Ereño, is very focused on this.

Q How has the pandemic affected the Bupa Board and your other roles?

Cath: At the Bupa Board, like all other boards, we've had to get used to virtual meetings, which on the whole have worked fine and the technology has held up well. Particularly when you're chairing a meeting, however, you have to manage them differently to make sure everyone has the chance to share their point of view and you have a good discussion. It can be harder to have the less structured discussions that you might be able to have in an informal, in-person setting.

I can work with the companies I'm involved with from home, and I've enjoyed being able to spend more time with my family. However, both myself and the other members of the Board understand the challenges many people at Bupa have faced with working from home during lockdowns, particularly when managing childcare and other responsibilities. Of course, working from home is not an option for most of our people working in clinical facilities and care homes, and we're hugely appreciative of all they have done in such difficult circumstances. It's been good to hear about the steps the management teams across the Group have taken to support our people, and the Board will support management as we all adjust to new ways of working once the pandemic eases.

Non-Executive Directors (NEDs)

Our NEDs provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy within the Group's system of governance and the risk appetite set by the Board. The Board considers each of the current NEDs to be independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the judgement of each of them.

The Board comprises a majority of independent NEDs, and all Directors offer themselves for annual re-election by the AMs. NEDs are appointed for an initial three-year term, and any term beyond six years is subject to particularly rigorous review. A copy of the standard NED Terms of Engagement, setting out their expected time commitment, is available on bupa.com and at Bupa's registered office. These are also available for inspection before and during the AGM. During the year, frequent meetings of the NEDs were held without management present.

Board diversity, skills and succession planning

Succession plans are regularly reviewed by the Board and the Nomination and Governance Committee, and we plan a phased replacement of NEDs who are coming to the end of their tenure. This approach is designed to ensure continuity on the Board and to maintain an appropriate balance of skills and experience on the Board and its Committees. The Board as a whole reviews succession plans for senior executives to ensure that we have a strong pipeline of executive talent within the business.

The Nomination and Governance Committee report on page 69 sets out in more detail the process adopted for changes to the Board during the year.

Leadership
continued

Bupa's Board Diversity Policy is available on bupa.com. The Policy, which was refreshed in 2020, requires all Board appointments to be made on merit, employing objective criteria reflecting the skills, knowledge and experience required to ensure a rounded and effective Board. The Board is focused on increasing diversity and aspires to achieve an appropriate proportion of Directors reflecting different ethnic and social backgrounds who have direct experience of some of Bupa's key markets. At Bupa, the concept of diversity includes race, social, educational and professional background, disability, gender, sexual orientation, religion, belief and age, as well as culture, personality, work style, and cognitive and personal strengths.

Diversity also includes a diversity of perspectives on what motivates and interests Bupa's existing and potential customers. We aim to ensure that candidates for the Board and senior management are taken from as wide a pool as possible, and the firms that assist us in our recruitment are all signatories to the Voluntary Code of Conduct for Executive Search Firms. As at the date of this report, 42% of the Board, and 28% of the CEC, are women. At the end of 2020, 41% of the direct reports of the CEC were women.

Given the increasing focus on technology capabilities, the Board continued to engage an independent cyber adviser during the year to provide expert advice and to assist the Board in challenging management on information security matters and he continues to advise the Board and, in particular, the Risk Committee on the appropriateness of management's plans to further enhance information security and related assurance activity across the Group, and whether the plans are likely to achieve the desired outcomes.

Conflicts of interest

Each Director is required to notify the Company as soon as possible of any actual or potential conflicts of interest, and this requirement has been adhered to during the year. In addition, the Group Company Secretary carries out an annual review of all Directors' actual or potential conflicts of interest and any such potential conflicts were recorded and authorised. The Nomination and Governance Committee reviews Directors' potential conflicts during the year as appropriate. Should a conflict arise, the relevant Director agrees to exclude themselves from discussions and voting on any matter in which they may be conflicted. Many of our NEDs hold external appointments, but each NED has confirmed that they are able to devote sufficient time to perform their role effectively.

Board training and knowledge building

Each of the Directors is required to keep up to date on matters potentially affecting the business, and we arrange regular briefings for them over and above any training they may receive outside of Bupa. Early in the year, the Board participated in a session on Performance Energy, our resilience programme, which helps our people to be better equipped to deal with everyday pressures. Further knowledge-building sessions were arranged during the year, with a 'deep dive' into global healthcare trends and challenges, and emerging healthcare models. In addition, the Board participated in a session with an equity analyst in order to better understand how the Group's strategy and performance would be assessed if it was a public company with listed equity. This provided the Board with an alternative point of reference which it could use to challenge management on strategy and performance. Briefings on technical issues related to the matters within their remit are also held by the Board's Committees, as needed. For example, during 2020, the Audit Committee received a briefing on IFRS 17: Insurance Contracts, an accounting standard which changes how insurance contracts are recognised and measured.

Key activities in 2020

Responding to the pandemic

As the pandemic developed during the early part of 2020, the Board collaborated closely with management to monitor and oversee the Group-wide response. Given the fast pace of change experienced by the business as the full effects of the pandemic began to be felt, the Board was keen to provide strategic oversight but entrusted management with the response at a tactical level, and, accordingly, gave management the appropriate space to respond to the crisis.

Management established a Group crisis management team, which coordinated the tactical response across the Group. The CEO updated the Board at each meeting on the Group response to the pandemic and additional Board meetings were convened as necessary. The Board was also kept appraised of management's additional efforts to support employee health and wellbeing and to engage and listen to our people throughout Bupa.

The Board, with input from its Committees as appropriate, approved a number of proposals to support the interests of Bupa's customers during the pandemic. These included deferring the scheduled annual increase to Australia health insurance premiums and agreeing to a proposal that Bupa UK Insurance should pass on any exceptional financial benefit ultimately arising from the pandemic to its UK health insurance customers.

In considering Bupa's response to the impact of the pandemic, the Board was conscious of its duties to balance the interests of all our stakeholders, to review the impacts on Bupa's current and expected future financial position and risk profile and to consider the longer-term position. In April, several additional meetings of the Board were held to review a diverse range of pandemic-related topics such as the Group's funding and liquidity position and financing options, reputational issues and an assessment of potential post-crisis opportunities. The theme of planning for, and adjusting to, the post-crisis world continued for the rest of the year as the Board considered strategic business updates from the Group's Market Units and the Group's business plan over the three-year planning period. The Board also regularly reviewed the results of repeated pandemic-related stress testing and scenario modelling, which provided the basis for identifying a range of future management actions that could be employed to mitigate negative pandemic impacts.

Increased shareholding in Bupa Arabia

While there was a need to oversee the Group's response to tackling the pandemic, the Board maintained its focus on opportunities for growth. In June, the Board approved the purchase of a further 4% stake in Bupa Arabia, our associate business in the Kingdom of Saudi Arabia (KSA), increasing our shareholding to 43.25%. In making its decision, the Board considered:

detailed due diligence on the history and performance of Bupa in the KSA; the strategic rationale for taking an increased shareholding; an assessment of the market opportunity and the macro-economic and political environment; the Group capital and accounting implications; and the impact on the Group's funding and liquidity position. The terms of the increased investment and the proposed communications strategy were also reviewed.

Bond issuance

In May, the Board reviewed the Group's funding and liquidity position, which has remained strong and within capital risk appetite throughout 2020. Management's supplemental analysis considered possible future capital scenarios in light of the impact of the pandemic, and the hypothetical risks in terms of capital volatility, regulatory restrictions to intra-Group dividend flows, Bupa's debt rating, and its standing in the capital market. An additional sub-committee of the Board was established to consider funding and liquidity matters more closely on behalf of the Board.

A number of proactive funding and liquidity proposals for further protecting the Group's capital and solvency position and for increasing capital efficiency were reviewed. As a result, in June, the Board approved the issuance of two tranches of debt, with part of the proceeds used to redeem the previously issued restricted Tier 1 bond on its call date in September 2020.

Australia health insurance strategy review

In June, the Board reviewed a detailed update from the CEO of the ANZ Market Unit on the strategy for the health insurance business in Australia. The strategy was supported by the findings of an independent external review of the market opportunities, which included proposals on means to create short-term and longer-term value in the face of the changing expectations of our customers, the broader community, regulators and advancements in medical innovation.

The Board endorsed the strategy, which focuses on: enhancing the product offer to customers; optimising sales and distribution channels; improving claims management; and working with hospitals and other providers to deliver affordable, quality outcomes to Bupa customers and their patients. The strategy, which will be delivered via a restructured operating model and over 100 initiatives managed through a dedicated programme management office, is designed to develop the wider long-term sustainability of the Australian health insurance industry for the benefit of our customers, suppliers of clinical services and people working in all aspects of the industry. More information can be found in the Strategic Report on page 28.

Group CEO succession

Evelyn Bourke indicated during the year that she intended to retire as Group CEO on 31 December 2020. The Nomination and Governance Committee led the process of consideration of potential internal candidates to succeed Evelyn and, in conjuntion with the services of an external executive search firm, the assessment of external candidates against the preferred internal candidate, Iñaki Ereño, and reported its conclusions to the Board. The Committee recommended Iñaki's appointment to the Board, which the Board approved in September. During the rest of the year, the Board as a whole had oversight of the CEO transition process and Iñaki met with individual Non-Executive Directors as he began to develop his future vision for the Group in the run-up to him taking over as Group CEO on 1 January 2021.

More information on the Nomination and Governance Committee's oversight of the CEO succession process is on page 69.

Inclusion and diversity

During the year, the Board received regular updates from the Chief People Officer concerning the Group People strategy. In December, the Board also reviewed progress towards further encouraging inclusion and diversity across the Group, which is a key priority for Bupa. The Group's Global Inclusion Framework consists of three pillars, which drive increased inclusivity across Bupa's culture, leadership and practices. The Global Inclusion Framework is linked to, and supplements, Bupa's ESG, Engagement and Employee Health & Wellbeing priorities.

The Board has reflected the drive to increased inclusion and diversity in the Board Diversity Policy, which is available on bupa.com, in planning Board succession.

Workforce engagement

Culture and our people

The Board is responsible for establishing Bupa's purpose, values and strategy and ensuring that our culture is aligned with these at all levels of the organisation. In order to do our best for our customers, we need to take care of our people and this will lead to strong and sustainable performance for the benefit of our purpose of helping people live longer, healthier, happier lives.

Our culture is shaped by our values and the Bupa Code, which sets out what we expect from our people to help them live our values and achieve our purpose. The Board endorses a number of leadership imperatives, encompassing a set of competencies specific to customers, people, performance and purpose. These competencies help our senior leaders across the business to deliver performance through putting customers at the heart of everything we do and helping our people be at their best. All employees are required to complete mandatory training on the Bupa Code and other areas including information security and privacy, risk management, conflicts of interest and financial crime.

The Board monitors behaviours in a number of ways including:

- measuring our people's engagement level through our People Pulse survey tool and considering recommendations to management in response to the survey results
- considering bi-annually the level of, and themes arising from, reports received through our 'Speak Up' whistleblowing process, and receiving quarterly reports on the level and nature of customer complaints in our insurance and healthcare provision businesses
- considering, via the People Pulse survey, how our people embody Bupa's values.

Leadership
continued

Engaging our people

The Code requires boards to understand the views of companies' key stakeholders and recommends a number of methods for engaging with the workforce. We believe that our existing people engagement mechanisms and channels remain effective. The restrictions imposed by the pandemic required us to adapt our engagement plans to reflect the inability to meet in person and to leverage electronic communications. The Board was pleased to note that, in October, Bupa was ranked as one of the world's best employers in Forbes' annual list, which asked participants to rate their satisfaction with their employers' response to the pandemic and score their employers on gender equality and social responsibility. Engagement methods during 2020 are described in more detail below.

Listening

Bupa listens to its people and promotes a positive, flexible working environment and an inclusive and diverse culture so everyone can be their authentic selves at work. Our People Pulse survey tool provides sophisticated insights and benchmarking against other companies, so that we can learn and listen to what is of interest or concern to our people and act, where appropriate, on what our people are telling us. Further information is available in the People section on page 18.

As part of the detailed quarterly management information which the Board receives, people and culture issues in each of our Market Units are highlighted during the year. The Board has considered people issues such as the impact of the pandemic on health and wellbeing, on staffing of provision businesses and progress on work to encourage inclusion and diversity across the Group. We want our people to see the Board as accessible and approachable. In normal circumstances, site visits for the Board as a whole, or for individual or small groups of Directors, would be scheduled on a regular basis. These visits provide an invaluable opportunity for our people to ask questions directly to the Board and for the Directors to gain an insight into the issues important to our people in different parts of the business. This helps enhance decision-making and consideration of the longer-term impact of the Board's decisions on our people. Given the continued restrictions on travel, these sessions are now being arranged virtually, so far as practicable.

The restrictions imposed as part of the global response to the pandemic meant that pre-arranged site visits planned by the Board were paused. However, as the pandemic developed, the Board made sure that it was appraised of management's additional efforts to support employee health and wellbeing and to engage and listen to our people throughout Bupa. For example:

- Working closely with the CEO, the Chairman made sure that he was kept regularly appraised of pandemic-response work by the CEC and stayed in close contact with all the members. The Chairman updated the rest of the Board on his discussions during Board meetings.
- The Board received regular weekly updates from management during the height of the initial wave of the pandemic and details of how the Group and its businesses were managing its impact.
- Regular reporting by the CEO, the Chief People Officer and other senior executives included commentary concerning the response to the pandemic crisis and its impact on people, and how management teams across the Group were looking after and recognising the efforts of their people.
- Board members are represented on the boards of the major subsidiaries for the BGUK, ELA and ANZ Market Units.
- The chairs of the Audit Committee and Risk Committee joined the regional equivalent of their committees as guests and held separate telephone calls with their counterparts in the major insurance subsidiaries.
- In conjunction with Dr Paula Franklin, our Chief Medical Officer, Professor Melvin Samsom, who has extensive medical and clinical experience, was in regular contact with senior clinical staff throughout the business.
- The results of dedicated COVID-19 people surveys were considered by the Board. These surveys attracted a high response rate and indicated that our people felt informed of the rationale for corporate decisions, that leaders were being transparent, open and honest and that collaboration had increased.

Senior managers also held regular electronic meetings across sites or for their own teams, including on the Group's full year and half year results and on strategy.

The existing proactive programme of internal communications via email, the intranet, presentations, and internal social media platforms was adapted to cover pandemic-related, as well as 'business as usual', issues. Employee forums remained in place for areas such as training and development, IT and security and for local office issues.

Further information on these and other people engagement initiatives can be found in the People section on page 17.

Inclusion and diversity

The Board sets the 'tone from the top' concerning the Group's inclusion and diversity culture. We strive to be an inclusive and diverse organisation that welcomes everyone of all beliefs, talents and backgrounds. In 2020, we strengthened our approach to inclusion and diversity, published on bupa.com. Our approach focuses on creating inclusive cultures, leadership and practices. It is globally set and locally owned, where each market has its own priority areas of focus. We believe that teams of greater diversity provide us with the best opportunity to solve the business and social challenges that we face. And we have no tolerance for racism or discrimination of any kind.

Our approach to inclusion and diversity supports our ESG agenda (see page 20 for further information) and is sponsored by two members of the Executive team who sit on our Inclusion & Diversity steering committee. The Board also has a Board Diversity Policy, which was updated in December 2020.

Environmental, Social and Governance (ESG)

ESG is a key focus for the Board. We strengthened the governance of our ESG agenda during 2020, and as of April 2021, a Group Board Sustainability Committee will be established to assist the Board and its other Committees in ensuring the integrated management of ESG matters. This new Committee will replace the former Corporate Responsibility and Sustainability Advisory Committee. Further details of the Group's ESG activities are set out on page 20.

Board and Committee performance

This year, we carried out an internal questionnaire-based evaluation of the Board and its Committees. The questionnaire was undertaken using an online tool. The questionnaires were completed by all Directors on the Board at 31 December 2020. In addition, a number of regular attendees at the Board's standing committees were asked to complete the relevant Committee questionnaires. The Board and each Committee analysed the results of the questionnaires and agreed appropriate actions to further enhance effectiveness during 2021.

The Board concluded that, overall, the Board and Committees had operated effectively during the year. In particular, it was found that Board members work well together with an open and trusting atmosphere and have a good mix of skills, knowledge and experience.

The Board clearly sets, and contributes to, the execution of strategy, focusing on people as a lever to delivery. The Board also has a clear picture of the key risks and uncertainties facing the business.

Roger Davis led the evaluation of each Director's performance in 2020 and concluded that each Director had carried out their duties effectively during the year and contributed to the Board's performance, devoting sufficient time to the Company's business and constructively challenging management.

Roger Davis's performance during the year was also assessed and the Board agreed that he was an excellent Chairman who led inclusive discussions.

The principal agreed actions from the 2020 Board evaluation are set out in the adjacent table, and progress against these will be reported on in the 2021 Annual Report and Accounts. The results of each Committee's evaluation are set out in the respective Committee reports within this Governance Report.

Agreed actions from 2020 Board evaluation

Topic	Agreed action	By
Strategy	Building on the work done on the Five-Year Vision, collaborate with the new CEO on developing Bupa's strategy in the changing external environment	Board
	Continue to hold deep dives into the competitive environment and customer engagement and expand the Board's knowledge of technology matters	Board
	Continue the focus on succession planning for the senior roles on the Board and within senior management	Board/Nomination and Governance Committee
Governance	Review the Group's culture more closely and consider how the Board can influence it	Board
	Deepen understanding of the impact of stress and crisis events and the Group's resilience	Board/Risk Committee

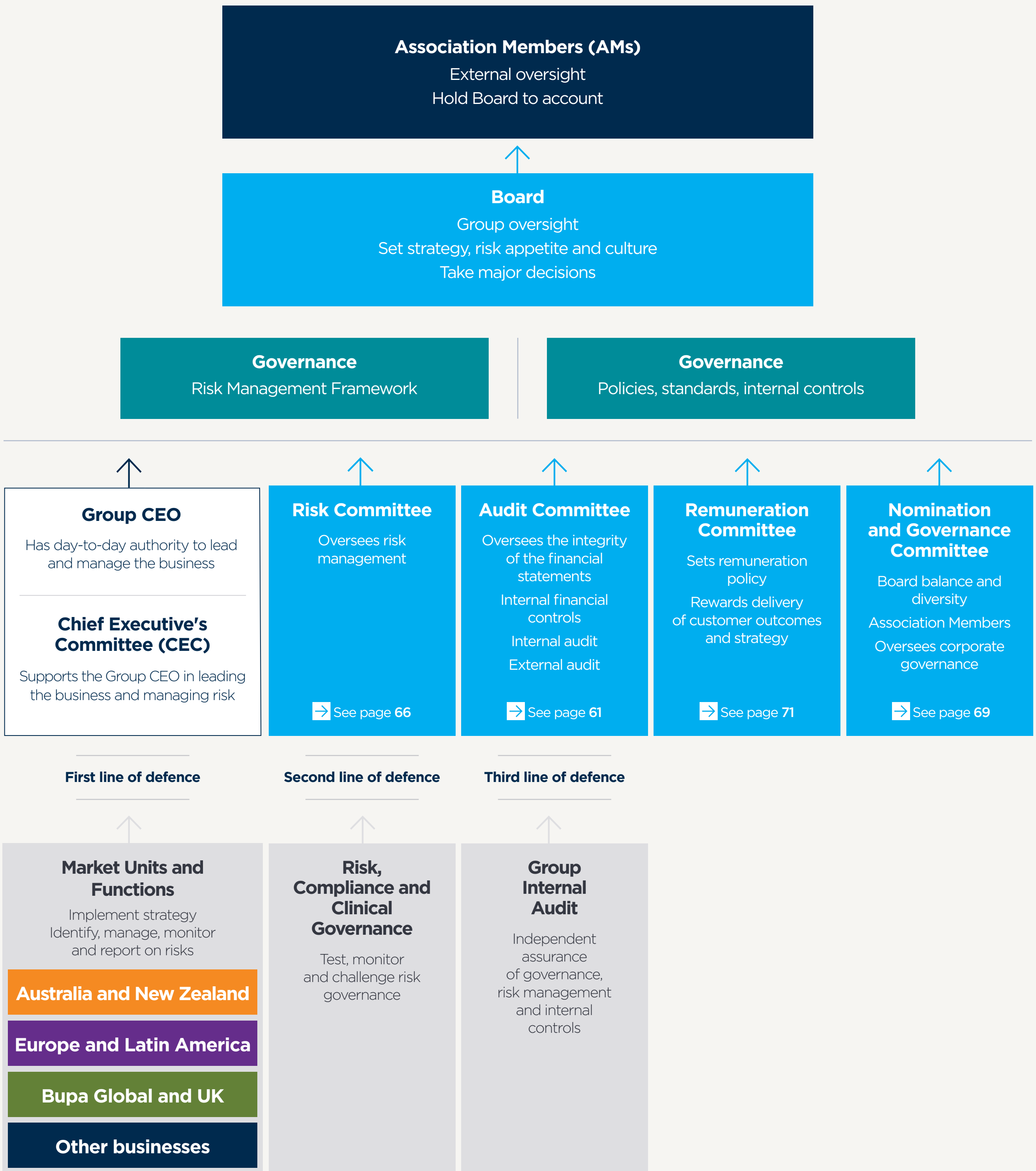
Progress against actions from the 2019 Board evaluation

The Board reviewed progress against the 2019 evaluation actions during the year

Topic	Agreed action	Progress made
Strategy	Build on the Five-Year Vision to define what success looks like	This work was incorporated into the Bupa strategic agenda materials that were reviewed by the Board on a regular basis, and a programme of briefings on key strategic topics was arranged. This work will continue into 2021 with the appointment of the new Group CEO.
	Hold more frequent 'deep dives' into the competitive environment and customer engagement	Market Units have increased the coverage of competitive environment and customer engagement matters in their updates to the Board during 2020. The competitive environment was extensively considered as part of the Australia health insurance strategy review.
Governance	Continued focus on succession planning for the Board's senior roles	The Nomination and Governance Committee oversaw the process for the appointment of the new Group CEO and considered succession planning for the Board's senior non-executive roles.
	Do more 'lessons learned' sessions to bring risk to life	A session was held early in the year looking at lessons learned arising from a previous strategic investment. Work was undertaken by management on further 'lessons learned' sessions, which have been scheduled for the first half of 2021.
	Further strengthen interaction with and oversight of key subsidiaries including through more site visits for Directors outside of Board meetings	The pandemic curtailed direct site visits for most of 2020, although the Board and its members adapted their approach to ensure contact with key subsidiaries was maintained. Further details are given in the Workforce engagement section above.

Bupa's system of governance

Our Board governance structure



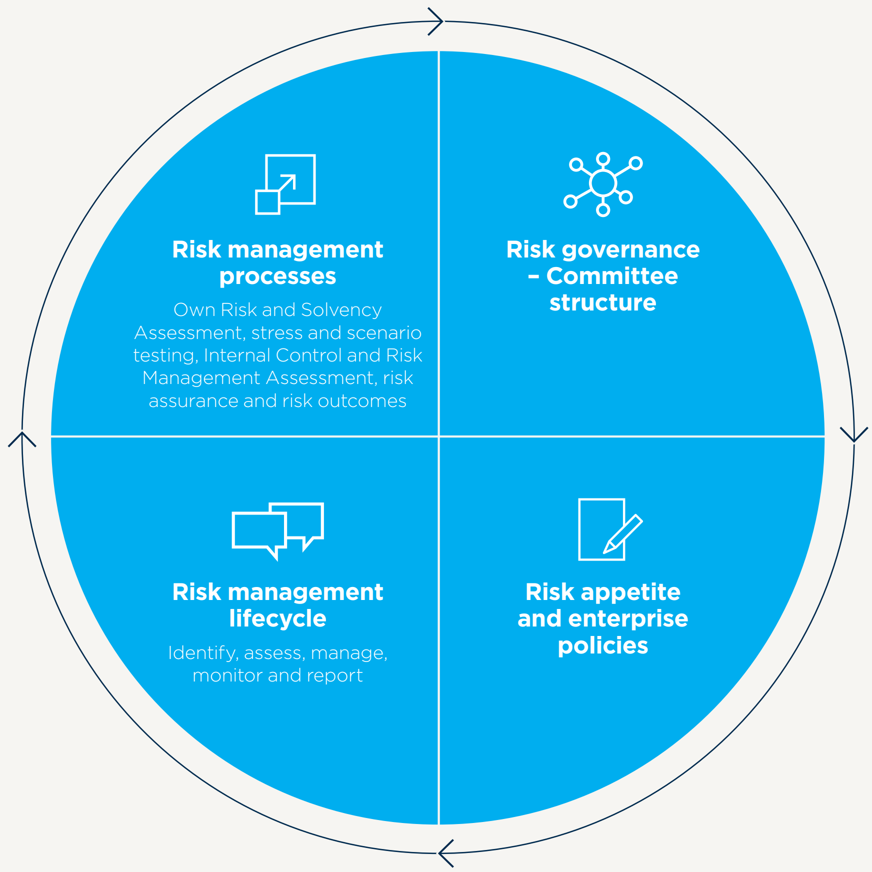
System of governance

Bupa's governance structure is designed to enable the Board to lead within a framework of prudent and effective controls so that risk is effectively assessed and managed. As already stated in the Risk section, our system of governance includes a Risk Management Framework (RMF) implemented using a 'three lines of defence' approach. The RMF ensures that:

- All parts of the Group apply a consistent and robust approach to risk management.
- Current and emerging risks are identified and their potential consequences are understood.
- Clear risk appetites are set within which the business operates.
- Appropriate and effective steps are taken to mitigate and manage identified risks including using risk management information to make risk-based decisions.
- There is clear ownership of, and accountability for risk, without fear of blame when communicating risk events.
- The culture in all areas of the Group encourages and rewards appropriate risk behaviours and challenges and sanctions inappropriate risk behaviours.

The diagram opposite shows the key components of the RMF. The diagram on the preceding page 52 shows how each of the 'three lines' reports to the Board or its Committees.

Key components of the Risk Management Framework



Bupa's system of governance
continued

The roles of each line of defence are set out below together with a description of our 'Speak Up' whistleblowing process. The role and activities of the Board and Committees in our system of governance are described in the subsequent sections of this report.

The Board is ultimately responsible for the system of governance, RMF and setting policies.

Information flow

1st line All our people in Market Units and Functions	**Identify, manage and report** Identifying, assessing, controlling and mitigating risks to Bupa's objectives; compliance with Enterprise Policies, laws and regulations; identifying, escalating and learning from incidents; reporting of risk positions, weaknesses and incidents. **Advise and support** Advise on the application of Enterprise Policies and external regulations; set standards and provide advice on the design and testing of controls to support compliance. **Monitoring** Monitor and test the effectiveness of controls and compliance with Enterprise Policies and external regulations.
2nd line Risk, Compliance and Clinical Governance	**Oversight and challenge** Independent oversight and challenge (including testing and monitoring) of risk governance and risk management practices conducted by the first line of defence. Form an independent view on the quality and sufficiency of the business's risk management activities and internal control environment. **Advise and support** Designing the RMF through which the business manages risk; providing guidance and support to the first line of defence on how to embed the RMF. Aggregate risk information for analysis and onward reporting to the Risk Committee and Board.
3rd line Group Internal Audit	**Independent assurance** Examine, evaluate and report on the adequacy and effectiveness of Bupa's governance, risk management and internal control processes in relation to Bupa's objectives and appetite for risk.

First-line accountability

All our people are responsible for managing risk and ensuring compliance with relevant laws, regulation, best practice and Bupa policies and processes within their role. This ranges from care home employees following procedures to keep our residents safe, to senior managers ensuring that they have appropriate and up-to-date policies and procedures in place in their areas and that their people are following these and reporting any breaches or incidents quickly and fully.

To help our people understand their responsibilities, we have the Bupa Code which sets out how we expect our people to behave every day, and mandatory training on key issues and role-specific training for frontline people. We also run regular internal communications campaigns on key issues to maintain awareness. Each Business Unit proposes target risk outcomes for the year which are reviewed at Market Unit and Group management risk committees, monitored by local management and the outcomes reported to the Risk Committee. The Internal Control and Risk Management Assessment (ICRMA) process assesses compliance with our Enterprise Policies and is carried out by the first line and challenged by the second and third lines. It requires continuous monitoring of risk management controls and real-time escalation of identified issues or gaps against enterprise risk policies. Each Market Unit CEO and Enterprise Policy Sponsor provides an annual confirmation or opinion of compliance with each Policy.

Second-line assurance

Risk and Compliance Function

The Chief Risk Officer (CRO) leads the Risk and Compliance Function and reports to the Group CEO. The CRO has unfettered access to the Chairman and to the Chair of the Risk Committee, which has responsibility for approving the appointment (and removal) of the CRO. Each Market Unit has a chief risk officer and a Risk and Compliance team.

The Group Risk Function is responsible for the consolidation of risks across Bupa, and reporting them to management, through the Bupa Enterprise Risk Committee, and to the Risk Committee. It has established the principles and framework that support the processes and procedures to identify, assess, manage, monitor and report risks to which the Group is, or might be, exposed.

The function provides oversight and challenge of risk governance and risk management carried out by the first line and reports on the quality and sufficiency of these first line activities to the Risk Committee. This includes providing a second-line opinion on the effectiveness of internal controls and the management of risks within appetite, which forms part of an integrated Risk Management and Internal Control Report that sets out the opinion of all three lines of defence.

Further information on our approach to risk management and details of the principal and other significant risks to the Group are set out in the Risk section on pages 36-41.

Clinical Governance Function

The Clinical Governance (CG) Function, led by the Chief Medical Officer (CMO), is responsible for the assurance of Clinical Governance. The CG Function works closely with the Risk and Compliance Function to ensure risks are effectively reported, with the CMO also providing risk reporting to the Risk Committee and the Board. The CMO reports directly to the Group CEO.

Third-line assurance

Group Internal Audit (GIA)

GIA provides independent and objective assurance over the effectiveness of Bupa's systems of governance, risk and internal control, helping the Group accomplish its purpose and protect its assets, reputation and sustainability.

To maintain the function's independence and objectivity, the primary reporting line for the Chief Audit Officer (CAO) is to the Chair of the Audit Committee, which has responsibility for approving the appointment (and removal) of the CAO. For administrative purposes, the CAO liaises with the Group CEO. GIA has no direct operational responsibility or authority over any of the activities audited. Co-source arrangements are in place with external providers in order to access specialist audit capability when that is deemed necessary.

The CAO regularly reports to the Audit Committee on GIA's activities as well as management's progress in addressing audit findings, and all GIA reports are made available to Audit Committee members.

Further details of the activities of the Audit Committee in relation to GIA are set out in the Audit Committee report on page 61.

An Internal Audit Charter is in place, setting out the function's role, authority and independence. GIA operates in accordance with the Global Institute of Internal Auditors' international standards and the UK Chartered Institute of Internal Auditors Financial Services Code (FS Code). The Internal Audit Charter, which is reviewed annually, was approved by the Audit Committee in December 2020 and is available on bupa.com.

GIA maintains a quality assurance and improvement programme. The programme includes: continuous external quality assurance activity undertaken by a third party; internal quality control monitoring; and annual self-evaluation against the UK Internal Audit Code of Practice and Financial Services Code. Quality assurance and improvement feedback is also gathered via stakeholder and employee engagement surveys.

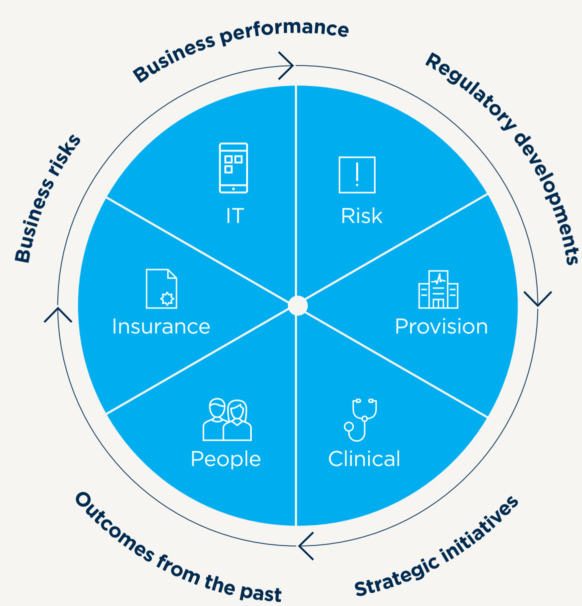
GIA's overall performance is also measured against a balanced scorecard with target measures, approved by the Audit Committee, encompassing GIA service delivery, functional development, stakeholder management and audit resource management. The 2020 balanced scorecard and associated quality assurance report has provided positive assurance over the GIA's ongoing effectiveness.

GIA undertakes assurance work in accordance with an assurance plan approved and monitored by the Audit Committee. During 2020, this included assurance activities over core operational, financial, insurance, clinical and customer-related risks spanning the Group's material businesses. Key reviews included assessing: the Group's response to the pandemic; work to improve information security and privacy risk controls; the effectiveness of the Group's incident management and escalation/whistleblowing capabilities; the effectiveness of financial risk governance controls (including liquidity management); and health and safety risk mitigation.

Audit work during 2020 also thematically assessed risks associated with the Group's 'three lines of defence' model, risk culture and awareness, and data governance, and ensured that local audits addressed inherent risks associated with customer outcomes, regulatory compliance and financial crime.

GIA adapted its assurance methodology and working practices in order to ensure continued delivery of work in spite of the pandemic. Its global organisational

Key drivers of audit coverage



Bupa's system of governance
continued

structure, global (cloud-based) audit management system, global methodology and 'one-team' working ethos enabled continued assurance delivery, though the timings and scoping of some work was inevitably disrupted as a result of the direct impact of the pandemic on some of the Group's businesses.

During 2021, GIA will provide assurance over key risks, providing balanced coverage across Bupa's Market Units, encompassing both insurance and provision businesses and the risks associated with each. Audits are planned at a global, Market Unit and Business Unit/local level. Global audit work will include assessments of: risk governance, management and assurance effectiveness; clinical governance; oversight of provision subsidiaries; and the embedding of the Group's information security, privacy and digital programmes. Audit work within material Business Units will also provide assurance over risks relating to customer outcomes, associated core operating processes and compliance with relevant regulatory requirements. Emerging risks considered as part of the 2021 GIA plan include those relating to sustainability (encompassing climate change), Bupa's ongoing resilience in managing the response to 'shocks' (such as that caused by the pandemic), and assessing the impact of potential changes in Code requirements relating to internal financial controls.

Integrated reporting

An integrated report, which provides an overview and assessment of the Group's systems of risk management and internal control in 2020, combining inputs from each of Bupa's three lines of defence, was presented to a joint meeting of the Audit and Risk Committees in February 2021. The report enables the Board and its Committees to assess the Group's systems of risk management and control in a comprehensive and consistent way, and to consider relative strengths, weaknesses and future improvement opportunities. The report also provides the basis on which the Board reports on Bupa's compliance with associated aspects of the Code.

Whistleblowing

We foster an open and honest culture which includes encouraging and enabling our people to raise concerns of any malpractice or wrongdoing at Bupa in a secure and anonymous way in cases where reporting directly to a manager is not appropriate or the concern has not been fully addressed. We run regular internal campaigns to raise awareness of 'Speak Up', Bupa's internal whistleblowing process, in addition to mandatory annual training and there are 'Speak Up' officers for each business. The Audit Committee annually reviews the Speak Up policy to ensure that it is robust and operating effectively, and recommends it to the Board for approval. The Board receives regular updates on issues reported through 'Speak Up' during the year and on investigations and actions taken.

External Auditor

External audit provides independent assurance to AMs concerning the audited financial information in this Annual Report and Accounts. KPMG LLP (KPMG) is our current External Auditor. The Audit Committee provides clear guidance to KPMG on the Committee's expectations of KPMG as External Auditor. The lead audit partner, Philip Smart, attends all meetings of the Audit Committee and Risk Committee and provides regular reports to the Audit Committee.

Philip Smart has been our audit partner since 2017 and he will remain in this role to ensure a smooth handover to our new External Auditors, PricewaterhouseCoopers LLP (PwC), during 2021. As part of the annual evaluation of the External Auditor, the Directors confirmed that they were satisfied that the External Auditor had maintained its independence during the year and to the date of this report.

KPMG has internal procedures and controls and follows the FRC's Ethical Standard for auditors to ensure that it remains independent. There are no contractual obligations restricting the Group's choice of External Auditor and there is no limitation of liability in relation to statutory audit activities in the terms of KPMG's appointment as External Auditor of the Company. Bupa has an Audit and Non-Audit Services Policy, setting out the circumstances under which the Group's External Auditor can be engaged for non- audit services, recruitment restrictions for candidates with employment experience with the External Auditor and monitoring and reporting requirements for Bupa employees, contractors and temporary staff with close family members who are employed by the External Auditor.

Change of External Auditor

In 2019, following a tender process led by the Audit Committee, the Board approved the appointment of PwC as the Group's External Auditor subject to approval by Association Members at the 2021 AGM. Details of the tender process and decision are set out in the 2019 Audit Committee Report on page 64 of the 2019 Annual Report and Accounts.

PwC has been shadowing KPMG during its audit of the 2020 Annual Report and Accounts and, since December 2020, the incoming lead audit partner from PwC has been attending Audit Committee and Risk Committee meetings as an observer. The Audit and Non-Audit Services Policy has applied to PwC since 1 January 2020 to ensure their independence at appointment.

The appointment of PwC is subject to approval by Association Members at the Company's 2021 AGM. Thereafter, the Group intends to tender the External Auditor appointment at least every ten years.

Complying with the UK Corporate Governance Code 2018

We aim, where appropriate, to operate to the same governance standards as are required of UK FTSE 100 companies and therefore we choose to apply the Code. We have applied the Code for a number of years, prior to the introduction of the requirement for large private companies to report publicly which corporate governance code they follow, if any. Throughout 2020, we applied the Principles and complied with all the provisions in the Code, to the extent they are applicable to a company without shares. The Code is available on frc.org.uk.

The table below sets out how we have complied with the Principles of the Code during 2020.

Principle	How we apply the Principle	Further information
1. Board leadership and company purpose		
A. The board's role A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board is responsible for the long-term sustainable success of Bupa for the benefit of its customers and wider stakeholders, now and in the future. The Board works to achieve this by: – providing clear leadership in setting the Group's strategy, culture and risk appetite to achieve its purpose – overseeing management's implementation of strategy within a prudent and effective governance structure using a three lines of defence model as described on page 54 – receiving regular management information on customers and their views of the Group and our products – reviewing the results of employee surveys and interacting with our people through site visits and 'town hall' meetings. The Chairman reviews the frequency, timing and content of Board meetings to ensure that sufficient time is devoted to strategy matters. The COVID-19 pandemic required a dynamic approach to the Board's oversight of management's implementation of the strategy and enhanced information flows on the Group's response to the pandemic.	See the Leadership section on page 46 for more information on the Board's activities during the year. The Board has a schedule of matters reserved to it for approval which is reviewed annually and which is available on bupa.com
B. Setting purpose, values and strategy The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The schedule of matters reserved to the Board includes: – ensuring that Bupa's culture is aligned with its purpose, values and strategy – setting the Group's strategic aims and reviewing management's performance. The Board holds an annual strategy meeting with updates on progress and Market Unit deep dives taking place throughout the year. During 2020, the Board continued to develop the Group's strategy further in pursuance of the Strategic Framework adopted in 2019. The Corporate Responsibility and Sustainability Committee, established in late 2019 as a management advisory committee has had visibility of culture through the People and Responsible Business Conduct pillars of the CRS strategy. The work of this committee will be absorbed into the new Board Sustainability Committee, which will be established as a standing committee of the Board and will be in place from 1 April 2021.	Leadership section on page 46 Chairman's statement on page 4 Group CEO's review on page 6 Environmental, Social and Governance agenda section on page 20
C. Resourcing and risk management The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board annually approves the Group's annual budget and base operating plan for the following three years ensuring that sufficient resources are available to achieve objectives. The Board retains ultimate responsibility for risk management and internal controls, with detailed oversight carried out by the Audit and Risk Committees. On the recommendation of the Risk Committee, the Board sets the Group's risk appetite and RMF. These set out the principal risks facing the Group and the nature and extent of risk the Board is willing for the Group to take in order to achieve the Group's strategic objectives. The Group's enterprise risk policies are approved by the Board or relevant Committee and overseen by the Risk Committee.	Risk section on page 36 Bupa's system of governance section on page 52 Risk Committee report on page 66

Bupa's system of governance
continued

Principle	How we apply the Principle	Further information
1. Board leadership and company purpose continued		
D. Stakeholder engagement In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	We are a customer-focused business reliant on our people to deliver great service. The Board receives regular management information and considers the impact of decisions on relevant stakeholders, as described further in the Section 172 statement on page 25. Across the Group, there is an active programme of engagement with our key stakeholders: our customers; our people; regulators; Association Members; and bondholders.	Customers section on page 12 People section on page 16 Engaging with our stakeholders section on page 25
E. Workforce policies The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concerns.	The Board receives detailed quarterly management information, which includes metrics on people and culture issues. During the year, the Board approved a revised people strategy and received updates on the ESG strategy. These include ensuring that the Group's workforce policies and practices are consistent with our values and support our long-term sustainable success. The Board receives regular updates on the issues reported through Speak Up, and on investigations and actions taken. The Audit Committee annually reviews the Speak Up policy to ensure that it is sufficiently robust and operating effectively.	People section on page 16 Workforce engagement section on page 49 Whistleblowing section on page 56

Principle	How we apply the Principle	Further information
2. Division of responsibilities		
F. Chair leadership The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Roger Davis leads the Board in an open and transparent manner, encouraging debate and challenge. He plays a pivotal role in fostering the effectiveness of the Board and the individual Directors both in and outside the boardroom. The Chairman works with the Group Company Secretary to ensure that sufficient time is available to discuss agenda items for each Board meeting and to ensure that papers are of a high standard and circulated in a timely manner.	See the Board evaluation disclosure on page 51 for information on the annual evaluation of the Chairman
G. Balance of the board The board should include an appropriate combination of executive and non- executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	The Board comprises the Group CEO, CFO, Chairman (who was independent on appointment), and nine independent NEDs. The roles of the Chairman and Group CEO are separate, with distinct accountabilities set out in their role profiles. The Group CEO is responsible for the day-to-day leadership and management of the business, in line with the Strategic Framework, risk appetite and annual and long-term objectives approved by the Board. The Group CEO cascades his authority through a delegated authority framework which is approved by the Board annually.	The roles of the Board are set out in more detail in the Leadership section on page 46
H. NEDs' role and time commitment Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	The NEDs provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy within the Group's system of governance and the risk appetite set by the Board. Prior to his or her appointment as a Director, the Board considers whether each NED has sufficient time to devote to their role at Bupa. This is re-assessed by the Nomination and Governance Committee annually and in light of any changes to a NED's external commitments during the year. The Nomination and Governance Committee also reviewed and re-assessed the time commitment required of a Bupa NED during 2020.	The roles of the Board are set out in more detail in the Leadership section on page 46

Principle	How we apply the Principle	Further information
2. Division of responsibilities continued		
I. The company secretary The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Group Company Secretary advises the Board on company law and corporate governance matters, including compliance with the Code. He works with the Chairman and Committee chairs to ensure that the right matters are escalated to the Board and Committees at the appropriate time and that sufficient time is devoted to strategic matters. The Group Company Secretary works with management to ensure that the Board receives papers of a high quality in a timely manner. He arranges Directors' inductions and ongoing training and supports the succession planning for NEDs and the recruitment of new NEDs. He is responsible for the Group's Subsidiary Governance Enterprise Risk Policy which sets minimum standards of corporate governance across the Group. He also facilitates communication with our AMs and ensures that due regard is given to their interests. The appointment (and removal) of the Group Company Secretary is a matter reserved for the Board.	
3. Composition, succession and evaluation		
J. Board appointments Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Nomination and Governance Committee regularly reviews the balance, structure and composition of the Board and its Committees and leads the process for appointments to the Board and Board succession planning. During 2020, the Committee oversaw the process which led to the appointment of Iñaki Ereño, the CEO of the ELA Market Unit, as the new Group CEO, following Evelyn Bourke's retirement. Succession planning for senior management below Board level is carried out by the Board. All Board recruitment takes into account the Board Diversity Policy, which was refreshed during 2020.	The Nomination and Governance Committee report on page 69 sets out the Committee's role in the recruitment of Directors and the process followed The Board Diversity Policy is available in full at bupa.com
K. Skills, experience and knowledge The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	The Nomination and Governance Committee regularly reviews the balance, composition and structure of the Board, including reviewing the skills of each NED against a skills matrix. This identifies the key skills, knowledge and experience relevant to the markets in which Bupa operates and for the effective operation of the Board and leadership of the Group. The Directors' skills matrix was revised and enhanced during the year. The Nomination and Governance Committee keeps the length of service of each Board member under review, recommends the re-appointment of the NEDs and any extensions to their term. It ensures that Board recruitment is commenced in a timely manner to regularly refresh the membership of the Board.	See the Board diversity, skills and succession planning disclosure in the Leadership section on page 47 Nomination and Governance Committee report on page 69
L. Board evaluation Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	The annual Board evaluation considers the composition and diversity of the Board and how effectively members work together. In 2020, an internally facilitated Board evaluation was carried out which assessed the effectiveness of the Board and its Committees, following the external evaluation which was conducted in 2019. The Chairman separately led an evaluation of each Director, with the Senior Independent Director leading a review of the Chairman's performance.	See page 51 for a summary of the internally facilitated Board evaluation conducted in 2020

Bupa's system of governance
continued

Principle	How we apply the Principle	Further information
4. Audit, risk and internal control		
M. Financial reporting integrity The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Board delegates detailed oversight of GIA and the External Auditor to the Audit Committee, together with oversight of the Group's system of internal controls to ensure the integrity of the Group's full year and half year results and the Annual Report and Accounts. On the recommendation of the Audit Committee, the Board reviewed and approved the 2020 half year and full year results and the 2020 Annual Report and Accounts and was satisfied that the Group's system of internal controls had operated effectively during the year.	See Bupa's system of governance on page 52 for details of the role of GIA and the External Auditor See the Audit Committee report on page 61 for details of that Committee's activities during the year to provide assurance to the Board on the integrity of Bupa's full year and half year results and this Annual Report and Accounts
N. Fair, balanced and understandable The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Audit Committee reviewed the 2020 Annual Report and Accounts in early 2021 and was satisfied that it presents a fair, balanced and understandable assessment of the Group's position and prospects. It reported its findings to the Board.	See the Audit Committee's report on page 61 for details of its assessment of the 2020 Annual Report and Accounts Statement of Directors' responsibilities on page 88
O. Risk management and internal control The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	The Risk and Audit Committees monitor the Group's risk management and internal control systems on behalf of the Board on a continuous basis and the Risk Committee reviews the Group's principal risks and recommends any changes to risk appetite to the Board. An annual assessment of compliance with the enterprise risk policies is undertaken by management, overseen by the Risk Function and the findings are reported to the Audit and Risk Committees. During the year, the Risk Committee has carried out a robust assessment of the Group's principal and emerging risks, including those relating to the COVID-19 pandemic. Emerging risks are continually monitored by the Risk Function and regularly reported to the Risk Committee for consideration.	See the Audit and Risk Committee reports on page 61 and page 66 See the Risk section on page 36 for a description of Bupa's principal and emerging risks and how they are being mitigated The Directors' assessment of the Group's emerging and principal risks and risk management and internal control systems is on page 87
5. Remuneration		
P. Supporting strategy and long-term sustainable success Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	The Remuneration Committee proposes the Group's remuneration policy to the Board and AMs for approval and the Directors' remuneration report is put to an advisory vote at the AGM, in line with listed company practice. The Remuneration Policy is structured to promote the long-term success of the Group and link reward to Bupa's strategic goals and purpose. To assist the Remuneration Committee in setting discretionary reward outcomes in relation to each financial year, the Risk Committee considers whether to make any recommendations to the Remuneration Committee concerning risk adjustments that should be made to variable remuneration outcomes for that year. For 2020, the Risk Committee did not recommend any further individual or Group-wide adjustments to remuneration.	See the Directors' remuneration report on page 71
Q. Remuneration policy A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Remuneration Committee recommended a revised Remuneration Policy to the Board, which was then approved by the AMs at the 2020 AGM. The Remuneration Committee will be considering revisions to the Group's remuneration arrangements during 2021, and if those changes require amendments to the current approved Remuneration Policy, a revised policy will be proposed to the AMs for approval. The schedule of matters reserved to the Board requires that no Director may be involved in deciding their own remuneration outcome.	See the Directors' remuneration report on page 71
R. Independence of remuneration outcome decisions Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Remuneration Committee comprises solely independent NEDs, and the Committee takes advice from external remuneration consultants. The Committee has robust discussions on remuneration outcomes for the Group and senior executives, taking into account all relevant internal and external factors to ensure that any exercise of the Committee's discretion is suitable and justifiable.	See the Directors' remuneration report on page 71

Audit Committee report

Clare Thompson
Committee Chair

Q How did the Committee's governance work adapt to the impact of the pandemic?

Clare: At an early stage in the pandemic, we considered reports from management which incorporated COVID-19 factors and their impacts. This provided additional context for us alongside 'business as usual' governance matters. As the scale of the pandemic became clearer, we were able to analyse, more closely, the impacts in specific areas, such as reserving for insurance claims, which could not be made due to restrictions on accessing treatment, goodwill impairment assessments, solvency and going concern. We also challenged management's assumptions as necessary as well as making sure that our external disclosures were appropriate. Despite the restrictions on travel, we made sure to maintain our links with the businesses via the subsidiary audit committees and senior members of the second and third lines of defence across the world.

Q What are the key areas of focus for the Committee in 2021?

Clare: PwC succeeds KPMG as the Group's External Auditor this year, so it's important for us to make sure that management and both sets of auditors run a smooth transition process. Preparation for IFRS 17 Insurance Contracts, which comes into effect in 2023, is another area where we will be assessing management's approach and assumptions.

The Committee's role and governance

The principal function of the Committee is to monitor the integrity of Bupa's financial statements, the effectiveness of our internal control systems, and to monitor the effectiveness, performance, objectivity and independence of GIA and the External Auditor. The Committee also reviews regulatory reporting and external disclosure requirements.

A full description of the Committee's role is set out in its Terms of Reference which are available on bupa.com. The Group CEO, CFO, Group Financial Controller, CAO, CRO and lead partner of the External Auditor are routinely invited to attend meetings. The Committee meets at least annually with each of the External Auditor, CAO and Chief Actuary in the absence of management. In May, Nick Lyons stepped down as a Committee member and Matías Rodríguez Inciarte joined the Committee. I would like to thank Nick for his valuable input during his tenure. Matías brings extensive financial services experience, both from an internal and external perspective (see Matías' biography on page 45. All Committee members have extensive financial experience , with the majority of members' experience being recent in nature.

Key activities in 2020

During the year, the Committee considered regular reports from management on key issues and judgements impacting the Group's statutory and regulatory financial results; the External Auditor's audit plan, engagement letter, annual letter to management, audit progress and conclusions; reports from the CAO on the internal control environment; and reports from the Chief Actuary on insurance claims reserving. Where applicable, all regular reports considered the impact of the COVID-19 pandemic on insurance claims reserving, goodwill impairment assessments and going concern assessments. Regulatory and financial statement disclosures were subject to additional scrutiny and challenge by the Committee.

Additional meetings were held in May and June to: assess the impact of the pandemic on the Group's insurance claims reserving (including the recognition of a deferred insurance claims provision and a return of premium provision in advance of the 30 June 2020 reporting date); to consider the financial reporting implications of the proposed purchase of the additional shareholding in Bupa Arabia; and to scrutinise representations and disclosures associated with the bond issuance that completed in June.

The Committee continued to foster improvements in governance during 2020, endorsing the development of collaborative and combined reporting from each of the three lines of defence concerning their assessment of the effectiveness of the Group's systems of internal control and risk management, which will help the Committee and the Board in its assessment and oversight of risk and control. More detail is available in the Bupa's system of governance section on page 52.

From 1 January 2021, the Committee oversaw the initial external audit transition activities following Board approval of PwC as External Auditor, with the incoming lead audit partner attending Audit Committee meetings from December 2020 onwards as an observer. I would like to thank KPMG for their diligence during their tenure, and particularly in the face of the operational challenges presented by the pandemic.

"The principal role of the Committee is to monitor the integrity of the financial statements and the effectiveness of our systems of internal control."

Audit Committee report
continued

Insurance claims reserving

The impact that the pandemic had on the availability in supply of private medical care, particularly in the early stages of the year, lead to an unusual time of volatility for our insurance businesses, which are generally highly predictable. This experience across the Group's insurance geographies, along with commitments communicated by Bupa to ensure customers received value from their policies, and statements by global regulators around the consequences of the pandemic on insurance claims reserving, further heightened the level of judgement in this area. Insurance claims reserving judgements and estimates were therefore considered carefully by the Committee. The provision for deferred claims and the return of premium provision (concerning UK private medical insurance customers) in the Group's IFRS reserves and Solvency II technical provisions were reviewed by the Committee throughout the year, with reference to the latest claims experience and other factors influencing the recognition and estimation of these reserves. The Committee was satisfied with the accounting approach to both half year and full year insurance reserving, which developed as access to private healthcare returned in the second half of the year and further clarity on regulatory expectations was obtained.

Bond issuance

The Board approved two bond issuances, supported by the Committee, which held an additional meeting to review the integrity of the related disclosures and management representations and the accounting and capital implications of the transactions. The Committee reviewed the proposed disclosures in light of the impact of the pandemic and was also satisfied with the results of management's analysis that there were no immediate indicators of goodwill or property impairment.

Impairments

Given the potential for the pandemic to affect future cash flows and discount rates, particularly in the near term, as well as other technical inputs to the calculations, management's analysis concerning goodwill impairment assessments across the Group's cash-generating units (CGUs) was subject to enhanced scrutiny by the Committee during 2020. The Committee is satisfied with the nature and level of associated disclosures regarding the key assumptions and sensitivities for those CGUs where a 'reasonably possible' change in assumptions could trigger impairments in future. The Committee will continue to challenge management's goodwill impairment assumptions during 2021 to ensure they remain appropriate.

Solvency II Reporting

The Committee receives regular updates on the Group's Solvency II capital position, including Solvency II technical provisions, balance sheets and own funds and reviewed management's proposals and basis of preparation for the Solvency and Financial Condition Report (SFCR) and the Regular Supervisory Report (RSR). In April 2020, the Committee reviewed the Group SFCR as at 31 December 2019, which included an additional covering statement concerning the impact of the pandemic on Bupa, which was considered to be a non-adjusting, post balance sheet event. The Committee reviewed the results of management's additional COVID-19 capital and liquidity stress testing scenarios and was satisfied that the SFCR going concern statement was appropriate.

Significant issues and areas of judgement

Key issue		Committee response
Goodwill and intangible asset valuations	Significant levels of goodwill and intangibles are held in respect of prior acquisitions. Impairment reviews are inherently complex and require a high level of judgement to be applied due to the uncertainty involved in forecasting future cash flows and judging the appropriateness of discount rates used and future growth rates of the respective businesses. For a number of the Group's CGUs, both the short-term cash flow impacts of the pandemic and the uncertainty regarding any longer-term impact have further increased the level of judgement inherent in this assessment.	The Committee critically reviewed and discussed management's reports outlining the key assumptions within impairment assessments for our most sensitive CGUs and challenged the results in the light of business performance and the external environment. The short-term impacts of the pandemic, particularly the closure and service restrictions experienced by a number of the Group's provision businesses, have been a key area of focus within management's analysis and judgements. The material assumptions made in respect of COVID-19 impacts on cash flows over the forecast period, along with management's consideration of any expected permanent diminishment in long-term value, has been a key area of challenge from the Committee during the year. The most sensitive CGUs continue to be UK Dental, BVAC Australia, Bupa Care Services UK and Bupa Chile. The Committee also considered the appropriateness of disclosures regarding impairment testing results, the related key assumptions and the headroom sensitivities. The Committee also received from the External Auditor a report of their views on the assessments performed by management. The Committee is satisfied that the assumptions applied were reasonable and the carrying value of goodwill and other intangible assets is appropriate.
Insurance reserves	Calculation of the outstanding claims provision is based on assumptions including claims development, margin of prudence, claims costs inflation, and medical trends and seasonality, which require a high level of judgement and actuarial expertise. The impact of the pandemic further heightened the level of judgement required in estimating claims provisions.	The Committee received a report from the Chief Actuary setting out estimates of the technical provisions, including the margin of prudence held by each insurance entity, as well as the result of the annual review of compliance with Bupa's Claims Reserving and Liability Adequacy Standards. Throughout the year, the Committee was presented with a number of updates specifically focused on the impact of the unfolding pandemic on the Group's technical provisions, particularly as lockdowns restricted access to private health provision, and including consideration of the differing regulatory expectations across Bupa's geographies which emerged during the year. Management's analysis focused on the experienced and expected impact on claims patterns, which generally are highly predictable and of low volatility, as well as the contractual and constructive obligations to our customers present at key reporting dates. This included the inclusion of any necessary deferred claims reserves within the estimation of the Group's claims provisions at half year and full year. The Committee also considered the recognition of a return of premium provision within the UK private medical insurance business, with a key focus on the assumptions driving the estimated provision. The Committee considered the appropriateness of the overall level of insurance reserves, including the level of prudential margin. In reviewing and approving the insurance technical provisions, the Committee also took into consideration the External Auditor's report to the Committee.
Property valuations	Bupa has a significant portfolio of care homes, villages and hospital properties which are revalued to fair value on a periodic basis, with external valuations undertaken at least triennially. The underlying assumptions involved in the valuations, including earnings, profitability, occupancy levels and future trends, are subject to a high level of judgement.	The Committee received the results from the external valuations in Australia and New Zealand undertaken as part of the triennial property review, and Directors' valuations performed in other Market Units. Directors' valuations were supported by out-of-cycle external valuations for a number of the Group's property portfolios, in response to the increased uncertainty caused by the pandemic. The Committee also reviewed reporting from the External Auditor addressing the valuations to assess their reasonableness and considered the appropriateness of disclosures made.
Pension assets and liabilities	Bupa's principal defined benefit scheme in the UK is The Bupa Pension Scheme. Significant judgement is exercised in determining the actuarial assumptions used in valuing the pension asset/liability.	The Committee considered the appropriateness of the assumptions used in the valuation of the related pension assets and liabilities performed by the independent scheme actuary and the results of the triennial valuation that took place during 2020. The Committee received information from the External Auditor benchmarking the assumptions used in the valuation of pensions liabilities. The Committee also considered the taxation and accounting implications of the Group's principal defined benefit scheme closing to further accrual from 1 January 2021.
Provisions and contingent liabilities	The Group has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, disputes, and interpretation of tax law.	The Committee received reports from management setting out the rationale applied to the consideration of the recognition and disclosure of provisions and contingent liabilities. The Committee concluded that management's assumptions were appropriate regarding the need or otherwise for accounting provisions and that the proposed disclosure in the financial statements was appropriate.

Audit Committee report
continued

Financial reporting

The Committee reviewed the half year and full year 2020 financial statements with both management and the External Auditor.

Fair, balanced and understandable

In assessing whether the 2020 Annual Report was fair, balanced and understandable, the Committee found as follows:

- The narrative reporting in the Strategic Report is consistent with the financial statements, providing challenge and feedback throughout the compilation of the Annual Report and Accounts.
- The key judgements referred to in the narrative reporting and the significant issues reported in this Audit Committee report are consistent with the financial statements.
- Statutory and alternative performance measures, such as underlying profit, have been given equal prominence and are clearly explained.
- Key Performance Indicators reflect those used to measure business performance, and management is able to explain their relevance in assessing the results.
- Clear, simple explanations are given of the business model, Bupa's strategy and accounting policies.
- Key messages are clearly highlighted with consistent wording throughout the Annual Report.
- The layout and presentation are clear with appropriate language used throughout.

During the year Bupa received a request for information letter from the Financial Reporting Council (FRC) in respect of Bupa's half year 2020 interim report and condensed accounts. The Committee reviewed management's response and the full year 2020 disclosure clarifications that were communicated to the FRC and were satisfied no further disclosure changes were required[1].

Group Internal Audit (GIA)

The assurance provided by GIA is an important part of the Committee's consideration of Bupa's overall control environment during the year. GIA's annual plan is aligned with an assessment of risk across the Group and to the RMF. Further details on the role of GIA and its internal audit work during the year are available in the Bupa's system of governance section on page 52 and information on the Group's RMF can be found in the Risk section on page 36. During 2020, the Committee interacted with GIA in the following ways:

- Reviewing and approving GIA's risk-based 2020 Group Assurance Plan and budget (2020 Plan), approving appropriate changes to the 2020 Plan during the year in response to the pandemic, and reviewing and approving GIA's planned audit coverage and budget for 2021.
- Receiving and reviewing regular reports from the CAO. These reports include detail on GIA's progress towards completing the 2020 Plan and highlight findings from GIA assurance activity for the Committee's attention, including monitoring the effectiveness of management's actions in responding to these findings.
- Reviewing the Group's integrated report on the ongoing effectiveness of Bupa's systems of internal controls, including the CAO's opinion.
- Overseeing the development of the GIA Function and the assessment of its effectiveness via: balanced scorecard measures, including independent quality assurance; internal assessment against industry standards; and through stakeholder/employee feedback processes.

Chief Audit Officer

The Committee is responsible for the appointment and removal of the CAO, and, through the Chair, sets the CAO's objectives and reviews their performance, taking into account the views of the Group CEO. The CAO has access to the Committee Chair and Board Chairman as required and is directly accountable to the Committee. The current CAO has been in role since August 2019. The Committee Chair held regular meetings with the CAO throughout the year, and the CAO met in private with the full Committee twice without management being present.

External Auditor

During the year, the Committee assessed the performance of the External Auditor, KPMG, in conducting the audit of the 2019 Annual Report and Accounts. This assessment considered the overall quality of service, timeliness of the resolution of issues, the quality of the audit resource and whether the audit plan was followed, and it was conducted through surveys sent to Committee members, the Group CEO, CFO, CAO and Group Financial Controller, and senior finance management across the Group. The Committee was satisfied with KPMG's performance and the quality of the audit.

In the interest of safeguarding the independence of the External Auditor, Bupa complies with the relevant provisions of the EU Audit Regulation (537/2014) and the FRC's Ethical Standards for auditors, relating to the provision of non-audit services by the External Auditor. During the year, the Committee reviewed the extent of non-audit services provided by both KPMG (as the current auditor) and PwC (as the incoming auditor) and was satisfied with management's actions to ensure the independence of both was preserved.

1. The FRC's review did not benefit from a detailed knowledge of our business or an understanding of the underlying transactions entered into. It therefore provides no assurance that our report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Their letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

The Committee also reviewed the Group Audit and Non-Audit Services Policy, which was updated to reflect the publication, in December 2020, of the Financial Reporting Council's 'Revised Ethical Standard'.

The Committee held two meetings with the lead audit partner during the year without management present to ensure that they had the opportunity to raise any concerns and to assist the Committee in ensuring that KPMG remains independent and objective.

The Committee approved the external audit plan and audit fee for the audit of the 2020 Annual Report and Accounts and remains satisfied with the quality of service that KPMG provides.

Subsidiary governance

The pandemic prevented the Committee from attending, in person, meetings of the insurance subsidiary audit committees. The Committee has, nevertheless, maintained its links with the audit committees of Bupa's major insurance subsidiaries:

- Paul Evans and Matías Rodríguez Inciarte, who are both Committee members, are also respective chairs of the audit committees for the major UK and Spanish insurance subsidiaries and provided regular verbal updates to the Committee during the year.
- The Committee Chair attended, electronically, meetings of the UK and Chilean insurance subsidiary audit committees in July and November, respectively.
- The chair of the Australian insurance subsidiary attended, electronically, the Committee meeting in December.

In July, senior executives from the first and second lines of defence within the ELA Market Unit provided the Committee with an update on governance, risk management and controls within the Mexico business.

In December, the Chief Executive of Bupa Hong Kong provided the Committee with an update on management actions and the local board audit committee's oversight of these in relation to improvements to the local control environment.

The Committee also received summaries and minutes of the insurance subsidiary audit committee meetings that took place during the year and the Committee Chair held separate, regular telephone calls with regional chief financial officers and the regional heads of internal audit.

Committee effectiveness review

The results of the external evaluation of the Board's performance that took place in 2019 raised no actions specifically for the Committee to address during 2020.

The results of the internally facilitated review of the Committee's performance during 2020 were discussed in December and the Committee was satisfied that it was operating effectively. Key themes and proposals for 2021 included: examining ways to deepen the Committee's knowledge of the Finance Function's capabilities, structure and resources; continuing to support GIA and the Risk Functions as they develop their integrated reporting methodology; and fostering continued improvements to the quality of reporting by management to the Committee.

Focus for 2021

During 2021, the Committee will focus on the transition to PwC as the Group's External Auditor, the project to implement accounting for IFRS 17 Insurance Contracts, further improvement to the Group's control environment and continuing to engage with the audit committees of the Group's major insurance subsidiaries.

Clare Thompson
Audit Committee Chair

Risk Committee report

"Bupa's more significant risks include changes in government and regulatory policy, clinical, information security and climate change."

Caroline Silver
Committee Chair

Q How did the Committee's governance work adapt to the impact of the pandemic?

Caroline: As the pandemic developed, we assessed its impact in the context of our existing Risk Management Framework, and risk reporting was adapted to incorporate COVID-19 factors. As well as assessing the immediate risk consequences, we also made sure that Bupa could continue to function well during the pandemic, and we reviewed the results of a wide range of stress and scenario testing work during the year. Again, focusing on Bupa's longer term sustainability, we spent time reviewing and challenging management's assessment of the emerging post-pandemic strategic risk landscape.

Q What are the key areas of focus for the Committee in 2021?

Caroline: It's really important to make sure that our people, particularly in the first line of defence, understand our risk management approach, systems and processes so that managing risk becomes 'second nature' to them, and we will continue to focus on this area during 2021, as well as making sure any improvements are resilient and sustainable. While management has made progress in addressing technology, data, and privacy risks, we need to maintain our oversight in these areas to make sure that continued progress towards a reduction in risk is maintained. Finally, the pandemic has highlighted the importance of clinical governance. The Group enhanced its clinical governance risk management during 2020, and we will focus on keeping that momentum going during 2021.

The Committee's role and governance

The principal role of the Committee is to assist the Board in articulating and developing its risk management strategy and providing oversight of risk across Bupa. This includes understanding current and future risk exposures, recommending overall risk appetite to the Board, reviewing the consistency of corporate strategy with the Company's risk appetite, reviewing the Risk Management Framework (RMF), considering the risk aspects of major transactions, and promoting a risk-aware culture throughout Bupa. A full description of the Committee's role is set out in its Terms of Reference on bupa.com. A detailed description of the principal risks to Bupa's business and the Group's approach to, and implementation of, risk management systems and controls is set out in the Risk section on page 36.

The Committee members are all independent NEDs whose collective experience and knowledge ensures that the Committee can provide the Board with ongoing risk management oversight and advice on strategic risk matters. Clare Thompson, Paul Evans, Michael Hawker and I bring additional technical experience from our extensive history within the accountancy, insurance and financial services sectors. Matías Rodríguez Inciarte has similar experience and he and Michael are NEDs on the boards of the Group's Spanish insurance and Australian businesses respectively, while Paul is a NED on the boards of Bupa's UK insurance businesses, bringing to the Committee direct insight into our key markets. Professor Melvin Samsom has an extensive medical background, which is especially relevant when considering clinical risks, while his work in Saudi Arabia offers insight into one of Bupa's growth markets.

The Group CEO, CFO, CRO, CMO, CAO, Chief Legal Officer, and the lead partner of the External Auditor are invited to attend all meetings. The CRO has unrestricted access to all members of the Committee and has regular private meetings with the Committee, in the absence of management, to ensure that there is an opportunity for the CRO to raise any concerns he may have. The Committee Chair is also a member of the Remuneration Committee, to assist with ensuring that risk management and culture are a factor in remuneration decisions. Each year, the Committee considers whether to make any recommendations to the Remuneration Committee on making risk adjustments to variable remuneration outcomes for that year. For 2020, having regard to the executive performance evaluation process in place, the Committee did not recommend any further individual or Group-wide adjustments to remuneration.

Key activities in 2020

The impact of the COVID-19 pandemic on the nature and variety of risks to the current and future sustainability of the business was a priority consideration during the year. The principal risks faced by the Group were subject to additional scrutiny in light of any pandemic impact, arising or anticipated. The Committee also reviewed management's analysis of the potential emerging strategic risk landscape in the context of ensuring that the RMF would remain relevant and appropriate to the Group in a post-pandemic world.

Information security, technology and privacy risks continued to be priority issues for the Committee during 2020, both in terms of scrutinising management's efforts to improve and enhance the associated risk management controls, but also recognising the need for management to identify, consider and work to mitigate additional or heightened risks brought about by the pandemic. Such pandemic-related potential risks considered by the Committee included, for example, technology risks as a result of the increased incidence of working from home, and the potential for increased risk of information security breaches and data loss as a result.

During the year, the Committee also reviewed the Group's preparedness for the end of the EU/UK transition period following the UK's departure from the EU on 31 January 2020. As well as considering the risks and opportunities presented by a 'no-deal' outcome after the end of the transition period, the Committee considered a range of topics, including management's plans to mitigate regulatory, data and financial volatility risks.

Risks associated with climate change were also considered by the Committee, noting that management had made good progress with plans to mitigate such risks and had set risk management goals measured against science-based targets, relevant operational targets, and in light of recommendations by the Task Force on Climate-related Financial Disclosures established by the Financial Stability Board.

Technology and information security risks

A significant, multi-year investment programme in the Group's technology capabilities began in 2019. The Committee continued to place significant emphasis on our technology, information security and privacy risks during 2020 to ensure that the Group protects the data of its customers, partners, employees and suppliers, and that the Group's technology systems remain resilient. The Committee received regular updates from the Chief Information Officer during the year on the progress made in reducing the risk exposures. Second line assurance was provided by the CRO and the Board's independent cyber adviser also attended the majority of Committee meetings where technology matters were discussed. The Committee held a series of private meetings with the Board's independent cyber adviser, without management being present.

The Committee challenged management to ensure continuous improvement and uplift in technology and information security controls by addressing risk culture, resourcing and the target outcomes during the year. The Committee was pleased to note that significant progress had been made by the Technology team in developing and embedding comprehensive and consistent controls and control assessment methodology concerning critical technology infrastructure. The Committee is satisfied that the business continues to reduce the risk as planned and will maintain its focus on ensuring that the benefits are sustainable, with documented policies, controls and reporting in place.

COVID-19-associated risks

As the pandemic developed during the first quarter of 2020, the Committee considered existing, emerging and anticipated risks within the context of the current RMF and, subsequently, as part of future strategic risk management planning for a post-pandemic environment. The RMF was judged to remain appropriate and to be operating effectively, with 'business as usual' risk management maintained. Future strategic risk management review work involved considering the effect of the pandemic on risks associated with, for example, people, financial resources, the supply chain, political and regulatory intervention, reputation and the wider macroeconomic environment.

Clinical governance risks

The Committee considered clinical governance risks against the backdrop of the Group's Enterprise Clinical Governance Risk Policy which had been refreshed by the CMO in 2019. During 2020, attention was given to reviewing the extent to which that policy was becoming embedded as part of standard clinical governance within the Group's businesses. At its December meeting, the Committee was pleased to note that, despite the pressures of the pandemic, there had been significant progress, with improvements in first line accountability, governance structures, quality of management information and proactive efforts made to share clinical governance learning across the Group via a newly established management committee – the Global Clinical Quality Assurance Committee.

People risks

Operational risks associated with employee wellbeing and health and safety were subject to review by the Committee in light of the impact from the pandemic. The Committee noted management's efforts to mitigate pandemic-related workforce risks by introducing measures to support physical and mental health, by providing additional support and advice to employees and to leaders, through enhancing health and safety assessments in light of home working, and by enabling employees to raise issues through targeted communications and survey work. Further detail is available in the People section on page 16.

Increase in stake in Bupa Arabia

In line with its responsibilities to assess the risks of strategic transactions on behalf of the Board, the Committee endorsed management's proposal to increase the Group's shareholding in Bupa Arabia following a detailed consideration of the risks involved. The Committee convened an additional meeting in June to review the accompanying due diligence undertaken, capital and accounting considerations and the independent opinion of the CRO.

Emerging and strategic risks

The Committee regularly considers emerging and strategic risks, both internal and external, in the context of the current, and expected future, business and market environments in which the Group operates. These risks inform strategy discussions and they can present strategic opportunities as well as threats to be mitigated. The risks considered include the impact of significant changes introduced by governments or regulators, changes in customer behaviours and expectations, significant changes in medical treatments or the way care is provided, digital disruption and climate change. There is significant linkage between these risks, and it is unlikely that any one risk would emerge in isolation.

The potential impact of the pandemic on emerging and strategic risks was subject to thorough review by the Committee during the year in the context of challenges and opportunities in areas such as product design and service delivery, the provision of healthcare and aged care, government and regulatory interaction, and changing working patterns and workforce implications. Changes in societal expectations where ESG matters are concerned were also considered.

Stress and scenario testing

Management carries out stress and scenario tests annually to test the impact of various scenarios on the Group's capital strength, liquidity and profitability. Bupa has carried out more testing activities in 2020, particularly in the earlier stages of the pandemic, to support our planning for, and responses to, the evolving situation. The Committee agreed the scope of the scenarios to be tested during the year and reviewed the results of the tests, supporting the Board in assessing any strategic implications and, in the autumn, using the findings to inform the Board's review of our strategy. Reverse stress testing, whereby management identified events that would render the business model unviable and assessed the likelihood of those events occurring, was also undertaken by management and reviewed by the Committee.

Stress and scenario testing is designed to test the strength of the Group's three-year base operating plan and also forms part of the Group's Own Risk and Solvency Assessment (ORSA). The Committee is conscious that the Group operates in a more volatile external environment than was previously the case due to increasing political and regulatory risk and the public's changing expectations of the Group's products and services, as well as increasing expectations of the standards of corporate behaviour, all of which will be affected in some way by the experience of the

Risk Committee report
continued

pandemic. The Committee was satisfied that, while these scenarios would have a significant impact on the Group, Bupa could withstand them, with recovery within a reasonable timescale and with appropriate management actions being taken.

Subsidiary governance

The Committee has links with subsidiaries through a rolling programme of attendance by subsidiary risk committee chairs, which provides an update on the areas of focus of their respective committees, as well as details of any specific concerns they wished to raise with the Committee. In addition, there is cross-membership between the Committee and the risk committees of our major insurance subsidiaries in Australia, the UK and Spain.

The pandemic prevented the full Committee from being able to attend, in person, meetings of the subsidiary insurance risk committees. However, the Committee Chair attended, electronically, subsidiary board risk committee meetings in the UK, Chile, Spain and Australia and held separate, regular calls with her local counterparts and the regional CROs. The Committee also receives summaries and minutes of the meetings of the risk committees of the Group's major insurance subsidiaries.

First-line accountability for risk management

Management continues to embed risk management in the first line of defence. The CRO provides updates at each meeting of the Committee which include his view of management's progress in this area, and the Committee asked members of management to present on key risk issues during the year. In addition, each business sets annual risk objectives to focus on which are validated and monitored by the Risk Function and reported to the Committee. The Committee is satisfied that senior managers across the Group understand the need to manage risk well but acknowledge that there is further work to do to fully embed this at all levels of the Group.

The Committee has also considered the capability and capacity of the Risk Function during the year to ensure that it has the right quality and quantity of resources to effectively carry out its assurance role. The Committee was pleased to see activity moving to the first line of defence. Increasing the capacity and capability of the Risk Function will continue to be important in the coming year.

Other

In addition, the Committee has carried out other business as required under its Terms of Reference including: reviewing and recommending the Group's ORSA to the Board for approval; reviewing the annual insurance compliance plan; reviewing the modelling of economic capital as part of the Group's annual ORSA process; and approving, or recommending to the Board (in line with the agreed policy approval schedule of delegation), refreshed enterprise risk policies and risk appetite statements.

Committee effectiveness review

In terms of addressing the actions arising from the external evaluation of the performance of the Board conducted in 2019, the Committee continues to challenge management to further embed risk management in the first line of defence and is satisfied with management's progress during the year.

The results of the internally facilitated review of the Committee's performance during 2020 were discussed in December and the Committee was satisfied that it was operating effectively. Key themes and proposals for 2021 included further improving links between risk and strategy and maintaining focus on clinical risk, particularly with respect to responding to shared 'lessons learned', including from the experience of the pandemic. The Committee is also keen to encourage continued improvements in the quality of the management information it receives, which will be aided by management's development of collaborative and combined reporting from each of the three lines of defence concerning their assessment of the effectiveness of the Group's systems of internal control and risk management. More detail is available in the Risk section on page 36.

Focus for 2021

In 2021, the Committee will continue to focus on:

- maturing risk management accountability in the first line of defence
- overseeing the Group's continued investment in technology capabilities
- embedding clinical governance improvements
- monitoring organisational resilience, and
- further embedding risk management in our ESG agenda.

Caroline Silver
Risk Committee Chair

Nomination and Governance Committee report

Roger Davis
Committee Chair

Q Why is good subsidiary governance important for Bupa?

Roger: Our commercial activities all take place through a network of subsidiary businesses which, collectively, forms the Bupa Group. So it's really important to ensure a high standard of governance in all our subsidiaries. Not only are we are helping to minimise operational risks across the Group, but the outcome of good subsidiary governance is well-managed entities which are more likely to achieve their commercial purpose. For a number of years, we have steadily developed and strengthened subsidiary governance standards, and built stronger connections between the Group and subsidiary boards. The enhancements to subsidiary governance approved by the Committee during 2020 focused on our provision businesses and will supplement the separate work on enhancing clinical governance.

Q What are the key areas of focus for the Committee in 2021?

Roger: One of the principal roles of the Committee is to lead the process for appointments to, and ensure orderly succession plans are in place for, the Board. During 2021, we will be focusing on the recruitment of a new Group CFO and, more generally, ongoing Board succession planning. The Board wants to encourage and improve inclusion and diversity across the organisation and, in particular, when recruiting for senior management positions and for the Board itself. The principles are included in our Board Diversity Policy, which we refreshed this year. We will also continue to focus on improving subsidiary governance standards.

The Committee's role and governance

The Committee reviews the balance, structure and composition of the Board and its committees and leads the process for appointments to the Board. It considers succession planning to ensure that the Board has the skills and expertise it needs to lead and manage the Company in the future. The Committee takes the Board Diversity Policy into account in both succession planning and recruitment. As at the date of this report, 42% of the members of the Board are women, including Executive Directors. Succession planning for the senior management team is done by the Board as a whole. The Committee also leads the process for the selection and appointment of AMs and approves the appointment of non-executive directors to subsidiary boards. Further information on Bupa's approach to encouraging inclusion and diversity at all levels of the business can be found in the People section on page 16. The Board Diversity Policy, which was refreshed during the year, is on bupa.com.

The Committee keeps Bupa's corporate governance arrangements under review and makes recommendations to the Board to ensure that, where appropriate, those arrangements are consistent with best practice in corporate governance standards.

A full description of the Committee's role is set out in its Terms of Reference on bupa.com.

The Committee currently comprises the Chairman and four independent NEDs, including the Senior Independent Director. The Group CEO, CFO and Chief People Officer regularly attend Committee meetings.

An external agency, Russell Reynolds, provides services to recruit Directors and to identify potential AMs. It has an employee health insurance scheme provided by Bupa. Russell Reynolds is a signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms.

Executive Director changes

Following Evelyn Bourke's communication of her decision to retire as CEO on 31 December 2020, the Committee considered a number of internal candidates as her successor, and, with the full support of the NEDs, Iñaki Ereño was selected as the preferred internal candidate and was formally interviewed by senior members of the Board. Russell Reynolds was then engaged to perform a rigorous assessment of Iñaki's suitability for the role against that of potential external candidates. Comparison criteria included experience in the healthcare and insurance industries as well as relevant geographical and regulatory experience, capacity for strategic vision, and cultural fit. The Committee reviewed the results of the assessment and discussed the merits of the potential external candidates with Russell Reynolds. The Committee was satisfied with the quality of the work undertaken by Russell Reynolds, and in view of their assessment, agreed not to pursue the external candidates. The Committee recommended that the Board should appoint Iñaki as the preferred candidate to succeed Evelyn as the new Group CEO.

In October, we announced that Joy Linton would be leaving Bupa in 2021 to return to Australia to take up a major new appointment there. The Committee debated succession planning concerning this position and supported management's proposal that, subject to regulatory approval, Martin Potkins, Bupa's Corporate Development Director, should become Interim Group CFO from 1 December 2020 while a permanent successor is sought. Russell Reynolds has also been engaged to lead the search for a suitable candidate and the Committee will review their findings and make a recommendation to the Board during the course of 2021.

Non-Executive Director changes

In May, the Committee recommended that, given his strong financial experience, the Board approve Matías Rodríguez Inciarte to replace Nicholas Lyons as a member of the Audit Committee.

In November, and in line with Bupa's stated policy, the Committee approved a recommendation from the Board to reappoint Caroline Silver as a NED for a second three-year term as she has been an effective Chair of the Risk Committee and a strong contributor to the Board.

Clare Thompson (our Senior Independent Director and Audit Committee Chair) will reach the end of her second three-year term as a NED on 30 April 2021. While Bupa's stated policy is that NEDs should normally serve for a maximum of two three-year terms, the flexibility exists to extend a NED's appointment term in exceptional circumstances and, on the Committee's

Nomination and Governance Committee report
continued

recommendation, the Board approved a 12-month extension to Clare's term of office, which will provide continuity of oversight at Board level over financial reporting, internal controls and risk management, internal audit and external audit during the change of both CFO and External Auditor during 2021.

Board skills and succession planning

As part of its duties, the Committee reviewed the Board membership during 2020 to ensure that there remains an appropriate combination of skills, experience and knowledge. Board succession planning encompasses these factors and, in line with the Code, considers ways to promote diversity (including gender, social and ethnic backgrounds), cognitive and personal strengths, embodied within Bupa's Board Diversity Policy. During 2021, the Committee will be focusing on wider diversity of representation on the Board, in particular ethnic diversity.

In September, the Committee approved refinements and enhancements to the Board's skills matrix. The refined matrix incorporates more objective measures for assessing 'hard' skills, knowledge and experience; and introduces a number of 'soft' skills encompassing strategic insight, communication and collaborative abilities. The revised Board skills matrix, together with the commitment to encouraging inclusion and diversity, will play an important part in influencing future Board succession work.

Other Board matters

The Committee reviewed the Directors' other commitments for potential conflicts of interest and for threats to their independence. The Committee also identified topics to be covered in Board development and training sessions during the year.

Corporate governance oversight

The Committee reviewed the Company's compliance with the Code during the year, and a statement of compliance is included on page 57. The Code sets out three ways in which companies can engage with the workforce but allows companies to adopt alternative arrangements. Bupa's approach to employee engagement, and why it is considered effective, is set out on pages 49-50. The Committee will continue to keep this approach under review in 2021.

The Committee receives regular updates on corporate governance developments across the Group's key markets, as well as trends in corporate governance reporting in the UK, to ensure that the Group continues to maintain and demonstrate high standards of governance.

Subsidiary governance

Building on the work undertaken during 2019 to enhance the governance of the Group's insurance subsidiaries, in December 2019 the Committee approved a project to review board and executive governance of the Group's provision subsidiaries during 2020: the Provision Subsidiary Governance Review (PSGR). The PSGR found no evidence that requirements were not being met in any markets, and found that appropriate governance and management oversight was in place, and the existing approach to provision subsidiary governance was generally in line with market practice. A number of proposals to further enhance provision subsidiary governance standards were made, including the adoption of minimum executive governance standards and the introduction of a provision subsidiary board skills matrix.

In December 2020, the Committee reviewed and approved revisions to the Group Subsidiary Governance Enterprise Risk Policy, which was also updated to reflect PSGR recommendations, such as specifying the standard of management information to be received by the provision subsidiary directors for their review in board meetings and a requirement that the Group Board receive annual updates on the status of provision subsidiary governance from each Market Unit. The Committee will continue to oversee the implementation of these improvements to subsidiary governance.

The Committee plans to monitor patterns of changing provision governance as a result of the pandemic, reviewing external commentary, governance developments at a competitor and market level as well as recommendations from management with a view to implementing any appropriate changes to Bupa's provision governance.

Board and Committee effectiveness

As already disclosed, an internal evaluation of the effectiveness of the Board and its Committees was undertaken in 2020 and the results of the evaluation are set out on page 51.

In the context of its responsibilities, the Committee considered the recommendations of the externally facilitated performance evaluation of the Board and its Committees undertaken in 2019, noting the need to continue to focus on Board succession planning in the light of the changing environment.

In December, the Committee considered the results of the internally facilitated review of its performance during 2020 and was satisfied that it continued to operate effectively. Themes identified for discussion during 2021 will include developing the Board's core skills concerning ESG issues, healthcare provision and technology matters, continued focus on Board succession planning and Board diversity, and clarifying the expectations of NEDs in relation to the extent of their role beyond their core duties.

The Committee continues to keep the composition of the body of AMs under review. There was no active programme of recruitment of new AMs in place during 2020, although the Committee continues to refine its approach to recruiting and engaging with AMs in future.

Focus for 2021

In 2021, the Committee plans to continue its work on Board succession planning, strengthening the governance arrangements for the Group's subsidiaries, and overseeing the CFO recruitment process.

Roger Davis
Nomination and Governance Committee Chair

Part 1: Committee Chair's letter

Cath Keers
Committee Chair

Key items covered at scheduled meetings in 2020

21 January (additional meeting)
Forecast payouts for 2019 MBS and 2019-22 GPP.

6 February
2019 MBS outcome, 2019-22 GPP outcomes, CEC annual reward review.

20 February
2017-19 LTIP outcome, annual reward review for Designated Individuals, 2020 MBS non-financial targets.

16 April (additional meeting)
Executive reward market trends in light of COVID-19.

16 July
Review of committee adviser, subsidiary NED fee, Board Chairman fee, regulatory update, review of incentive risk adjustments, sign-on and retention payments, overview of general workforce, UK pensions provision review.

24 July (additional meeting)
Group CEO leaver arrangements, Group CEO designate contractual arrangements.

15 October
Committee adviser update, pay comparator groups, Remuneration Standard, UK pension provision review update.

9 December
Committee adviser appointment, regulatory update, Remuneration Policy Statement, gender pay gap disclosures, Directors' remuneration report, 2021 CEC incentive scheme rules, CEC private medical insurance, 2020 CEC performance review, Committee effectiveness review, Terms of Reference review.

Dear Association Members

On behalf of the Board and the Remuneration Committee ('the Committee'), I am pleased to present the Directors' remuneration report for the 2020 financial year.

Role of the Committee

The Committee is responsible for ensuring that Bupa adheres to the highest standards of governance and best practice in remuneration matters. The Remuneration Policy is structured to promote strong and sustainable performance of the Company and link reward to the delivery of Bupa's strategic goals and purpose. A full description of the Committee's role is set out in its Terms of Reference on https://www.bupa.com/-/media/files/site-specific-files/about-us/board-committees/remuneration-committee-tor.pdf.

Committee membership has remained stable with no changes throughout 2020.

2020 activities

The Committee has been actively engaged with management throughout 2020 as the organisation navigated through an extraordinary year. While many activities fall under our regular schedule of meetings and agenda items, we have held additional meetings to discuss both externally and internally driven matters.

Executive appointments

There were some key changes at CEC level in 2020. The most significant of these was the retirement of Evelyn Bourke as the Group CEO at the end of 2020. She retires from Bupa as a 'good leaver' under the terms of our Executive Director incentive plans, her interests under various awards are preserved and will vest in line with scheduled vesting dates and decisions.

Iñaki Ereño, who was CEO of the Europe and Latin America Market Unit, was appointed into the role of Group CEO. Further changes came as Joy Linton, the Group CFO, submitted her resignation with the intention to depart to another role based in her home country of Australia in 2021. To ensure a smooth transition, an Interim Group CFO, Martin Potkins, has been appointed (subject to regulatory approval) while the search for an appropriate candidate for the Group CFO role is underway. The Interim CFO is not, as yet, appointed to the Board.

The Committee carefully considered the terms for the new appointments, using external benchmarking and market practice trends to set the levels of remuneration. Details of the remuneration for Iñaki are set out in the Statement of Implementation of Remuneration Policy in 2021 on page 79 and confirms his remuneration is aligned with Evelyn Bourke's terms albeit with three exceptions, all within the terms of our Remuneration Policy. The first relates to the provision of a housing allowance of £120,000 after tax, which was agreed by the Committee as he will be required to move from Madrid to London to perform his duties. The second relates to retirement terms: measures have been put in place to mirror an existing arrangement specific to Spain that he will lose by performing the Group CEO role based in the UK. As a result, a gross payment of £1.7m, subject to malus and clawback, is payable if Iñaki retires as Group CEO with the agreement of Bupa. The third relates to Iñaki's employer pension contribution which is less than that provided to the previous incumbent and, at 12% of salary, is in line with the rest of the workforce.

Wider employee context

Bupa is committed to ensuring that remuneration across the organisation is appropriate and fair for all employees.

During 2020, Bupa reviewed pension provision across the UK with the overall aim to implement a solution that simplified the complex defined benefit and defined contribution landscapes, leading to a simpler, more equitable, market-competitive and efficient pension offering. The review covered around 6,000 employees with the majority of those within the scope of the review benefitting from the new pension arrangements. Approximately 4,500 employees will have access to a higher contribution rate, as well as over 4,000 employees benefitting from improvements to the death-in-service benefits.

In the Directors' remuneration report

Directors' remuneration report
Part 1: Committee Chair's letter
continued

The Committee also reviewed the outcomes from the November 2020 Global People Pulse survey (referenced on page 18) to obtain detailed insight into what our employees are saying, and we discussed with management the insights from this survey. The People Pulse survey, which generated over 68,000 comments, identified recognition as a key theme, along with customer focus, culture, feedback and communication. The Committee is interested in looking further at the drivers of engagement, and to what extent remuneration is a factor in this, in 2021.

As referenced in the People section on page 19, during 2020, in response to COVID-19, the Committee was pleased to note there were many tailored workforce remuneration initiatives that had been implemented in response to the pandemic across Bupa's businesses around the world. These actions varied by local business context and examples include one-off recognition awards to frontline employees in hospitals and care homes, additional pay for certain groups of employees, and support with financial hardship. It was important for the Committee to understand how Bupa's employees had been looked after during the year, in order to support the remuneration decisions made at a more senior level.

From the level of effort from the frontline directly involved in the Group's COVID-19 response, to those who have ensured that the Group's business remains strong and sustainable for the future, there was strong evidence that employees at all levels had worked very hard and collaborated more successfully than ever to ensure that Bupa continued to deliver for its customers in challenging circumstances. With this in mind, as outlined later in the Management Bonus Scheme (MBS) section, the Committee agreed that, for 2020 only, it would be more appropriate to apply a single overall payout for all participants based on Group performance for the calculation of the 2020 MBS payout, rather than apply the usual Market Unit performance approach. This payout has also been applied to local bonus schemes across the Group.

When setting the Executive Director Remuneration Policy, we also assessed general workforce metrics and factored in the remuneration of the broader employee population, related policies, and the alignment of incentives and rewards with culture. While the Committee retains overall oversight, reward is managed on a local basis, with benchmarking usually conducted on an annual basis to ensure that our overall reward package remains in line with relevant local market practice.

Performance and pay in 2020

Salary

In 2020, the Committee approved increases of 2.9% for both the Group CEO and Group CFO. For 2021, no pay increase has been made to the new Group CEO.

Incentives in general

There are three incentive plans paying out or vesting in 2020, each with a different purpose. The Executive Directors, as well as a number of senior executives, are eligible to participate in these plans.

This is the last year that the Long-Term Incentive Plan will vest as the Group Performance Plan was introduced in 2019 to replace it.

Management Bonus Scheme (MBS)

The MBS is the Group's annual bonus plan applying to leaders and managers across Bupa. Of the payout for Executive Directors, 50% is deferred for three years.

We describe our overall financial performance in the Financial Review starting on page 33. Despite the volatile trading conditions, the diversified nature of Bupa resulted in management profit performance being slightly above target. Across the Group, insurance profits increased last year largely due to the reduced level of claims; however, final performance also reflects the costs of the targeted actions we took across our markets to support insurance customers. We are holding reserves at year end in Australia for an estimated rebound in claims, and in the UK to meet our previously-referenced commitment to UK PMI customers. Performance in insurance was partially offset by losses incurred in our provision and aged care businesses, reflecting the significant disruption to services from lockdowns, government restrictions and additional costs from COVID-19.

Revenue and cost efficiency were slightly below target primarily due to the adverse impact lockdown closures had on the provision business.

In what has been a challenging year, all markets shifted their priorities to provide the appropriate and relevant support to our customers. We continued to make good customer progress, a significant achievement given the operational and strategic challenges faced in this difficult year, reflecting the high level of operational flexibility and focus on delivery for customers across the Group.

Alongside the measures that make up the MBS scorecard, the MBS outcome is subject to an overall adjustment relating to risk management behaviours. Assisted by contributions from the Risk Committee and the Risk Review Panel, the Committee determined that no business-wide risk adjustments would apply.

While performance at Group level has broadly been around target, there has been disparity in performance in businesses across all markets. The variation in the businesses' financial performance is not due to a variation in management effort, with each business working incredibly hard to adapt to the challenging environment. As already noted, for this reason and for 2020 only, we determined it was more appropriate and fair to move away from the standard approach to MBS and apply a single payout based on Group performance across all businesses. Details of the 2020 Group MBS payout are on page 75 of the implementation section. The Committee believes this approach feels like a better and fairer reflection of the effort, delivery and response in 2020 and reinforces a message of the strong pride the Board have in the performance of the Group and its people. Executive Directors are already targeted on Group performance, so this change applies only to participants below that level.

The individual performance multiplier for the Group CEO, based on her performance during the year, was 130% from a maximum of 160%. This led to an MBS award for the Group CEO of 64% of her maximum bonus opportunity. No MBS was awarded to the Group CFO for 2020, following her resignation from Bupa.

Long-Term Incentive Plan (LTIP)

The 2018-20 LTIP vesting is based on performance against profit after tax (PAT) (60%), return on capital employed (ROCE) (20%) and customer targets (20%).

Over the three-year period, PAT performance was above target, ROCE performance was between threshold and target, and customer performance was around target.

Financial performance included previously agreed adjustments, such as the Australian Government's restriction of health insurance price increases to a lower rate than claims inflation, and a number of other adjustments for factors outside of management control.

While all adjustments included in the financial measures were in line with the Committee's approved framework for applying LTIP adjustments, management proposed, and the Committee accepted, that the 2018-20 LTIP payout be capped at target level, acknowledging that this is the last year of LTIP, having been replaced by GPP in 2019, as it was no longer fit for purpose and the performance assessment was volatile and challenging.

The LTIP payout is normally formulaic, based on the performance against the measures; however, the proposal by management recognised that a payout at target level was an appropriate reflection of overall performance, a fair outcome for participants, and reflected the broader thinking that was a consideration in determining the MBS and GPP payouts.

As with the MBS, the Committee also reviewed risk management across Bupa using the contributions received from the Risk Committee, the Group CEO and the Risk Review Panel, and determined that no adjustment was required.

Based on an overall reflection of performance, the 2018-20 LTIP vested at 100% of target.

Group Performance Plan (GPP)

The GPP was introduced in 2019 as a replacement for the LTIP. Performance is based on one year of performance, with payout confirmed after that year and deferred for three years. The GPP is a significant retention tool for Bupa's senior executives.

For the 2020–23 GPP, payout is based on Bupa performance, assessed against a scorecard measured over the 2020 financial year. The scorecard is made up of several measures assessed at Group level, sitting within four broad categories: financial (60%), customer (15%), people (10%) and risk (15%).

Financial (60%)

Financial performance metrics are closely linked to the 2020 MBS financial performance measures discussed above in the MBS section. The Committee assessed the overall underlying financial performance as above-target, acknowledging the resilient financial performance in the face of challenging operating environments due to COVID-19.

Customer (15%)

The Committee assessed the overall performance on customer measures to be strong, with the Committee recognising that good progress was made on improving customer experience, particularly in this challenging external environment.

During the course of the year, Bupa: reacted quickly to put customer needs at the heart of our response to COVID-19; quickly reprioritised operational focus from existing plans, introducing and delivering at speed; increased focus on digital to enable customers to receive healthcare services remotely; and continued to build on the ongoing focus on customer culture to improve and maintain customer-centricity.

People (10%)

Overall results since 2018 have continued to rise in both score and participation, with Bupa's overall global employee engagement score increasing to 79, putting us one point away from the ambitious benchmark based on the top 10% of global companies. The Committee recognised this achievement in the current climate and therefore assessed overall People performance as strong.

Risk (15%)

Good risk management is a key component of our strategic framework.

2020 presented us with a range of severe challenges. Before COVID-19 became a global pandemic, our year started with bushfires and floods in Australia and social unrest in Chile and Hong Kong. Alongside mitigating all of these, we have continued to strengthen risk management in 2020, building on previous years. The first and second lines of defence have delivered on their plans.

Our regulators have also indicated that they were comfortable with our risk management performance, rating us as in line with our peers and acknowledging our improved risk management positions locally.

Reflecting on the above, the Committee is pleased with the progress on Risk in 2020, although continuing to recognise there is still more to do, and has assessed the overall performance on risk measures to be strong this year.

Outcome

Payout of the GPP is determined based on the Committee's judgement, taking into account the performance across the measures. In applying its judgement across the four broad categories discussed above, the Committee assessed GPP performance at 57% of maximum.

Committee evaluation

The performance of the Board and its standing committees was assessed through an internally facilitated evaluation in 2020. The evaluation concluded that the Committee had operated effectively during the year.

In 2021, the Committee intends to strengthen and improve remuneration data quality, re-evaluating our approach to our comparator groups. Having sound guidance and advice in relation to our market data approach will form a key consideration in another key 2021 priority where we intend to conduct a thorough selection process to appoint a new Remuneration Committee independent adviser.

Finally, we intend to review, with full Board input, the GPP in 2021 to ensure that it continues to link effectively to strategy and performance as well as remaining a key retention tool for our senior leaders. We expect the newly appointed Remuneration Committee independent adviser to be involved in the review.

Voting on remuneration

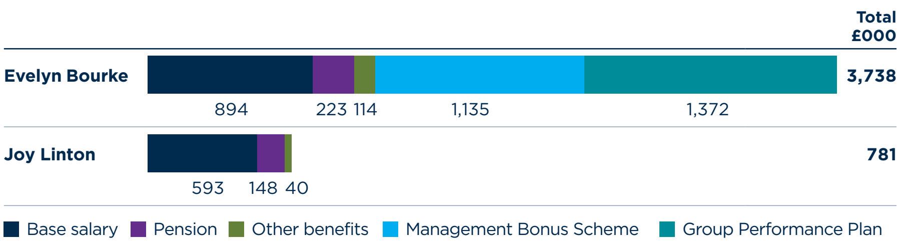
Our remuneration policy was approved at the 2020 AGM and remains unchanged. We are committed to being open and transparent with our Association Members and, as usual, our Directors' remuneration report will also be tabled for an advisory vote at the 2021 AGM.

Cath Keers
Committee Chair

Directors' remuneration report
Part 1: Committee Chair's letter
continued

Our executive remuneration at a glance

2020 remuneration (£000)



The chart to the left is representative of the ongoing implementation of the Directors' Remuneration Policy.

The chart shows salary, pension and benefits paid in 2020, the total payout of the 2020 MBS, 50% of which is deferred until March 2024, and the 2020-23 GPP award, payment of which is deferred until March 2024. The payout of the 2018-20 LTIP is not displayed as this is the last year that the Long-Term Incentive Plan will vest, having been replaced with the Group Performance Plan in 2019.

2020 MBS outcome

Measure	Outcome
Group profit (55% weighting)	▪ Slightly above target level performance (102.7% of target), helped by the diversified nature of Bupa.
Revenue (10% weighting)	▪ Below target level performance (95.7% of target), primarily due to the adverse impact lockdown closures had on the provision business.
Cost efficiency (10% weighting)	▪ Below target level performance (96.4% of target), primarily due to the adverse impact lockdown closures had on the provision business.
Customer (25% weighting)	▪ Slightly above target level performance (102.9% of target), reflecting the high level of operational flexibility and focus on delivery for customers across the Group.

2018-20 LTIP outcome

Measure	Outcome
Profit after tax (60% weighting)	▪ Over the three-year period, PAT performance was above target, ROCE performance was between threshold and target, and customer performance was roughly at target. Management proposed, and Committee accepted, that the 2018-20 LTIP payout be capped at target level. Based on an overall reflection of performance, the 2018-20 LTIP vested at 100% of target (50% of max).
ROCE (20% weighting)	
Customer (20% weighting)	

2020-23 GPP outcome

Measure	Outcome
Financial (60% weighting)	▪ Slightly above target level performance (51.7% of max), acknowledging the resilient financial performance in the face of challenging operating environments due to COVID-19.
Customer (15% weighting)	▪ Above target level performance (55% of max). It was recognised that good progress was made on improving customer experience, particularly in this challenging external environment.
People (10% weighting)	▪ Above target level performance (75% of max). Strong People performance was achieved in the current climate with score and participation continuing to rise.
Risk (15% weighting)	▪ Above target level of performance (67.9% of max). Good progress has been made including positive feedback from our regulators on our risk management performance.

Directors' remuneration report

Part 2: Implementation

This section sets out the details of the Executive Directors' and Non-Executive Directors' (NEDs') remuneration, showing how the Remuneration Policy has been implemented in 2020 and how it will be applied in 2021. As well as disclosing remuneration figures for the Executive Directors, it includes details on how well performance targets have been met and the resulting level of MBS and GPP payout as well as the vesting of the LTIP. Certain disclosures of the detailed information about the Directors' remuneration set out below have been audited by the Group's independent auditor, KPMG LLP.

Single total figure of remuneration 2020 – Executive Directors (audited)

Director	Year	Salary £000	Benefits £000	MBS[1] £000	2019 Transition Award[2] £000	GPP[3] £000	LTIP[4] £000	Pension[5] £000	Sub-total[6] £000	Total £000	Total fixed remuneration £000	Total variable remuneration £000
Evelyn Bourke[7]	**2020**	**894**	**114**	**1,135**	**–**	**1,372**	**1,100**	**223**	**3,738**	**4,838**	**1,231**	**3,607**
Group CEO	2019	869	55	175	1,143	1,143	0	261	2,503	3,646	1,185	2,461
Joy Linton[8]	**2020**	**593**	**40**	**–**	**–**	**–**	**–**	**148**	**781**	**781**	**781**	**0**
Group CFO	2019	576	18	116	691	691	0	173	1,574	2,265	767	1,498

1. MBS refers to incentive earned in respect of 2020 performance with 50% deferred until March 2024.
2. The 2019 Transition Award was determined based on the GPP rules, based on 2019 performance. The Transition Award is payable in March 2022.
3. The 2020 GPP is determined based on the GPP rules, based on 2020 performance and is payable in March 2024.
4. LTIP refers to the vesting of the 2018-20 scheme.
5. Pension figures reflect a cash allowance paid to Executive Directors in lieu of company contributions into a pension scheme.
6. The sub-total figure is representative of the ongoing implementation of the Directors' Remuneration Policy and shows the sum of salary, benefits, MBS, GPP and pension.
7. Evelyn Bourke is a former Executive Director having retired from Bupa on 31 December 2020. Her salary was £900,000 from 1 April 2020 and she received £785,204 as pay in lieu of notice. She received cash in lieu of pension contributions. Her benefits figure includes certain travel and subsistence expenses that are treated as taxable, grossed up to meet the costs of the additional tax. She is a NED of the Bank of Ireland and received fees of €78,750 in respect of this position, which are not disclosed in the table above.
8. Joy Linton's benefits figure includes certain travel and subsistence expenses that are treated as taxable, grossed up to meet the costs of the additional tax.

2020 MBS measures and performance

For 2020, the Group CEO's target MBS opportunity was 100% of salary, with a maximum of 200%. The CFO's target MBS opportunity was 75% of salary, with a maximum of 150%.

The performance measures used to determine the 2020 MBS for our Executive Directors were as follows:

- Group profit (55% of award) – profit used for MBS differs from underlying profit before taxation, with the most significant difference being the exclusion of amortisation of acquired intangible assets.
- Group revenue (10% of award) – this includes Bupa's proportionate share of revenue from associates and joint ventures, which is not included within reported revenue.
- Cost efficiency (10% of award) – this is a measure focused on ensuring that we are running the business efficiently, calculated as overhead costs divided by revenue.
- Customer (25% of award) – this measure includes both improving our Customer Excellence Framework and Net Promoter Score (NPS) scores.

Alongside the measures that make up the MBS scorecard, the MBS outcome is subject to an overall adjustment relating to risk management across Bupa as determined by the Committee, assisted by contributions from the Risk Committee and the Risk Review Panel. As detailed in the Committee Chair's letter, the Committee determined that no business-wide risk adjustments should apply.

The Group CEO received an individual performance multiplier of 130% in recognition of outstanding 2020 performance. The Group CEO demonstrated compassionate, energetic and determined leadership. Her achievement was guiding Bupa through the worst stages of the pandemic and, as a result of her thoughtful leadership, help Bupa emerge with its reputation enhanced and employee engagement at an all-time high. Furthermore, the transition to the new CEO was seamless and very collegiate.

The financial targets and actual performance for the 2020 MBS are set out in the table on the next page.

2020 MBS payout (audited)	Threshold performance level £m or % if indicated	On-target performance level £m or % if indicated	Stretch performance level £m or % if indicated	Actual performance level £m or % if indicated	Evelyn Bourke		Joy Linton[1]	
					Max bonus % of salary	Actual payout % of salary	Max bonus % of salary	Actual payout % of salary
Group profit	457.8	508.7	559.5	522.6	110%	76.4%	82.5%	0%
Group revenue	13,553.8	15,037.6	16,541.3	14,384.2	20%	7.4%	15%	0%
Cost efficiency	16.1%	14.7%	13.2%	15.2%	20%	8.3%	15%	0%
Customer	90%	100%	110%	102.9%	50%	34.9%	37.5%	0%
Total					**200%**	**127.0%**	**150%**	**0%**

1. As the Group CFO has resigned and will be leaving in 2021, she will not receive a 2020 MBS payout.

Directors' remuneration report

Part 2: Implementation

continued

2018–20 LTIP vesting (audited)

The 2018–20 LTIP vesting was based on PAT (60% weighting), ROCE (20% weighting) and customer metrics (20% weighting) and included a PAT threshold gateway for any measure to pay out.

As detailed in the Committee Chair's letter, the Committee removed the impact of events outside of management's control which are in line with the Committee's approved principles and framework for applying LTIP adjustments such as the Australian Government's restriction of health insurance price increases to a lower rate than claims inflation. As a result, PAT performance was above target.

ROCE performance was between threshold and target.

Customer performance over the performance period was broadly in line with expectations and on target, taking into account the business's response to Covid-19 and the pandemic's impact on 2020 customer and the three year performance of each Market Unit and its overall size and impact on the Group.

As with the MBS, the Committee also reviewed risk management across Bupa using contributions received from the Risk Committee and the Risk Review Panel, and determined that no business-wide adjustment was required this year.

As detailed in the Committee Chair's letter, management proposed, and the Committee accepted, that the 2018-20 LTIP would be capped at target level performance, being recognised as an appropriate reflection of overall performance, a fair outcome for participants, and reflecting the broader thinking that was a consideration in determining the MBS and GPP payouts. The 2018-20 LTIP vested at 100% of target (50% of the maximum award).

Interests awarded during 2020 (audited)

During the year, awards for the 2020–23 GPP were made to the Executive Directors. The plan covers the annual performance period to 31 December 2020. Subject to the application of malus, the award may be paid in March 2024.

The Group CEO's target 2020–23 GPP award is 137.5% of salary, with a maximum of 275%. Any payment of the 2020–23 GPP will be made in 2024. The payout for the Group CEO is based on the Committee's assessment of Bupa performance against a scorecard for the 2020 financial year, details of which are set out in the table below.

As detailed in the Committee Chair's letter and displayed in the executive remuneration at a glance section, the Committee took a view of the overall performance of the Company against the GPP measures and made a judgement on the overall level of payout being 57% of maximum award. Payout of the 2020-23 GPP is confirmed to participants after the one-year performance period, the payout is then deferred for three years with payment subject to malus and clawback.

As the CFO has resigned and will be leaving Bupa in 2021, her 2020-23 GPP will lapse.

2020-23 Group Performance Plan (GPP) measures and performance

The payout for our Executive Directors is based on the Committee's assessment of Bupa performance based on performance against a scorecard for the 2020 financial year, details of which are set out in the table below.

2020-23 GPP scorecard

Performance measures within each category of the scorecard are weighted equally (except for financial measures). All performance measures are measured on Group performance. Where performance measures are not tracked at a Group level, Market Unit or Business Unit level performance will be collated and reviewed on a Group basis.

Category	No.	Performance measure
Financial (60%)	1	Group profit (40%)
	2	Revenue (10%)
	3	Cost efficiency (10%)
Customer (15%)	4	Customer NPS
	5	Customer complaints
	6	Customer numbers
	7	Customer outcomes
	8	Brand position
People (10%)	9	Employee engagement score
	10	People Pulse participation level
	11	Employee sentiment
Risk (15%)	12	Risk appetite indicators – financial, conduct, health and safety, information security and privacy
	13	Relationship with primary regulators
	14	Feedback from regulators
	15	Clinical and provision risk
	16	Operational resilience
	17	Cyber security
	18	Environmental, Social and Governance (ESG)

CEO pay ratio

From 2019, the Committee chose to adopt the regulations applied to listed companies requiring them to report on the pay ratio of the Group CEO to UK employees. Calculating the pay ratio uses the most recent gender pay gap information to identify and select employees at the 25th, 50th and 75th percentile. This is made up of all UK employees from Bupa's insurance, corporate functions and health provision businesses. To ensure that the results are representative of the employee population's pay and benefits at those quartiles, Bupa has chosen to use a median value of the pay and benefits for the 15 employees above and below, and including, the individual at the given quartile. This approach was taken to allow for any leavers through the year, given Bupa's large and diverse workforce.

In considering the pay ratios presented, the Committee noted that the remuneration of the Group CEO has a higher proportion of variable pay, linked to corporate performance, in comparison with the employee population. A further point of note is that the employee population of Bupa is largely made up of our people in health provision businesses and pay is reflective of that industry, rather than the insurance sector.

Year	Method		Ratio with the 25th percentile employee	Ratio with the 50th percentile employee	Ratio with the 75th percentile employee
2020	Option B	Total pay and benefits	226:1	225:1	126:1
		Salary only	44:1	42:1	26:1
2019	Option B	Total pay and benefits	167:1	143:1	116:1
		Salary only	43:1	37:1	29:1

In the table above, the Committee has chosen to provide information relating to salary in addition to the total remuneration calculations. As incentive pay can vary significantly year on year, the Committee determined that the salary ratio provides helpful context beyond that of the single figure.

UK employees	25th percentile	50th percentile	75th percentile
2020 Total pay and benefits	£21,392	£21,528	£38,371
2020 Salary	£20,340	£21,373	£34,085
2019 Total pay and benefits	£21,899	£25,412	£31,468
2019 Salary	£20,325	£23,543	£29,914

Relative importance of spend on pay

The table to the right shows the relative importance of spend on pay. Given that Bupa does not have shareholders and therefore does not pay dividends, cash flow used in investing activities has been shown as an alternative measure.

	2020 £m	2019 £m	Difference 2020-2019 £m
Remuneration paid to all employees[1]	**2,309**	2,133	176
Cash flow used in investing activities	**904**	565	339

1. Remuneration paid to all employees includes staff costs relating to wages and salaries as found in Note 2.3.1 (page 114).

Directors' remuneration report
Part 2: Implementation
continued

Percentage change in remuneration of Directors and employees

The table to the right shows the change in salary/fees, benefits and short-term incentives (annual bonus) for Executive Directors and Non-Executive Directors in 2020 compared with 2019, alongside a corresponding average figure for the Bupa employee comparator group. As the Group CEO is located in the UK, the UK salaried population has been chosen by the Committee as the most appropriate comparison. The percentage change in salary for the employee population is a view of 1 April 2020 increases only and does not reflect increases awarded through the year.

Percentage change in remuneration of Directors and Employees

	% change in salary/fees	% change in benefits (excl pension)	% change in short term incentives
Executive Directors			
Evelyn Bourke[1]	2.9%	106%	549%
Joy Linton[2]	2.9%	124%	-100%
Average UK employee[3]	1.8%	no material change	24.9%
Non-Executive Directors[4]			
Roger Davis (Chairman)	0%	-13%	n/a
Paul Evans	3.4%	-59%	n/a
Michael Hawker[5]	1.3%	-100%	n/a
Cath Keers[5]	23.1%	250%	n/a
Nick Lyons	-2.3%	0%	n/a
Matías Rodríguez Inciarte	6.4%	-100%	n/a
Melvin Samsom[5]	-2.5%	-35%	n/a
Caroline Silver	0.9%	n/a	n/a
Clare Thompson	3.9%	0%	n/a
Janet Voûte	-3.5%	-74%	n/a

1. The increase in Evelyn Bourke's 2020 benefits figure is due to pay out of her 2020 accrued holiday pay. As disclosed in the 2019 Annual Report, the Committee decided to look past the formulaic outcome of the MBS and chose to exercise discretion, reducing the bonus down to 20%. This in part has led to a large difference when comparing with the 2020 payout figure represented in the % change in short-term incentives.
2. Joy Linton's 2020 benefits figure includes a one-off cost related to immigration support provided by Bupa.
3. All permanent employees in the UK who were in employment during the two calendar year periods of 2019 and 2020 were selected as the most appropriate comparator.
4. NED fees were unchanged in 2020; however, changes to committee membership creates fluctuation in the actual annual fees. As travel was greatly restricted throughout 2020, these costs were significantly reduced compared with 2019. NEDs are not eligible for incentives.' to: There has been no changes in the underlying provision of benefits to NEDs, all changes in the table above reflect reimbursement for travel. NEDs are not eligible for incentives.
5. Michael Hawker, Cath Keers and Melvin Samsom were appointed as NEDs in 2019. To provide a year-on-year comparison, their respective 2019 NED fees and benefits have been annualised.

Historical

The table to the right shows levels of payout to the Group CEO against the maximum incentive opportunity for the last five years.

Year	CEO	Single figure of total remuneration (£000)	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %	GPP vesting rates against maximum opportunity %	(2019) GPP Transition Award vesting rates against maximum opportunity %
2020	Evelyn Bourke[1]	4,838	64%	50%	57%	–
2019	Evelyn Bourke	3,646	10%	0%	49%	49%
2018	Evelyn Bourke	2,078	45%	16%	–	–
2017	Evelyn Bourke	2,511	64%	41%	–	–
2016	Evelyn Bourke[2]	1,837	56%	44%[3]	–	–
2016	Stuart Fletcher[4]	1,315	46%	44%	–	–

1. Details of Evelyn Bourke's 2020 incentive payout are laid out on page 74.
2. Evelyn Bourke was appointed Group CEO on 25 July 2016.
3. Figure corrected from 2016 Annual Report.
4. Stuart Fletcher left Bupa on 31 May 2016; his annual bonus reflects a pro-rated payment.

Statement of implementation of Remuneration Policy in 2021

The remuneration of the new Group CEO, who was appointed into the role effective 1 January 2021, was reviewed by the Committee in the context of the Remuneration Policy as described on pages 81-85.

	Salary (effective from 1 January 2021)	Pension (effective from 1 January 2021)	Management Bonus Scheme[1]	Group Performance Plan[2]
Iñaki Ereño Group CEO	**£925,000**	**12% salary**	Target opportunity – **100% salary** Maximum opportunity – **200% salary**	Target opportunity – **137.5% salary (£1,271,875)** Maximum opportunity – **275% salary (£2,543,750)**

1. Based on salary earned in 2021.
2. GPP award based on salary as at 1 March 2021.

The MBS and GPP have been designed, in line with the Remuneration Policy, to support Bupa's Strategic Framework. The targets and the weighting of these were carefully considered to ensure the right balance of financial and non-financial measures in the short term and the long term.

Measure	Management Bonus Scheme Weighting per measure	Group Performance Plan Weighting per measure
Profit	55%	40%
Revenue	10%	10%
Cost efficiency	10%	10%
Risk	–[1]	15%[2]
Customer	25%	15%
People	–	10%

1. The MBS outcome is subject to an overall adjustment relating to risk.
2. Risk is a specific measure in the GPP scorecard, as well as being applied to the GPP as an overall adjustment.

Payments to former Directors (audited)

The following was approved by Bupa's Remuneration Committee in accordance with Bupa's Remuneration Policy and Evelyn Bourke's contract of employment. Ms Bourke's notice period commenced from the date of announcement of appointment of the new Group CEO on 10 September 2020 and Ms Bourke remained in position until retirement on 31 December 2020, with the new Group CEO effective from 1 January 2021. The period worked from date of announcement to 31 December 2020 was deducted from the 12 months' notice and Ms Bourke's healthcare and life cover ended on 31 December 2020. She continued to receive her salary and benefits until that date. In lieu of 12 months' salary (£900,000), car allowance (£12,300) and pension allowance (£225,000) she received a payment of £785,204. Ms Bourke will receive 'good leaver' treatment under Bupa's incentive schemes; LTIP; GPP; and MBS. All awards remain subject to the rules of the plans, including malus and clawback and the satisfaction of any applicable performance conditions.

Chairman and Non-Executive Director fees

During 2020, the fee for the Chairman was reviewed by the Committee and the fees for the Non-Executive Directors were reviewed by the Chairman and the Executive Directors. The Chairman's fee, the Senior Independent Director fee and the Non-Executive Director Committee Chair fee and member fees were not increased this year .

The current fee levels are set out in the table below.

		2020 Fee
Chairman fee		**£425,000**
Non-Executive Director basic fee		**£70,500**
Senior Independent Director fee		**£25,000**
Committee Chair fee	Audit Committee	**£25,000**
	Remuneration Committee	**£25,000**
	Risk Committee	**£25,000**
Committee membership fee	Audit Committee	**£8,000**
	Remuneration Committee	**£8,000**
	Risk Committee	**£8,000**
	Nomination and Governance Committee	**£4,500**

Directors' remuneration report

Part 2: Implementation
continued

Single total figure of remuneration 2020 – NEDs (audited)

	Fees £000		Benefits[1] £000		Total £000	
	2020	2019	**2020**	2019	**2020**	2019
Roger Davis (Chairman)	**425**	425	**13**	15	**438**	440
Paul Evans[2]	**91**	88	**7**	17	**98**	105
Michael Hawker[3]	**79**	58	**0**	132	**79**	190
Cath Keers	**96**	13	**7**	0	**103**	13
Nick Lyons	**86**	88	**1**	1	**87**	89
Matías Rodríguez Inciarte[4]	**83**	78	**0**	24	**83**	102
Prof. Melvin Samsom	**79**	60	**34**	38	**113**	98
Caroline Silver	**112**	111	**0**	0	**112**	111
Clare Thompson[5]	**133**	128	**1**	1	**134**	129
Janet Voûte	**83**	86	**5**	19	**88**	105
Total	**1,267**	1,135	**68**	247	**1,335**	1,382

1. Travel and subsistence expenses for attending meetings at Bupa's head office are treated as taxable income. All NED expenses in relation to this are grossed up to meet the costs of the additional tax and NIC. The benefits figures reflect this approach.
2. The 2020 figures for Paul Evans exclude £77,500 of fees, in respect of his services as a NED of Bupa Insurance Limited and Bupa Insurance Services Limited. The 2019 Total value is being restated as £105,000.
3. Michael Hawker's fees exclude AUD 167,083 in respect of his services as Deputy Chairman of Bupa Australia and New Zealand. The 2019 Total value is corrected from the 2019 Annual Report.
4. Matías Rodríguez Inciarte's fees exclude EUR 100,000 in respect of his services as a NED of Sanitas, S.A. de Seguros. The 2019 Total value is corrected from the 2019 Annual Report.

Committee Governance

Cath Keers has chaired the Remuneration Committee since 1 January 2020.

In addition to the Company Secretary, regular attendees at the Committee meetings who provided comment and advice were the Group CEO, the CFO, the Chief People Officer and the Performance and Reward Director.

The Committee presented the 2019 Directors' remuneration report and the Directors' Remuneration Policy at the AGM in May 2020 and was approved by the AMs.

Mercer was appointed by the Remuneration Committee as its independent adviser in 2015. The appointment is reviewed every year and Mercer's re-appointment was confirmed in July until the end of 2020. The Committee is of the view that Mercer provides independent remuneration advice to the Committee and does not have any connections with Bupa that may impair its independence. Mercer is a member of the Remuneration Consultants' Group and voluntarily operates under this group's code of conduct when providing advice on executive remuneration in the UK. Mercer's fees for services to the Committee in 2020 were £48,939 on a time and materials basis. During the year, Mercer advised on market practice, corporate governance and regulations, remuneration benchmarking and other matters that the Committee was considering.

The Terms of Reference of the Committee were reviewed by the Committee and adopted by the Board in December 2020. A full description of the Committee's role is set out in its Terms of Reference on https://www.bupa.com/-/media/files/site-specific-files/about-us/board-committees/remuneration-committee-tor.pdf.

Part 3: Policy

In determining, implementing and reviewing the Remuneration Policy, the Remuneration Committee has regard to the Group's business strategy and arrangements that apply across the wider workforce, regularly monitoring and taking into consideration the evolving market practice, the economic environment and underlying financial performance of the Group throughout the year. The aim of Bupa's Remuneration Policy is to promote the long-term success of the Company and motivate management to deliver strong and sustainable business performance aligned with Bupa's purpose of helping people live longer, healthier, happier lives. The policy is intended to deliver a level and mix of remuneration competitive with companies of a similar scale and complexity. The policy was subject to an advisory vote by Association Members at the 2020 AGM in May 2020 and applies for up to three years.

Remuneration Policy table – Executive Directors

Base salary	Management Bonus Scheme	Group Performance Plan	Pension	Benefits
Purpose and link to strategy				
Core element of remuneration set to attract and retain Executive Directors, reflecting their role and contribution.	To drive behaviour and to promote focus on the business priorities for the year. To motivate and incentivise delivery of performance over the annual operating plan.	To attract and retain senior leaders and incentivise strong and sustainable performance.	To provide an income after retirement, healthcare security and family protection benefits.	To attract and retain Executive Directors by providing health and wellbeing benefits and providing security for families.
Operation				
Salary levels are reviewed annually with any changes becoming effective in April. Factors taken into account include: ▪ level of skill, experience and scope of responsibilities of the individual; ▪ overall business performance, scarcity of talent, economic climate and market conditions; ▪ general increases across Bupa; and ▪ external market data.	Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure that they continue to support the business strategy. Performance over the financial year is measured against stretching financial and non-financial performance targets set at the start of the financial year. Typically, 50% of any bonus awarded will be deferred for a period of up to three years, with the remaining 50% paid immediately in cash. To account for any loss of value over time, a modest uplift will be applied to the deferred amount.	As Bupa cannot provide equity-based incentives, it provides a deferred cash incentive in the form of Group Performance Plan (GPP). Awards are usually made on an annual basis and relate to performance over a one-year period. Vesting of awards is based on the extent to which performance measures, under four categories, are achieved as judged by the Committee. Payout would be determined at the end of the performance period. Payment is deferred for three years, subject to a further review by the Committee before payment is made.	For the current Executive Directors and new appointments, the Company operates a defined contribution pension scheme. Executive Directors have the option to take any employer contribution as a cash allowance or a combination of pension contribution and cash allowance.	Executive Directors are entitled to a number of benefits which may include private health cover for themselves and their family, an annual health assessment for themselves and their partner, life insurance, income protection, car allowance (or alternately for the CEO, the use of a company car and driver) and 30 days' annual holiday. The benefits offered may need to be changed from time to time to reflect changing circumstances. Authorised travel expenses are reimbursed along with the additional tax and NIC incurred where these are treated as taxable income; and, in exceptional circumstances, where spouses or partners are required to travel for business purposes, travel and subsistence expenses are reimbursed along with the additional tax and NIC.
Maximum opportunity				
Salary increases are normally in line with those of the Bupa employee population. Larger increases may be given in certain circumstances such as when a new recruit has been appointed on lower than market rate salary with the expectation of phased increases to bring it up to market level. The Committee does not consider it appropriate to set a maximum salary level.	The maximum bonus opportunity will not exceed 200% of base salary.	The maximum award will not exceed 275% of base salary.	Executive Directors receive employer contributions of up to 25% of base salary. Executive Directors newly appointed on or after 1 January 2020 receive employer contributions in line with the rest of the workforce.	There is no specific maximum benefit spend.
Performance metrics				
None.	Management Bonus Scheme (MBS) payments are based on the achievement of challenging financial and non-financial objectives. No less than 60% of the annual bonus will be subject to the achievement of financial measures which will be aligned to the strategic priorities of the business.	Vesting of awards is based on performance against a combination of financial and non-financial measures. No less than 60% of the GPP will be based on financial measures, with the remainder based on measures linked to key strategic priorities of the business.	None.	None.

Directors' remuneration report
Part 3: Policy continued

Malus and clawback

Malus and clawback provisions may be operated at the discretion of the Committee in respect of awards granted under the MBS, LTIP and GPP. Malus (under which awards may be reduced, cancelled or made subject to additional conditions) may be applied prior to the payment of the award. Clawback (requiring a repayment of cash which has been delivered) may be operated for up to three years following payment of the GPP and the non-deferred element of the MBS, and five years from grant of the LTIP.

Circumstances in which the operation of these provisions may be considered include:

- misstatement of results;
- an error in assessing any relevant performance metric or in the information or assumptions on which the MBS, LTIP or GPP is determined
- serious reputational damage to Bupa or a relevant Business Unit
- a scenario in which significant risk has been taken which is outside of Bupa's or a relevant Business Unit's risk appetite
- an employee enters into any hedging transaction or transactions that might undermine the intended performance and/or risk alignment of any awards under the Plan, including any deferred amount
- an act or omission which justifies, or in the opinion of the Board would have justified, summary dismissal or service of notice of termination of employment on the grounds of misconduct on the part of an employee
- gross misconduct or material breach of employment contract
- new information presenting itself highlighting that performance (Company or eligible employee) was incorrectly assessed
- any other circumstance which the Committee in its discretion considers to be similar in nature or effect to the above.

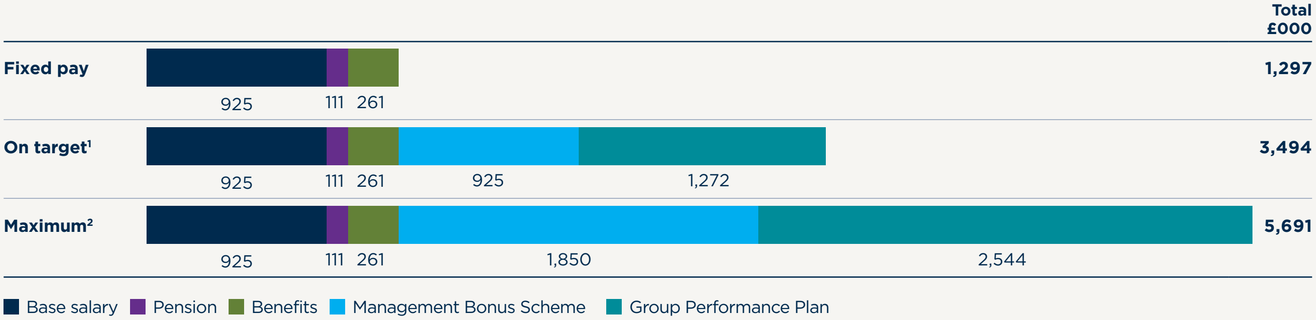
Illustrations of the application of the Remuneration Policy

Bupa aims to provide a balance of fixed and variable compensation that provides stability while also incentivising superior business performance. At target, over 50% of the Executive Directors' remuneration is based on individual and Company performance.

This graph illustrates the potential remuneration outcomes variation for different levels of performance using the incumbents' bonusable salary in 2021 to calculate the MBS values and 1 March 2021 to calculate the GPP values.

Remuneration at various levels of performance (£000)

Iñaki Ereño, Group CEO



1. On-target figures have been calculated on the basis that Bupa achieves target financial and non-financial performance, and the individual performance multiplier is set at 100%.
2. Maximum figures have been calculated on the basis that Bupa achieves maximum financial and non-financial performance, and the individual performance multiplier is set at 160%.

Performance measures and target setting

Measures and targets for the MBS are aligned to delivery of Bupa's annual operating plan and may include personal objectives that change from year to year.

Measures for the GPP are set by the Committee, taking into account internal and external reference points which include historic Bupa performance, internal forward-looking plans and broader market trends.

Committee discretion

The Committee has ultimate discretion over all incentive plans relating to the Executive Directors and other individuals within its remit. This includes, but is not limited to:

- determining the size of the award/ payment
- determining whether minimum levels of performance have been met or underlying performance is satisfactory before determining the vesting of any awards
- determining whether the management of risk has been acceptable, or whether any downward adjustments are required
- selecting or adjusting performance measures within the Remuneration Policy and the plan rules
- determining whether individuals are 'good leavers' for incentive plan purposes, based on plan rules
- making one-off adjustments in exceptional circumstances.

Approach to Remuneration Policy on recruitment of an Executive Director

Our approach to remuneration on recruitment is to pay no more than is necessary and appropriate to attract the right talent to the role.

The Remuneration Policy table on page 81 sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director. Typically, a new appointment will be placed (or be transitioned) onto the framework that applies to other Executive Directors as set out in the policy table. Salary would reflect the skills and experience of the individual, and may be set at a level to allow future salary progression to reflect performance in the role.

It would be expected that the structure and quantum of the variable pay elements would reflect those set out in the policy table.

The Committee reserves the right to make any remuneration payments or payments for loss of office where the terms of the payment were agreed: (i) before the Remuneration Policy came into effect, or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

To facilitate recruitment, the Committee may make compensatory payments and/or awards for any remuneration arrangements subject to forfeit on leaving a previous employer. We will seek to replicate, as far as practicable, the potential value and time horizon of such remuneration, as well as performance conditions that may apply.

In some circumstances, it may also be necessary to set up additional or alternative arrangements, including but not limited to:

- relocation-related expenses
- international assignment allowances and expenses.

In the case of internal promotions, any commitments made before appointment may be honoured unless an alternative approach, more closely aligned to the prevailing policy, is agreed by the Committee.

Any special joining arrangements may include malus and/or clawback; for example, tied to leaving within a predefined period.

Differences between the Remuneration Policies for Executive Directors and other employees

The Remuneration Policy for the Executive Directors is designed to be broadly similar to the policy applicable to Bupa employees to ensure that they are both aligned with delivering sustainable business performance. Although the size of the opportunity varies, the underlying principles of the salary review cycle, MBS and GPP are the same for the senior executive population.

A small number of senior executives across Bupa participate in the GPP, based on the same framework as the Executive Directors, with award levels calculated as a percentage of salary based on their level of seniority and accountability. Vesting of the awards is dependent on performance against specific financial and non-financial measures over a one-year performance period.

In some cases, additional flexibility has been introduced for the Executive Directors and senior employees (e.g. providing the option to receive cash in lieu of pension contributions) to allow for personal circumstances.

Directors' remuneration report

Part 3: Policy continued

Policy on payments for loss of office

The table summarises the key elements of our policy on payment for loss of office in compliance with the relevant plan rules and local employment legislation.

Any payments made due to loss of office may take into account malus or clawback provisions as set out on page 82.

Service contracts for Executive Directors

Executive Directors have a 12-month rolling employment contract. The notice requirement is 12 months from both the Company and the individual, which may be payable in lieu. These contracts also include specific post-termination restrictions. Executive Directors are usually permitted, subject to the Board's approval, to have one external NED role and to accept and retain the fee for this appointment. This is on the condition that any external appointment does not give rise to a conflict of interest.

Policy	Committee response
Notice period and compensation for loss of office in service contracts	▪ 12 months' notice from the Company to the Executive Director. ▪ Up to 12 months' base salary (in line with the notice period). Notice period payments will either be made as normal (if the Executive Director continues to work during the notice period or is on 'gardening leave') or at the termination date for any unexpired notice period.
Treatment of MBS on loss of office under plan rules	▪ The Committee may make an MBS payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual's performance up to cessation. Any such payment is at the discretion of the Committee. ▪ Any MBS will be paid at the normal time following the end of the performance year.
Treatment of GPP on loss of office under plan rules	▪ The Committee may make a GPP payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual's performance up to cessation. Any such payment is at the discretion of the Committee. ▪ Any GPP will be paid at the normal time following the end of the deferral period.
Treatment of LTIP on loss of office under plan rules	▪ An Executive Director's award will vest in accordance with the terms of the plan and satisfaction of performance conditions measured at the normal completion of the performance period if the reason for leaving is redundancy, pre-agreed retirement, early retirement on the grounds of ill health, death or any other special circumstance agreed by the Committee. In these cases, final awards will be pro-rated based on completed months of service. The period of active employment excludes any period of 'gardening leave' or other such period when the Executive Director was legally employed but not required to actively carry out their duties. For any other reason, they will not be eligible for an LTIP payment. ▪ Any LTIP payment will be paid at the normal time, e.g. following the end of the performance period, or two years later for any deferral.
Pension and benefits	▪ Generally, pension and benefit provisions will continue to apply until the termination date.

Remuneration Policy table – NEDs

Terms of engagement for NEDs

The terms of engagement for the Non-Executive Directors (NEDs) of Bupa set out the fees and benefits to which they are entitled as well as the expectation of the time commitment required to effectively perform their role. Copies of the terms of engagement are available at https://www.bupa.com/-/media/files/site-specific-files/about-us/board-committees/remuneration-committee-tor.pdf.

The table describes the Remuneration Policy as it applies to the Chairman and NEDs.

Element	Purpose and link to strategy	Operation
Fees	To attract and provide stability, reflecting the complexity of the role and time commitment required	The Chairman receives an all-inclusive fee. NEDs receive a fixed basic fee. Additional fees are paid for chairing or membership of Board Committees and/or additional work in relation to subsidiaries, and for the Senior Independent Director role. Fees are reviewed annually by the Board with any changes implemented in July. Key factors taken into account include: ▪ overall business performance ▪ scope and responsibility of the role ▪ appropriate market data ▪ the fact that NEDs are not eligible for any form of variable pay.
Benefits	To provide health and wellbeing benefits aligned with Bupa's purpose	During their time in office, NEDs are entitled to private health cover for themselves and their family and an annual health assessment for themselves and their partner (subject to availability of a Bupa domestic private health product). These benefits are taxable. Authorised travel expenses are reimbursed along with the additional tax and NIC incurred where these are treated as taxable income and, in exceptional circumstances, where spouses or partners are required to travel for business purposes, travel and subsistence expenses are reimbursed along with the additional tax and NIC.

Other statutory information

Board and Committee attendance in 2020

	Board		Audit Committee		Nomination and Governance Committee		Remuneration Committee		Risk Committee	
Number of meetings held	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Additional Mtgs
Roger Davis[1]	9/9	6/6			3/3	2/2	5/5	2/3		
Evelyn Bourke	9/9	6/6								
Joy Linton	9/9	6/6								
Paul Evans[2]	9/9	6/6	7/7	3/3	3/3	2/2			4/5	2/2
Michael Hawker[3]	9/9	5/6							5/5	2/2
Matías Rodríguez Inciarte[4]	9/9	6/6	4/4	3/3					5/5	2/2
Cath Keers[5]	8/9	6/6					5/5	3/3		
Nicholas Lyons[6]	9/9	6/6	3/3		3/3	2/2	5/5	3/3		
Prof. Melvin Samsom[7]	8/9	6/6							4/5	2/2
Caroline Silver[8]	8/9	6/6	7/7	3/3			4/5	3/3		
Clare Thompson[9]	9/9	5/6	7/7	3/3	2/3	2/2			5/5	2/2
Janet Voûte[10]	8/9	5/6			3/3	2/2	5/5	2/3		

1. Roger was unable to attend one ad-hoc Remuneration Committee meeting due to a pre-existing commitment.
2. Paul was unable to attend one Risk Committee meeting due to a pre-existing commitment.
3. Michael was unable to attend one ad-hoc Board meeting due to a pre-existing commitment.
4. Matías was appointed to the Audit Committee on 18 May 2020.
5. Cath was unable to attend one Board meeting due to a pre-existing commitment.
6. Nicholas stepped down from the Audit Committee on 18 May 2020.
7. Melvin was unable to attend one Board meeting and one Risk Committee meeting, both due to pre-existing commitments.
8. Caroline was unable to attend one Board meeting and one Remuneration Committee meeting, both due to pre-existing commitments.
9. Clare was unable to attend one ad-hoc Board meeting and one Nomination and Governance Committee meeting, both due to pre-existing commitments.
10. Janet was unable to attend two Board meetings, including one ad-hoc meeting, and one Remuneration Committee meeting due to a pre-existing commitment and a family bereavement.

Insurance and indemnities

Bupa has a directors' and officers' insurance policy in place, together with indemnities for the Directors and certain senior managers, to the extent permitted by English law and the Company's Articles of Association. These cover all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or of any of its subsidiaries. There are no other third-party qualifying indemnity provisions or pension indemnity provisions in place.

Disclosure compliance

The Strategic Report and the audited financial statements are presented on pages 1–41 and from page 89 respectively. The Governance report on pages 42–88 comprises the Directors' report.

The following disclosures required to be contained in the Directors' report are set out on the pages referred to below and incorporated by reference into this Directors' report:

Disclosure	Location
Financial instruments	Note 10 page 134
Risk management objectives and policies	Note 25 page 151
Likely future business developments	Strategic Report page 1
Acquisitions and disposals	Note 23 page 147
Financial results	Financial performance page 11
Relationships with suppliers, customers and others	Engaging with our stakeholders page 25
Employment of disabled persons	People section on page 19

Going concern

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in operation for the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The going concern assessment in Note 1: Basis of Preparation on page 103 includes information on the Directors' detailed assessment of the Group's status as a going concern. This assessment includes consideration of the impact of COVID-19 on the Group, under both the Directors' best expectations, and under reasonably plausible severe scenarios.

Longer-term viability

Our Directors have examined the outlook for the Company and the Group as required by Provision 31 of the Code, assessing our ability to operate and meet our liabilities as they fall due over a three-year period.

The Strategic Framework continues to be the force behind our planning process. We chose a three-year assessment period because it ties in with our internal strategic planning process. Our planning considers all important financial and regulatory measures over the period and stresses the key risks facing individual Business Units, as well as global risks that could impact Bupa as a whole. This process shows that the Group remains robust over the current three-year plan period, even under the stressed scenarios examined.

We also conduct 'reverse stress testing' at the Group level which aims to identify hypothetical circumstances that might result in our business model failing and helps our Directors to better understand the Group's risks.

Our most recent Own Risk and Solvency Assessment (ORSA) considers the level of regulatory capital we require to remain financially stable over the planning period given the nature of the risks we currently face, our strategy and our risk appetite. It takes into account the quantification of the Group's current risks as defined by the Solvency II Directive and considers the impact of potential stressed scenarios. This assessment concluded that we expect to have sufficient capital assets to continue to meet regulatory requirements over a three-year period.

As part of their assessment of our viability, the Directors looked at our financial performance, capital management, cash flow, solvency and future outlook. Bupa is well capitalised and is expected to remain so over the plan period. The insurance businesses generate cash and are therefore expected to be able to settle liabilities as they fall due. The liquidity position of the Group is expected to remain strong across the three-year period. The forecast assumes that the current £800m revolving credit facility ('RCF') is replaced with a similar facility prior to when it expires in August 2022. The forecast also assumes that a £500m Tier 2 bond maturing in 2023 is refinanced with a similar instrument upon maturity. While that provides some uncertainty to liquidity and solvency capital, there is a considerable period of time before its maturity to plan for its refinancing. The Group's liquidity position has also been considered through the various stressed scenarios, which included the scenario of local regulators restricting the flow of dividends to Group from key insurance subsidiaries. While the forecast liquidity position reduces, only the most severe scenarios would require further management actions which include reducing expenditure, obtaining additional funding or divesting investments or businesses

Although Bupa pays interest on its borrowings, it has no shareholders and there are therefore no dividends to pay. Instead, we can invest in growing organically and through acquisition.

Following a review of the key risks and uncertainties set out in the Risk section on page 36, the Directors are satisfied that we have appropriate risk management and governance procedures in place to manage and mitigate these risks over the three-year period. We also identify and report on emerging risks to ensure that they are properly understood and are considered in our future strategic decisions.

The Directors' assessment was carried out with regard to the impact of COVID-19 on the Group, under both the Directors' current expectations, and under reasonably plausible severe scenarios. While the ongoing pandemic increases the future uncertainty the Group faces, most notably in respect of the short- to medium-term impacts on the Group's provision businesses and the longer-term global economic impacts, the Group's diversified business model supports the viability of the Group over the period considered.

Based on this analysis, and our regular risk and capital reporting processes, the Directors have a reasonable expectation that Bupa will be able to continue in operation and meet its liabilities as they fall due throughout the three-year planning period up to 31 December 2023.

Assessment of emerging and principal risks

The principal and significant risks to the Group, and how they are being mitigated, are set out in the Risk section on page 36. The Risk section also describes the Risk Management Framework, which sets out Bupa's process for the ongoing identification and management of these risks and emerging risks. These are reported to the Risk Committee on a regular basis through reports from the CRO, and any proposed changes in risk appetite are reviewed by the Risk Committee and approved by the Board. The Risk Committee's report on page 67 explains its activities in relation to emerging risks during the year.

Effectiveness of risk management and internal control systems

In line with the principles set out in the UK Corporate Governance Code, the Board completed an annual review of the Group's systems of risk management and internal controls in 2020, covering the Group's material controls including financial, operational and compliance, and the impact of COVID-19 on the control environment. This review took into consideration the work of the Board's Audit and Risk committees during the year, including reports provided to those Committees from the first, second and third lines of defence. In making its assessment, the Board received and reviewed an integrated risk and controls report, which set out an overall assessment of the Group's systems of risk management and internal control in 2020. The Board recognised the progress made by Bupa, including resilience in dealing with COVID-19, and has concluded that Bupa has a sound system of risk management and internal control, with some weaknesses, which are being addressed by management and monitored by the Risk and Audit Committees.

Other statutory information continued

Political donations

Our policy is not to make political donations and we confirm that no political donations were made, nor any political expenditure incurred within the definition contained in Section 364 of the Companies Act 2006 (as amended), during 2020. In line with many large companies, we will again be proposing a resolution at our 2021 AGM to authorise the Group to make political donations, given the wide definition in Section 364 of what constitutes a political donation.

Charitable donations

During the year, the Group donated a total of £7.3m to charitable causes, with £2.1m being donated to charitable causes in the UK. Of the UK donations, over £1.5m was donated in grants by the Bupa Foundation, £27,500 to match fundraising by our employees, £26,000 related to employee-nominated community grants, £112,000 in relation to volunteering activities, and a further £224,000 to various other charities. The total donations by the Company to the Bupa Foundation was £2m.

Further information on our charitable and community activities can be found in the Contributing to communities section on page 23.

Branches

The Company has an inactive branch in Cyprus.

Articles of Association

The Company is limited by guarantee and as such has no share capital nor any traded securities. Each of the AMs has one vote on business at general meetings. The Company's Articles of Association require all Directors to be AMs. The Directors have the authority to exercise all the powers of the Company. A Director may be appointed by ordinary resolution of the AMs or by a decision of the Directors.

A Director's appointment ceases in a variety of circumstances including resignation, becoming prohibited from being a director by law, bankruptcy, ceasing to be an AM, incapacity or being removed from a medical register if a qualified medical practitioner, being requested to resign in writing by at least three-quarters of the other Directors, or by ordinary resolution given on special notice.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements, in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and the Parent Company financial statements in accordance with IFRS in conformity with the Companies Act 2006.

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 Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with IFRS as adopted by the EU
- assess the Group and Parent Company's ability to continue as a going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors consider that the Annual Report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for AMs to assess the Group's position and performance, business model and strategy.

The Directors have decided to prepare, voluntarily, a Directors' remuneration report in accordance with Schedule 8 to The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006 (as amended), as if those requirements were to apply to the Company.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the External Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditor is unaware; and each Director has taken all the steps which they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that the Company's External Auditor is aware of that information.

External Auditor appointment

Subject to approval by AMs at the 2021 AGM, it is proposed that PwC will be appointed as the Company's auditor with effect from the audit for the financial year ending 31 December 2021. To ensure a smooth transition from KPMG, PwC has shadowed KPMG during the audit of the financial year ended 31 December 2020.

By order of the Board.

Colin Campbell
Group Company Secretary

3 March 2021

Company number: 432511

Financial Statements

Financial Statements

Independent auditor's report to the members of The British United Provident Association Limited

1. Our opinion is unmodified

We have audited the financial statements of The British United Provident Association Limited ("the Company") for the year ended 31 December 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and the related notes, including the accounting policies, and the parent company Statement of Financial Position, Statement of Cash Flows, and Statement of Changes in Equity, and the related notes.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 20 June 1985. The period of total uninterrupted engagement is for the 36 financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£20.0m (2019: £28.7m) 5.0% normalised profit before tax (2019: 5.4% normalised profit before tax)	
Coverage	85% (2019: 83%) of Group profit before tax	
Key audit matters		**vs 2019**
Recurring risks	Goodwill impairment	▲
	Valuation of provisions arising from insurance contracts	▲
	Valuation of freehold and investment properties	◀▶
	Parent Company risk: Valuation of post-employment benefits	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Goodwill impairment (£2,642 million; 2019: £2,571 million) *Refer to Audit Committee Report and Note 3 (for accounting policy and financial disclosures).*	**Forecast based assessment** The assessment to consider whether impairment losses should be recognised with respect to goodwill is based on discounted cash flow projections. Estimating and discounting the cash flows requires significant judgement. The assumptions requiring the most significant judgement vary by cash generating unit (CGU) as a result of the differences in Bupa's operations and market environments globally. We identified Bupa Dental Care UK, Bupa Chile and Bupa Villages and Aged Care – Australia as the CGUs that were most sensitive to reasonable assumption changes, and at a higher risk of impairment. The key assumptions for these CGUs include the forecast terminal growth rates and discount rates. For the Bupa Dental Care UK CGU, they also include clinician hiring rate; for the Bupa Chile CGU, they also include profit margin improvements, and rebounding of revenue from both the Coronavirus pandemic and social unrest in the region; and for the Bupa Villages and Aged Care – Australia CGU, they include occupancy rates. We consider the risk to have increased in the current year in light of the business and economic disruption caused by the Coronavirus pandemic. *Estimation uncertainty* The effect of these matters is that, as part of our risk assessment, we determined that the value in use associated with the recoverability of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 3) disclose the sensitivities estimated by the Group.	Our procedures included: ▪ **Our valuation expertise:** using valuation specialists to independently calculate discount rates for individual CGUs and compare that to management's calculations, and for higher risk CGUs comparing implied EBITDA multiples to market peers. ▪ **Historical comparisons:** comparing cash flow forecasts used in the review to historical performance, and challenging where forecasts indicated performance that deviated significantly from historical performance, in the absence of significant changes in the business or market environment. ▪ **Benchmarking assumptions:** comparing the key assumptions of the terminal growth rates and discount rates to externally derived data and our knowledge of sector performance, to evaluate the reasonableness of the Group's assessments. ▪ **Sensitivity analysis:** performing sensitivity analyses on the key assumptions such as terminal growth rate and discount rate, and for specific high risk CGUs, clinician hiring rate, profit margin improvements, rebounding of revenue from both the Coronavirus pandemic and social unrest, and occupancy rates, to identify assumptions that the recoverability of the goodwill assets were highly sensitive to. ▪ **Assessing transparency:** We assessed the appropriateness of the disclosures in relation to the sensitivities of the CGU valuations, and whether they reflected the risks inherent in the valuation of goodwill. Having found management's discount rate and cash flow assumptions, which underpin the estimate of recoverable amount, of the Bupa Dental Care UK CGU to be at the low and high end, respectively, of the ranges we consider to be acceptable, we exercised judgement, based on our assessment of reasonably possible assumptions, as to whether it is acceptable or not to record an impairment, and we exercised judgement to determine the clarity of disclosures of the risk that a reasonable change in assumptions could lead to an impairment. **Our results** ▪ We found the Group's conclusion that there is no impairment of goodwill, to be acceptable (2019: acceptable).

Valuation of provisions arising from insurance contracts (insurance contract liabilities and return of premium provision) (Insurance contract liabilities: £1,083 million; 2019: £865 million. Return of premium provision: £145 million; 2019: £nil) *Refer to Audit Committee Report, and Note 19.1 (for accounting policy and financial disclosures).*	**Subjective valuation** The Group's operations include a number of general insurance entities writing health insurance policies primarily in Australia, the UK, Spain, Chile, Turkey, Brazil and Hong Kong. The valuation of insurance contract liabilities requires significant judgement and actuarial expertise. In the context of our audit, this is an area of significant audit effort. We consider the risk to have increased in the current year in light of the business and economic disruption caused by the Coronavirus pandemic, which has had a significant impact on the Group's claims profile. Further, in the UK, management has provided for the estimated cost of their commitment to pass back any exceptional financial benefit ultimately arising as a result of the Coronavirus pandemic to its policyholders by establishing a 'return of premium' provision within their provision for unearned premiums. Calculation of the actuarial best estimate and the margin over best estimate uses historical data, which is sensitive to external inputs including claims cost inflation and medical trends, and requires assumptions to be made in respect of current and future experience. Calculation of the return of premium provision in the UK is based on an assumption of future claim experience. Small changes in the assumptions and estimates used to value the insurance contract liabilities and return of premium provision can have a significant impact on the overall liability valuation. *Estimation uncertainty* The effect of these matters is that, as part of our risk assessment, we determined that the valuation of provisions arising from insurance contracts has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 19.1) disclose the sensitivity estimated by the Group.	Our procedures included: ▪ **Control design and implementation:** testing the design and implementation of key controls over the reserving process, including controls over the completeness and accuracy of data supporting key calculations, such as the data in respect of current and historical claims. ▪ **Assessing key assumptions:** evaluating the assumptions used in the valuation of insurance contract liabilities for reasonableness and the UK return of premium provision, considering our understanding of the business, past history of claims settlements including the impact of the Coronavirus pandemic on claims profiles, wider market trends and changing legislation. ▪ **Our actuarial expertise:** working closely with our actuarial specialists, sampling the premiums, claims and other data used in the actuarial models, and reconciling it to the data audited through our testing of these account balances; considering the changes in claims pattens as a result of the Coronavirus pandemic; reviewing the mechanics of the statistical models and claims triangles, including the mathematical accuracy of formula and functioning of automated calculations. ▪ **Sensitivity analysis:** performing sensitivity analyses to assess the adequacy of liabilities in the event of reasonably possible adverse deviations in key assumptions with a particular focus on claims rebounding as a result of the Coronavirus pandemic. ▪ **Independent re-performance:** for a sample of portfolios, selected on the basis of assessed risk of material misstatement, calculating our own estimate of the liability using the Group's data, and comparing to the liability calculated by the Group, and considering the impact of any significant differences. ▪ **Assessing transparency:** assessing whether the disclosures in relation to the valuation of insurance contract liabilities are compliant with the relevant financial reporting requirements and appropriately present the sensitivities of the valuation to alternative assumptions. **Our results** ▪ The results of our testing were satisfactory, and we considered the provision arising from insurance contracts recognised to be acceptable (2019: acceptable).

Independent auditor's report to the members of The British United Provident Association Limited continued

	The risk	Our response
Valuation of freehold and investment properties (freehold property £2,423 million (2019: £2,401 million); and investment property £627 million (2019: £522 million)) *Refer to Audit Committee Report and Notes 4 and 5 (for accounting policy and financial disclosures).*	**Subjective valuation** The Group revalues its freehold and investment properties, including care homes, dental practices, and hospitals, to fair value on a cyclical basis, with external valuations being performed on at least a triennial basis and retirement villages in New Zealand being subject to an external valuation annually. A full external valuation of freehold and investment properties in Australia and New Zealand were performed as part of the triennial cycle with care homes in Spain being valued due to a heightened uncertainty of Coronavirus. These were performed by chartered surveyors during 2020. Directors' valuations were performed for all other properties that were not externally valued. The principal assumptions underpinning the valuation of properties – operating cash flows (including occupancy and discount rates), future profitability, and competitor activity – require significant judgement, whether developed by external valuation specialists or Bupa Directors. A small change in the assumptions and estimates used to value the property could have a significant impact on the overall valuation. *Estimation uncertainty* The effect of these matters is that, as part of our risk assessment, we determined that the valuation of freehold and investment properties has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (notes 4 and 5) disclose the sensitivity estimated by the Group.	Our procedures included: ▪ **Assessing valuer's credentials:** for properties that were valued externally, principally in the Australia and New Zealand business units and care homes within Spain, critically assessing the qualifications and experience of the external valuers to determine whether they have the knowledge required to perform the valuations. ▪ **Historical accuracy:** challenging the valuation models by comparing past cash flow forecasts to actual performance, and using this in the evaluation of the expected accuracy of current cash flow forecasts. ▪ **Our sector experience:** challenging the key assumptions relating to operating cash flows such as occupancy rates and discount rates, as well as reviewing capitalisation rates, useful lives of existing facilities. In critically assessing assumptions we have utilised our own valuation specialists, and considered external benchmarks and forecasts as well as reports from external chartered surveyors. ▪ **Assessing transparency:** assessing whether the disclosures in relation to the valuation of freehold and investment properties are compliant with the relevant financial reporting requirements and appropriately present the sensitivities of the valuation to alternative assumptions. **Our results** ▪ We found the valuation of freehold and investment properties to be acceptable (2019: acceptable).
Parent company risk: Valuation of post-employment benefits (£471 million; 2019: £588 million) *Refer to Audit Committee Report, and Note 7 (for accounting policy and financial disclosures).*	**Subjective valuation:** The Company operates several defined benefit funded pension schemes. The estimate of the defined benefit pension obligations is inherently uncertain and requires significant judgement around assumptions relating to mortality improvements, inflation, and discount rates. Small changes in the assumptions and estimates can have a significant effect on the parent Company's net pension surplus. Whilst subject to less judgement, the valuation of the schemes assets is also an important factor in deriving the net surplus recognised. The net asset (surplus) is also impacted by actions to de-risk the schemes and the schemes' investment strategies. *Estimation uncertainty* The effect of these matters is that, as part of our risk assessment, we determined that the valuation of post-employment benefits has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 7) disclose the sensitivity estimated by the Company	Our procedures included: ▪ **Accounting analysis:** critically assessing the basis for the recognition of the surplus against the requirements of accounting standards. ▪ **Tests of detail:** agreeing the defined benefit pension asset holdings to independent custodian reports and independently re-valuing all defined benefit pension scheme assets where observable market inputs are available. For unlisted funds that are valued by reference to their net asset value ('NAV'), agreeing valuations for these funds to the most recent NAV statements and performing retrospective tests over the NAV valuations to assess the reliability of those statements. ▪ **Assessing external actuary's credentials:** critically assessing the qualifications and experience of the external actuary to determine if they have the knowledge and experience required to perform the valuation of the defined benefit pension schemes. ▪ **Benchmarking assumptions:** benchmarking the assumptions applied in the valuation of the defined benefit pension obligations against market data and peers. ▪ **Our actuarial expertise:** using our own actuarial specialists in evaluating and challenging the assumptions on mortality rates, forecast future inflation rates, and discount rates applied to estimate the present value of the future obligations of the defined benefit pension schemes, by the external actuary. ▪ **Assessing transparency:** assessing the Company's disclosures for adequacy against the requirements of accounting standards. **Our results** ▪ We found the valuation of the post-employment benefits to be acceptable (2019: acceptable).

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

In the prior year we included indefinite life intangible assets within our key audit matter around valuation of goodwill. On the basis of materiality and the fact that any impairments to indefinite life intangible assets would first be recognised through goodwill, whilst we continue to perform procedures over material assumptions underpinning the recoverability of these assets, we no long consider them to form part of our key audit matter.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £20.0 million (2019: £28.7 million), determined with reference to a benchmark of normalised group profit before tax of £403 million, of which it represents 5.0% (2019: normalised group profit before tax of £535 million, 5.4%).

Materiality of £18.0 million (2019: £7.2 million) has been applied to the audit of the parent company financial statements as a whole determined by reference to a benchmark of total assets, limited to be lower than materiality for the group financial statements as a whole and represents 1.8% of the company's total assets (2019: 0.6%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for both the group and parent company was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £15.0 million (2019: £21.5 million) and £13.5 million (2019: £5.4 million), respectively. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.0 million (2019: £1.4 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

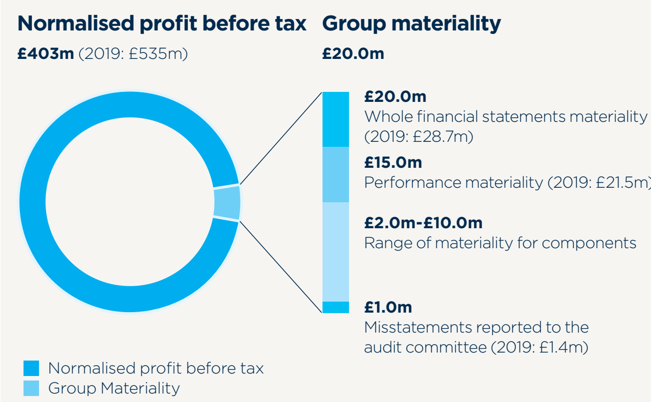
Of the Group's audit components, we subjected 16 (2019: 16), which are comprised of 43 reporting packs (2019: 33), to full scope audits for group purposes and one (2019: nil), which is comprised of four reporting packs (2019: nil), to an audit of specific account balances, which were post-employment benefit net assets, post-employment benefit net liabilities, and operating expenses. The number of reporting packs covered by the Group's audit components has increased in the year in order to achieve the desired level of coverage. The component for which we performed an audit of account balances was not individually financially significant enough to require a full scope audit for group purposes but did present specific individual risks that needed to be addressed.

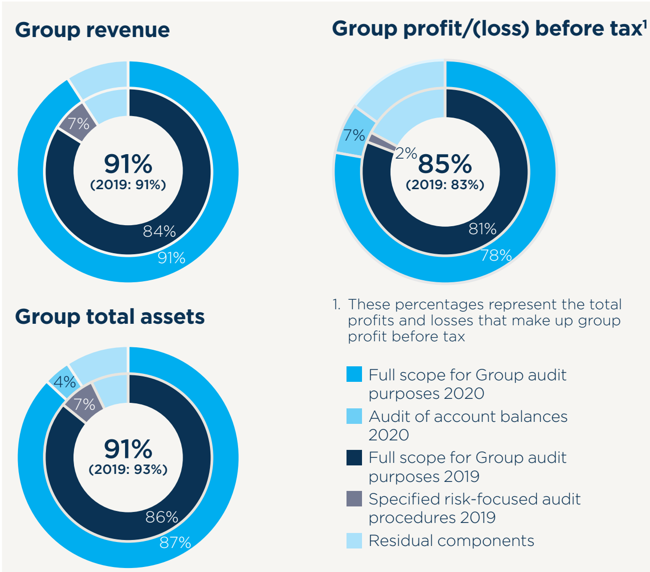
The components within the scope of our work accounted of the percentages illustrated below.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team held a global planning conference with component auditors to identify audit risks and decide how each component team should address the identified audit risks. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £2.0 million to £10.0 million (2019: £7.2 million to £11.5 million), having regard to the mix of size and risk profile of the Group across the components.





Whilst we were unable to perform site visits due to the restrictions imposed as a result of the Coronavirus pandemic, the Group team held video and telephone conference meetings with all component auditors. At these meetings, an assessment was made of audit risk and strategy, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The Group team also routinely reviews the audit documentation of all component audits. Senior staff within the Group and component audit teams also attend Business Unit audit committee meetings to obtain additional understanding, first-hand, of the key risks and audit issues at a component level which may affect the Group financial statements.

The work on 16 of the 17 components, which comprised 43 of the 47 reporting packs (2019: 36 of 37), was performed by component auditors and work on the remaining component, which represents the audit of the parent company, was performed by the Group team.

Independent auditor's report to the members of The British United Provident Association Limited continued

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the group's and company's available financial resources over this period were:

- Impacts from the Coronavirus pandemic, particularly in the healthcare provision business, to the Group's revenue and operating expenses; and
- inability for the Group to refinance its subordinated debt or access its revolving credit facility

We also considered less predictable but realistic second order impacts and developments such as a prolonged economic downturn and the resulting wider impacts, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity, profitability or solvency in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group and Company's financial forecasts.

We considered whether the going concern disclosure in note 1.4 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1.4 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the audit committee, internal audit, head of financial crime, and inspection of key papers provided to those charged with governance as to the high-level policies and procedures to prevent and detect fraud, including the group's channel for "whistleblowing" and process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- Reading board, audit committee, and risk committee minutes;
- Considering remuneration incentive schemes and performance targets for Directors; and
- Consulted with professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the group and company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to all component audit teams of relevant fraud risks identified at the Group level and requests to these audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risks of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that manual revenue entries are not supported, the risk that group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the valuation of goodwill and the valuation of provisions arising from insurance contracts.

Consequently, in addition to the risk of management override of controls and fraudulent revenue recognition, we have identified specific fraud risks related to the valuation of goodwill and the valuation of provisions arising from insurance contracts, particularly the return of premium provision in the UK. Further detail in respect of these areas is set out in the key audit matter disclosures in section 2 of this report.

To address the pervasive risk as it relates to management override, we also performed procedures including:

- Identifying journal entries to test for all full scope components, based on risk criteria and comparing the identified entries to supporting documentation; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other members of management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other members of management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation (including VAT and payroll taxes), and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: financial conduct regulations, healthcare provision conduct regulations, and regulatory capital and liquidity recognising the financial and regulated nature of certain of the Group's activities and certain regulated subsidiaries. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of The British United Provident Association Limited continued

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the longer term viability statement on page 87 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the emerging and principal risks disclosures on pages 38 to 41 describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the longer term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how those issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

In addition to our audit of the financial statements, the Directors have engaged us to review their Governance Report as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review the part of the Corporate Governance Statement relating to the Company's' compliance with the provisions of the UK Corporate Governance Code specified for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report which we were engaged to audit are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 88, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Smart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
3 March 2021

Consolidated Income Statement
for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Revenues			
Gross insurance premiums	2.1	**8,908**	9,077
Premiums ceded to reinsurers	2.1	**(95)**	(79)
Net insurance premiums earned		**8,813**	8,998
Care, health and other customer contract revenue	2.1	**3,230**	3,287
Other revenue	2.1	**75**	31
Total revenues		**12,118**	12,316
Claims and Expenses			
Insurance claims incurred	2.2	**(6,712)**	(7,239)
Reinsurers' share of claims incurred	2.2	**57**	56
Net insurance claims incurred		**(6,655)**	(7,183)
Share of post-taxation results of equity accounted investments	6	**56**	48
Impairment of goodwill and intangible assets	3	**(19)**	(449)
Other operating expenses	2.3	**(5,012)**	(4,705)
Other income and charges	2.4	**1**	(42)
Total claims and expenses		**(11,629)**	(12,331)
Profit/(loss) before financial income and expense		**489**	(15)
Financial income and expense			
Financial income	2.5	**92**	110
Financial expense	2.5	**(156)**	(162)
Net impairment loss on financial assets		**(15)**	(11)
Net financial expense		**(79)**	(63)
Profit/(loss) before taxation expense		**410**	(78)
Taxation expense	2.6	**(180)**	(133)
Profit/(loss) for the financial year		**230**	(211)
Attributable to:			
Bupa		**228**	(213)
Non-controlling interests		**2**	2
Profit/(loss) for the financial year		**230**	(211)

Notes 1-27 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	2020 £m	2019 restated[1] £m
Profit/(loss) for the financial year		**230**	(211)
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement			
Remeasurement (losses)/gains on pension schemes	7	**(128)**	24
Unrealised (losses)/gains on revaluation of property	4	**(5)**	18
Taxation credit/(charge) on income and expenses recognised directly in other comprehensive income	2.6	**11**	(7)
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	3	**63**	(109)
Other foreign exchange translation differences		**42**	(186)
Net (loss)/gain on hedge of net investment in overseas subsidiary companies		**(62)**	51
Change in fair value of financial investments through other comprehensive income		**7**	5
Share of other comprehensive income of equity accounted investments		**13**	–
Change in fair value of underlying derivative of cash flow hedge		**–**	1
Taxation credit/(charge) on income and expenses recognised directly in other comprehensive income	2.6	**2**	(1)
Total other comprehensive expense		**(57)**	(204)
Comprehensive income/(expense) for the year		**173**	(415)
Attributable to:			
Bupa		**171**	(415)
Non-controlling interests		**2**	–
Comprehensive income/(expense) for the year		**173**	(415)

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Notes 1-27 form part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	2020 £m	2019 restated[1] £m
Goodwill and intangible assets	3	**3,908**	3,869
Property, plant and equipment	4	**4,144**	4,197
Investment property	5	**627**	522
Equity accounted investments	6	**868**	716
Post-employment benefit net assets	7	**547**	650
Restricted assets	8	**149**	117
Financial investments	9	**2,865**	2,331
Derivative assets	10	**61**	59
Deferred taxation assets	11	**49**	44
Current taxation assets		**12**	13
Assets arising from insurance business	12	**1,345**	1,416
Inventories	13	**126**	98
Trade and other receivables	14	**613**	589
Cash and cash equivalents	15	**1,706**	1,234
Assets held for sale	16	**8**	278
Total assets		**17,028**	16,133
Subordinated liabilities	17	**(1,247)**	(1,245)
Other interest-bearing liabilities	17	**(1,191)**	(1,105)
Lease liabilities	18	**(1,016)**	(1,068)
Post-employment benefit net liabilities	7	**(76)**	(62)
Provisions arising from insurance contracts	19.1	**(3,212)**	(2,836)
Derivative liabilities	10	**(77)**	(34)
Provisions for liabilities and charges	20	**(232)**	(187)
Deferred taxation liabilities	11	**(350)**	(370)
Current taxation liabilities		**(117)**	(43)
Other liabilities arising from insurance business	19.2	**(162)**	(146)
Trade and other payables	21	**(2,149)**	(1,818)
Liabilities associated with assets held for sale	16	**(1)**	(193)
Total liabilities		**(9,830)**	(9,107)
Net assets		**7,198**	7,026
Equity			
Property revaluation reserve		**699**	692
Income and expenditure reserve		**6,194**	6,059
Cash flow hedge reserve		**21**	21
Foreign exchange translation reserve		**266**	237
Equity attributable to Bupa		**7,180**	7,009
Equity attributable to non-controlling interests		**18**	17
Total equity		**7,198**	7,026

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Approved by the Board of Directors and signed on its behalf on 3 March 2021 by

Roger Davis
Chairman

Iñaki Ereño
Group CEO

Notes 1-27 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Operating activities			
Profit/(loss) before taxation expense		**410**	(78)
Adjustments for:			
Net financial expense		**79**	63
Depreciation, amortisation and impairment		**527**	941
Other non-cash items		**(70)**	(44)
Changes in working capital and provisions:			
Increase in provisions and other liabilities arising from insurance contracts		**442**	17
Decrease/(increase) in assets arising from insurance business		**16**	(25)
Funded pension scheme employer contributions		**(9)**	(15)
Decrease/(increase) in trade and other receivables, and other assets		**21**	(131)
Increase in trade and other payables, and other liabilities		**95**	199
Cash generated from operations		**1,511**	927
Income taxation paid		**(136)**	(220)
Increase in cash held in restricted assets	8	**(32)**	(10)
Net cash generated from operating activities		**1,343**	697
Cash flow from investing activities			
Acquisition of subsidiary companies, net of cash acquired		**(25)**	(215)
Investment in equity accounted investments	6	**(109)**	(8)
Dividends received from associates		**–**	13
Divestment in equity accounted investments		**–**	4
Purchase of intangible assets	3	**(148)**	(162)
Purchase of property, plant and equipment	4	**(184)**	(303)
Proceeds from sale of property, plant and equipment		**101**	12
Purchase of investment property	5	**(59)**	(58)
Disposal of investment property		**1**	4
Purchases of financial investments, excluding deposits with credit institutions		**(1,440)**	(980)
Proceeds from sale and maturities of financial investments, excluding deposits with credit institutions		**1,302**	1,137
Net investment in deposits with credit institutions		**(393)**	(92)
Interest received		**51**	83
Net cash used in investing activities		**(903)**	(565)
Cash flow from financing activities			
Proceeds from issue of interest-bearing liabilities and drawdowns on other borrowings		**648**	113
Repayment of interest-bearing liabilities and other borrowings		**(578)**	(30)
Principal repayment of lease liabilities		**(126)**	(114)
Repayment of interest on lease liabilities		**(54)**	(57)
Interest paid[1]	17	**(103)**	(91)
Receipts/(payments) on settlement of hedging instruments		**4**	(35)
Acquisition of non-controlling interests in subsidiary company	23	**–**	(2)
Dividends paid to non-controlling interests		**(1)**	(3)
Net cash used in financing activities		**(210)**	(219)
Net increase/(decrease) in cash and cash equivalents		**230**	(87)
Cash and cash equivalents at beginning of year		**1,451**	1,607
Effect of exchange rate changes		**24**	(69)
Cash and cash equivalents at end of year[2]	15	**1,705**	1,451

1. Includes other bank fees and charges of £3m (2019 £4m).
2. Includes bank overdrafts of £1m (2019: £1m) which are not considered as a component of cash and cash equivalents within note 15 and cash balances classified as held for sale of £nil (2019: £218m).

Notes 1-27 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Note	Property revaluation reserve £m	Income and expenditure reserve £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Total attributable to Bupa £m	Non-controlling interest £m	Total equity £m
2020								
Balance as at 1 January 2020		**692**	**6,059**	**21**	**237**	**7,009**	**17**	**7,026**
Profit for the financial year		**–**	**228**	**–**	**–**	**228**	**2**	**230**
Other comprehensive income/(expense)								
Unrealised loss on revaluation of property	4	**(5)**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Realised revaluation profit on disposal of property		**(8)**	**8**	**–**	**–**	**–**	**–**	**–**
Remeasurement loss on pension schemes	7	**–**	**(128)**	**–**	**–**	**(128)**	**–**	**(128)**
Foreign exchange translation differences on goodwill	3	**–**	**–**	**–**	**63**	**63**	**–**	**63**
Other foreign exchange translation differences		**16**	**(1)**	**–**	**27**	**42**	**–**	**42**
Net loss on hedge of net investment in overseas subsidiary companies		**–**	**–**	**–**	**(62)**	**(62)**	**–**	**(62)**
Share of other comprehensive income of equity accounted investments		**–**	**13**	**–**	**–**	**13**	**–**	**13**
Change in fair value of financial investments through other comprehensive income		**–**	**7**	**–**	**–**	**7**	**–**	**7**
Taxation credit on income and expense recognised directly in other comprehensive income	2.6	**4**	**8**	**–**	**1**	**13**	**–**	**13**
Other comprehensive income/(expense) for the year, net of taxation		**7**	**(93)**	**–**	**29**	**(57)**	**–**	**(57)**
Total comprehensive income for the year		**7**	**135**	**–**	**29**	**171**	**2**	**173**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Balance as at 31 December 2020		**699**	**6,194**	**21**	**266**	**7,180**	**18**	**7,198**
2019								
Balance as at 1 January 2019, as previously reported		700	6,306	20	464	7,490	20	7,510
Opening balance adjustments	1.5(d)	(3)	(61)	–	–	(64)	–	(64)
Balance as at 1 January 2019, as restated		697	6,245	20	464	7,426	20	7,446
(Loss)/profit for the financial year		–	(213)	–	–	(213)	2	(211)
Other comprehensive (expense)/income								
Unrealised gain on revaluation of property	4	18	–	–	–	18	–	18
Realised revaluation profit on disposal of property		(2)	2	–	–	–	–	–
Remeasurement gain on pension schemes	7	–	24	–	–	24	–	24
Foreign exchange translation differences on goodwill (restated)[1]	3	–	–	–	(109)	(109)	–	(109)
Other foreign exchange translation differences (restated)[1]		(18)	3	–	(169)	(184)	(2)	(186)
Net gain on hedge of net investment in overseas subsidiary companies		–	–	–	51	51	–	51
Change in fair value of financial investments through other comprehensive income		–	5	–	–	5	–	5
Change in fair value of underlying derivative of cash flow hedge		–	–	1	–	1	–	1
Taxation charge on income and expense recognised directly in other comprehensive income	2.6	(3)	(5)	–	–	(8)	–	(8)
Other comprehensive (expense)/income for the year, net of taxation		(5)	29	1	(227)	(202)	(2)	(204)
Total comprehensive (expense)/income for the year		(5)	(184)	1	(227)	(415)	–	(415)
Acquisition of subsidiary companies attributable to non-controlling interests	23	–	(2)	–	–	(2)	–	(2)
Dividends paid to non-controlling interests		–	–	–	–	–	(3)	(3)
Balance as at 31 December 2019		692	6,059	21	237	7,009	17	7,026

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Notes 1-27 form part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

Note 1: Basis of preparation

Basis of preparation in brief

This section describes the significant accounting policies and accounting estimates and judgements that relate to the financial statements and notes as a whole. Where accounting policies relate to a specific note, the applicable accounting policies and estimates are contained within the note.

1.1 Basis of preparation

The British United Provident Association Limited ('Bupa' or the 'Company'), a company limited by guarantee and incorporated in England and Wales, together with its subsidiaries (collectively the 'Group') is an international healthcare business, providing health insurance, treatment in clinics, dental centres and hospitals, and operating care homes. The Company is the ultimate parent entity of the Group.

Both the Company Financial Statements and the Group's Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. A summary of IFRS that are relevant for the Group is included on page 179.

The financial statements were approved by the Board of Directors on 3 March 2021. The Directors have reviewed and approved the Group's accounting policies which have been applied consistently to all the years presented, unless otherwise stated. For the purposes of consolidation, the accounting policies of subsidiary companies have been aligned with those of the Company.

The financial statements are prepared on a going concern basis and under the historical cost convention, modified by the revaluation of property, investment property, and financial investments at fair value.

The presentation of line items within the Consolidated Statement of Financial Position is broadly in order of liquidity.

Current assets and liabilities disclosed in the notes to the accounts are those expected to be recovered or settled in less than one year.

1.2 Basis of consolidation

The Consolidated Financial Statements for the year ended 31 December 2020 comprise those of the Company and its subsidiary companies, and the share of results of equity accounted investments.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences to the date that control ceases. Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original acquisition and the non-controlling shareholder's share of changes in equity since this date. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the Consolidated Financial Statements of the Group.

The Consolidated Financial Statements are presented in sterling, which is the Group's presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling (£m). The functional currency is identified at statutory entity level. These vary across the Group and include sterling, Australian dollar, euro, New Zealand dollar and US dollar. Each Group entity then translates its results and financial position into the Group's presentational currency, sterling, for presentation in the Consolidated Financial Statements.

1.3 Accounting estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires management to exercise judgement in applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or where assumptions are significant to the Consolidated Financial Statements, are set out below and in more detail in the related notes.

Area	Estimates	Note
Goodwill and intangible assets	Goodwill and intangible assets are recognised on business combinations with the latter valued at the date of acquisition at fair value. Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis; other intangible assets are tested if a trigger of impairment is identified. The key assumptions within this process include the discount rate, terminal growth rate and the forecast cash flows. In the current environment, these are a key source of estimation uncertainty and sensitivities to reasonably possible changes in these assumptions are included in note 3.	3
Property valuations	The Group has a significant portfolio of care home, hospital and office properties. Significant assumptions for freehold properties include average occupancy and capitalisation rates, whereas for investment property key assumptions include discount and capital growth rates.	4,5
Pension assets and liabilities	The Group's principal defined benefit scheme is in the UK, The Bupa Pension Scheme. The scheme closed to future accrual at 31 December 2020 and the current triennial valuation as of 31 July 2020 is in progress, expected to be completed in the first half of 2021. The key assumptions used in the valuation of the pension liabilities include the discount rate, rates of inflation, salary increases and mortality.	7

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 continued

Area	Estimates	Note
Claims provisioning	Expected claims payments and expenses required to settle existing insurance contract obligations. The key assumptions used in the calculation of the outstanding claims provision include claims development, margin of prudence, claims costs inflation, medical trends and seasonality. In the early stages of the pandemic, government restrictions across many of our markets affected insurance customers' ability to access treatment in private healthcare facilities and make claims, particularly for elective procedures. A deferred claim provision is established on a best estimate basis (plus a risk margin) for these claims where regulatory or other public commitments give rise to a constructive obligation to fund the deferred medical service, even if the service were to postdate a customer's contract period. The key assumption is the estimated cost of deferred claims that are expected to rebound.	19
Unearned premium provisioning	During the year, Bupa Insurance Limited made a commitment to pass back any exceptional financial benefits experienced by the UK PMI business that ultimately arise as a result of COVID-19 to customers. This has led to a return of premium provision being held within the unearned premium provision. The key assumption in the calculation is the estimated cost of deferred claims that are expected to rebound.	19

Area	Judgements	Note
'Held for sale' classification of potential disposal groups	Assessing whether the sale of businesses is sufficiently probable to require classification as 'held for sale' can require significant judgement.	16
Right-of-use assets and lease liabilities	Key assumptions used in the calculation of right-of-use assets and lease liabilities include determining the lease term and the interest rate used for discounting future cash flows.	18

1.4 Going concern

Following a detailed assessment of the Group's going concern status based on its current position and forecast results, along with actual and potential impacts of COVID-19, the Directors have concluded that the Group has adequate resources to operate for at least the next 12 months from the approval of these financial statements. This assessment considered forecast and reasonably possible adverse changes to the Group's regulatory solvency, liquidity, access to funding and trading profitability over the next 12 months.

With regard to COVID-19, the assessment identified the risks and uncertainties most likely to impact the Group and considered the impact to the Group's businesses under reasonably plausible severe scenarios including more onerous COVID-19 outcomes and associated broader economic impacts. Under such scenarios, significant short-term reductions in profitability arise, however the Group would still remain within its risk appetites for regulatory solvency and liquidity. The Group is expected to retain access to its £800m revolving credit facility ('RCF'), and may draw down on the RCF, which was undrawn at 31 December 2020 (2019: £230m drawn) in order to meet liquidity needs. Additional management actions would allow the downside impact to be further mitigated by reducing expenditure, obtaining additional funding or divesting investments or businesses. Therefore the Directors do not consider that COVID-19 changes the conclusion of the Group's going concern assessment.

Details of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 41. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 33 to 35.

1.5 Changes in accounting policies

Except for the changes detailed in (a) to (c) below, the Group has consistently applied its accounting policies to all periods presented in these Consolidated Financial Statements.

(a) IFRS Interpretations Committee decision 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income Taxes)'

In April 2020, the IFRS Interpretations Committee ('IFRS IC') published its final agenda decision 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income Taxes)'. The agenda item considered how an entity accounts for deferred taxes on an asset that has two distinct tax consequences over its life which cannot be offset (taxable economic benefits from use and capital gains on disposal or expiry). The IFRS IC concluded that in these circumstances an entity identifies separate temporary differences (and deferred taxes) that reflect the distinct and separate tax consequences of recovering the asset's carrying amount.

Previously, the Group measured deferred taxes by considering the use and disposal of the asset as one simultaneous manner of recovering the carrying amount of the bed licences held in Bupa Villages and Aged Care – Australia. Taking into account the IFRS IC decision, the Group amended its policy to take into account the multiple consequences of recovery. This policy change has been implemented on a retrospective basis. As the deferred tax liability would have initially been recognised on acquisition, goodwill has been adjusted for the impact of this change.

The impacts of the change in accounting policy for the comparative reporting period and the beginning of the earliest period presented are shown below:

	31 December 2019 £m	1 January 2019 £m
Goodwill and intangible assets	**27**	**29**
Deferred taxation liabilities	**(27)**	**(29)**
Total impact on net assets	**–**	**–**

The movement of £2m in the above balances relates to foreign exchange differences. This has led to a restatement of 'Foreign exchange translation differences on goodwill' of £(2)m and 'Other foreign exchange translation differences' of £2m in both the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity for the year ended 31 December 2019.

(b) Covid-19-Related Rent Concessions (Amendment to IFRS 16)

In May 2020, the International Accounting Standards Board ('IASB') issued 'Covid-19-Related Rent Concessions', which amended IFRS 16 and became effective immediately. The amendment provides a practical expedient to lessees allowing certain COVID-19 rent concessions to be accounted for as variable lease payments as opposed to lease modifications. The application of this amendment had an immaterial impact on the Group.

(c) Other amendments

'Definition of a Business (Amendments to IFRS 3)', 'Definition of Material (Amendments to IAS 1 and IAS 8)' and 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' were effective from 1 January 2020 but had no immediate impact on the Group.

(d) 2019 transitional impacts

The Group adopted IFRS 16 with a date of initial application of 1 January 2019. For the majority of leases, the Group applied IFRS 16 using the modified retrospective approach, where the right-of-use assets equal the lease liabilities on transition, adjusted by the amount of any prepayments, intangible assets and onerous lease provisions. For a small proportion of leases, the modified retrospective approach for the right-of-use asset was determined as if IFRS 16 had been applied since the lease commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. The cumulative impact of initially applying IFRS 16 was recognised as an adjustment to the opening balance of retained earnings.

On transition to IFRS 16 on 1 January 2019, leases previously classified as finance leases under IAS 17 were recognised as a right-of-use asset and lease liability based on the carrying amount of the finance lease asset and liability as at 31 December 2018. These leases are subsequently measured under IFRS 16 principles. Other reclassifications related to previously recognised lease intangible assets/liabilities arising on business combinations due to favourable/unfavourable lease terms, prepayments and accruals, which were all reclassified to the right-of-use asset on transition.

The impact of implementing IFRS 16 on 1 January 2019 is set out below:

	Measurement adjustments £m	Reclassifications £m	Total £m
Goodwill and intangible assets	–	(18)	(18)
Property, plant and equipment (right-of-use assets)	1,023	28	1,051
Property, plant and equipment (leasehold property/equipment)	–	(11)	(11)
Investment property (right-of-use asset)	–	2	2
Deferred taxation assets	13	–	13
Trade and other receivables	–	(23)	(23)
Other interest-bearing liabilities	–	4	4
Lease liabilities	(1,100)	(1)	(1,101)
Trade and other payables	–	19	19
Total impact on net assets	**(64)**	**–**	**(64)**

In addition, £3m was reclassified from the property revaluation reserve to the income and expenditure reserve as a result of reclassifying finance leased property assets to right-of-use assets on implementation of IFRS 16.

1.6 Forthcoming financial reporting requirements

The following financial reporting standards, amendments and interpretations have been issued but are not effective for the year ended 31 December 2020 and have not been early adopted by the Group.

(a) IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts, with amendments to IFRS 17 issued in June 2020. The final standard will be effective for annual periods beginning on or after 1 January 2023.

IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ('CSM') representing the unearned profit of the contract which is recognised as revenue over the coverage period. However, an optional, simplified premium allocation approach, similar in nature to the Group's existing measurement basis, is permitted for short-duration contracts.

The detailed application of IFRS 17 is currently being evaluated by the Group. It is expected that the simplified premium allocation approach option will be available for the majority of the Group's insurance contracts, so a significant change in the measurement basis is not anticipated. The presentation and disclosure requirements of IFRS 17 will, however, differ considerably compared to the current approach.

(b) IAS 16 amendments

The IAS has issued 'Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)' which would prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced by using or testing that item of property, plant and equipment while it is being prepared for its intended purpose. The amendments are effective from 1 January 2022. It is not expected to have a material impact to the Group.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 continued

(c) IFRS 9 amendment

'Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)' was issued by the IASB to clarify that an entity should only include related fees paid/received between the borrower and lender when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability in determining whether to derecognise a financial liability. The amendment is effective from 1 January 2022. The amendment is not expected to have a material impact to the Group.

(d) IFRS 1 amendment

The IASB issued 'Subsidiary as first time adopter (Amendment to IFRS 1)' to permit a subsidiary that produces consolidated financial statements to measure cumulative translation differences for all foreign operations using the amounts reported by the parent, based on the parent's date of transition to IFRSs. The amendments are effective from 1 January 2022. This amendment is not expected to have any impact to the Group.

(e) IFRS 3 amendments

'Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)' was issued by the IASB effective from 1 January 2022. These amendments are intended to update IFRS 3 to refer to the latest conceptual framework without changing its requirements. These amendments are not expected to have any impact to the Group.

(f) IAS 37 amendments

'Onerous Contracts – cost of Fulfilling a Contract (Amendments to IAS 37)' was issued by the IASB to clarify that the 'cost of fulfilling' a contract for the purpose of assessing whether that contract is onerous includes both the incremental costs and an allocation of other costs that relate directly to the contract. The amendments are effective from 1 January 2022 and are not expected to have a material impact to the Group.

(g) IAS 1 amendment

The IASB issued 'Classification of Liabilities as Current or Non-current (Amendment to IAS 1)' to clarify that for a liability to be non-current, an entity must have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective 1 January 2023. This amendment is not expected to have a material impact to the Group.

(h) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 interest rate benchmark reform

In August 2020, the IASB issued 'Interest Rate Benchmark Reform—Phase 2' which amended requirements in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases relating to: changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; hedge accounting; and disclosures. The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. These amendments were effective from 1 January 2021 and have no immediate impact to the Group.

Note 2: Operating segments

Operating segments in brief

The organisational structure of the Group is managed through three Market Units based on geographic locations and customers: Australia and New Zealand; Europe and Latin America; and Bupa Global and UK. Management monitors the operating results of the Market Units separately to assess performance and make decisions about the allocation of resources. Bupa Hong Kong, Bupa China and the Group's associate investments, Bupa Arabia and Max Bupa are reported within Other businesses. The segmental disclosures below are reported consistently with the way the business is managed and reported internally.

Reportable segments	Services and products
Australia and New Zealand	Bupa Health Insurance: Health insurance, international health cover in Australia.
	Bupa Health Services: Health provision services relating to dental, optical, audiology and medical assessments and therapy.
	Bupa Villages and Aged Care – Australia: Nursing, residential and respite care.
	Bupa Villages and Aged Care – New Zealand: Nursing, residential, respite care and residential villages.
Europe and Latin America	Sanitas Seguros: Health insurance and related products in Spain.
	Sanitas Dental: Insurance and dental services through clinics and third-party networks in Spain.
	Sanitas Hospitales and New Services: Management and operation of hospitals and health clinics in Spain.
	Sanitas Mayores: Nursing, residential and respite care in care homes and day centres in Spain.
	LuxMed: Medical subscriptions, health insurance, and the management and operation of diagnostics, health clinics and hospitals in Poland.
	Bupa Acıbadem Sigorta: Domestic health insurance in Turkey.
	Bupa Chile: Domestic health insurance and the management and operation of health clinics and hospitals in Chile.
	Care Plus: Domestic health insurance in Brazil.
	Bupa Mexico: Domestic health insurance in Mexico.
	Bupa Global Latin America: International health insurance.
Bupa Global and UK	Bupa UK Insurance: Domestic health insurance, and administration services for Bupa health trusts.
	Bupa Dental Care UK: Dental services and related products.
	Bupa Care Services: Nursing, residential, respite care and care villages.
	Bupa Health Services: Clinical services, health assessment related products and management and operation of a private hospital.
	Bupa Global: International health insurance to individuals, small businesses and corporate customers.
Other businesses	Bupa Hong Kong: Domestic health insurance, primary healthcare and day care clinics including diagnostics.
	Bupa China: Clinical services.
	Associates: Bupa Arabia (Kingdom of Saudi Arabia) and Max Bupa (India): Health insurance.

A key performance measure of operating segments utilised by the Group is underlying profit. This measurement basis distinguishes underlying profit from other constituents of the IFRS reported profit before taxation not directly related to the trading performance of the business.

Underlying profit

The following items are excluded from underlying profit:

- Impairment of intangible assets and goodwill arising on business combinations – impairment reviews are performed at least annually. Goodwill impairments are considered to be one-off and not reflective of the in-year trading performance of the business.
- Net gains/losses on disposal of businesses and transaction costs on business combinations – gains/losses on disposal of businesses that are material and one-off in nature to the reportable segment are not considered part of the continuing business. Transaction costs that relate to material acquisitions or disposals are not related to the ongoing trading performance of the business.
- Net property revaluation gains/losses – short-term fluctuations which would distort underlying trading performance. Includes unrealised gains or losses on investment properties, deficit on revaluations and property impairment losses.
- Realised and unrealised foreign exchange gains/losses – short-term fluctuations outside of management control, which would distort underlying trading performance.
- Gains/losses on return-seeking assets, net of hedging – fluctuations on investments that are not considered to be directly related to underlying trading performance.
- Other Market Unit/Group non-underlying items – includes items that are considered material to the reportable segment or Group and are not reflective of ongoing trading performance.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 continued

The total underlying profit of the reportable segments is reconciled below to profit/(loss) before taxation expense in the Consolidated Income Statement.

(i) Revenues

	Australia and New Zealand		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Gross insurance premiums	**3,668**	3,731	**2,658**	2,685	**2,200**	2,295	**382**	366	**8,908**	9,077
Premiums ceded to reinsurers	**–**	–	**(24)**	(21)	**(68)**	(57)	**(3)**	(1)	**(95)**	(79)
Internal reinsurance	**–**	–	**–**	1	**48**	49	**(48)**	(50)	**–**	–
Net insurance premiums earned	**3,668**	3,731	**2,634**	2,665	**2,180**	2,287	**331**	315	**8,813**	8,998
Care, health and other customer contract revenue	**1,023**	906	**1,124**	1,184	**932**	1,028	**151**	169	**3,230**	3,287
Other revenue	**46**	15	**7**	4	**10**	8	**12**	4	**75**	31
Total revenues for reportable segments	**4,737**	4,652	**3,765**	3,853	**3,122**	3,323	**494**	488	**12,118**	12,316
Consolidated total revenues									**12,118**	12,316

(ii) Segmental result

	Australia and New Zealand		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Underlying profit for reportable segments[1]	**113**	160	**184**	156	**110**	117	**61**	46	**468**	479
Central expenses and net interest margin									**(80)**	(63)
Consolidated underlying profit before taxation expense									**388**	416
Non-underlying items:										
Impairments of intangible assets and goodwill arising on business combinations	**–**	(177)	**(1)**	(24)	**–**	(242)	**(11)**	–	**(12)**	(443)
Net gain/(loss) on disposal of businesses and transaction costs on business combinations[2]	**–**	–	**26**	(28)	**(27)**	(3)	**–**	–	**(1)**	(31)
Net property revaluation gain/(loss)	**30**	9	**–**	(1)	**(4)**	(2)	**–**	–	**26**	6
Realised and unrealised foreign exchange loss[3]	**–**	–	**–**	(6)	**(2)**	(17)	**–**	–	**(2)**	(23)
Other Market Unit non-underlying items[4]	**–**	–	**–**	–	**(7)**	–	**–**	–	**(7)**	–
Group non-underlying items[5]									**3**	(31)
Gains on return-seeking assets, net of hedging									**15**	28
Total non-underlying items									**22**	(494)
Consolidated profit/(loss) before taxation expense									**410**	(78)

1. Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. Other businesses includes Bupa Arabia and Max Bupa. Bupa Global and UK includes Highway to Health. For further information please refer to note 6.
2. Net loss on disposal of businesses and transaction costs on business combinations includes £26m relating to the reclassification of a provision business in the Europe and Latin America segment out of held for sale and £26m in Bupa Global and UK relating to ongoing completion costs in respect of the disposal of UK care homes. 2019 includes £26m loss recognised upon classification of the same provision business in Europe and Latin America as held for sale.
3. Includes the FX impact of treating unearned premiums and deferred acquisition costs as a monetary item.
4. Includes £7m relating to restructuring costs in the Bupa Global and UK segment.
5. 2019 includes a £20m impairment of an investment following the termination of the Group's commercial relationship with that company.

(iii) Other information

The Market Unit segmental results set out in table (ii) above include the following material non-cash items:

	Australia and New Zealand		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2018 £m
Amortisation and depreciation costs for reportable segments	**(124)**	(121)	**(184)**	(175)	**(150)**	(144)	**(38)**	(39)	**(496)**	(479)
Unrealised gain on investment property	**25**	25	**–**	–	**–**	–	**–**	–	**25**	25
Surplus/(deficit) on revaluation of property	**5**	(16)	**–**	(1)	**(4)**	(2)	**–**	–	**1**	(19)
Share of profits from associates	**–**	–	**–**	–	**1**	6	**55**	42	**56**	48

(iv) Geographical information

The following information has been provided based on the geographical location of the business:

	Australasia		United Kingdom		Spain		Rest of the world		Total	
	2020 £m	2019[2] £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019[2] £m
Total revenues	**4,737**	4,652	**2,868**	3,099	**1,722**	1,687	**2,791**	2,878	**12,118**	12,316
Consolidated non-current assets (by geography)[1]	**3,569**	3,392	**3,449**	3,351	**842**	835	**1,719**	1,764	**9,579**	9,342

1. Consolidated non-current assets excludes financial investments, restricted assets, assets arising from insurance business, deferred taxation assets and post-employment benefit net assets.
2. The Australasia 2019 balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 continued

Note 2.1: Revenues

Revenues in brief

The Group generates revenues from its underwriting activities (Insurance premiums), trading activities through the provision of healthcare and insurance management services (Care, health and other customer contract revenue) and rental income and other fees (Other).

Revenue stream	Recognition policy
Insurance premiums	**Gross insurance premiums** Gross insurance premiums represent the premiums earned relating to risk exposure for the reported financial year. They comprise gross premiums written, adjusted for the change in provision for unearned premiums that relates to periods of risk in subsequent financial years. Premiums are shown gross of commission payable and net of insurance premium taxes that may apply in certain jurisdictions. In circumstances where a return of premiums is likely to be due to policyholders, a provision for the return of premium is established within the provision for unearned premiums. The return of premium is treated as an adjustment to the initial premium, reducing gross insurance premiums. **Premiums ceded to reinsurers** Premiums ceded to reinsurers represent reinsurance premiums payable for contracts entered into that relate to risk mitigation for the reported financial year. These comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for unearned premiums. Premiums, losses and other amounts relating to reinsurance treaties are recognised over the period from inception of a treaty to expiration of the related business.
Care, health and other customer contract revenue	The Group generates income from fees receivable from the operation of its care homes, hospitals, dental centres and other healthcare and wellbeing centres. In instances where Bupa is acting as an agent and another party is primarily responsible for fulfilling the contract, revenue is recognised on a net basis. When considering whether the Group is acting as an agent or as a principal, factors such as which party is primarily responsible for fulfilling the obligation, bears the inventory and credit risk and has discretion in establishing prices are considered. In the majority of cases, significant judgement is not required. The revenue streams typically relate to short-term services that have fixed, rather than variable, transaction prices and there is generally no significant judgement required when considering the time pattern of revenue recognition. Payment terms vary from completion of the service, to payments made monthly in advance. Bupa has the right to bill and receive payment for services rendered to date. The Sanitas Hospitales and New Services revenue stream includes one public hospital in Spain that is operated under a separate service concession arrangement granted by the local government (the grantor). Revenue is recognised from the construction of infrastructure and from the operation of the hospital. Construction revenues are recognised in line with the stage of completion of the work performed. Operational revenues are recognised in the period in which the services are provided, based on the average operating margin for the life of the contract. As revenue is based on an expected margin, with some potential variability, revenue is only recognised to the extent that it is highly probable a significant reversal will not occur when the uncertainty is resolved. Other customer contract revenue includes contracts entered into by the Group's insurance entities that do not result in the transfer of significant insurance risk to the Group and are accounted for as service contracts. These contracts mainly relate to the administration of claims funds on behalf of corporate customers. Revenues from service contracts are recognised as the services are provided. Some of these contracts contain financial liabilities representing deposits repayable to the customer. These are measured at amortised cost.
Other	Other revenue is earned mainly from rental income and amenities fees from Occupation Right Agreements. Revenue is recognised on a straight-line basis over the term of the arrangement. During 2020 other revenue also includes government funding received in response to COVID-19, most notably in Bupa Health Services, Australia, Bupa Villages and Aged Care – Australia and Hong Kong.

Revenue for the year has been analysed at Business Unit level, reflecting the nature of services provided by geography that is reported internally to management.

From 2020 Bupa Global Latin America has been split to report business in Brazil and Mexico separately. Comparatives have been restated accordingly.

	Care, health and other customer contract revenue 2020 £m	Net insurance premiums earned 2020 £m	Other revenue 2020 £m	Total revenues 2020 £m
Bupa Health Insurance	6	3,668	–	3,674
Bupa Health Services	562	–	23	585
Bupa Villages and Aged Care – Australia	313	–	11	324
Bupa Villages and Aged Care – New Zealand	142	–	12	154
Australia and New Zealand	**1,023**	**3,668**	**46**	**4,737**
Sanitas Seguros	8	1,203	1	1,212
Sanitas Dental	82	66	2	150
Sanitas Hospitales and New Services	220	–	1	221
Sanitas Mayores	136	–	–	136
LuxMed	407	12	1	420
Bupa Acıbadem Sigorta	–	179	–	179
Bupa Chile	259	687	1	947
Care Plus	1	176	–	177
Bupa Mexico	–	15	–	15
Bupa Global Latin America	11	296	1	308
Europe and Latin America	**1,124**	**2,634**	**7**	**3,765**
Bupa UK Insurance	16	1,430	4	1,450
Bupa Dental Care UK	389	–	–	389
Bupa Care Services	389	–	–	389
Bupa Health Services	138	–	1	139
Bupa Global	–	750	5	755
Bupa Global and UK	**932**	**2,180**	**10**	**3,122**
Hong Kong	151	331	6	488
Other	–	–	6	6
Other businesses	**151**	**331**	**12**	**494**
Consolidated total revenues	**3,230**	**8,813**	**75**	**12,118**

Notes to the Consolidated Financial Statements
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	Care, health and other customer contract revenue (restated)[1] 2019 £m	Net insurance premiums earned (restated)[1] 2019 £m	Other revenue 2019 £m	Total revenues 2019 £m
Bupa Health Insurance	8	3,731	2	3,741
Bupa Health Services	428	–	–	428
Bupa Villages and Aged Care – Australia	330	–	–	330
Bupa Villages and Aged Care – New Zealand	140	–	13	153
Australia and New Zealand	906	3,731	15	4,652
Sanitas Seguros	8	1,149	1	1,158
Sanitas Dental	83	62	1	146
Sanitas Hospitales and New Services	230	–	1	231
Sanitas Mayores	148	–	–	148
LuxMed	383	10	–	393
Bupa Acıbadem Sigorta	–	185	–	185
Bupa Chile	330	744	1	1,075
Care Plus	2	205	–	207
Bupa Mexico	–	15	–	15
Bupa Global Latin America	–	295	–	295
Europe and Latin America	1,184	2,665	4	3,853
Bupa UK Insurance	15	1,537	3	1,555
Bupa Dental Care UK	454	–	1	455
Bupa Care Services	408	–	–	408
Bupa Health Services	150	–	1	151
Bupa Global	1	750	3	754
Bupa Global and UK	1,028	2,287	8	3,323
Hong Kong	169	315	–	484
Other	–	–	4	4
Other businesses	169	315	4	488
Consolidated total revenues	3,287	8,998	31	12,316

1. 2019 amounts have been restated to report business in Brazil (Care Plus) and Mexico separately from the rest of the Bupa Global Latin America business.

Analysis of net insurance premiums earned

	2020 £m	2019 £m
Gross premiums written	**8,909**	9,097
Change in gross provisions for unearned premiums	**(1)**	(20)
Gross insurance premiums	**8,908**	9,077
Gross premiums written ceded to reinsurers	**(97)**	(78)
Reinsurers' share of change in gross provisions for unearned premiums	**2**	(1)
Premiums ceded to reinsurers	**(95)**	(79)
Net insurance premiums earned	**8,813**	8,998

Note 2.2: Insurance claims

Insurance claims in brief

Insurance claims relate to the Group's insurance underwriting activities. Insurance claims incurred are amounts payable under insurance contracts arising from the occurrence of an insured claims episode. A claims episode is an insured medical service that the Group has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs. In 2020, this includes amounts in relation to claims episodes that have not taken place by the reporting date where the Group has a constructive obligation to fund deferred medical services, due to regulatory or other public commitments following periods of severe service disruption, as has been the case with COVID-19. This constitutes a change in accounting estimate in response to the exceptional circumstances that have arisen during the pandemic.

Insurance claims

Insurance claims incurred comprise insurance claims paid during the year together with related handling costs, the movement in the gross provision for claims in the period (which includes a deferred claims provision solely in respect of the Australian health insurance business as at 31 December 2020) and the Risk Equalisation Special Account levy for the Australian health insurance business. See note 19 for details of the claims provision.

Private health insurers in Australia provide private health insurance cover through a community rated scheme. To avoid adverse selection and ensure the Australian private health insurance scheme is sustainable, a risk equalisation mechanism operates to subsidise insurers with higher risk policyholders.

Reinsurers' share of claims incurred

Reinsurers' share of claims incurred represents recoveries from reinsurers on claims paid, adjusted for the reinsurers' share of the change in the gross provision for claims.

See note 12 for the related balance sheet item.

	2020 £m	2019 £m
Insurance claims paid	**6,576**	7,316
Change in gross provisions for claims[1]	**206**	3
Risk Equalisation Special Account levy (net of recoveries)	**(70)**	(80)
Insurance claims incurred	**6,712**	7,239
Recoveries from reinsurers on claims incurred	**(58)**	(56)
Reinsurers' share of change in gross provisions for claims	**1**	–
Reinsurers' share of claims incurred	**(57)**	(56)
Net insurance claims incurred	**6,655**	7,183

1. Change in gross provisions for claims includes £163m in respect of the deferred claims provision recognised at 31 December 2020.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 continued

Note 2.3: Other operating expenses

Other operating expenses in brief

Other operating expenses include staff costs, overheads, depreciation, amortisation of intangible assets, and gains or losses on foreign exchange transactions incurred as a consequence of operating our businesses. Costs in relation to handling claims are included within insurance claims.

Operating expenses exclude insurance claims, finance costs and taxation.

Other operating expenses

	Note	2020 £m	2019 £m
Staff costs	2.3.1	**2,350**	2,139
Acquisition costs	2.3.2	**447**	396
Medical supplies and fees		**997**	985
Property costs		**237**	223
Lease rentals and other expenses[1]		**18**	22
Marketing costs		**113**	105
Catering and housekeeping costs		**58**	59
Consultancy fees		**130**	144
Net loss on foreign exchange transactions		**–**	2
Amortisation of intangible assets	3	**160**	161
Depreciation expense	4	**338**	331
Other operating expenses (including auditors' remuneration)	2.3.3	**164**	138
Total other operating expenses		**5,012**	4,705

1. Includes short-term and low value lease rentals, and other lease expenses.

2.3.1 Staff costs

The below table represents the total employee benefit expenses incurred by the Group during the year.

	2020 £m	2019 £m
Wages and salaries	**2,309**	2,133
Social security costs	**145**	136
Contributions to defined contribution schemes	**45**	42
Other pension costs	**2**	(4)
Total staff costs	**2,501**	2,307
Staff costs relating to claims handling reported in claims	**(151)**	(168)
Staff costs in operating expenses	**2,350**	2,139

The Directors' Remuneration Report is described on pages 71 to 85 of this report.

Employee numbers

The average number of employees, including Executive Directors, employed by the Group during the year was:

	2020	2019
Australia and New Zealand[1]	**16,716**	16,212
Europe and Latin America	**37,154**	37,358
Bupa Global and UK	**23,567**	22,268
Other businesses	**1,640**	1,579
Group	**469**	531
Total average employee numbers	**79,546**	77,948

1. Australia and New Zealand 2019 average number of employees has been restated.

The total employee headcount as at 31 December 2020 was 84,359 (2019: 82,977).

The number of full-time equivalent employees as at 31 December 2020 was 64,479 (2019: 63,655).

2.3.2 Acquisition costs

	2020 £m	2019 £m
Commission for direct insurance	**355**	349
Other acquisition costs paid	**69**	73
Changes in deferred acquisition costs	**23**	(26)
Total acquisition costs	**447**	396

The movement in the deferred acquisition cost asset is detailed in note 12.

2.3.3 Auditors' remuneration

	2020 £m	2019 £m
Audit fees for audit of Company's annual accounts	**0.9**	0.9
Fees payable to the Company's auditor and its associates for:		
Audit fees for audit of Company's subsidiaries required by legislation	**6.9**	6.2
Audit fees for audit-related assurance services	**1.0**	0.7
Audit fees to the Company's auditors	**8.8**	7.8
Fees payable to the Company's auditor and its associates for other services:		
Corporate finance services and related services	**–**	3.5
All other non-audit services	**0.2**	0.4
Total non-audit fees	**0.2**	3.9
Total auditors' remuneration	**9.0**	11.7

All services provided by KPMG during the year were in compliance with the Group's non-audit services policy and approved by the Audit Committee.

Note 2.4: Other income and charges

Other income and charges in brief

Other income and charges comprise income or expenses that are related to the investing and divesting activities of the Group.

	Note	2020 £m	2019 £m
Net loss on disposal and restructuring of businesses[1]		**(1)**	(24)
Surplus/(deficit) on revaluation of property	4	**1**	(19)
Net gain on disposal of property, plant and equipment		**1**	1
Total other income and charges		**1**	(42)

1. Net loss on disposal and restructuring of businesses includes a £26m gain relating to the reclassification of a provision business in the Europe and Latin America segment out of held for sale and losses of £26m in Bupa Global and UK relating to ongoing completion costs in respect of the disposal of UK care homes. In 2019, this line included a £26m loss recognised on classification of a provision business in the Europe and Latin America segment to held for sale.

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for the year ended 31 December 2020 continued

Note 2.5: Financial income and expense

Financial income and expense in brief

Financial income and expenses are earned/(incurred) from the Group's financial assets and liabilities, and non-financial assets such as investment property.

Financial income

Interest income is recognised in the Consolidated Income Statement, using the effective interest method.

Changes in the value of financial assets at fair value through profit or loss are recognised within financial income as an unrealised gain or loss while the asset is held. Upon derecognition of these assets, the cumulative unrealised gains or losses are reversed and a realised gain or loss is recognised.

Changes in the value of debt instruments at fair value through other comprehensive income are recognised in other comprehensive income as an unrealised gain or loss. The cumulative gain or loss recognised in the income and expenditure reserve is reclassified to realised gains or loss in the Consolidated Income Statement when the financial asset is derecognised.

	Note	2020 £m	2019 £m
Interest income:			
Investments at fair value through profit or loss		**21**	28
Investments at fair value through other comprehensive income		**2**	1
Investments at amortised cost		**28**	51
Net realised gains/(losses):			
Net realised (losses)/gains on investments designated at fair value through profit or loss		**(3)**	9
Net realised gains on financial investments designated at fair value through other comprehensive income		**5**	–
Net increase in fair value:			
Investments at fair value through profit or loss		**13**	13
Investment property	5	**25**	25
Net foreign exchange translation gains/(losses)		**1**	(17)
Total financial income		**92**	110

Included within financial income is a net gain, after economic hedging, on the Group's return-seeking asset portfolio of £15m (2019: £28m).

Financial expense

Interest payable on borrowings is calculated using the effective interest method.

Finance charges in respect of leases and restoration provisions are charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

	2020 £m	2019 £m
Interest expense on financial liabilities at amortised cost	**98**	100
Finance charges in respect of leases and restoration provisions	**55**	58
Other financial expenses	**3**	4
Total financial expenses	**156**	162

Note 2.6: Taxation expense

Taxation expense in brief

Taxation expense on the profit/(loss) for the year comprises current and deferred taxation and considers foreign taxation, double taxation relief and absorbs adjustments in respect of prior periods.

Income taxation is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in the Consolidated Statement of Comprehensive Income.

(i) Recognised in the Consolidated Income Statement

Current taxation is the expected taxation payable on the taxable profit for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustments to taxation payable in respect of previous years.

The Group is subject to taxation audits in the territories in which it operates and considers each issue on its merits when deciding whether to hold a provision against the potential tax liability that may arise. However, the amount that is ultimately paid could differ from the amount recorded and this difference is recognised in the period in which such a determination is made.

	2020 £m	2019 £m
Current taxation expense		
UK taxation on income for the year	**–**	(5)
UK taxation adjustments in respect of prior periods	**13**	20
Total UK current taxation expense	**13**	15
Double taxation relief	**(8)**	(10)
Foreign taxation on income for the year	**209**	127
Foreign taxation adjustments in respect of prior years	**(15)**	4
Total foreign current taxation expense	**194**	131
Total current taxation	**199**	136
Deferred taxation income		
Origination and reversal of temporary differences	**(36)**	(3)
Adjustments in respect of prior periods	**2**	1
Changes in taxation rates	**15**	(1)
Total deferred taxation	**(19)**	(3)
Taxation expense	**180**	133

(ii) Reconciliation of effective taxation rate

	2020 £m	2019 £m
Profit/(loss) before taxation expense	**410**	(78)
UK corporation taxation rate	**19%**	19%
Tax at the UK corporation taxation rate	**78**	(15)
Effects of recurring taxation reconciliation items:		
Different taxation rates in foreign jurisdictions	**27**	7
Deductions not allowable for taxation purposes	**28**	35
Income not taxable or taxable at concessionary rates	**(12)**	(14)
Property revaluation	**(5)**	(4)
Results of associates	**(12)**	(10)
Changes in taxation rates	**15**	(1)
Movement in deferred taxation asset not recognised	**1**	(2)
	42	11
Effects of non-recurring taxation reconciliation items:		
Taxation adjustments in respect of prior periods	**–**	26
(Profit)/loss on disposal of business	**(2)**	3
Goodwill and other impairments	**–**	110
Pension surplus charge[1]	**68**	–
Other	**(6)**	(2)
	60	137
Taxation expense at the effective rate of 44% (2019: (171%))	**180**	133

1. The 'Pension surplus charge' represents a one-off deferred tax charge of £68m due to the change in the basis of recognition of the UK pension surplus following the closure of the scheme to future accrual (see note 7).

(iii) Current and deferred taxation recognised directly in other comprehensive income

	2020 £m	2019 £m
Deferred taxation credit/(charge) in respect of:		
Unrealised loss/(gain) on revaluation of property	**4**	(3)
Remeasurement loss/(gain) on pension schemes	**7**	(4)
Other items including foreign exchange translation differences	**2**	(1)
Taxation credit/(charge) on income and expenses recognised directly in other comprehensive income	**13**	(8)

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 continued

Note 3: Goodwill and intangible assets

Goodwill and intangible assets in brief

Intangible assets and goodwill are non-physical assets used by the Group to generate revenues.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary company at the date of the business combination. The carrying value of goodwill may be adjusted up to 12 months from the accounting date of acquisition, as the allocation of the purchase price to identifiable intangible assets is finalised within that period. Goodwill arising on business combinations is capitalised and presented with intangible assets in the Consolidated Statement of Financial Position. Where the fair value of net assets acquired is greater than the consideration paid, the excess is recognised immediately in the Consolidated Income Statement.

Goodwill is held at cost less accumulated impairment losses. Impairment reviews are performed annually or more frequently if there is an indication that the carrying value may be impaired. Impairment reviews are performed at the level of the relevant cash generating unit ('CGU'). In identifying CGUs, the Group considers the smallest identifiable group of assets that generate independent cash inflows, how managers monitor operations and the level at which strategic decisions are made.

Other intangible assets

Intangible assets, other than goodwill, that are acquired as part of a business combination are recognised at fair value which represents cost at acquisition and are subsequently held at cost less accumulated amortisation and impairment. Intangible assets acquired separately are held at cost less accumulated amortisation and impairment.

Costs relating to the development of intangible assets, including computer software, are capitalised once all the development phase recognition criteria are met.

Amortisation is charged to the Consolidated Income Statement on a straight-line basis as follows, excluding any intangible assets which have been attributed an indefinite useful life:

– Computer software	2-7 years
– Brand and trademarks	3 years-indefinite
– Customer relationships	3-20 years
– Technology and databases	10 years
– Distribution networks	10 years
– Present value of acquired in-force business	20 years
– Customer contracts	4-6 years
– Licences to operate care homes	term of licence

Intangible assets that are subject to amortisation are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Income Statement to reduce the carrying amount to the recoverable amount.

Bed licences, with a carrying value of £110m (2019: £108m), held within the Bupa Villages and Aged Care – Australia CGU have been attributed an indefinite useful life since these licences, which are issued by the Australian Government, have no expiry date.

Intangible assets with an indefinite useful life, or not yet available for use, are subject to annual impairment reviews.

	Note	Goodwill £m	Computer software £m	Brands/ Trademarks £m	Customer relationships £m	Other £m	Total £m
2020							
Cost							
At beginning of year		**3,352**	**991**	**333**	**915**	**329**	**5,920**
Assets arising on business combinations		**13**	**–**	**–**	**–**	**–**	**13**
Additions		**–**	**143**	**–**	**1**	**4**	**148**
Disposals		**(5)**	**(63)**	**–**	**–**	**(4)**	**(72)**
Other		**–**	**(3)**	**–**	**–**	**–**	**(3)**
Foreign exchange		**80**	**10**	**3**	**2**	**4**	**99**
At end of year		**3,440**	**1,078**	**336**	**918**	**333**	**6,105**
Amortisation and impairment loss							
At beginning of year		**781**	**649**	**152**	**340**	**129**	**2,051**
Amortisation for year		**–**	**82**	**11**	**57**	**10**	**160**
Impairment loss		**–**	**8**	**–**	**–**	**11**	**19**
Disposals		**–**	**(61)**	**–**	**–**	**–**	**(61)**
Other		**–**	**(3)**	**–**	**–**	**–**	**(3)**
Foreign exchange		**17**	**4**	**2**	**6**	**2**	**31**
At end of year		**798**	**679**	**165**	**403**	**152**	**2,197**
Net book value at end of year		**2,642**	**399**	**171**	**515**	**181**	**3,908**
Net book value at beginning of year		2,571	342	181	575	200	3,869
2019							
Cost							
At beginning of year (restated)[1]		3,357	889	354	894	308	5,802
Adoption of IFRS 16 Leases	1.5(d)	–	–	–	–	(23)	(23)
Assets arising on business combinations		118	4	6	45	33	206
Additions		–	133	–	–	29	162
Disposals		(6)	(11)	–	–	(4)	(21)
Other		–	(2)	–	–	–	(2)
Foreign exchange (restated)[1]		(117)	(22)	(27)	(24)	(14)	(204)
At end of year (restated)[1]		3,352	991	333	915	329	5,920
Amortisation and impairment loss							
At beginning of year		372	581	130	295	132	1,510
Adoption of IFRS 16 Leases	1.5(d)	–	–	–	–	(5)	(5)
Amortisation for year		–	82	11	59	9	161
Impairment loss		422	6	21	–	–	449
Disposals		(5)	(9)	–	–	(2)	(16)
Foreign exchange		(8)	(11)	(10)	(14)	(5)	(48)
At end of year		781	649	152	340	129	2,051
Net book value at end of year (restated)[1]		2,571	342	181	575	200	3,869
Net book value at beginning of year (restated)[1]		2,985	308	224	599	176	4,292

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Intangible assets of £3,908m (2019: £3,869m) include £867m (2019: £956m) which is attributable to other intangible assets arising on business combinations comprising customer relationships, brand and trademarks and other in the above table.

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for the year ended 31 December 2020 continued

Impairment testing of goodwill and indefinite life intangible assets

Goodwill and intangible assets with indefinite useful lives are tested at least annually for impairment by comparing the net carrying value with the recoverable amount, using value in use calculations.

In arriving at the value in use for each CGU, key assumptions have been made regarding future projected cash flows, discount rates and terminal growth rates. The key assumptions underlying the forecasts vary by business. For aged care, key drivers are occupancy rates, fee rates, staff costs and operating expenses. For provision business the cash flows are driven by available clinician hours, fee rates and operating expenses.

COVID-19 has caused significant disruption across the Group's provision and aged care businesses and, notwithstanding the positive recent developments regarding vaccine development, the continuing development of the pandemic means that significant judgement has been used in determining these future cash flows. Cash flow projections have been calculated from management operating profit projections for a five-year period. These are based on the three-year plan which has been approved by the Board.

The overall forecast cash flows therefore reflect the anticipated recovery of the provision and aged care businesses over the medium term alongside the impacts of management actions, such as delaying capital expenditure, that have been implemented in the short term. Given the uncertainty regarding potential future lockdowns, and acknowledging that the longer term economic and social impact of COVID-19 is not yet fully known, projecting future cash flows is inevitably judgemental and will require periodic further review. For further details of current business risks, see pages 36 to 41.

Taxation has been applied to the pre-taxation management operating profits based on the statutory taxation rates in the country of operation.

Forecast future post-taxation cash flows have been discounted at post-taxation discount rates. Discount rates have been derived using a weighted average cost of capital ('WACC') methodology, representing the minimum return a business must earn on its asset base to satisfy providers of capital. Discount rates used for the value in use calculations for each of the Group's CGUs are based on considerations of the systemic risks associated with each CGU, as well as external factors. These include the market assessment of the time value of money and the risks inherent in the relevant country where the cash flows are generated.

Cash flow projections beyond the forecast periods have been extrapolated by applying a terminal growth rate between 2.5% and 5.5% (2019: 2.0% and 5.5%) for all CGUs. The terminal growth rates represent an estimate of the long-term growth rate for each of the CGUs, taking into account the future and past growth rates and external sources of data, such as forecasted GDP growth rates, inflation and long-term consumer price index rates.

The values assigned to the key assumptions are based on past experience of the CGUs and assessment of future trends in the relevant industry.

The following table summarises the pre-taxation discount rates used for impairment testing for the main CGUs:

	2020 %	2019 %
Bupa Australia Health Insurance	**7.7**	10.2
Bupa Health Services Australia	**9.7**	10.4
Bupa Villages and Aged Care – Australia	**10.0**	10.0
Bupa Chile	**12.3**	12.8
LuxMed	**8.9**	10.4
Sanitas Seguros	**9.4**	9.5
Sanitas Mayores	**8.9**	8.4
Bupa Acıbadem Sigorta	**23.8**	22.1
Care Plus	**15.4**	17.6
Bupa Care Services UK	**6.9**	7.1
Bupa Dental Care UK	**7.5**	7.2
Bupa Global	**10.2**	11.1
Bupa Cromwell Hospital	**–**	8.6
Hong Kong	**10.4**	10.5

The testing undertaken determined the recoverable amount of all CGUs to be higher than their respective carrying value, resulting in no impairments to goodwill.

In 2019 a partial impairment to the goodwill of Bupa Dental Care UK and Bupa Villages and Aged Care – Australia was recorded, reflecting challenging trading conditions in those businesses. In particular, Bupa Dental Care UK was impacted by a shortage of dentists alongside ongoing investment in information security as well as increases in the National Living Wage leading to an impairment of £226m. The £177m impairment in Bupa Villages and Aged Care – Australia was driven by lower occupancy rates and recovery of the business following regulatory sanctions, alongside an increase in the discount rate.

In addition, £16m of goodwill in relation to Bupa Cromwell Hospital was fully impaired driven by lower forecast operating cash flows and a £3m impairment was recognised in Sanitas Seguros in respect of the disposal of an element of that business.

The following table summarises goodwill by CGU as at 31 December:

	2020 £m	2019 restated[1] £m
Australia and New Zealand		
Bupa Australia Health Insurance	**894**	840
Bupa Health Services Australia	**311**	292
Bupa Villages and Aged Care – Australia	**111**	107
Europe and Latin America		
Bupa Chile	**152**	150
LuxMed	**251**	250
Sanitas Seguros	**101**	95
Sanitas Mayores	**22**	21
Bupa Acıbadem Sigorta	**41**	53
Care Plus	**19**	24
Bupa Global and UK		
Bupa Care Services UK	**90**	90
Bupa Dental Care UK	**467**	463
Bupa Global	**68**	68
Other	**3**	3
Other businesses		
Hong Kong	**112**	115
Total	**2,642**	2,571

1. Goodwill for Bupa Villages and Aged Care – Australia has been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Sensitivity to changes in key assumptions

A sensitivity analysis has been performed on the key assumptions used to determine the value in use for each CGU as at 31 December 2020.

Other than as disclosed below, management believes that no reasonably probable change in any of the key assumptions would cause the carrying value of any goodwill or intangible asset with an indefinite useful life to exceed its recoverable amount.

Sensitivities have been provided below for those CGUs where a reasonably probable change to the discount rate, terminal growth rate or cash flows could give rise to an impairment in the future.

	Headroom £m	Discount rate %	Terminal growth rate %	Reduction in headroom from 0.5% increase in discount rate £m	Reduction in headroom from 0.5% reduction in terminal growth rate £m	Reduction in headroom from 10% reduction in cash flows £m
Bupa Dental Care UK	28	7.5	2.6	(96)	(84)	(81)
Bupa Care Services UK	37	6.9	2.6	(117)	(104)	(91)
Bupa Villages and Aged Care – Australia	48	10.1	3.0	(40)	(33)	(51)
Bupa Chile	59	12.3	3.0	(45)	(36)	(64)

Key assumptions underpinning the cash flows will differ across the CGUs. For Bupa Dental Care UK, cash flows are highly sensitive to the availability of dentists for the Group to recruit and we have assumed that an additional 10% of average available clinician hours are added during the forecast period – this level of growth rate, assuming all other assumptions remain unchanged, is required to support the current carrying value. For Bupa Care Services UK and Bupa Villages and Aged Care – Australia cash flows, key drivers will be the recovery of occupancy rates and the controlling of operating expenses. For Bupa Chile, this includes the continued recovery of business volumes following the 2019 social unrest.

Impairment of other intangible assets

At 31 December 2020, other intangible assets with indefinite useful lives were tested for impairment with no impairment arising in the current year (2019: £21m in relation to brands in Bupa Chile).

A review of intangible assets that are subject to amortisation resulted in impairments of £19m. This primarily related to a £10m impairment of a distribution rights asset in Hong Kong and an £8m (2019: £6m) impairment of computer software assets.

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for the year ended 31 December 2020 continued

Note 4: Property, plant and equipment

Property, plant and equipment in brief

Property, plant and equipment are the physical assets or rights to use the leased assets which are utilised by the Group to carry out business activities and generate revenues and profits.

The majority of assets held relate to care homes, hospital properties and equipment, and office buildings.

Freehold properties

Freehold properties comprise care homes, care villages, clinics, hospitals and offices and are initially measured at cost and subsequently at revalued amount less accumulated depreciation and impairment losses. These properties are subject to periodic and at least triennial valuations performed by external independent valuers. Borrowing costs relating to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

Equipment

Equipment (including leasehold improvements) is held at historical cost less subsequent depreciation and impairment losses.

Depreciation

Freehold land and assets under construction, included within freehold properties, are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amount less residual value over estimated useful lives, as follows:

– Freehold property	50 years
– Right-of-use property	lease term
– Leasehold improvements	shorter of useful life or lease term
– Owned equipment	3-10 years
– Right-of-use equipment	lease term

Impairment

Impairment reviews are undertaken where there are indications that the carrying value of an asset may not be recoverable. An impairment loss on assets carried at cost is recognised in other income and charges to reduce the carrying value to the recoverable amount. An impairment loss on assets carried at the revalued amount is recognised in the revaluation reserve, except where an asset is revalued below historical cost, in which case the loss on historical cost is recognised in the Consolidated Income Statement within other income and charges.

For information regarding leased (right-of-use) assets, see note 18.

	Note	Freehold property £m	Right-of-use asset property £m	Leasehold property and improvements[1] £m	Owned equipment £m	Right-of-use asset equipment £m	Total £m
2020							
Cost or valuation							
At beginning of year		**2,450**	**1,129**	**290**	**1,334**	**13**	**5,216**
Assets arising on business combinations		**–**	**4**	**–**	**9**	**–**	**13**
Additions		**43**	**45**	**24**	**117**	**1**	**230**
Transfer to assets held for sale		**(7)**	**(2)**	**–**	**–**	**–**	**(9)**
Disposals		**(53)**	**(14)**	**(6)**	**(49)**	**(2)**	**(124)**
Revaluations		**(55)**	**–**	**–**	**–**	**–**	**(55)**
Remeasurements		**–**	**1**	**–**	**–**	**4**	**5**
Other		**2**	**(1)**	**13**	**(16)**	**–**	**(2)**
Foreign exchange		**78**	**24**	**7**	**35**	**–**	**144**
At end of year		**2,458**	**1,186**	**328**	**1,430**	**16**	**5,418**
Depreciation and impairment loss							
At beginning of year		**49**	**133**	**113**	**720**	**4**	**1,019**
Depreciation charge for year		**39**	**143**	**23**	**129**	**4**	**338**
Transfer to assets held for sale		**–**	**(1)**	**–**	**–**	**–**	**(1)**
Disposals		**(3)**	**(13)**	**(5)**	**(46)**	**(2)**	**(69)**
Revaluations		**(51)**	**–**	**–**	**–**	**–**	**(51)**
Impairment loss		**–**	**5**	**4**	**1**	**–**	**10**
Other		**–**	**–**	**6**	**(7)**	**–**	**(1)**
Foreign exchange		**1**	**3**	**3**	**22**	**–**	**29**
At end of year		**35**	**270**	**144**	**819**	**6**	**1,274**
Net book value at end of year		**2,423**	**916**	**184**	**611**	**10**	**4,144**
Net book value at beginning of year		2,401	996	177	614	9	4,197
2019							
Cost or valuation							
At beginning of year		2,451	–	317	1,218	–	3,986
Adoption of IFRS 16 Leases	1.5(d)	–	1,043	(8)	(5)	8	1,038
Assets arising on business combinations		9	–	1	5	–	15
Additions		70	135	41	192	5	443
Transfer to assets held for sale		(1)	(2)	–	(2)	–	(5)
Disposals		(4)	(3)	(14)	(20)	–	(41)
Revaluations		(23)	–	–	–	–	(23)
Other		34	1	(36)	(3)	–	(4)
Foreign exchange		(86)	(45)	(11)	(51)	–	(193)
At end of year		**2,450**	**1,129**	**290**	**1,334**	**13**	**5,216**
Depreciation and impairment loss							
At beginning of year		33	–	109	644	–	786
Adoption of IFRS 16 Leases	1.5(d)	–	–	(1)	(1)	–	(2)
Depreciation charge for year		41	139	24	123	4	331
Transfer to assets held for sale		–	(1)	–	(1)	–	(2)
Disposals		–	(3)	(10)	(17)	–	(30)
Revaluations		(22)	–	–	–	–	(22)
Other		–	–	(5)	–	–	(5)
Foreign exchange		(3)	(2)	(4)	(28)	–	(37)
At end of year		**49**	**133**	**113**	**720**	**4**	**1,019**
Net book value at end of year		**2,401**	**996**	**177**	**614**	**9**	**4,197**
Net book value at beginning of year		2,418	–	208	574	–	3,200

1. 2020 balances and 2019 closing balance represent leasehold improvements only.

Notes to the Consolidated Financial Statements
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Revaluation of properties

External valuations are performed every three years. To ensure that the carrying value does not differ significantly from fair value at the balance sheet date, in years where a full external valuation is not scheduled to be completed, a directors' valuation is conducted, based on updated cash flows and other market variables. Consideration is also given to whether there are any factors which indicate an out of cycle external revaluation is required.

The external revaluation of properties in 2020 were performed independently by EY in Australia and Jones Lang LaSalle in New Zealand, with the external revaluation of care homes and certain hospitals in Spain performed by Alia Tasaciones S.A. In light of COVID-19, experts have been consulted in other regions where there is a high degree of uncertainty around property valuations.

The valuations of care homes across the Group and hospitals in Spain and Poland are determined based on a capitalisation of earnings approach. Each facility's normalised earnings are divided by an appropriate capitalisation rate to determine a value in use. The capitalisation rate is the average rate of return for each facility and is based on qualitative and quantitative indicators of the facility's current and future performance and assumes normal prudent management of the facility.

The valuations of hospitals and clinics in Chile are determined based on discounted future cash flow projections. The discount rate is determined according to the time value of money, the level of risk of the industry and the corresponding premium risk.

Unobservable inputs include the capitalisation or discount rate and, for all properties except those in Poland and Chile, the average occupancy.

All other properties are valued by external valuers based on observable market values of similar properties. Due to the level of judgement and adjustments required to the observable inputs used in the valuation methodologies, a Level 3 classification is deemed appropriate for all properties in the Group.

At each revaluation date, accumulated depreciation is eliminated against the gross carrying amount of the asset.

Sensitivity analysis

The significant assumptions used in the calculation of the fair values of the material Level 3 freehold properties in the Group are:

Freehold properties	Australia	New Zealand	UK	Spain	Chile	Poland
Valuation assumptions: average occupancy rate	93.8%	90.7%	81.2%	82.9%	N/A	N/A
Valuation assumptions: average capitalisation/discount rate	13.8%	13.4%	11.8%	10.2%	6.9%	9.4%
Valuation assumptions: average price per square metre	N/A	N/A	£3,977	£2,945	N/A	N/A
Valuation assumptions: average yield	N/A	N/A	5.5%	5.2%	N/A	N/A

The valuations are most sensitive to changes in capitalisation rate assumptions and a reasonably possible increase/decrease of 0.5% in capitalisation rates would decrease/increase the total carrying value of freehold properties by (£90m)/£101m (2019: (£74m)/£76m).

The table below shows the date at which freehold properties held as at 31 December 2020 were last subject to external valuation.

	2020 £m
Valuation – December 2020	1,176
Valuation – December 2019	996
Valuation – December 2018	126
Assets held at cost[1]	160
Cost or valuation	**2,458**

1. Primarily relates to assets under construction and initial fair value of additions.

Gains and losses on revaluation are recognised in the property revaluation reserve, except where an asset is revalued below historical cost, in which case the deficit is recognised in the Consolidated Income Statement. Where a revaluation reverses the losses taken to the Consolidated Income Statement in prior years, the credit is recognised in the Consolidated Income Statement.

In the current year, a £5m net revaluation deficit (2019 gain: £18m) has been recognised in the property revaluation reserve, with a revaluation gain of £1m (2019 deficit: £19m) credited to the Consolidated Income Statement within other income and charges (see note 2.4).

Recognised in the carrying amount of freehold property is £100m (2019: £80m) in relation to freehold property in the course of construction.

Historical cost of the Group's revalued freehold property assets

	2020 £m	2019 £m
Historical cost of revalued assets	2,673	2,544
Accumulated depreciation based on historical cost	(380)	(327)
Historical cost net book value	**2,293**	2,217
Depreciation charge for the year on historical cost	53	51

Note 5: Investment property

Investment property in brief

Investment properties are physical assets that are not occupied by the Group and are leased to third parties to generate rental income. Most investment properties held by the Group relate to a portfolio of retirement villages in New Zealand.

Investment properties are initially measured at cost and subsequently at fair value, determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location. Investment property is revalued annually with any gain or loss arising from a change in fair value recognised in the Consolidated Income Statement within financial income and expense.

In an active market, the portfolio is valued annually by an independent valuer, holding a recognised and relevant professional qualification, and with recent experience in the location and category of investment property being valued.

In Australia and New Zealand, the retirement village market is fragmented as each village is unique due to building configuration and location. Growth in new developments is also restricted due to a lack of suitable sites and transactions are not frequent given the relatively high value of each village. As a result, no active market exists for the retirement villages from which values can be derived. These properties are valued using discounted cash flow projections based on reliable estimates of future cash flows.

	Note	2020 £m	2019 £m
At beginning of year		**522**	454
Adoption of IFRS 16 Leases	1.5(d)	**–**	2
Additions		**59**	58
Disposals		**(1)**	–
Increase in fair value	2.5	**25**	25
Foreign exchange		**22**	(17)
At end of year		**627**	522

In the current year, a revaluation surplus of £25m (2019: £25m) was credited to the Consolidated Income Statement.

The carrying value of investment properties primarily consists of the Group's portfolio of retirement villages in New Zealand of £564m (2019: £483m) and Australia of £51m (2019: £28m). These were valued by management using internally prepared discounted cash flow projections, supported by the terms of any existing lease and other contracts. Discount rates are used to reflect current market assessments of the uncertainty in the amount or timing of the cash flows. During the year an independent valuation of the New Zealand portfolio was performed by Jones Lang LaSalle, and this valuation, also based on a discounted cash flow model was in line with management's valuation.

The historical cost of investment properties is £324m (2019: £264m). The properties are categorised as Level 3 within the fair value hierarchy.

COVID-19 has heightened uncertainty around underlying assumptions, in particular short-term growth rates. Significant assumptions used in the valuation include:

Australia and New Zealand	
Discount rate	13.0% – 15.3%
Capital growth rate	0.0% – 3.5%
Provision for capital replacement	0.6% – 3.0%
Vacancy period	0 – 3 months
Turnover in apartments and villas	4 – 6 years

The sensitivity analysis below considers the impact on the year end valuation of Level 3 investment properties and is based on a change in assumption while holding all other assumptions constant. In practice, changes in assumptions may be correlated.

Australia and New Zealand	**0.5% absolute increase**	**0.5% absolute decrease**
Discount rate	£10m decrease	£11m increase
Capital growth rate	£14m increase	£13m decrease

Retirement villages

During the year ended 31 December 2020, the Group's retirement village portfolio in Australia and New Zealand generated £16m (2019: £18m) of income which was recognised as revenue in the Consolidated Income Statement. Total direct operating expenses of these retirement villages amounted to £12m (2019: £11m).

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Note 6: Equity accounted investments

Equity accounted investments in brief

Equity accounted investments comprise associated companies in which the Group has significant influence, but not control.

Associated companies include those entities in which the Group has significant influence, but no right to direct the activities which determine the variable returns it receives from the entity.

Associated companies are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs. The carrying value of the investment is adjusted for the Group's share of any post acquisition profits or losses of the associated entity.

If the Group's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest (including any long-term interests that, in substance, form part of the Group's net investment), is reduced to £nil. In addition, the recognition of further losses is discontinued except to the extent that the Group has an obligation to make payments on behalf of the equity accounted investment.

Associates

The Consolidated Financial Statements include the Group's share of income and expenses, and other comprehensive income, after adjustments to align the accounting policies with those of the Group where materially different, from the date that significant influence or control commences until the date that significant influence or control ceases.

The carrying amount of equity accounted investments is £868m (2019: £716m). All equity accounted investments are included based on coterminous accounting periods.

The Group's principal equity accounted investments are:

		Business activity	Share of issued capital	Principally operates in	Country of incorporation
Bupa Arabia for Cooperative Insurance Company	Associate	Insurance	43.25%	Saudi Arabia	Saudi Arabia
Highway to Health, Inc.	Associate	Insurance	49.00%	USA	USA
Max Bupa Health Insurance Company Limited	Associate	Insurance	44.42%	India	India

On 30 August 2020, the Group increased its shareholding in Bupa Arabia for Cooperative Insurance Company ('Bupa Arabia') from 39.25% to 43.25% as a result of the acquisition of a portion of the Nazer Group's stake for £104m. During the year the Group received dividends of £nil (2019: £13m) from Bupa Arabia.

During the year, capital injections of £5m (2019: £8m) were made in Max Bupa Health Insurance Company Limited ('Max Bupa'), the Group's associate in India. Distributions to shareholders are currently restricted by local regulatory requirements which are re-assessed on a regular basis.

(i) Summarised financial information for material associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates, and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Bupa Arabia		Highway to Health		Max Bupa	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Revenue[1]	**2,229**	1,956	**168**	157	**112**	85
Cash and cash equivalents	**123**	73	**106**	109	**2**	2
Other current assets	**1,532**	806	**54**	66	**13**	10
Current assets	**1,655**	879	**160**	175	**15**	12
Non-current assets	**586**	1,175	**9**	10	**142**	111
Current liabilities	**(1,480)**	(1,436)	**(79)**	(97)	**(57)**	(40)
Non-current liabilities	**–**	–	**(3)**	(3)	**(60)**	(50)
Net assets	**761**	618	**87**	85	**40**	33

1. 2019 revenue for Max Bupa has been restated to £85m.

Reconciliation to carrying amounts

	Bupa Arabia		Highway to Health		Max Bupa	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Opening net assets	**618**	539	**85**	77	**33**	27
Profit/(loss) for the year	**150**	126	**3**	10	**(1)**	(10)
Other comprehensive income/(expense)	**29**	(1)	**–**	–	**–**	–
Dividends paid	**–**	(38)	**–**	–	**–**	–
Other reserve movements	**(36)**	(8)	**(1)**	(2)	**8**	16
Closing net assets	**761**	618	**87**	85	**40**	33
% Ownership	**43.25%**	39.25%	**49.00%**	49.00%	**44.42%**	44.42%
Reporting entity's share	**329**	243	**43**	42	**18**	15
Fair value and local accounting differences[1]	**274**	207	**171**	177	**16**	16
Carrying amount	**603**	450	**214**	219	**34**	31
Reporting entity's share of profit/(loss)[2]	**55**	47	**1**	6	**–**	(5)

1. Primarily relates to implicit goodwill and intangible assets on acquisition.
2. 2020 share of profits in Bupa Arabia are based on a share of ownership of 39.25% to 30 August 2020 and 43.25% thereafter. 2019 share of profits in Max Bupa are based on a share in ownership of 49.00% up to 15 December 2019.

(ii) Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregate carrying amount of these associates is £17m (2019: £16m). The Group's share of profit recognised during the year for these associates in both the current and prior year was £nil.

Note 7: Post-employment benefits

Post-employment benefits in brief

The Group operates several funded defined benefit and defined contribution pension schemes for the benefit of employees.

The main defined benefit scheme is The Bupa Pension Scheme which has been closed to new entrants since 1 October 2002 and closed to future accrual on 31 December 2020.

Defined contribution pension schemes

The defined contribution pension schemes provide employees with a retirement fund accumulated through investment of contributions made by Bupa and the employees. Members of the scheme use their funds to secure benefits at retirement. Benefits are not known in advance and the investment and longevity risks are assumed solely by the members of the scheme. Contributions payable by the relevant sponsoring employers are defined in the scheme rules or plan specifications and these contributions are recognised as an expense in the Consolidated Income Statement as incurred.

Defined benefit post-employment schemes

The defined benefit pension schemes provide benefits based on final pensionable salary. The Group's net obligation in respect of defined benefit pensions is calculated separately for each scheme and represents the present value of the defined benefit obligation less the fair value of scheme assets. The discount rate used is the yield at the balance sheet date on high-quality corporate bonds denominated in the currency in which the benefit will be paid. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

The charge to the Consolidated Income Statement for defined benefit schemes represents the following: current service cost calculated on the projected unit credit method, net interest cost, past service costs and administrative expenses.

All remeasurements are recognised in full in the Consolidated Statement of Comprehensive Income in the period in which they occur.

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for the year ended 31 December 2020 continued

(i) Amount recognised in the Consolidated Income Statement
The amounts (credited)/charged to other operating expenses for the year are:

	2020 £m	2019 £m
Current service cost	10	10
Net interest on defined benefit liability/asset	(12)	(16)
Administrative expenses	1	1
Gain on settlement	–	(1)
Total amount credited to the Consolidated Income Statement	**(1)**	(6)

The charge to other operating expenses in respect of cash contributions to defined contribution schemes is £45m (2019: £42m).

(ii) Amount recognised directly in other comprehensive income
The amounts charged/(credited) directly to equity are:

	2020 £m	2019 £m
Actual return less expected return on assets	(228)	(170)
Loss arising from changes to financial assumptions	302	166
Loss/(gain) arising from changes to experience assumptions	36	(4)
Loss/(gain) arising from changes to demographic assumptions	18	(16)
Total remeasurement losses/(gains) charged/(credited) directly to equity	**128**	(24)

7.1 Group post-employment benefit schemes

Defined contribution pension schemes
The principal defined contribution pension scheme in the UK during the year was The Bupa Retirement Savings Plan, which was in effect from 1 October 2002 to 31 December 2020 and was available to permanent employees of The British United Provident Association Limited and Bupa Insurance Services Limited to join on a voluntary basis. In addition, there were several other contract-based defined contribution arrangements available to employees of other employers within the Group to join on a voluntary basis. These schemes closed to future contributions on 31 December 2020, being replaced by the My Bupa LifeSight Plan from 1 January 2021. The Group automatically enrols any eligible non-pensioned employees into the National Employment Savings Trust (NEST).

Defined benefit post-employment schemes
The principal defined benefit scheme in the UK is The Bupa Pension Scheme. Contributions by employees and by Group companies are paid into separate funds administered by a corporate trustee. The scheme has been closed to new entrants since 1 October 2002. Following consultation in the current year, the scheme closed to future accrual at 31 December 2020, although members will retain any ongoing salary link, with future benefits payable dependent upon member salary at the date of leaving or retirement. Existing current employees who are members of the Bupa Pension Scheme will be automatically enrolled into the new defined contribution pension scheme, the My Bupa LifeSight Plan from 1 January 2021.

The recognised surplus in relation to the Bupa Pension Scheme is limited to the present value of any future refunds from the scheme in the event of a wind up. There are no minimum funding requirements in place and the Trustees do not have the unilateral power to trigger a wind up of the scheme. Once all members have left the scheme, the Group can wind up the scheme and is entitled to any remaining surplus. In accordance with s207 of the 2004 Finance Act, the related deferred tax liability on the surplus has been remeasured at the applicable rate of 35% of the surplus resulting in a one-off exceptional tax charge of £68m in the current year (see note 2.6 and note 11).

Contributions by Group companies to this scheme have been made in accordance with the recommendations of the independent scheme actuary.

The independent scheme actuary for The Bupa Pension Scheme performs detailed triennial valuations together with annual interim reviews. Both triennial and interim valuations use the attained age method, recognising the closure of the scheme to new entrants.

At the last triennial valuation, dated 1 July 2017, the scheme's independent actuary recommended payment of employer contributions at the rate of 33.8%. In addition to these employer contributions a payment equivalent to the employee contribution of 7% of pensionable salaries is paid as part of the Group's salary sacrifice arrangement (known as PeopleChoice Pensions). There is a corresponding reduction in members' wages and salaries as a result. The last triennial valuation of the Bupa Pension Scheme showed that the scheme was in surplus on its Technical Provisions basis. The scheme was also in surplus on the more prudent actuarial basis which the trustees use to set their long-term funding target. As a result, no deficit reduction contributions are currently due. This position could change as a result of future valuations.

The current triennial valuation, as of 1 July 2020 is ongoing and expected to be completed in the first half of 2021.

There are several other smaller defined benefit pension schemes operated by UK and overseas subsidiaries. The defined benefit pension schemes are assessed by independent scheme actuaries in accordance with UK or local practice and under IAS 19 as at 31 December 2020 for the purposes of inclusion in the Group's Consolidated Financial Statements.

Complete disclosure of these other defined benefit pension schemes is not practicable within this report but they are disclosed within the financial statements of the relevant sponsoring employer of each scheme.

Unfunded schemes

Unfunded defined benefit pension arrangements exist for certain former employees to provide benefits in addition to the funded pension arrangements provided by the Group. There are no separate funds or assets in the Consolidated Statement of Financial Position to support the unfunded schemes; however, provisions included in the Consolidated Statement of Financial Position in respect of these liabilities and assets are ring-fenced to support these liabilities (see note 8).

The latest valuation of these arrangements was performed as at 31 December 2020 under IAS 19 by the Group's independent actuary. The charge to the Consolidated Income Statement in respect of these arrangements and the assessment of the related pension liability as at 31 December 2020 have been made in accordance with this latest valuation, which used the same principal assumptions as adopted at 31 December 2020 under IAS 19 for The Bupa Pension Scheme.

Post-retirement medical benefit scheme

The Group also provides unfunded post-retirement medical benefits for certain former employees. These benefits were granted under an agreement which closed to new entrants in 1992. The latest valuation of this scheme was carried out on 31 December 2020 by an actuary employed by the Group using the same key assumptions as adopted at 31 December 2020 under IAS 19 for The Bupa Pension Scheme.

Assets and liabilities of schemes

	Pension schemes		Post-retirement medical benefit scheme		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Present value of funded obligations	**(2,031)**	(1,696)	**–**	–	**(2,031)**	(1,696)
Fair value of scheme assets	**2,564**	2,338	**–**	–	**2,564**	2,338
Net assets of funded schemes	**533**	642	**–**	–	**533**	642
Present value of unfunded obligations	**(54)**	(45)	**(8)**	(9)	**(62)**	(54)
Net recognised assets/(liabilities)	**479**	597	**(8)**	(9)	**471**	588
Represented on the Consolidated Statement of Financial Position:						
Net liabilities					**(76)**	(62)
Net assets					**547**	650
Net recognised assets					**471**	588

(iii) Present value of schemes' obligations

The movements in the present value of the schemes' obligations are:

	Defined benefit pension schemes		Post-retirement medical benefit scheme		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
At beginning of year	**1,741**	1,616	**9**	10	**1,750**	1,626
Current service costs	**10**	10	**–**	–	**10**	10
Interest on obligations	**36**	47	**–**	–	**36**	47
Loss from changes to financial assumptions	**301**	166	**1**	–	**302**	166
Loss/(gain) from changes to experience assumptions	**38**	(3)	**(2)**	(1)	**36**	(4)
Loss/(gain) from changes to demographic assumptions	**18**	(16)	**–**	–	**18**	(16)
Benefits paid	**(61)**	(68)	**–**	–	**(61)**	(68)
Settlement	**–**	(8)	**–**	–	**–**	(8)
Foreign exchange	**2**	(3)	**–**	–	**2**	(3)
At end of year	**2,085**	1,741	**8**	9	**2,093**	1,750

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(iv) Fair value of funded schemes' assets

The movements in the fair value of the funded schemes' assets are:

	2020 £m	2019 £m
At beginning of year	2,338	2,166
Interest income	48	63
Return on assets excluding interest income	228	170
Contributions by employer	9	15
Administration expenses	(1)	(1)
Benefits paid	(59)	(67)
Settlement	–	(7)
Foreign exchange	1	(1)
At end of year	**2,564**	2,338

The market values of the assets of the funded schemes are as follows:

	2020 £m	2020 %	2019 £m	2019 %
Pooled investment funds	1,220	48	1,000	43
Corporate bonds	789	31	774	33
Cash/other assets	297	12	181	8
Government bonds	147	6	219	9
Derivatives	60	2	2	–
Loans	43	1	145	6
Equities	8	–	17	1
Total market value of the assets of the funded schemes	**2,564**	**100**	2,338	100

No assets have a quoted market price.

In recent years the Group has taken steps to de-risk The Bupa Pension Scheme's investment strategy. The scheme's return-seeking assets are primarily invested on a credit based strategy in a diverse portfolio of assets which includes bonds, fixed interest and other loans and derivatives. There is minimal remaining market risk from equities or property. The scheme's liabilities will fluctuate in line with interest rates and inflation. However, the investment strategy aims to hedge the majority of the interest and inflation risk in the scheme, as measured on the long-term funding basis agreed with the trustees. This hedging is achieved via a liability-driven investment strategy utilising a combination of gilts and swaps. As the scheme's hedging assets will move in line with the scheme's liabilities, the interest and inflation risk are substantially reduced.

Given the scheme's asset holdings, the key remaining risk in The Bupa Pension Scheme's investment strategy is credit risk. This is managed via limits on credit quality of counterparties, collateral arrangements in the case of derivatives and repurchase agreements and regular monitoring of investment managers. The specific risks associated with the derivatives used in the hedging programme are managed via limits on leverage as well as stress testing of collateral arrangements.

7.2 Actuarial assumptions

The responsibility for setting the assumptions underlying the IAS 19 valuations rests with Bupa's Directors, having first taken advice from the Group's independent actuary.

The key weighted average financial assumptions used when valuing the obligations of the post-employment benefit schemes under IAS 19 for the schemes within the Group are as follows:

	Funded schemes		Unfunded schemes	
	2020 %	2019 %	2020 %	2019 %
Inflation rate	3.0	2.8	3.0	2.8
Rate of increase in salaries	3.4	3.3	3.4	3.3
Rate of increase to pensions in payment	2.9	2.7	2.9	2.7
Rate of increase to pensions in deferment	2.4	2.0	2.4	2.0
Discount rate for scheme assets and obligations	1.4	2.1	1.4	2.1
Medical cost trend	–	–	4.4	4.4

(a) Actuarial assumptions underlying the valuation of obligations

The inflation assumption is set by reference to the difference between the yield on long-term fixed interest gilts and the real yield on index-linked gilts, with a deduction of 0.2% to reflect an inflation risk premium.

The rate of increase in salaries is equal to the long-term expected annual average salary pay increase for the employees who are members of the respective schemes. This assumption is set relative to the inflation rate assumption.

The rate of increase of pensions in payment is the same as the inflation rate, with the exception of benefits which receive fixed increases in payment as defined under the respective scheme rules.

The discount rate used to value scheme liabilities is the yield at the balance sheet date on high-quality corporate bonds of appropriate term.

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivity analysis provided below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and experience variations for some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the Consolidated Statement of Financial Position.

Assumption	Change in assumption	Indicative impact on Scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase £97m
Rate of inflation	Increase/decrease by 0.25%	Increase/decrease £74m
Rate of increase in salaries	Increase/decrease by 0.25%	Increase/decrease £7m
Rate of mortality	Increase by one year	Increase £71m

(b) Mortality assumptions

The trustees of The Bupa Pension Scheme undertook a scheme-specific mortality investigation as part of the ongoing 1 July 2020 triennial valuation. The trustees shared the conclusion drawn from this analysis with the Directors of the Company, who have adopted assumptions in line with this analysis for the purposes of IAS 19 valuation as at 31 December 2020. The results of the latest triennial valuation are yet to be finalised.

The mortality tables adopted at 31 December 2020 are the S3PA year of birth mortality tables using the CMI 2019 projection model, with a long-term rate of improvement of 1.5% p.a. adjusted by 95% (male non-pensioners); 94% (female non-pensioners); 90% (male pensioners) and 92% (female pensioners). The average life expectancies at age 60 based on these tables for a male currently aged 60 is 27.9 years and for a female currently aged 60 is 29.6 years. The average life expectancies at age 60 based on these tables for a male currently aged 45 is 28.7 years and for a female currently aged 45 is 30.8 years.

(c) Assumptions over duration of liabilities

The weighted average duration of the defined benefit obligation is approximately 20 years.

Note 8: Restricted assets

Restricted assets in brief

Restricted assets are amounts held in respect of specific obligations and potential liabilities and may be used only to discharge those obligations and potential liabilities if and when they crystallise.

	2020 £m	2019 £m
Non-current restricted assets	48	44
Current restricted assets	101	73
Total restricted assets	**149**	117

The non-current restricted assets balance of £48m (2019: £44m) consists of cash deposits held to secure a charge over the non-registered pension arrangement (see note 7). Included in current restricted assets is £101m (2019: £72m) in respect of claims funds held on behalf of corporate customers.

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Note 9: Financial investments

Financial investments in brief

The Group generates cash from its underwriting, trading and financing activities and invests the surplus cash in financial investments. These include government bonds, corporate bonds, pooled investment funds and deposits with credit institutions.

All financial investments are initially recognised at fair value, which includes transaction costs for financial investments not classified at fair value through profit or loss. Financial investments are recorded using trade date accounting at initial recognition.

Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Group has transferred substantially all risks and rewards of ownership.

The Group has classified its financial investments into the following categories: at fair value through profit or loss, at fair value through other comprehensive income ('FVOCI') and at amortised cost.

Classification	Criteria and treatment under IFRS 9
Fair value through profit or loss	Debt and Equity instruments where performance is managed and evaluated on a fair value basis and the objective is to realise cash flows through the sale of the assets. The investments are carried at fair value, with gains and losses arising from changes in this value recognised in the Consolidated Income Statement in the period in which they arise.
Fair value through other comprehensive income	Non-derivative debt instruments where the contractual characteristics of the financial assets represent solely payments of principal and interest and the objective is to hold the instrument to collect cash flows and sell, with a greater frequency and value of sales than instruments at amortised cost. The investments are carried at fair value and fair value changes are recognised through the Consolidated Statement of Comprehensive Income, except for interest and foreign exchange gains or losses and impairment gains and losses that are derived using the same methodology that is applied to financial assets measured at amortised cost, which go through the Consolidated Income Statement. The cumulative gain or loss that was recognised in other comprehensive income is recognised in the Consolidated Income Statement when a financial asset at fair value through other comprehensive income is derecognised.
Amortised cost	Non-derivative debt instruments where the contractual characteristics of the financial assets represent solely payments of principal and interest and the objective is to hold the instrument to collect cash flows over its life. Any disposals are expected to be infrequent or insignificant. The investments are measured at amortised cost using the effective interest method, less any impairment losses. Any discount or premium on purchase is amortised over the life of the investment through the Consolidated Income Statement.

Under IFRS 9, impairment provisions for expected credit losses ('ECL') are recognised for financial investments measured at amortised cost and FVOCI. An allowance for either a 12-month or lifetime ECL is required, depending on whether there has been a significant increase in credit risk since initial recognition. However, an assumption can be made that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. it is investment grade). The Group applies a 12-month ECL allowance, as all relevant financial investments are either investment grade or short term.

The measurement of ECL should reflect a probability-weighted outcome, the time value of money and the best available forward-looking information. An option pricing probability model is used as the basis for assessing ECL. An analysis of ECL provisions is provided in note 25.3.

Financial investments are analysed as follows:

	Carrying value 2020 £m	**Fair value 2020 £m**	Carrying value 2019 £m	Fair value 2019 £m
Fair value through profit or loss				
Corporate debt securities and secured loans	**342**	**342**	335	335
Government debt securities	**47**	**47**	52	52
Pooled investment funds	**301**	**301**	220	220
Deposits with credit institutions	**1**	**1**	1	1
Other loans	**8**	**8**	5	5
Equities	**12**	**12**	13	13
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**85**	**85**	31	31
Government debt securities	**38**	**38**	52	52
Amortised cost				
Corporate debt securities and secured loans	**616**	**622**	627	631
Government debt securities	**103**	**106**	129	130
Deposits with credit institutions	**1,311**	**1,318**	865	867
Other loans	**1**	**1**	1	1
Total financial investments	**2,865**	**2,881**	2,331	2,338
Non-current	**945**	**951**	767	770
Current	**1,920**	**1,930**	1,564	1,568

Fair value of financial investments

Fair value is a market-based measurement for assets for observable market transactions where market information might be available. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the asset would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset).

The fair values of quoted investments in active markets are based on current bid prices. The fair values of unlisted securities and quoted investments for which there is no active market are established by using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other investments that are substantially the same and discounted cash flow analysis.

The fair values of financial investments are determined using different valuation inputs categorised into a three-level hierarchy. The different levels have been defined by reference to the lowest level input that is significant to the fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An analysis of financial investments by hierarchy level is as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2020				
Fair value through profit or loss				
Corporate debt securities and secured loans	**36**	**306**	**–**	**342**
Government debt securities	**47**	**–**	**–**	**47**
Pooled investment funds	**135**	**158**	**8**	**301**
Deposits with credit institutions	**1**	**–**	**–**	**1**
Other loans	**–**	**–**	**8**	**8**
Equities	**–**	**–**	**12**	**12**
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**85**	**–**	**–**	**85**
Government debt securities	**38**	**–**	**–**	**38**
Amortised cost				
Corporate debt securities and secured loans	**621**	**1**	**–**	**622**
Government debt securities	**105**	**1**	**–**	**106**
Deposits with credit institutions	**–**	**1,318**	**–**	**1,318**
Other loans	**–**	**1**	**–**	**1**
Total financial investments	**1,068**	**1,785**	**28**	**2,881**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2019				
Fair value through profit or loss				
Corporate debt securities and secured loans	18	317	–	335
Government debt securities	52	–	–	52
Pooled investment funds	48	168	4	220
Deposits with credit institutions	1	–	–	1
Other loans	–	–	5	5
Equities	–	–	13	13
Fair value through other comprehensive income				
Corporate debt securities and secured loans	31	–	–	31
Government debt securities	52	–	–	52
Amortised cost				
Corporate debt securities and secured loans	629	2	–	631
Government debt securities	129	1	–	130
Deposits with credit institutions	–	867	–	867
Other loans	–	1	–	1
Total financial investments	960	1,356	22	2,338

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The Group currently holds Level 3 investments totalling £28m. The majority of investments are unlisted equities and convertible notes valued at the recent subscription value and conversion price, which are deemed to be unobservable inputs. Reasonably possible changes to the valuation assumptions applied could result in a change in fair value of plus or minus £1m.

The table below shows movement in the Level 3 assets measured at fair value.

Level 3	2020 £m	2019 £m
Opening balance	22	32
Additions	6	17
Net decrease in fair value	–	(17)
Disposals	–	(9)
Foreign exchange	–	(1)
At end of year[1]	**28**	22

1. All gains and losses are recognised in the Consolidated Income Statement in net financial expense.

The Group uses a market interest curve as at the balance sheet date to discount financial assets, borrowings and derivatives, where the fair value cannot otherwise be found from quoted market values. The range of interest rates used is as follows:

	2020 %	2019 %
Sterling assets and liabilities	0.0–0.6	0.8–1.1
Australian dollar assets and liabilities	0.0–0.2	0.9–1.0
Euro assets and liabilities	(0.7)–(0.1)	(0.6)–(0.5)
US dollar assets and liabilities	0.1–1.7	1.6–2.4

Note 10: Derivatives

Derivatives in brief

A derivative is a financial instrument whose value is based on one or more underlying variables. The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk. Derivatives are not held for speculative reasons.

Derivatives that have been purchased or issued as part of a hedge that subsequently do not qualify for hedge accounting are accounted for at fair value through profit or loss. See note 25 for details on how the Group accounts for derivatives that qualify for hedge accounting.

Derivative financial instruments are initially recognised and subsequently measured at fair value.

Fair values are obtained from market observable pricing information including interest rate yield curves. The value of foreign exchange forward contracts is established using listed market prices.

Fair values have been calculated for each type of derivative as follows:

- The fair value of currency forward contracts, swaps and options is determined using forward exchange rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value.
- The fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves.

Valuation inputs are classified as Level 2 in the fair value hierarchy.

	2020 £m	2019 £m
Derivative assets		
Non-current	8	5
Current	53	54
Total derivative assets	**61**	59
Derivative liabilities		
Non-current	(18)	–
Current	(59)	(34)
Total derivative liabilities	**(77)**	(34)

Note 11: Deferred taxation assets and liabilities

Deferred taxation assets and liabilities in brief

Deferred taxation is an amount which recognises the differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. An example is the variance between the carrying value of equipment due to depreciation being charged for financial reporting purposes and written down allowances being applied for the relevant tax authorities.

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: goodwill not deductible for taxation purposes and the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The amount of deferred taxation recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred taxation assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group can settle its current taxation assets and liabilities on a net basis.

Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £m	2019 £m	**2020 £m**	2019 restated[1] £m	**2020 £m**	2019 restated[1] £m
Accelerated capital allowances	**31**	27	**(36)**	(45)	**(5)**	(18)
Post-employment benefit liability	**3**	1	**(180)**	(101)	**(177)**	(100)
Revaluation of properties to fair value	**2**	3	**(91)**	(89)	**(89)**	(86)
Employee benefits (other than post-employment)	**52**	28	**–**	–	**52**	28
Provisions	**117**	53	**–**	–	**117**	53
Taxation value of losses carried forward	**41**	38	**–**	–	**41**	38
Goodwill and intangible assets	**7**	6	**(203)**	(200)	**(196)**	(194)
Other	**–**	9	**(44)**	(56)	**(44)**	(47)
Deferred taxation (before allowable netting)	**253**	165	**(554)**	(491)	**(301)**	(326)
Allowable netting of deferred taxation	**(204)**	(121)	**204**	121	**–**	–
Deferred taxation – net	**49**	44	**(350)**	(370)	**(301)**	(326)

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Unrecognised deferred taxation assets

As at 31 December 2020, the Group had deductible temporary differences relating to trading losses of £100m (2019: £88m) and capital losses of £59m (2019: £71m) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

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Movement in net deferred taxation (liabilities)/assets

	At beginning of year £m	Adoption of IFRS 16 £m	Recognised in Consolidated Income Statement £m	Recognised in other comprehensive income £m	Acquisitions through business combinations £m	Transfer (from)/to assets held for sale £m	Foreign exchange £m	At end of year £m
2020								
Accelerated capital allowances	**(18)**	**–**	**9**	**6**	**–**	**–**	**(2)**	**(5)**
Post-employment benefit liability[1]	**(100)**	**–**	**(84)**	**7**	**–**	**–**	**–**	**(177)**
Revaluation of properties to fair value	**(86)**	**–**	**5**	**(2)**	**–**	**–**	**(6)**	**(89)**
Employee benefits (other than post-employment)	**28**	**–**	**20**	**–**	**–**	**–**	**4**	**52**
Provisions	**53**	**–**	**50**	**–**	**–**	**–**	**14**	**117**
Taxation value of losses carried forward	**38**	**–**	**5**	**–**	**–**	**–**	**(2)**	**41**
Goodwill and intangible assets	**(194)**	**–**	**6**	**–**	**–**	**–**	**(8)**	**(196)**
Other	**(47)**	**–**	**8**	**2**	**–**	**(2)**	**(5)**	**(44)**
Total	**(326)**	**–**	**19**	**13**	**–**	**(2)**	**(5)**	**(301)**
2019								
Accelerated capital allowances	(44)	13	15	–	(1)	–	(1)	(18)
Post-employment benefit liability	(91)	–	(4)	(4)	–	–	(1)	(100)
Revaluation of properties to fair value	(94)	–	4	(3)	–	–	7	(86)
Employee benefits (other than post-employment)	31	–	–	(1)	(2)	–	–	28
Provisions	49	–	14	–	(5)	–	(5)	53
Taxation value of losses carried forward	47	–	(8)	–	1	–	(2)	38
Goodwill and intangible assets (restated)[2]	(207)	–	10	–	(8)	–	11	(194)
Other	(23)	–	(28)	–	1	2	1	(47)
Total	(332)	13	3	(8)	(14)	2	10	(326)

1. Includes impact of the change in basis of recognition of the UK pension surplus following the closure of the scheme to future accrual (see note 7).
2. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Note 12: Assets arising from insurance business

Assets arising from insurance business in brief

Financial assets arising from insurance business, excluding reinsurers' share of insurance provisions, are held at amortised cost. The valuation of reinsurances' share of insurance provisions is discussed in note 19.

	Note	2020 £m	2019 £m
Insurance debtors	(a)	**1,087**	1,143
Ceded insurance provisions	(b)	**24**	24
Deferred acquisition costs	(c)	**138**	160
Medicare rebate	(d)	**76**	73
Risk Equalisation Special Account Recoveries		**20**	16
Total assets arising from insurance business		**1,345**	1,416
Non-current		**11**	27
Current		**1,334**	1,389

The above balance is held net of provision for impairment losses. Information regarding the ageing of insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries is shown in note 25.3.

(a) Insurance debtors

In certain jurisdictions, such as the UK and Spain, where the amount payable under an insurance contract is payable in instalments over the term, a debtor and corresponding unearned premium provision is established at inception for the total premiums receivable over the whole period of cover.

(b) Reinsurers' share of insurance provisions

The recoverables due from reinsurers are shown within assets arising from insurance business and are assessed for impairment at each balance sheet date. Reinsurers' share of insurance provisions are further analysed in note 19.

(c) Deferred acquisition costs

Acquisition costs represent commissions payable and other expenses related to the acquisition of insurance contract revenues written during the financial year. Acquisition costs that have been paid that relate to subsequent periods are deferred and recognised in the Consolidated Income Statement in the relevant period on a straight-line basis.

The movement in deferred acquisition costs is as follows:

	2020 £m	2019 £m
At beginning of the year	**160**	139
Acquisition costs deferred	**380**	374
Acquisition costs released to Consolidated Income Statement	**(403)**	(348)
Foreign exchange	**1**	(5)
At end of year	**138**	160

Acquisition costs released to the Consolidated Income Statement include £21m (2019: £nil) of deferred acquisition costs written off due to deficiencies being identified in technical provisions as a result of liability adequacy testing. Further details on liability adequacy testing are included within note 19.

(d) Medicare rebate

In Australia, the government provides an income tested rebate to help people meet the cost of private health insurance. Where customers have elected to receive the rebate as a premium reduction through the private health insurer, the amounts are recovered from the government. Rebates due from the government but not received at the balance sheet date are recognised in assets arising from insurance business.

Note 13: Inventories

Inventories in brief

Inventories comprise drugs, prostheses, consumables and housing stock utilised in the course of our care, health and dental operations.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method, or methods that approximate this and includes costs incurred in acquiring the inventories and in bringing them to their current location and condition.

Inventories relating to drugs, prostheses, consumables and housing stock were £126m (2019: £98m). Inventory write-downs of £1m were made during the year (2019: £nil). The Group consumed £240m (2019: £178m) of inventories, which are recognised within other operating expenses in the Consolidated Income Statement.

Note 14: Trade and other receivables

Trade and other receivables in brief

Trade and other receivables arise in the ordinary course of business.

	Note	2020 £m	2019 £m
Trade receivables	(a)	**263**	279
Other receivables	(a)	**129**	141
Service concession receivables	(b)	**38**	–
Prepayments		**101**	93
Contract costs	(c)	**6**	7
Accrued income		**72**	62
Investment receivables and accrued investment income		**4**	7
Total trade and other receivables		**613**	589
Non-current		**25**	33
Current		**588**	556

Trade and other receivables are carried at amortised cost net of provisions for ECLs. Trade receivables relate to consideration due from customer contracts. Other receivables relate to consideration due from contracts that are outside of the scope of IFRS 15 e.g. rental receivables. Information regarding the ageing of trade and other receivables is shown in note 25.3. All trade receivables and service concession receivables are classified as receivables under IFRS 15, as a receivable is an entity's right to consideration that is unconditional i.e. only the passage of time is required before payment is due.

The carrying value of trade and other receivables is a reasonable approximation of fair value.

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(a) Impairment of financial assets

Financial assets comprise trade and other receivables and financial investments. Refer to note 9 for financial investments.

All receivables are measured net of lifetime ECL. Where appropriate, a provision matrix is used to estimate ECL.

Under a provision matrix, receivables are grouped into customer segments and further divided into categories by age. Historical credit loss experience and any relevant forward-looking information is then used to establish the ECL provision for each category. An analysis of ECL provisions for trade and other receivables is disclosed in note 25.3. All impairment losses are recognised in the Consolidated Income Statement within net impairment loss on financial assets. Impairment losses on trade receivables under IFRS 9 of £9m have been recognised in the period (2019: £8m).

(b) Service concession receivables

Service concession receivables of £38m have been recognised following the reclassification of a provision business in Europe and Latin America from held for sale in the current year.

The Group has recognised service concession receivables in respect of the public private partnership arrangements. A financial asset is recognised to the extent that Bupa has an unconditional contractual right to receive cash at the direction of the grantor for both the construction and operational services and the grantor has little, if any, discretion to avoid payment. This financial asset is carried at amortised cost (with an effective interest rate) less ECL provisions.

In respect of operational services provided, revenue is recognised based on the average operating margin for the life of the contract. The operating margin is based on historic performance plus projections and this margin is reassessed based on changes in expected performance, with an adjustment made to the current year results to bring the contract performance to date in line with the revised margin. As revenue is based on an expected margin, with some potential variability, revenue is only ever recognised to the extent that it is highly probable a significant reversal will not occur when the uncertainty is resolved.

(c) Contract costs

Contract costs comprise set-up costs incurred to fulfil contracts with customers. These are amortised on a straight-line basis over the contract period.

Note 15: Cash and cash equivalents

Cash and cash equivalents in brief

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments (including money market funds) with original maturities of three months or less which are subject to an insignificant risk of change in value.

	2020 £m	2019 £m
Cash at bank and in hand	**1,279**	807
Short-term deposits	**427**	427
Total cash and cash equivalents	**1,706**	1,234

Bank overdrafts of £1m (2019: £1m) that are repayable on demand are reported within other interest-bearing liabilities on the Consolidated Statement of Financial Position, although are considered as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Note 16: Assets and liabilities held for sale

Assets and liabilities held for sale in brief

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use and a sale within twelve months is considered to be highly probable.

Classification as held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Subsequent to initial classification as held for sale, any impairment losses and gains or losses on remeasurement are recognised in profit or loss.

On classification as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Assets and liabilities classified as held for sale

	2020 £m	2019 £m
Assets held for sale		
Property, plant and equipment	**8**	7
Financial investments	**–**	6
Deferred taxation assets	**–**	1
Inventories	**–**	4
Trade and other receivables	**–**	42
Cash and cash equivalents	**–**	218
Total assets classified as held for sale	**8**	278
Liabilities associated with assets held for sale		
Other interest-bearing liabilities	**–**	(18)
Lease liabilities	**(1)**	(2)
Deferred taxation liabilities	**–**	(3)
Trade and other payables	**–**	(170)
Total liabilities classified as held for sale	**(1)**	(193)
Net assets classified as held for sale	**7**	85

Net assets held for sale as at 31 December 2020 comprise the rehabilitation business within Bupa Villages and Aged Care – New Zealand as well as an office building in Brazil. Net assets held for sale in 2019 comprised a provision business within the Europe and Latin America segment (reclassified out of held for sale in the current year following the cancellation of a planned disposal) and a retirement village in Bupa Villages and Aged Care – New Zealand.

Note 17: Borrowings

Borrowings in brief

The Group has various sources of funding including subordinated bonds, senior unsecured bonds and loans.

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are held at amortised cost, with any difference between the initial recognition value and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

The Group uses interest rate swaps to manage its interest rate risk on certain borrowings. These meet the criteria for hedge accounting as the derivative acts as a hedge against future fair value movements in the debt. Both the hedged risk and the associated derivative are recognised at fair value, with the carrying value of borrowings being adjusted for the gain or loss on the effective element of the hedged risk. Changes in the fair value of these derivatives are recognised in financial expenses and will offset to the extent the hedging relationship is effective.

	Note	2020 £m	2019 £m
Subordinated liabilities			
Callable subordinated perpetual guaranteed bonds		**–**	336
Fair value adjustment in respect of hedged interest rate risk		**–**	9
Callable subordinated perpetual guaranteed bonds	(a)	**–**	345
Subordinated unguaranteed bonds	(b)	**1,247**	900
Total subordinated liabilities		**1,247**	1,245
Other interest-bearing liabilities			
Senior unsecured bonds	(c)	**997**	695
Fair value adjustment in respect of hedged interest rate risk		**12**	3
Bank loans and overdrafts	(d)	**182**	407
Total other interest-bearing liabilities		**1,191**	1,105
Total borrowings		**2,438**	2,350
Non-current		**2,000**	1,679
Current		**438**	671

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		Subordinated liabilities		Other interest bearing liabilities		Total	
	Note	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
At beginning of year		**1,245**	1,255	**1,105**	1,055	**2,350**	2,310
Adoption of IFRS 16 Leases	1.5(d)	**–**	–	**–**	(4)	**–**	(4)
Business combinations		**–**	–	**1**	2	**1**	2
Net proceeds		**20**	–	**50**	83	**70**	83
Interest payments		**(72)**	(65)	**(28)**	(22)	**(100)**	(87)
Accrued interest and amortisation		**63**	67	**28**	23	**91**	90
Fair value adjustment in respect of hedged risk		**(9)**	(12)	**9**	7	**–**	(5)
Transfer from/(to) liabilities associated with assets held for sale		**–**	–	**18**	(18)	**18**	(18)
Foreign exchange		**–**	–	**8**	(21)	**8**	(21)
At end of year		**1,247**	1,245	**1,191**	1,105	**2,438**	2,350

(a) Callable subordinated perpetual guaranteed bonds

The callable subordinated perpetual guaranteed bonds were fully repaid on 16 September 2020. The total hedged fair value of the callable subordinated perpetual guaranteed bonds, net of accrued interest, was £345m as at 31 December 2019, with the valuation adjustment being the change in value arising from interest rate risk which was matched by the fair value of swap contracts in place to hedge that risk.

(b) Subordinated unguaranteed bonds

The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts was £1,247m (2019: £1,245m).

On 25 June 2020, Bupa Finance plc issued £350m of unguaranteed subordinated bonds which mature on 14 June 2035. Interest is payable on the bonds at 4.125%. In the event of the winding up of Bupa Finance plc the claims of the bondholders are subordinated to the claims of other creditors of that company.

On 8 December 2016, Bupa Finance plc issued £400m of unguaranteed subordinated bonds which mature on 8 December 2026. Interest is payable on the bonds at 5.0% per annum. In the event of winding up of Bupa Finance plc the claims of the bondholders are subordinated to the claims of other creditors of that company.

On 25 April 2013, Bupa Finance plc issued £500m of unguaranteed subordinated bonds which mature on 25 April 2023. Interest is payable on the bonds at 5.0% per annum. In the event of the winding up of Bupa Finance plc the claims of the bondholders are subordinated to the claims of other creditors of that company.

(c) Senior unsecured bonds

On 25 June 2020, Bupa Finance plc issued £300m of senior unsecured bonds which mature on 14 June 2027. Interest is payable on the bonds at 1.750%. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £300m (2019: £nil). The valuation adjustment is the change in value arising from interest rate risk which is matched by the fair value of swap contracts in place to hedge this risk.

On 5 April 2017, Bupa Finance plc issued £300m of senior unsecured bonds, guaranteed by the Company, which mature on 5 April 2024. Interest is payable on the bonds at 2.0% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £310m (2019: £302m). The valuation adjustment is the change in value arising from interest rate risk which is matched by the fair value of swap contracts in place to hedge this risk.

On 17 June 2014, Bupa Finance plc issued £350m of senior unsecured bonds, guaranteed by the Company, which mature on 17 June 2021. Interest is payable on the bonds at 3.375% per annum.

On 30 June 2012, Cruz Blanca Salud S.A., now Bupa Chile, issued UF1.6m (£49m) (Unidad de Fomento – an inflation-linked currency commonly used in Chile) of inflation-linked senior unsecured bonds which mature on 30 June 2033.

(d) Bank loans and bank overdrafts

Bank loans are £182m (2019: £407m), which includes a portfolio of loans held in Bupa Chile totalling £128m (2019: £137m) and a tri syndicated loan held in Especializada y Primaria L'Horta-Manises S.A.U. (part of Sanitas Hospitales and New Services) of £14m (2019: £nil).

The Group maintains an £800m revolving credit facility which matures in August 2022. The facility was undrawn as at 31 December 2020 (2019: £230m). Drawings under the £800m facility are guaranteed by the Company. The overdraft facilities are subject to cross guarantees within the Group. The bank loans and overdrafts bear interest at commercial rates linked to LIBOR, or EURIBOR, or at a commercial fixed rate.

A £40m bilateral loan facility was fully drawn down at the end of the year (2019: £40m).

Fair value of financial liabilities

The fair value of a financial liability is defined as the amount for which a financial liability could be exchanged in an arm's-length transaction between informed and willing parties. Fair values disclosed in the table below have been calculated as follows:

- Subordinated liabilities – quoted price
- Senior unsecured bonds – quoted price
- Secured loans – quoted price.

The fair values of quoted liabilities in active markets are based on current offer prices. The fair values of financial liabilities for which there is no active market are established using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Financial liabilities are categorised into a three-level hierarchy. A description of the different levels is detailed in note 9 along with the market interest rates used to discount financial liabilities, where the fair value cannot otherwise be found from quoted market values.

An analysis of borrowings by fair value classification is as follows:

	2020			2019		
	Level 1 £m	**Level 2 £m**	**Total £m**	Level 1 £m	Level 2 £m	Total £m
Subordinated liabilities	**1,424**	**–**	**1,424**	1,279	–	1,279
Senior unsecured bonds	**983**	**49**	**1,032**	661	46	707
Bank loans and overdrafts	**–**	**182**	**182**	–	407	407
Total	**2,407**	**231**	**2,638**	1,940	453	2,393

The Group does not have any Level 3 financial liabilities.

Note 18: Leases

Leases in brief

Leases are contracts that convey the right to use an asset for a period of time in exchange for consideration. The majority of the Group's leases relate to properties.

The Group's leases primarily relate to hospitals, care homes, clinics and office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Property leases will often include extension and termination options, open market rent reviews, indexation uplifts or fixed uplifts.

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 individual lessee company's incremental borrowing rate taking into account the duration of the lease. The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or re-assessment of an extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right-of-use asset, excluding restorations costs, is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Restoration costs included in the right-of-use asset are amortised over the same term as the corresponding provision, which may be longer than the IFRS 16 contractual lease term where occupancy of the property is expected to be longer than the existing contract. The movement of the right-of-use asset is disclosed in note 4.

The Group has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (£4,000). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

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Lease liabilities

	Note	2020 £m	2019 £m
At beginning of the year		**1,068**	–
Adoption of IFRS 16	1.5(d)	**–**	1,101
Additions arising on business combinations		**2**	–
Additions		**47**	126
Remeasurement		**5**	(3)
Interest on lease liabilities		**54**	57
Repayments		**(180)**	(171)
Transfer to liabilities associated with assets held for sale		**(1)**	(2)
Foreign exchange		**21**	(40)
At end of year		**1,016**	1,068
Non-current		**891**	951
Current		**125**	117

See note 25.4 for maturity analysis of lease liabilities.

Expenses

The Consolidated Income Statement includes expenses relating to short-term leases of £nil (2019: £1m) and expenses relating to leases of low value assets of £1m (2019: £1m). Depreciation of right-of-use assets are reported in note 4. Interest on lease liabilities are reported as financial expenses (see note 2.5).

Extension options

Some property leases in the Group contain extension options exercisable by the lessee before the end of the non-cancellable contract period. The period covered by extension options is only included in the lease term if the lessee is reasonably certain to exercise the option. At lease commencement an assessment is performed of whether it is reasonably certain to exercise the extension options, taking into account factors like future timing of options, economic incentives for the lessee to exercise the option or lessee's past practice. The Group reassesses whether it is reasonably certain to exercise the extension option if there is a significant event or change in circumstances within its control.

As at 31 December 2020, potential discounted future cash outflows of £368m (2019: £280m) have not been included in the lease liability because it is not reasonably certain that the option to extend will be taken.

Termination options

A number of lease contracts in the Group contain termination options. The period covered by termination options are only included in the lease term if the lessee is reasonably certain not to exercise the option.

As at 31 December 2020, potential discounted future cash outflows of £51m (2019: £34m) have not been included in the lease liability because it is not reasonably certain that the option to terminate will not be taken.

Future lease commitments

The Group is committed to leases that have not yet commenced to the value of £26m at 31 December 2020 (2019: £33m).

Variable lease payments

Some leases, predominantly of care home properties in Spain, contain variable lease payments that are based on earnings. The future potential cash flows arising from variable lease payments not included in the lease liability is estimated at £13m (2019: £9m).

Note 19: Provisions arising from insurance contracts and other liabilities arising from insurance business

Provisions arising from insurance contracts and other liabilities arising from insurance business in brief

The provisions arising from insurance contracts and other liabilities arising from insurance business arise from the Group's underwriting activities. The provisions mainly relate to unearned premiums, which are deferred revenues that relate to future periods; and claims, where an estimate is made of the expense required to settle existing obligations to insurance customers. The other liabilities primarily consist of obligations to repay deposits and commissions payable.

19.1 Provisions arising from insurance contracts

Unearned premiums

The unearned premium provision represents premiums written that relate to periods of risk in future accounting periods. It is calculated on a straight-line basis, which is not materially different from a calculation based on the pattern of incidence of risk.

In circumstances where a return of premiums is due to policyholders, a provision for the return of premium is established within the provision for unearned premiums. The return of premium provision is treated as an adjustment to the initial premium, reducing gross premium income. At 31 December 2020, a return of premium provision of £145m (2019: £nil) has been established due to Bupa Insurance Limited making a commitment to pass back any exceptional financial benefits experienced by the UK PMI business that ultimately arise as a result of COVID-19 to customers.

The return of premium is calculated by estimating the net reduction in claims costs due to the disruption caused by COVID-19, and subtracting incremental costs and profit impacts attributable to COVID-19 and the estimated costs of deferred claims expected to rebound after the reporting date. The key assumption in determining the return of premium provision is the value of deferred claims expected to rebound (currently £57m), with this being sensitive to additional capacity available in independent healthcare services and patient utilisation. An increase in the claims rebound assumption by £30m would reduce the provision by £30m, increasing profit before tax by £26m, whilst a decrease in that assumption by £30m would have the opposite impact. The change could be as a result of a higher or lower average cost and, or, a larger or smaller number of deferred claims rebounding through 2021. For example, an increase in the value of claims expected to rebound to £87m could be caused by up to c.10% incremental healthcare services capacity being utilised for longer, whilst a decrease to £27m could be caused by lower capacity utilisation of up to c.5% for a shorter period of time.

In either scenario the return of premium would be directly impacted by the change in the estimated deferred claims rebound. Claims are only provided for when a claims episode has occurred, so delays to medical treatments that result in a reduction in claims in 2020 that are expected to rebound after 2020, and therefore not included in the return of premium, increase profit in 2020 with the expectation that there will be an equivalent reduction in profit when the claims rebound.

Unexpired risk provision

Liability adequacy tests are performed for the Group's insurance entities. For short-duration contracts, a premium deficiency is recognised if the sum of expected costs of future claims including claims that may have been deferred as a result of COVID-19 disruption and claim adjustment expenses, capitalised deferred acquisition costs, and maintenance expenses exceeds the corresponding unearned premiums while considering anticipated investment income. Any identified deficiency is charged to the Consolidated Income Statement, initially by writing off deferred acquisition costs, and subsequently by establishing an unexpired risk provision for losses arising in excess of deferred acquisition costs.

At 31 December 2020, an unexpired risk provision of £5m has been recognised (2019: £nil).

Provision for claims

The gross provision for claims represents the estimated liability arising from claims episodes delivered in current and preceding financial years which have not yet given rise to claims paid. A claims episode is an insured medical service that the Group has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs. During 2020, the gross provision for claims has included deferred claims provisions for claims episodes that have not taken place by the reporting date where the Group has a constructive obligation to fund deferred medical services, due to regulatory or other public commitments following periods of severe service disruption, as has been the case with COVID-19. This constitutes a change in accounting estimate in response to the exceptional circumstances that have arisen during the pandemic.

The gross provision for claims is estimated based on current information, and the ultimate liability may vary as a result of subsequent information and events. The provision includes an allowance for claims management and handling expenses.

Adjustments to the amount of claims provision for prior years are included in the Consolidated Income Statement in the financial year in which the change is made. In setting the provisions for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence is added such that there is confidence that future claims will be met from the provisions. The level of prudence is set based on the historic accuracy of initial estimation to ultimate claims, in order to mitigate the degree of uncertainty attached to the underlying provision to an appropriate degree of confidence.

The expected claims are calculated having regard only to contracts commencing prior to the balance sheet date. The methods used and estimates made for claims provisions are reviewed regularly.

The Group is holding a provision for deferred claims of £171m as at 31 December 2020. The provision has been established solely in respect of the health insurance business in Australia, where the Australian prudential regulator ('APRA') has mandated the need to provide for the

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rebound of claims following the COVID-19 disruption, creating a constructive obligation for the Group to pay claims in relation to the disrupted business. The estimated cost of claims expected to rebound after the reporting date has been calculated as a proportion (the deferral factor) of the observed shortfall in incurred claims, compared with pre-COVID-19 expectations. This has been recognised on a best estimate basis, together with an allowance for claims handling costs and an additional risk margin. The deferred claims provision is expected to be fully utilised over the next 12 months.

The key assumption in determining the deferred claims is the assumed deferral factor. An increase in the deferral rate by 10% would reduce profit by £20m. A decrease in the assumption by the same amount would have the opposite impact.

Other insurance businesses in the Group have held deferred claims provisions during 2020 as a result of the Group's constructive obligations to provide services even if the service were to postdate a customer's contract period after periods of severe COVID-19 disruption. However, as at 31 December 2020 restrictions on access to private medical services have largely been removed, and as such no such obligation to provide services beyond contractual terms exists.

	2020			2019		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
General insurance business						
Provisions for unearned premiums	**2,094**	**(17)**	**2,077**	1,937	(15)	1,922
Provisions for claims	**1,083**	**(7)**	**1,076**	865	(9)	856
Long-term business						
Life insurance contract liabilities	**35**	**–**	**35**	34	–	34
Total insurance provisions	**3,212**	**(24)**	**3,188**	2,836	(24)	2,812
Non-current	**52**	**–**	**52**	57	–	57
Current	**3,160**	**(24)**	**3,136**	2,779	(24)	2,755

(i) Analysis of movements in provisions for unearned premiums

	2020			2019		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At beginning of year	**1,937**	**(15)**	**1,922**	1,845	(14)	1,831
Additions through business combinations	**–**	**–**	**–**	114	–	114
Premiums deferred	**8,909**	**(97)**	**8,812**	9,097	(78)	9,019
Establishment of return of premium provision[1]	**145**	**–**	**145**	–	–	–
Deferred premiums released to income	**(8,908)**	**95**	**(8,813)**	(9,077)	79	(8,998)
Increase in unexpired risk provision	**5**	**–**	**5**	–	–	–
Foreign exchange	**6**	**–**	**6**	(42)	(2)	(44)
At end of year	**2,094**	**(17)**	**2,077**	1,937	(15)	1,922

1. Of the £145m return of premium provision £127m was earned at 31 December 2020.

(ii) Analysis of movements in provisions for claims

	2020			2019		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At beginning of year	**865**	**(9)**	**856**	875	(8)	867
Additions through business combinations	**–**	**–**	**–**	35	(1)	34
Increase for current year claims	**6,639**	**(56)**	**6,583**	7,381	(54)	7,327
Cash paid to settle claims	**(6,576)**	**58**	**(6,518)**	(7,316)	56	(7,260)
Decrease for prior year claims	**(32)**	**(1)**	**(33)**	(62)	(2)	(64)
Establishment of deferred claims provision	**171**	**–**	**171**	–	–	–
Foreign exchange	**16**	**1**	**17**	(48)	–	(48)
At end of year	**1,083**	**(7)**	**1,076**	865	(9)	856

Assumptions for general insurance business

The process of recognising liabilities arising from general insurance entails the estimation of future payments to settle incurred claims and associated claims handling expenses, as well as assessing whether additional provisions for unexpired risk are required. The principal assumptions in the estimation of the liability relate to the expected frequency, severity and settlement patterns of insurance claims, which are expected to be consistent with recently observed experience and trends. The aim of claims reserving is to select assumptions and reserving methods that will produce the best estimate of the future cash outflows for the subject claims; it is an uncertain process which also requires judgements to be made. The resulting provisions for outstanding claims incorporate a margin for adverse deviation, over and above the best estimate liability, the quantum of which reflects the level of this uncertainty.

Claims development patterns are analysed in each of the Group's insurance entities. Where distinct sub-portfolios with different claims cost and development characteristics exist, further analysis is undertaken to derive assumptions for reserving that are appropriate and can be applied to relatively homogeneous groups of policies. Such sub-portfolios may be defined by product line, risk profile, geography or market sector. Various established reserving methods for general insurance are considered, typically basic chain ladder, Bornhuetter-Ferguson and pure risk cost methods. Additional consideration is given to the treatment of large claims, claim seasonality, claims inflation and currency effects, for which appropriate adjustments to assumptions and methods are made.

While there is some diversity in the development profile of health insurance claims across the Group, such claims are generally highly predictable in both frequency and average amount, and claims are settled quickly following the medical event for which benefit is claimed. Medical expense claims are, typically, substantially fully-settled within just a few months.

Insurance provisions are inevitably estimates. Actual experience of claims costs and/or administrative expenses may vary from that anticipated in the reserving estimates. Deferred claims provisions that have been recognised because the Group has a constructive obligation to reserve for deferred claims are calculated separately from the base outstanding claims provision.

The following table shows the impact on profit before tax of reasonably possible variations in assumptions in the carrying value of insurance contract liabilities at the end of the reporting period:

	Increase in claims	Increase in expenses
2020		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation[1]	£28m	£2m
2019		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation	£26m	£2m

1. The deferred claims provision of £171m has been excluded from this sensitivity.

These variances would reduce the amount of profit before tax that would otherwise emerge in subsequent periods.

The Group's long-term insurance business does not form a core part of its operations.

19.2 Other liabilities arising from insurance business

Other liabilities arising from insurance business consist of payables to insurance creditors other than policyholders.

	2020 £m	2019 £m
Reinsurers' deposits	**8**	6
Reinsurance creditors	**67**	77
Commissions payable	**31**	26
Other insurance payables	**56**	37
Total other liabilities arising from insurance business	**162**	146

Note 20: Provisions for liabilities and charges

Provisions for liabilities and charges in brief

A provision is recognised when the Group is expected to make future payments as a result of a past event.

These payments can result from a legal obligation or a constructive obligation, where an expectation has been set by the Group. A provision is made where an outflow of resources is probable and where the payments can be reliably estimated. If the effect is material, provisions are determined by discounting the estimated future payments at a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Although provisions are made where payments can be reliably estimated, the amounts provided are based on a number of assumptions which are inherently uncertain and therefore the amount that is ultimately paid could differ from the amount recorded.

	Long service and annual leave £m	Deferred and contingent consideration £m	Customer remediation and legal provisions £m	Insurance provisions £m	Property restoration provision £m	Regulatory provisions £m	Other £m	Total £m
At beginning of year	77	32	13	11	23	–	31	**187**
Interest on obligations	–	–	–	–	1	–	–	**1**
Charge for year	50	5	21	8	3	5	35	**127**
Released in year	–	(8)	(6)	–	(1)	–	(5)	**(20)**
Utilised in year – cash	(35)	(13)	(1)	(9)	–	(5)	(3)	**(66)**
Foreign exchange	3	–	–	–	–	–	–	**3**
Total provisions for liabilities and charges	**95**	**16**	**27**	**10**	**26**	**–**	**58**	**232**
Non-current	32	6	5	–	24	–	4	**71**
Current	63	10	22	10	2	–	54	**161**

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Long service and annual leave

The long service leave provision relates to territories where employees are legally entitled to substantial paid leave after completing a certain length of qualifying service. Uncertainty around both the amount and timing of future outflows arises as a result of variations in employee retention rates, which may vary based on historical experience. The annual leave provision relates to territories where the annual entitlement of leave is not required to be taken within a predetermined time nor does it expire. Therefore, uncertainty exists around the timing of future outflows as well as around the amount of future outflows due to wage inflation.

Provisions for contingent consideration

Contingent consideration is a financial liability largely related to earn-out payable on acquisitions of dental practices in the UK, Poland and Australia, as well as business combinations in Chile. This balance is reviewed at each reporting period and any fair value adjustments are recorded in the Consolidated Income Statement.

Customer remediation and legal provisions

Customer remediation provisions relate to the costs of compensating customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Legal provisions relate to potential and ongoing legal claims and represent the discounted fair value of total estimated liabilities. Due to the nature of these provisions, the timing and potential cost is uncertain.

Insurance provisions

The insurance provision is in respect of the Group's self insurance and covers the excess that arises on claims made in relation to losses arising from damage to property, business interruption and medical, employee or public liability. Any outflows relating to this provision are dependent on the frequency and value of claims submitted as well as the excess amount specified within individual policies with insurers. The fund is actuarially assessed twice a year to ensure that the provision is adequate.

Property restoration provisions

Property restoration provisions relate to the estimate of costs to be incurred by the Group in its capacity as a lessee, when dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Due to potential future renewals of leases, the timing and potential cost is uncertain.

Regulatory provisions

Regulatory provisions relate to levies payable to customer protection bodies by the Group's various regulated entities. Such levies are generally determined on a 'capped percentage of revenues' basis. Payments are normally made annually, although the frequency may be increased or decreased at the discretion of the customer protection bodies.

Other

Other provisions includes clawbacks on NHS contracts within Bupa Dental Care UK, provisions for ongoing costs relating to businesses disposed of in prior years and restructuring costs.

Note 21: Trade and other payables

Trade and other payables in brief

Trade and other payables arise in the ordinary course of business.

	Note	2020 £m	2019 £m
Accruals		**782**	528
Refundable accommodation deposits	(a)	**503**	555
Trade payables		**216**	184
Other payables		**249**	215
Occupational right agreement liabilities	(b)	**230**	194
Deferred income and deferred revenue	(c)	**109**	93
Social security and other taxes		**60**	49
Total trade and other payables		**2,149**	1,818
Non-current		**40**	39
Current		**2,109**	1,779

Trade and other payables (excluding deferred revenue) are carried at amortised cost.

The carrying value of the trade and other payables is a reasonable approximation of the fair value. Information regarding the maturity of trade payables, other payables, refundable accommodation deposits and accruals is shown in note 25.4.

(a) Refundable accommodation deposits

Refundable accommodation deposits are non-interest bearing deposits paid by some residents of care homes held in Bupa Aged Care Australia as payment for a place in the care home facility. These deposits are repayable at any time when the resident leaves the facility and are therefore not discounted. The deposits are recorded as the proceeds received, net of amounts deducted at the election of the resident.

(b) Occupational right agreement liabilities

Occupational right agreement liabilities represent the amount payable to a resident on termination of the resident's occupation rights to an independent living unit in a retirement village in New Zealand or Australia. The liability varies according to the agreement with the resident. Changes in the value of the liability are recorded as an expense in the Consolidated Income Statement. Residents have the right to cancel their residency agreement with the Group at any time. As such, the liability is not discounted (based on the expected date of settlement) but is recognised as a current liability in the Consolidated Statement of Financial Position. Occupational right agreement liabilities are held net of deferred management fees and amenities fees receivable.

(c) Deferred income and deferred revenue

The total balance of £109m (2019: £93m) includes £74m (2019: £64m) of deferred revenue under IFRS 15, related primarily to care home government funding received in advance. The liability is released and recognised as revenue as the services are provided and the performance obligations are satisfied.

Changes in the contract liabilities balances in respect of deferred revenue from care, health and other customer contracts during the period are as follows:

	2020 £m	2019 £m
At beginning of year	**64**	52
Revenue recognised in the period	**(144)**	(159)
Deferred revenue in the period	**151**	173
Foreign exchange	**3**	(2)
At end of year	**74**	64

Revenue recognised in the period includes £64m (2019: £52m) of revenue that was deferred at the beginning of the year. £65m (2019: £54m) of revenue deferred as at 31 December 2020 will be recognised during 2021 as the performance obligations are satisfied. £9m (2019: £10m) of revenue deferred as at 31 December 2020 will be recognised over the remaining contract period.

Note 22: Entities in which the Group holds less than 100% equity interest

Entities in which the Group holds less than 100% equity interest in brief

Additional information is provided for entities which are consolidated where the Group does not hold a 100% interest.

(i) Consolidation of entities in which the Group holds less than 50% equity interest

Eurocredit Investment Fund 1 plc

Eurocredit Investment Fund is a structured entity set up for the purpose of investing in primary and secondary secured loans. Bupa is the only investor in the issued debt of the entity and is exposed to the risks and rewards of the fund.

(ii) Non-controlling interests

The Group has no subsidiaries whose non-controlling interest is material on the basis of their share of equity or profit or loss.

Note 23: Business combinations and disposals

Business combinations and disposals in brief

A business combination refers to the acquisition of a controlling interest in a business, which is further defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing economic benefits to the owners. A disposal refers to the sale of a subsidiary.

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any non-controlling interests are recognised as a proportionate share of the acquiree's net identifiable assets.

The identification and valuation of intangible assets arising on business combinations is subject to a degree of estimation and judgement. We engage independent third parties to assist with the identification and valuation process. In valuing these intangible assets, market accepted methodologies have been applied. Customer relationships are valued using methodologies such as the Multi-period Excess Earnings Method (where the value of an intangible asset is equal to the present value of the after-tax cash flows attributable only to that intangible asset). Brands and trademarks are valued using methodologies such as the Relief from Royalty method (applying an estimated royalty rate to the projected sales relating to each asset over the economic life).

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired is recorded as goodwill.

Acquisition accounting must be completed within 12 months of the transaction date.

Costs related to the acquisition are expensed as incurred.

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(a) 2020 acquisitions

Minor acquisitions were made in the year ended 31 December 2020 in Australia and New Zealand, Europe and Latin America and Bupa Dental Care in Bupa Global and UK.

Acquisitions of a hospital, clinics and dental centres in LuxMed generated goodwill of £4m in the year, with the acquisition of a small IVF clinic in Spain generating a further £1m of goodwill. Continued expansion of dental clinics in Australia, Spain and the UK generated further goodwill of £8m.

Included in the Group Consolidated Statement of Comprehensive Income is revenue of £5m and a loss before taxation of £1m in relation to those businesses acquired in the year. If the acquisition date of the businesses acquired during the year had been 1 January 2020, revenue of £12,121m and a profit before taxation of £410m would have been recorded by the Group for the year ended 31 December 2020.

	Fair value £m
Property, plant and equipment	13
Other interest-bearing liabilities	(1)
Lease liabilities	(2)
Trade and other payables	(8)
Net assets acquired	**2**
Net assets acquired	2
Goodwill	13
Consideration	**15**
Consideration satisfied by:	
Cash	12
Deferred and contingent consideration	3
Total consideration paid	**15**
Purchase consideration settled in cash	12
Overdraft acquired on acquisition	1
Net cash outflow on acquisition	**13**
Settlement of deferred and contingent consideration	12
Net cash outflow associated with acquisitions	**25**

(b) 2020 disposals

During the year the Group disposed of three care home businesses in Australia for cash consideration of £23m, realising a net gain on disposal of £2m.

(c) 2019 acquisitions

On 17 January 2019, Bupa acquired 100% of the ordinary share capital of Turkish company, Acıbadem Sağlık ve Hayat Sigorta A.S., the holding company of Acıbadem Grubu Sigorta Aracılık Hizmetleri AŞ (together 'Acıbadem'), for cash consideration of £138m. Acquired intangible assets of £42m comprised key direct customer relationships and distribution channels (relationships with agents and brokers) of £34m, brand of £5m and software of £3m. The associated goodwill of £57m reflected expected future synergies from the integration of Acıbadem into the Bupa Group.

During 2019, Bupa Dental Care UK continued to expand through the acquisition of 23 further dental centres for a total consideration of £83m, of which £9m was deferred and contingent. Identified intangible assets included customer relationships of £45m and goodwill of £40m was recognised which represents the continued future growth expected to be achieved through the development of the Group's dental insurance business.

Further minor acquisitions across the Group included the acquisitions of hospitals, clinics and dental centres in Poland which generated further goodwill of £11m and the continued expansion in dental centres in Australia which generated goodwill of £10m.

Acquisition transaction costs expensed in the year ended 31 December 2019, within other operating expenses, total £4m.

Included in the Group Consolidated Statement of Comprehensive Income for 2019 is revenue of £604m and a profit before taxation of £55m in relation to those businesses acquired in the prior year. If the acquisition date of the businesses acquired during the year had been 1 January 2019, revenue of £12,385m and a loss before taxation of £66m would have been recorded by the Group for the year ended 31 December 2019.

	Fair value		
	Acıbadem £m	Other £m	Total £m
Intangible assets	42	46	88
Property, plant and equipment	1	14	15
Financial investments	91	–	91
Current taxation	1	–	1
Inventories	–	1	1
Trade and other receivables	84	4	88
Cash and cash equivalents	29	3	32
Other interest bearing liabilities	–	(2)	(2)
Provisions arising from insurance contracts	(149)	–	(149)
Provisions for liabilities and charges	(6)	(1)	(7)
Deferred taxation liabilities	(5)	(9)	(14)
Trade and other payables	(3)	(7)	(10)
Other liabilities arising from insurance business	(4)	–	(4)
Net assets acquired	**81**	**49**	**130**

Net assets acquired	81	49	130
Goodwill	57	61	118
Consideration	**138**	**110**	**248**
Consideration satisfied by:			
Cash	138	98	236
Deferred and contingent consideration	–	12	12
Total consideration paid	**138**	**110**	**248**

Purchase consideration settled in cash	138	98	236
Acquisition of non-controlling interest in subsidiary	–	2	2
Cash acquired on acquisition	(29)	(3)	(32)
Net cash outflow on acquisition	**109**	**97**	**206**
Settlement of deferred and contingent consideration	–	9	9
Net cash outflow associated with acquisitions	**109**	**106**	**215**

(d) 2019 disposals

There were no material disposals during the year ended 31 December 2019.

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for the year ended 31 December 2020 continued

Note 24: Capital management

Capital management in brief

Bupa is a company limited by guarantee, with no shareholders. It is funded through retained earnings and borrowings. The Group's capital management objective is to maintain sufficient capital to protect the interests of its customers, investors, regulators and trading partners while deploying capital efficiently and managing risk to enable Bupa to continue to deliver its purpose in a sustainable manner. All profits are reinvested to develop the Group's business for the benefit of current and future customers.

The Group is subject to the requirements of the Solvency II Directive and it must hold sufficient capital to cover its Group Solvency Capital Requirement ('SCR'), which takes account of the risks in the Group, including those related to non-insurance businesses.

The Group SCR is calculated in accordance with the Standard Formula specified in the Solvency II Directive. Bupa has obtained approval from the Prudential Regulation Authority ('PRA') to substitute the insurance premium risk parameter in the Standard Formula with a Group Specific Parameter ('GSP') which reflects Bupa's own loss experience. The 2020 claims experience has not been included in the GSP data set. It is the Group's judgement that the exceptional volatility experienced in 2020 claims as a result of COVID-19, is not representative of future premium risk.

The capital positions of the Group and its main regulated insurance entities are kept under constant review and these are reported quarterly to the Board.

The Group's capital resources are managed in line with the Group Capital Management Policy. While the Group is subject to the Solvency II requirements at a consolidated level, all regulated entities within the Group maintain sufficient capital resources to meet any minimum capital requirement required by respective local regulators. In addition, the Group and its regulated entities maintain a buffer over the regulatory minimum requirements in line with their capital risk appetites. During the year, the Group and its regulated entities complied with all externally imposed capital requirements to which they were subject. The ability of the Group's regulated entities to transfer funds to Group is subject to local solvency requirements.

The Group has target ranges for solvency, leverage and interest cover ratios with a view to maintaining a long-term senior credit rating for Bupa Finance plc of A- with Fitch and A3 with Moody's. The Bupa Group as a whole is not rated by any rating agency. Individual debt issues and certain subsidiaries within the Group have public ratings.

At least annually, the Group carries out an Economic Capital Assessment ('ECA') in which it makes its own quantification of how much capital is required to support its risks. The ECA is used to assess how well the Standard Formula SCR reflects the Group's actual risk profile.

The ECA forms part of the Own Risk and Solvency Assessment ('ORSA') which comprises all the activities by which the Group establishes the level of capital required to meet its solvency needs over the planning period given the Group's strategy and risk appetite. The conclusions from these activities are summarised in the ORSA report which is reviewed by the Risk Committee, approved by the Board and submitted to the PRA annually.

The Group's eligible Own Funds include the Group IFRS net assets (£7,180m) valued on a Solvency II basis, together with eligible subordinated liabilities, subject to adjustments for non-available assets and non-controlling interests.

At 31 December 2020, the Group's eligible Own Funds, determined in accordance with the Solvency II valuation rules, were £4.0bn[1] (2019: £3.9bn), which was in excess of the Group estimated SCR of £2.5bn[1] (2019: £2.4bn). This represented a solvency coverage ratio of 160%[1] (2019: 159%).

1. The Solvency II Capital Position (eligible Own Funds, SCR and coverage ratio) is estimated and unaudited.

Note 25: Risk management

Risk management in brief

The Bupa Risk Committee has responsibility to the Board for the oversight of risk. It recommends to the Board a risk appetite that reflects Bupa's purpose and expresses the degree of risk Bupa should accept in delivering on its strategy.

Bupa operates a 'three lines of defence' approach to the governance of risk management.

1. Business management and employees are responsible for the identification and assessment of risks and controls.
2. Risk, Compliance and Clinical Governance functions provide support and challenge the completeness and accuracy of risk assessments and the adequacy of mitigation plans.
3. Internal Audit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness of internal controls.

The operations of the risk management framework and current principal risks of the Group and how they are mitigated are described on pages 36 to 41.

The Group has adopted a risk management strategy that endeavours to mitigate these risks, which is approved by the Board. In managing these exposures, the Corporate Finance Executive Committee reviews and recommends changes to the management of insurance and investment risks.

The Group has exposure to a number of risks associated with its insurance business and from its use of financial instruments. These have been categorised into the following types of risk, and details of the nature, extent, and how the Group has managed these risks is described below.

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk

25.1 Insurance risk

Insurance risk only affects the insurance entities in the Group. It consists of underwriting risks which relate to the potential inadequacy of insurance premiums, as well as reserving risk which relates to the potential inadequacy of claims provisions.

(i) Underwriting risk

Underwriting risk refers to the potential deviation from the actuarial assumptions used for setting insurance premium rates which could lead to premium inadequacy. Underwriting risk is therefore concerned with both the setting of adequate premium rates (pricing risk) and the management of claims (claims risk) for insurance policies underwritten by the Group.

Pricing risk

Pricing risk relates to the setting of adequate premium rates taking into consideration the volume and characteristics of the insurance policies issued. External influences on pricing risk include (but are not limited to) competitors' pricing and product design initiatives, and regulatory environments. The level of influence from these external factors can vary significantly between regions and largely depend on the maturity of health insurance markets and the role of the regulator. Actuarial analysis performed on a regular basis combined with an understanding of local market dynamics and the ability to change insurance premium rates when necessary are effective risk mitigations.

In every general insurer in the Group, the dominant product or policy category is an annually renewable health insurance contract. This permits insurance premium rate revisions to respond quickly to changes in customer risk profiles, claims experience and market considerations.

The ability to review premium rates is a significant mitigant to pricing risk. The Group does not underwrite material general insurance business that commits it to cover risks at premiums fixed beyond a 12-month period from inception or renewal.

The direct impacts of climate change on health are unclear but these impacts are likely to emerge over time and the short-tailed nature of our products allows us to respond to these developments, although this can be limited by pricing controls in some markets.

Claims risk

Claims risk is the risk of claims exceeding the amounts assumed in the premium rates. This can be driven by an adverse fluctuation in the amount and incidence of claims incurred and external factors such as medical inflation.

Claims risk is managed and controlled by means of pre-authorisation of claims, outpatient benefit limits, the use of consultant networks and agreed networks of hospitals and charges. Specific claims management processes vary across the Group depending on local requirements, market environment and practice.

Adverse claims experience, for example, which is caused by external factors such as medical inflation, will affect cash flows after the date of the financial statements. Recent adverse claims experience is reflected in these financial statements in claims paid and in the movement in the claims provisions.

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Generally, the Group's health insurance contracts provide for the reimbursement of incurred medical expenses, typically in-hospital for treatment related to acute, rather than chronic, medical conditions. The contracts do not provide for capital sums or indemnified amounts. Therefore, claims experience is underpinned by prevailing rates of illness events giving rise to hospitalisations. Claims risk is generally mitigated by having processes to ensure that both the treatments and the resulting reimbursements are appropriate.

(ii) Reserving risk

Reserving risk is the risk that provisions made for claims prove to be insufficient in light of later events and claims experience. There is a relatively low exposure to reserving risk compared with underwriting risk due to the very short-term nature of our claims development patterns. The short-term nature of the Group's general insurance contracts means that movements in claims development assumptions are generally not significant. The development claims settlement patterns are kept under constant review to maintain the validity of the assumptions and, hence, the validity of the estimation of recognised general insurance liabilities.

The amount of claims provision at any given time that relates to potential claims payments that have not been resolved within one year is relatively small in the context of the Group. The small provisions that relate to longer than one year can be calculated with reasonable confidence.

In the early stages of the pandemic, government restrictions across many of our markets affected insurance customers' ability to access treatment in private healthcare facilities and make claims, particularly for elective procedures. A proportion of the resultant shortfall in claims is expected to rebound after the reporting date and this could result in the cost of claims increasing in the long run, due to the deferred costs of treating undiagnosed or under-treated illnesses. The Group has established reserves for these deferred claims where a constructive obligation exists. As with any reserve of this nature, there is inherent uncertainty in the key judgements, which may impact future results, particularly should further lockdowns or significant restrictions to the supply of private healthcare occur in future.

(iii) Other risks related to underwriting health insurance business

Claims provisions are not discounted and their short-term nature means that changes in interest rates have no impact on reserving risk. In addition, the future premium income and claims outflows of health insurance premium liabilities are largely unaffected by changes in interest rates. However, changes to inflationary factors such as wage inflation and medical cost inflation affect the value of future claims outflows.

None of the Group's general insurance contracts contain embedded derivatives so there are no additional financial risks, including interest rate risk, arising from the contracts.

The Group is exposed to foreign currency risk through some of the insurance liabilities which are settled in a local currency. Where possible these liabilities are matched to assets in the relevant currency to hedge this exposure.

The majority of the Group's general insurance activities are single line health portfolios. Even though only one line of business is involved, the Group does not have significant concentration of insurance risk for the following reasons:

- broad geographical diversity across several markets – across the UK, Spain, Australia, Latin America, Turkey, the Middle East and Hong Kong
- product diversity between domestic and expatriate, and individual and corporate health insurance
- a variety of claims type exposures across diverse medical providers: consultants, clinics, individual hospitals and hospital groups.

The Group as a whole, and its principal general insurance entities, are well diversified in respect of insurance risk. Only in selected circumstances does the Group use reinsurance. The reinsurance used does not give rise to a material counterparty default credit risk exposure for the Group. Restrictions are in place on the credit quality and amount of reinsurance ceded to individual counterparties.

(iv) Catastrophe risk

A natural disaster or a manmade disaster could potentially lead to a larger than expected number of claims being received over a short period of time, resulting in higher than expected claims costs. In the majority of jurisdictions Bupa is not contractually liable for such claims. Risks are further reduced by excess of loss insurance provided by third party insurers. Bupa's Group Actuarial function oversees and implements strategic improvements to ensure overall adequacy of these arrangements.

25.2 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, foreign exchange rates, commodity prices, credit spreads and equity prices. The focus of the Group's long-term financial strategy is to facilitate growth without undue balance sheet risk.

In order to reduce the risk of assets being insufficient to meet future policyholder obligations, the Group actively manages assets using an approach that balances duration, quality, diversification, liquidity and investment return.

The Group invests in a limited portfolio of return-seeking assets (principally bonds and loans) via our regulated entities in the UK and Australia. These assets totalled £559m as at 31 December 2020 (2019: £490m). These entities use value at risk analysis ('VaR') to quantify risk, taking account of asset volatility and correlation between asset classes.

In addition to local VaR analysis, the Group applies an aggregate VaR limit to all cash and investments within the regulated insurance entities. The Group also limits the contribution of the combined investment risk charge from all cash and investments, in both insurance and provision businesses, to a maximum percentage of the Group's solvency capital requirement ('SCR').

25.2.1 Foreign exchange risk

The Group is exposed to foreign exchange risks arising from commercial transactions and from recognising assets, liabilities and investments in overseas operations. The Group is exposed to both transaction and translation risk. The former is the risk that a company's cash flows and realised profits may be impacted by movements in foreign exchange rates. The latter arises from translating the financial statements of a foreign operation into the Group's functional currency.

The results and financial position of the Group's foreign entities that do not have a functional currency of sterling are translated into sterling as follows:

- assets and liabilities at the exchange rate at the balance sheet date
- income and expenses at average rates for the period.

All foreign exchange differences arising on translation are recognised initially in the Consolidated Statement of Comprehensive Income, and are only subsequently reclassified to the Consolidated Income Statement in the period in which the entity is eventually disposed of.

Foreign currency transactions in the Group's subsidiary companies are measured using the functional currency of the subsidiary company, which is based on the primary economic environment in which the subsidiary operates. The transactions are translated into the functional currency at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date; the resulting foreign exchange gain or loss is recognised in operating expenses, except where the gain or loss arises on financial assets or liabilities, when it is presented in financial income or financial expense as appropriate.

Non-monetary assets and liabilities denominated in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction; therefore, no exchange differences arise.

Non-monetary assets and liabilities denominated in a foreign currency at fair value are translated using the exchange rate ruling at the date that the fair value was determined. Transactional foreign exchange differences are recognised in operating expenses.

Transactional exposures arise as a result of differences between the currency of local revenues and claims. The currency exposures are deemed to be acceptable but are kept under review by management.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2020	2019	**2020**	2019
Australian dollar	**1.86**	1.84	**1.77**	1.89
Brazilian real	**6.61**	5.03	**7.10**	5.32
Chilean peso	**1,015.49**	898.47	**971.08**	995.54
Danish krone	**8.38**	8.52	**8.33**	8.82
Euro	**1.12**	1.14	**1.12**	1.18
Hong Kong dollar	**9.96**	10.00	**10.60**	10.31
Mexican peso	**27.53**	24.58	**27.19**	25.03
New Zealand dollar	**1.97**	1.94	**1.90**	1.97
Polish zloty	**4.99**	4.90	**5.10**	5.02
Turkish lira	**9.03**	7.25	**10.17**	7.88
US dollar	**1.28**	1.28	**1.37**	1.32

Foreign exchange hedging activities

The Group manages its exposure to foreign exchange risk by entering into hedging transactions using derivative financial instruments. The Group applies fair value, cash flow and net investment hedge accounting.

The hedging relationship between a hedging instrument and a hedged item is formally documented. Documentation includes the risk management objectives and the strategy in undertaking the hedge transaction.

(a) Fair value hedges

Where a derivative financial instrument hedges the change in fair value of a recognised asset or liability or an unrecognised firm commitment, any gain or loss on remeasurement of the hedging instrument at fair value is recognised in the Consolidated Income Statement. The hedged item is fair valued for the hedged risk with any gain or loss on remeasurement being recognised in the Consolidated Income Statement.

(b) Cash flow hedges

Where a derivative financial instrument hedges the change in cash flows related to a recognised asset or liability, a firm commitment or a highly probable forecast transaction, it is accounted for as a cash flow hedge.

The effectiveness of a cash flow hedge is the degree to which the cash flows attributable to a hedged risk are offset by changes in the cash flows of the hedging instrument. The effective portion of any gain or loss on the hedging instrument is recognised directly in other comprehensive income until the forecast transaction occurs e.g. when a hedged interest payment is recognised in the Consolidated Income Statement, the related hedging gain or loss is also recycled to the Consolidated Income Statement, and when a hedged business combination is recognised, the hedging gain or loss is also recycled to goodwill in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss is always recognised in the Consolidated Income Statement.

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If the hedged cash flow is no longer expected to take place, all deferred gains and losses are released to the Consolidated Income Statement immediately. If the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs.

As at 31 December 2020, the cash flow hedge reserve amounts to £21m (2019: £21m).

(c) Net investment hedging

The Group applies hedge accounting to its foreign currency exposure on a net investment basis. By designating opposing instruments in the same currency, the net exposure to currency fluctuations is reported. The Group uses foreign currency forward and swap contracts, and foreign currency borrowings to hedge its net investment foreign exchange risk.

These hedging relationships are documented and tested as required by IFRS 9. All foreign currency forward contracts and collar options are accounted for on a fair value basis.

The Group hedges significant exposures in order to manage translation risk and reduce the Solvency II foreign currency risk charge.

Effect of foreign exchange hedging transactions

The impact of net investment currency hedging activity is set out below.

	2020 £m	2019 £m
Notional amounts	**1,312**	1,202
Carrying amount – Assets	**14**	28
Carrying amount – Liabilities	**(33)**	(6)
Financial statement line item	**Derivatives**	Derivatives
Change in value used for calculating hedge ineffectiveness	**(62)**	51
Hedging (losses)/gains recognised in other comprehensive income	**(62)**	51
Hedge effectiveness recognised in Consolidated Income Statement	**–**	–
Consolidated Income Statement line item (for ineffectiveness)	**Financial expense**	Financial expense
Amount reclassified from foreign currency translation reserve to the Consolidated Income Statement	**–**	–
Consolidated Income Statement line item (for reclassifications)	**Financial expense**	Financial expense
Change in value used for calculating hedge ineffectiveness	**(62)**	51
Amounts in reserves for continuing hedges	**(20)**	22
Amounts in reserves for discontinued hedges	**(42)**	29

In the consolidated financial statements, where a loan between Group entities results in an exchange gain or loss, then it is recognised in the Consolidated Statement of Comprehensive Income to the extent that it relates to the Group's net investment in overseas operations.

The Group has exposure to both translational and transactional foreign exchange risk arising from its overseas operations. Currency exposures as at 31 December are as follows:

	Net currency exposure £m	**Currency contracts £m**	**Net currency exposure including hedges £m**
2020			
Australian dollar	**2,487**	**(527)**	**1,960**
Euro	**938**	**(481)**	**457**
New Zealand dollar	**600**	**(252)**	**348**
US dollar	**319**	**(398)**	**(79)**
Other	**1,365**	**228**	**1,593**
Total foreign denominated net assets	**5,709**	**(1,430)**	**4,279**
Percentage of Group net assets	**79%**		**59%**

	Net currency exposure £m	Currency contracts £m	Net currency exposure including hedges £m
2019[1]			
Australian dollar	2,319	(426)	1,893
Euro	853	(574)	279
New Zealand dollar	504	(240)	264
US dollar	275	(337)	(62)
Other	1,337	286	1,623
Total foreign denominated net assets	5,288	(1,291)	3,997
Percentage of Group net assets	75%		57%

1. Currency exposure balances for 2019 have been restated.

The impact of a hypothetical strengthening/weakening of sterling against the currencies below, with all other variables constant, would have increased/(decreased) equity and profit by the amounts shown below. These tables consider both translation and transaction risk.

	Strengthening 10%		Weakening 10%	
	Losses included in Consolidated Income Statement £m	Gains/(losses) Included in Equity £m	Gains included in Consolidated Income Statement £m	Gains/(losses) included in Equity £m
2020				
Australian dollar	**(10)**	**(178)**	**12**	**218**
Euro	**(15)**	**(42)**	**19**	**51**
New Zealand dollar	**(2)**	**(32)**	**2**	**39**
US dollar	**(3)**	**7**	**3**	**(9)**
Other	**(7)**	**(144)**	**9**	**176**
Total sensitivity	**(37)**	**(389)**	**45**	**475**

	Strengthening 10%		Weakening 10%	
	Gains/(losses) included in Consolidated Income Statement £m	Gains/(losses) Included in Equity[1] £m	Gains/(losses) included in Consolidated Income Statement £m	Gains/(losses) included in Equity[1] £m
2019				
Australian dollar	(2)	(172)	2	210
Euro	10	(25)	(12)	31
New Zealand dollar	1	(24)	(1)	29
US dollar	(1)	6	1	(7)
Other	5	(148)	(6)	181
Total sensitivity	13	(363)	(16)	444

1. Gain/(losses) included in equity columns have been restated following the correction of the 2019 net currency exposure including hedges balances.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk arising from fluctuations in market rates. This affects the return on variable rate assets, the cost of variable rate liabilities and the balance sheet value of its investment in fixed rate bonds. Variable rate assets represent a natural hedge for variable rate liabilities.

The net balance on which the Group is exposed as at 31 December 2020 was £2,184m (2019: £2,318m). The rate at which maturing deposits are reinvested represents a significant potential risk to the Group, in currencies such as sterling and Australian dollar where the Group has a significant variable rate net asset exposure.

The Group has also used interest rate swaps to manage interest rate exposure whereby the requirement to settle interest at fixed rates has been swapped for variable rates. This increases the ability to match variable rate assets with variable rate liabilities.

Variable loans are repriced at intervals of between one and six months. Interest is settled on all loans in line with agreements and is settled at least annually.

The impact of a hypothetical rise of 100 bps in interest rates at the reporting date, on an annualised basis, would have decreased equity by £5m (2019: £2m increase) and profit by £4m (2019: £2m increase). The impact of a fall of 100 bps in interest rates, on an annualised basis, would have the inverse effect. This calculation is based on the assumption that all other variables, in particular foreign exchange rates, remain constant.

Interest rate hedging activities

The Group applies fair value hedges and cash flow hedges to hedge its exposure to interest rate risk on its borrowings.

As at 31 December 2020 interest rate swaps totalling £600m have been entered into, to swap the fixed rate coupon on two £300m senior unsecured bonds to a variable rate (the previously hedged £330m callable subordinated perpetual bond matured in September 2020). These interest rate swaps are designated as fair value hedges of the underlying interest rate risk on the debt.

The fair value movement in the two £300m bonds attributable to the hedged risk amounted to a loss of £9m, with a £9m gain in respect of the bond which matured in the year. The net fair value movement in all bonds attributable to the hedged risk for the year ended 31 December 2020 amounted to £nil (2019: £5m gain). The net fair value movement on the interest rate swaps amounted to £nil (2019: £5m loss) and the fair value and carrying value of this derivative is £12m (2019: £12m).

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25.3 Credit risk

Credit risk is the risk that those that are in debt to the Group default on their obligation. Examples of credit risk would be non-payment of a trade receivable or a corporate bond failing to repay the capital sum and related interest.

Investment exposure with external counterparties is managed by ensuring that there is a sufficient spread of investments and that all cash and investment counterparties are rated at least A by two of the three key rating agencies used by the Group (unless specifically approved by the Corporate Finance Executive Committee, for example as a result of local regulatory requirements).

The investment profile (including financial investments, restricted assets and cash and cash equivalents) as at 31 December is as follows:

	2020 £m	2019 £m
Investment grade counterparties	**4,021**	3,286
Non-investment grade counterparties	**699**	396
Total	**4,720**	3,682

Investment grade counterparties include restricted assets of £149m (2019: £117m). Non-investment grade counterparties are those rated below BBB-/Baa3, and mainly comprise corporate bonds, government bonds, deposits with credit institutions and pooled investment funds of £617m (2019: £290m), and cash and cash equivalents of £87m (2019: £69m).

Assets pledged as security include £149m (2019: £117m) of cash held in restricted access deposits.

Information regarding the credit risk exposure for financial assets held at fair value through other comprehensive income and amortised cost is provided below.

	Government debt securities £m	**Corporate debt securities and secured loans £m**	**Deposits with credit institutions £m**	**Other loans £m**	**Restricted assets £m**	**Cash and cash equivalents £m**
2020						
AAA	**29**	**197**	**–**	**–**	**–**	**12**
AA- to AA+	**26**	**166**	**365**	**–**	**–**	**546**
A- to A+	**–**	**210**	**707**	**–**	**149**	**915**
BBB- to BBB+	**20**	**15**	**3**	**–**	**–**	**146**
BB+ and below (below investment grade)	**68**	**114**	**240**	**1**	**–**	**87**
Total	**143**	**702**	**1,315**	**1**	**149**	**1,706**
Loss allowance[1]	**(2)**	**(1)**	**(4)**	**–**	**–**	**–**
Carrying amount	**141**	**701**	**1,311**	**1**	**149**	**1,706**

1. In addition, a provision for expected credit losses on financial investments at FVOCI of £4m has been recognised.

	Government debt securities £m	Corporate debt securities and secured loans £m	Deposits with credit institutions £m	Other loans £m	Restricted assets £m	Cash and cash equivalents £m
2019						
AAA	72	178	–	–	–	3
AA- to AA+	–	269	311	–	117	643
A- to A+	20	152	540	–	–	467
BBB- to BBB+	–	15	6	–	–	52
BB+ and below (below investment grade)	90	45	9	1	–	69
Total	182	659	866	1	117	1,234
Loss allowance[1]	(1)	(1)	(1)	–	–	–
Carrying amount	181	658	865	1	117	1,234

1. In addition, a provision for expected credit losses on financial investments at FVOCI £3m is recognised.

Information regarding the ageing and impairment of financial and insurance assets is shown below.

2020	Not past due £m	0-3 months £m	3-6 months £m	6 months – 1 year £m	Greater than 1 year £m	Total carrying value £m
Insurance debtors gross value	**1,033**	**117**	**22**	**23**	**15**	**1,210**
Bad debt provision	**(1)**	**(7)**	**(2)**	**(9)**	**(8)**	**(27)**
Insurance debtors net value[1]	**1,032**	**110**	**20**	**14**	**7**	**1,183**
Trade and other receivables gross value	**250**	**154**	**31**	**35**	**60**	**530**
ECL	**(2)**	**(3)**	**(1)**	**(5)**	**(17)**	**(28)**
Trade and other receivables net value[2]	**248**	**151**	**30**	**30**	**43**	**502**

1. Comprises insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries detailed in note 12.
2. Comprises trade receivables, other receivables, service concession receivables and accrued income detailed in note 14.

2019	Not past due £m	0-3 months £m	3-6 months £m	6 months – 1 year £m	Greater than 1 year £m	Total carrying value £m
Insurance debtors gross value	1,075	107	32	19	17	1,250
Bad debt provision	–	(6)	(1)	(5)	(6)	(18)
Insurance debtors net value[1]	1,075	101	31	14	11	1,232
Trade and other receivables gross value	263	121	30	52	62	528
ECL	(2)	(2)	(1)	(3)	(38)	(46)
Trade and other receivables net value[2]	261	119	29	49	24	482

1. Comprises insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries detailed in note 12.
2. Comprises trade receivables, other receivables and service concession receivables detailed in note 14.

Information regarding the Expected Credit Loss allowance by class of financial investments held at fair value through comprehensive income and amortised cost is shown below.

	Government debt securities		**Corporate debt securities and secured loans**		**Deposits with credit institutions**		**Other loans**		**Trade and other receivables[1]**		**Other insurance debtors[2]**		**Restricted assets**		**Cash and cash equivalents**	
2020	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**	**Gross £m**	**Bad debt provision £m**	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**
At beginning of year	**182**	**(4)**	**659**	**(1)**	**866**	**(1)**	**1**	**–**	**528**	**(46)**	**1,250**	**(18)**	**117**	**–**	**1,234**	**–**
Recognition and settlement	**(31)**	**(2)**	**47**	**–**	**420**	**(3)**	**–**	**–**	**(71)**	**18**	**(41)**	**(9)**	**32**	**–**	**219**	**–**
Write backs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer from assets held for sale	**–**	**–**	**–**	**–**	**6**	**–**	**–**	**–**	**45**	**–**	**–**	**–**	**–**	**–**	**228**	**–**
Foreign exchange and other	**(8)**	**–**	**(4)**	**–**	**23**	**–**	**–**	**–**	**2**	**–**	**1**	**–**	**–**	**–**	**25**	**–**
At end of year	**143**	**(6)**	**702**	**(1)**	**1,315**	**(4)**	**1**	**–**	**530**	**(28)**	**1,210**	**(27)**	**149**	**–**	**1,706**	**–**

1. Comprises trade receivables, other receivables, service concession receivables and accrued income detailed in note 14.
2. Comprises insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries detailed in note 12.

	Government debt securities		Corporate debt securities and secured loans		Deposits with credit institutions		Other loans		Trade and other receivables[1]		Other insurance debtors[2]		Restricted assets		Cash and cash equivalents	
2019	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	Bad debt provision £m	Gross £m	ECL £m	Gross £m	ECL £m
At beginning of year	184	(1)	779	–	806	(1)	1	–	516	(41)	1,203	(17)	107	–	1,609	(1)
Recognition and settlement	16	(3)	(100)	(1)	88	–	–	–	115	(9)	80	(2)	10	–	(86)	1
Write offs	–	–	–	–	–	–	–	–	(32)	–	–	–	–	–	–	–
Transfer to assets held for sale	–	–	–	–	(6)	–	–	–	(42)	–	–	–	–	–	(218)	–
Foreign exchange and other	(18)	–	(20)	–	(22)	–	–	–	(29)	4	(33)	1	–	–	(71)	–
At end of year	182	(4)	659	(1)	866	(1)	1	–	528	(46)	1,250	(18)	117	–	1,234	–

1. Comprises trade receivables, other receivables, service concession receivables and accrued income detailed in note 14.
2. Comprises insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries detailed in note 12.

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Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

2020	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets/liabilities presented in the balance sheet £m	Related amounts not set off in the balance sheet: Financial instruments £m	Related amounts not set off in the balance sheet: Cash collateral received £m	Net amount £m
Derivative financial assets	**61**	**–**	**61**	**(37)**	**(2)**	**22**
Derivative financial liabilities	**(77)**	**–**	**(77)**	**37**	**18**	**(22)**
Cash and cash equivalents	**2,009**	**(303)**	**1,706**	**–**	**–**	**1,706**
Total	**1,993**	**(303)**	**1,690**	**–**	**16**	**1,706**

2019	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets/liabilities presented in the balance sheet £m	Related amounts not set off in the balance sheet: Financial instruments £m	Related amounts not set off in the balance sheet: Cash collateral received £m	Net amount £m
Derivative financial assets	59	–	59	(15)	(1)	43
Derivative financial liabilities	(34)	–	(34)	15	10	(9)
Cash and cash equivalents	1,474	(240)	1,234	–	–	1,234
Total	1,499	(240)	1,259	–	9	1,268

The Group also mitigates credit risk in derivative contracts by entering into collateral agreements where appropriate. The amount of collateral received or posted is shown in the table above.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities where both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

25.4 Liquidity risk

Liquidity risk is the risk that the Group will not have available funds to meet its liabilities when they fall due.

The Group's main source of short-term funding is via an £800m revolving credit facility which was undrawn as at 31 December 2020 (2019: £230m). This facility matures in 2022.

The Group monitors funding risk as well as compliance with existing financial covenants within the banking arrangements. There were no concerns regarding bank covenant coverage in 2020 and that position is not expected to change in the foreseeable future.

The Group holds a strong liquidity position and adheres to strict liquidity management policies as set by the Bupa Risk Committee as well as adhering to liquidity parameters for the Group's regulated entities. Regular stress testing is conducted to assess liquidity risk.

The contractual maturities of financial liabilities and the expected maturities of insurance liabilities including estimated interest payments of the Group as at 31 December are as follows:

	Subordinated liabilities £m	**Other interest -bearing liabilities £m**	**Lease liabilities £m**	**Provisions arising from insurance contracts £m**	**Other liabilities arising from insurance business £m**	**Trade and other payables[1] £m**	**Derivative liabilities £m**	**Total £m**
2020								
2021	**(59)**	**(455)**	**(173)**	**(3,160)**	**(162)**	**(1,941)**	**(59)**	**(6,009)**
2022	**(60)**	**(23)**	**(161)**	**(52)**	**–**	**(20)**	**–**	**(316)**
2023	**(547)**	**(23)**	**(144)**	**–**	**–**	**(12)**	**(18)**	**(744)**
2024	**(35)**	**(319)**	**(124)**	**–**	**–**	**(6)**	**–**	**(484)**
2025	**(34)**	**(17)**	**(107)**	**–**	**–**	**–**	**–**	**(158)**
2026-2030	**(492)**	**(369)**	**(392)**	**–**	**–**	**(1)**	**–**	**(1,254)**
After 2030	**(415)**	**(36)**	**(272)**	**–**	**–**	**–**	**–**	**(723)**
Total	**(1,642)**	**(1,242)**	**(1,373)**	**(3,212)**	**(162)**	**(1,980)**	**(77)**	**(9,688)**
Carrying value in the Consolidated Statement of Financial Position	**(1,247)**	**(1,191)**	**(1,016)**	**(3,212)**	**(162)**	**(1,980)**	**(77)**	**(8,885)**

1. Comprises trade payables, other payables, occupational rights agreement liabilities, refundable accommodation bond liabilities and accruals detailed in note 21.

	Subordinated liabilities £m	Other interest -bearing liabilities £m	Lease liabilities £m	Provisions arising from insurance contracts £m	Other liabilities arising from insurance business £m	Trade and other payables[1] £m	Derivative liabilities £m	Total £m
2019								
2020	(395)	(339)	(157)	(2,779)	(146)	(1,645)	(34)	(5,495)
2021	(45)	(364)	(151)	(57)	–	(15)	–	(632)
2022	(45)	(11)	(141)	–	–	(8)	–	(205)
2023	(533)	(16)	(129)	–	–	(5)	–	(683)
2024	(20)	(314)	(113)	–	–	(1)	–	(448)
2025-2029	(440)	(57)	(421)	–	–	(2)	–	(920)
After 2029	–	(48)	(342)	–	–	–	–	(390)
Total	(1,478)	(1,149)	(1,454)	(2,836)	(146)	(1,676)	(34)	(8,773)
Carrying value in the Consolidated Statement of Financial Position	(1,245)	(1,105)	(1,068)	(2,836)	(146)	(1,676)	(34)	(8,110)

1. Comprises trade payables, other payables, occupational rights agreement liabilities, refundable accommodation bond liabilities and accruals detailed in note 21.

Interest payments are included in the cash flows for subordinated liabilities and other interest-bearing liabilities.

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Maturity profile of financial assets

The majority of assets arising from insurance business and trade and other receivables fall due within one year as detailed in notes 12 and 14 respectively. The maturity profile of other financial assets (excluding ECLs) as at 31 December, which are also available to fund the repayment of liabilities as they crystallise, is as follows:

	Cash and cash equivalents £m	Deposits with credit institutions £m	Government debt securities £m	Corporate debt securities and other loans £m	Pooled investment funds £m	Total £m
2020						
2021	**1,706**	**1,057**	**109**	**372**	**301**	**3,545**
2022	**–**	**255**	**15**	**206**	**–**	**476**
2023	**–**	**4**	**15**	**167**	**–**	**186**
2024	**–**	**–**	**8**	**98**	**–**	**106**
2025	**–**	**–**	**1**	**80**	**–**	**81**
2026-2030	**–**	**–**	**31**	**127**	**–**	**158**
After 2030	**–**	**–**	**11**	**15**	**–**	**26**
Total	**1,706**	**1,316**	**190**	**1,065**	**301**	**4,578**

	Cash and cash equivalents £m	Deposits with credit institutions £m	Government debt securities £m	Corporate debt securities and other loans £m	Pooled investment funds £m	Total £m
2019						
2020	1,234	781	180	386	220	2,801
2021	–	86	21	182	–	289
2022	–	–	3	158	–	161
2023	–	–	2	117	–	119
2024	–	–	6	52	–	58
2025-2029	–	–	10	92	–	102
After 2029	–	–	12	26	–	38
Total	1,234	867	234	1,013	220	3,568

Note 26: Related party transactions

Related party transactions in brief

These are transactions between the Group and related individuals or entities by nature of influence or control. The Group has such relationships with its key management personnel, equity accounted investments and associated pension arrangements. The disclosure of transactions with these parties in this note enables readers to form a view of the impact of related party relationships on the Group.

All transactions with related parties are conducted on an arm's-length basis.

There were no material transactions during the year with any related parties, as defined by IAS 24 Related Party Disclosures, other than those disclosed in this note.

(i) Transactions with key management personnel

The key management personnel are the Group's Directors and the Chief Executive Officers of the Group's Market Units. No Director had any material interest in any contracts with Group companies as at 31 December 2020 (2019: £nil) or at any time during the year. The remuneration of the Group's Directors is disclosed on pages 71 to 85 of this report.

The total remuneration of the Market Unit Chief Executive Officers is as follows:

	2020 £'000	2019 £'000
Short term employee benefits	**3,489**	5,028
Long Term Incentive Plan awards	**3,551**	2,658
Post-employment benefits	**118**	91
Total	**7,158**	7,777

The total remuneration of key management personnel is included in staff costs (see note 2.3).

(ii) Transactions in relation to the non-registered pension arrangements

The Company has made pension commitments to certain current and former Executive Directors and key management personnel through a non-registered pension arrangement which mirrors the terms of The Bupa Pension Scheme (see note 7). These unfunded benefits are governed by The Law Debenture Pension Trust Corporation Plc which is the trustee of the non-registered pension arrangement and is secured by a charge over £48m (2019: £44m) of cash deposits (see note 8).

Note 27: Commitments and contingencies

Commitments and contingencies in brief

A commitment is future expenditure that is committed to as at 31 December 2020. These relate to contracted capital expenditure. Contingent liabilities are those that are considered possible at year end, whose existence will be determined by an uncertain future event or, a present obligation that is not sufficiently probable or cannot currently be measured with sufficient reliability to give rise to a provision.

(i) Capital commitments

Capital expenditure for the Group contracted as at 31 December 2020 but for which no provision has been made in the financial statements, amounted to £122m (2019: £268m). Of this, £111m (2019: £268m) relates to aged care facility and retirement village project commitments in Australia and New Zealand and care homes in the UK; specifically £37m (2019: £96m) in relation to property, plant and equipment and £74m (2019: £172m) in relation to investment property. A further £9m commitment relates to computer software projects, with £2m committed in relation to other refurbishment projects across the Group.

(ii) Contingent assets and liabilities

The Group currently has no contingent assets.

The Group has contingent liabilities arising in the ordinary course of business and in relation to a limited number of historic business disposals. These include losses which might arise from litigation, other disputes, regulatory compliance (including data protection) and interpretation of law (including superannuation law and tax law). It is not considered that the ultimate outcome of any contingent liabilities will have a significant adverse impact on the financial condition of the Group.

Financial Statements of the Company

Statement of Financial Position
as at 31 December 2020

	Note	2020 £m	2019 £m
Intangible assets	A	**88**	83
Property, plant and equipment	B	**29**	27
Investment in subsidiaries	C	**200**	200
Post-employment benefit net assets	D	**546**	648
Trade and other debtors	E	**138**	162
Current taxation asset		**20**	26
Total assets		**1,021**	1,146
Lease liability	F	**(6)**	(6)
Post-employment benefit net liabilities	D	**(64)**	(55)
Provision for liabilities and charges	G	**(10)**	(11)
Deferred taxation liabilities	H	**(163)**	(93)
Trade and other creditors	I	**(126)**	(232)
Total liabilities		**(369)**	(397)
Net assets		**652**	749
Equity			
Income and expenditure reserve		**652**	749
Total equity		**652**	749

Approved by the Board of Directors and signed on its behalf on 3 March 2021 by

Roger Davis
Chairman

Iñaki Ereño
Group CEO

Notes A-L form the associated notes to the Company financial statements.

The Company accounting policies are aligned with those of the Group, described in notes 1-27.

The adoption of IFRS 16 Leases on 1 January 2019 resulted in the recognition of £6m right-of-use assets and corresponding £6m of lease liabilities. For further information see note F.

Income Statement and Statement of Comprehensive Income

for the year ended 31 December 2020

The profit for the financial year recorded within the accounts of the Company, The British United Provident Association Limited ('Bupa'), is £20m (2019: profit of £62m). In accordance with the exemption granted under Section 408 of the Companies Act 2006, a separate Income Statement and Statement of Comprehensive Income for the Company have not been presented. The average number of full-time equivalent employees, including Executive Directors, employed by the Company during the year was 1,960 (2019: 1,873).

Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Operating activities			
Profit before taxation expense		**84**	42
Adjustments for:			
Depreciation, amortisation and impairment		**26**	20
Other non-cash items		**4**	12
Changes in working capital and provisions:			
Funded pension scheme employer contributions	D	**(8)**	(13)
Decrease in provisions for liabilities and charges		**(9)**	(8)
Decrease/(increase) in trade and other receivables, and other assets		**50**	(25)
Decrease in trade and other payables, and other liabilities		**(106)**	(39)
Cash generated from/(used in) operations		**41**	(11)
Cash flow from investing activities			
Purchase of intangible assets	A	**(34)**	(32)
Purchase of property, plant and equipment	B	**(8)**	(12)
Proceeds from sale of property, plant and equipment		**1**	–
Net cash used in investing activities		**(41)**	(44)
Net change in cash and cash equivalents		**–**	(55)
Cash and cash equivalents at beginning of year		**–**	55
Cash and cash equivalents at end of year		**–**	–

Notes A-L form the associated notes to the Company financial statements.

The Company accounting policies are aligned with those of the Group, described in notes 1-27.

Financial Statements of the Company
continued

Statement of Changes in Equity
for the year ended 31 December 2020

	Note	**Income and expenditure reserve £m**	**Total equity £m**
2020			
Balance as at 1 January 2020		**749**	**749**
Profit for the financial year		**20**	**20**
Other comprehensive income/(expense)			
Remeasurement loss on pension schemes	D	**(123)**	**(123)**
Taxation credit on income and expense recognised directly in other comprehensive income	H	**6**	**6**
Other comprehensive expense for the year, net of taxation		**(117)**	**(117)**
Total comprehensive expense for the year		**(97)**	**(97)**
Balance as at 31 December 2020		**652**	**652**

	Note	Income and expenditure reserve £m	Total equity £m
2019			
Balance as at 1 January 2019		666	666
Profit for the financial year		62	62
Other comprehensive income/(expense)			
Remeasurement gain on pension schemes	D	26	26
Taxation charge on income and expense recognised directly in other comprehensive income	H	(5)	(5)
Other comprehensive income for the year, net of taxation		21	21
Total comprehensive income for the year		83	83
Balance as at 31 December 2019		749	749

Notes A-L form the associated notes to the Company financial statements.

The Company accounting policies are aligned with those of the Group, described in notes 1-27.

A. Intangible assets

Intangible assets are non-physical assets held by the Company and consist of computer software only.

	2020 £m	2019 £m
Cost		
At beginning of year	**176**	145
Additions	**34**	32
Disposals	**(49)**	(1)
Other	**(7)**	–
At end of year	**154**	176
Amortisation and impairment loss		
At beginning of year	**93**	80
Amortisation for year	**19**	13
Impairment loss	**1**	–
Disposals	**(47)**	–
At end of year	**66**	93
Net book value at end of year	**88**	83
Net book value at beginning of year	**83**	65

B. Property, plant and equipment

Property, plant and equipment are the physical assets utilised by the Company to carry out business activities and generate revenues and profits. The majority of the assets relate to office buildings, IT and other office equipment.

	2020				2019			
	Right-of-use asset property £m	**Leasehold improvements £m**	**Equipment £m**	**Total £m**	Right-of-use asset property £m	Leasehold improvements £m	Equipment £m	Total £m
Cost or valuation								
At beginning of year	**6**	**18**	**59**	**83**	–	20	53	73
Adoption of IFRS 16 Leases (note F)	**–**	**–**	**–**	**–**	6	–	–	6
Additions	**–**	**3**	**5**	**8**	–	2	10	12
Disposals	**–**	**(1)**	**(21)**	**(22)**	–	(4)	(1)	(5)
Other	**–**	**1**	**(1)**	**–**	–	–	(3)	(3)
At end of year	**6**	**21**	**42**	**69**	6	18	59	83
Depreciation and impairment loss								
At beginning of year	**–**	**13**	**43**	**56**	–	16	38	54
Depreciation charge for year	**–**	**1**	**5**	**6**	–	1	6	7
Disposals	**–**	**(1)**	**(21)**	**(22)**	–	(4)	(1)	(5)
At end of year	**–**	**13**	**27**	**40**	–	13	43	56
Net book value at end of year	**6**	**8**	**15**	**29**	6	5	16	27
Net book value at beginning of year	**6**	**5**	**16**	**27**	–	4	15	19

C. Investment in subsidiaries

Investments in subsidiary companies are carried at cost less impairment in the Company's accounts. Dividends received from subsidiaries are recognised in the Income Statement when the right to receive the dividend is established.

As at 31 December 2020, the Company held investments in subsidiaries of £200m (2019: £200m). In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associated undertakings and significant holdings in undertakings other than subsidiary undertakings, the registered addresses and the effective percentage of equity owned, as at 31 December 2020, is disclosed after the Company financial statements.

Financial Statements of the Company
continued

D. Post-employment benefits

The Company operates a defined benefit and a defined contribution pension scheme for the benefit of employees and Directors, in addition to an unfunded and post-retirement medical benefit scheme.

The defined benefit scheme is The Bupa Pension Scheme which was closed to new entrants from 1 October 2002. Following consultation in the current year, the scheme closed to future accrual at 31 December 2020, although members will retain any ongoing salary link, with future benefits payable dependent upon member salary at the date of leaving or retirement. Existing current employees who are members of the Bupa Pension Scheme will be automatically enrolled into a new defined contribution scheme, the My Bupa LifeSight Plan from 1 January 2021.

The recognised surplus in relation to the Bupa Pension Scheme is limited to the present value of any future refunds from the scheme in the event of a wind up. There are no minimum funding requirements in place and the Trustees do not have the unilateral power to trigger a wind up of the scheme. Once all members have left the scheme, the Company can wind up the scheme and is entitled to any remaining surplus. In accordance with s207 of the 2004 Finance Act, the related deferred tax liability on the surplus has been remeasured at the applicable rate of 35% of the surplus resulting in a one-off exceptional tax charge of £68m in the current year (see note H).

The defined contribution pension scheme, The Bupa Retirement Savings Plan, was in effect from 1 October 2002 to 31 December 2020 and was available to permanent employees of the Company. This scheme also closed to future contributions on 31 December 2020, being replaced by the My Bupa LifeSight Plan from 1 January 2021.

The Company is the sponsoring employer for The Bupa Pension Scheme, the unfunded pension scheme and post-retirement medical benefit scheme described in note 7. The actuarial assumptions underlying the valuation of obligations are detailed in note 7.2.

(i) Assets and liabilities of schemes

The assets and liabilities in respect of the defined benefit funded pension scheme, unfunded pension scheme and post-retirement medical benefit scheme are as follows:

		Pension schemes		Post-retirement medical benefit scheme		Total	
	Note	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Present value of funded obligations	(ii)	**(1,943)**	(1,619)	**–**	–	**(1,943)**	(1,619)
Fair value of plan assets	(iii)	**2,487**	2,266	**–**	–	**2,487**	2,266
Net assets of funded schemes		**544**	647	**–**	–	**544**	647
Present value of unfunded obligations	(ii)	**(54)**	(45)	**(8)**	(9)	**(62)**	(54)
Net recognised assets/(liabilities)		**490**	602	**(8)**	(9)	**482**	593
Represented on the Statement of Financial Position:							
Net assets						**546**	648
Net liabilities						**(64)**	(55)
Net recognised assets						**482**	593

(ii) Present value of the schemes' obligations

The movement in the present value of funded and unfunded schemes' obligations are:

	Pension schemes		Post-retirement medical benefit scheme		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
At beginning of year	**1,664**	1,524	**9**	10	**1,673**	1,534
Current service costs	**9**	9	**–**	–	**9**	9
Interest on obligations	**35**	45	**–**	–	**35**	45
Losses arising from changes to financial assumptions	**290**	157	**1**	–	**291**	157
Losses/(gains) arising from changes to experience assumptions	**37**	(4)	**(2)**	(1)	**35**	(5)
Losses/(gains) arising from changes to demographic assumptions	**19**	(15)	**–**	–	**19**	(15)
Benefits paid	**(57)**	(62)	**–**	–	**(57)**	(62)
Present value of unfunded obligations	**–**	10	**–**	–	**–**	10
At end of year	**1,997**	1,664	**8**	9	**2,005**	1,673

(iii) Fair value of funded scheme's assets

The movement in the fair value of the funded scheme's assets are:

	2020 £m	2019 £m
At beginning of year	**2,266**	2,081
Interest income	**47**	61
Return on assets excluding interest income	**222**	163
Contributions by employer	**8**	13
Administration expenses	**(1)**	(1)
Benefits paid	**(55)**	(60)
Transfer in	**–**	9
At end of year	**2,487**	2,266

The market value of the assets of the funded scheme is as follows:

	2020 £m	2019 £m
Pooled investment funds	**1,186**	989
Corporate bonds	**787**	772
Government bonds	**129**	196
Loans	**40**	141
Cash/other assets	**285**	166
Derivatives	**60**	2
Total market value of the assets of the funded schemes	**2,487**	2,266

(iv) Amounts recognised in the Income Statement

The amounts charged/(credited) to other operating expenses for the year are:

	2020 £m	2019 £m
Current service costs	**9**	9
Net interest on defined benefit liability/asset	**(12)**	(16)
Cost in relation to transfers in	**–**	1
Administrative expenses	**1**	1
Total amount credited to the Income Statement	**(2)**	(5)

(v) Amounts recognised directly in other comprehensive income

The amounts charged/(credited) directly to equity are:

	2020 £m	2019 £m
Actual return less expected return on assets	**(222)**	(163)
Loss arising from changes to financial assumptions	**291**	157
Loss/(gain) arising from changes to experience assumptions	**35**	(5)
Loss/(gain) arising from changes to demographic assumptions	**19**	(15)
Total remeasurement losses/(gains) charged/(credited) directly to equity	**123**	(26)

E. Trade and other receivables

Trade and other receivables are carried at amortised cost less impairment losses.

	2020 £m	2019 £m
Amounts owed by subsidiary companies	**103**	142
Other receivables	**11**	1
Prepayments	**24**	19
Total trade and other receivables	**138**	162
Non-current	**–**	–
Current	**138**	162

Financial Statements of the Company
continued

F. Lease liability

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 Company's incremental borrowing rate taking into account the duration of the lease.

	2020 £m	2019 £m
At beginning of the year	6	–
Adoption of IFRS 16	–	6
At end of year	**6**	**6**
Non-current	6	6
Current	–	–

G. Provisions for liabilities and charges

Provisions for liabilities and charges relate specifically to insurance and, are amounts that require settlement in the future as a result of a past event.

	Total £m
At beginning of year	11
Charge for year	8
Utilised in year – cash	(9)
At end of year	**10**
Non-current	–
Current	10

H. Deferred taxation assets and liabilities

Deferred tax is an adjustment to recognise the differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes.

Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Accelerated capital allowances	7	3	–	–	7	3
Post-employment	–	–	(179)	(101)	(179)	(101)
Employee benefits (other than post-employment)	5	4	–	–	5	4
Provisions	1	1	–	–	1	1
Taxation value of losses carried forward	3	–	–	–	3	–
Deferred tax (before allowable netting)	16	8	(179)	(101)	(163)	(93)
Allowable netting of deferred tax	(16)	(8)	16	8	–	–
Net deferred taxation liability	**–**	**–**	**(163)**	**(93)**	**(163)**	**(93)**

Recognised deferred taxation assets

Deferred taxation assets relating to the carry forward of employee benefits, other provisions, unused taxation losses and other deferred taxation assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation assets can be utilised.

Movement in net deferred taxation (liabilities)/assets

	At beginning of year £m	Recognised in Income Statement £m	Recognised in other comprehensive income £m	At end of year £m
2020				
Accelerated capital allowances	**3**	**4**	**–**	**7**
Post-employment benefit liability[1]	**(101)**	**(84)**	**6**	**(179)**
Employee benefits (other than post-employment)	**4**	**1**	**–**	**5**
Provisions	**1**	**–**	**–**	**1**
Taxation value of losses carried forward	**–**	**3**	**–**	**3**
Total	**(93)**	**(76)**	**6**	**(163)**
2019				
Accelerated capital allowances	4	(1)	–	3
Post-employment benefit liability	(92)	(4)	(5)	(101)
Employee benefits (other than post-employment)	4	–	–	4
Provisions	–	1	–	1
Total	(84)	(4)	(5)	(93)

1. Includes impact of the change in basis of recognition of the UK pension surplus following the closure of the scheme to future accrual (see note 7).

I. Trade and other payables

Trade and other payables are carried at amortised cost.

	2020 £m	2019 £m
Amounts owed to subsidiary companies	**25**	170
Other payables	**2**	–
Accruals	**99**	62
Total trade and other payables	**126**	232
Non-current	**29**	19
Current	**97**	213

J. Risk management

The Board is responsible for identifying, evaluating and managing risks faced by the Company and considers the acceptable level of risk, the likelihood of these risks materialising, how to reduce the risk and the cost of operating particular controls relative to the benefit from managing the related risks.

The Group's risk management strategy is outlined in detail within note 25. The risks of the Parent Company are considered to be the same as those of the Group.

The maximum credit risk exposure of the Company is £35m (2019: £20m). The Company believes amounts owed to it by subsidiary companies carry no credit risk. The contractual maturity of financial liabilities, held by the Company, fall due within one year.

Financial Statements of the Company
continued

K. Related party transactions

These are transactions between the Company and individuals, or entities related by nature of influence or control. The Company has such relationships with its subsidiaries, key management personnel and associated pension arrangements. The disclosure of transactions with these parties enables readers to form a view about the impact of related party relationships on the Company.

The Company has a related party relationship with its key management personnel and with its subsidiary companies (refer to Related Undertakings on pages 171 to 177).

(i) Transactions with key management personnel

The key management personnel for the Company are the same as for the Group. These transactions are disclosed in note 26.

The total remuneration of key management personnel is included in staff costs (see note 2.3).

(ii) Transactions in relation to the non-registered pension arrangements

These transactions are disclosed in note 26.

(iii) Transactions and balances with subsidiary companies

	2020 £m	2019 £m
Income Statement		
Management charges received	**263**	231
Expenses paid (including rental expense £2m (2019: £2m)	**(12)**	(11)
Dividends received	**175**	154

	Transactions during the year		Balance at 31 December	
	2020 £m	2019 £m	2020 £m	2019 £m
Statement of financial position				
Amounts owed by subsidiary companies	**(39)**	45	**103**	142
Amounts owed to subsidiary companies	**145**	16	**(25)**	(170)

L. Commitments, guarantees and contingencies

Commitments to future expenditure at the balance sheet date primarily consist of contracted capital expenditure. Contingent liabilities include bank loan and bond issue guarantees.

(i) Capital commitments

Capital expenditure for the Company contracted as at 31 December 2020 but for which no provision has been made in the financial statements amounted to £10m (2019: £nil) of which £1m related to property, plant and equipment and £9m related to computer software projects.

(ii) Guarantees

The Company has given guarantees in respect of the £350m and £300m senior unsecured bonds issued by Bupa Finance plc in 2014 and 2017 respectively.

(iii) Contingent assets and liabilities

The Company is party to an £800m revolving credit facility. The revolving credit facility was undrawn at 31 December 2020 (2019: £230m). The Company has joint and several liability for all obligations under the agreement.

Related Undertakings

In compliance with Section 409 of the Companies Act 2006, disclosed below is a list of related undertakings of the Company as at 31 December 2020, comprising subsidiaries, joint ventures, associated undertakings and other significant holdings, together with the country of incorporation, registered office address, each share class held by the Company or the Group and the proportion of the nominal value of the shares of that class represented by those shares.

Wholly Owned Undertakings

Unless otherwise stated, the related undertakings listed below are wholly owned by the Company with 100% of the nominal value of each share class held by Group subsidiaries.

Australia

Name	Share Classes
Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia	
Australia Fair Dental Care Pty Ltd	AUD Ordinary
Bupa Aged Care Australasia Pty Limited	AUD Ordinary, AUD Preference
Bupa Aged Care Australia Holdings Pty Ltd	AUD Ordinary
Bupa Aged Care Australia Pty Ltd	AUD Ordinary
Bupa Aged Care Holdings Pty Ltd	AUD Ordinary
Bupa Aged Care Property No.2 Trust	Trust Interest
Bupa Aged Care Property No.3 Trust	Trust Interest
Bupa Aged Care Property No.3A Trust	Trust Interest
Bupa Aged Care Property Trust	Trust Interest
Bupa ANZ Finance Pty Ltd	AUD Ordinary
Bupa ANZ Group Pty Ltd	AUD Ordinary
Bupa ANZ Healthcare Holdings Pty Ltd	AUD Ordinary
Bupa ANZ Insurance Pty Ltd	AUD A Preference, AUD Ordinary
Bupa ANZ Property 1 and 2 Limited	AUD Ordinary
Bupa ANZ Property 3 and 3A Pty Ltd	AUD Ordinary
Bupa Care Villages Australia Pty Ltd	AUD Ordinary
Bupa Dental Corporation Limited	AUD Ordinary
Bupa Disability Services Pty Ltd	AUD Ordinary
Bupa Foundation (Australia) Limited	Guarantee Membership Interest
Bupa Health Services Pty Ltd	AUD Ordinary
Bupa HI Holdings Pty Ltd	AUD Ordinary
Bupa HI Pty Ltd	AUD Ordinary
Bupa Innovations (ANZ) Pty Ltd	AUD Ordinary
Bupa Medical (GP) Pty Ltd	AUD Ordinary
Bupa Medical Services Pty Limited	AUD Ordinary
Bupa Optical Pty Ltd	AUD Ordinary
Bupa Telehealth Pty Ltd	AUD Ordinary
Bupa Wellness Pty Limited	AUD Ordinary
DC Holdings WA Pty Ltd	AUD Ordinary
Dental Care Network Pty Ltd	AUD Ordinary
Dental Corporation Australia Fair Pty Ltd	AUD Ordinary
Dental Corporation Cox Pty Ltd	AUD Ordinary
Dental Corporation Gerber Pty Ltd	AUD Ordinary
Dental Corporation Holdings Limited	AUD Ordinary
Dental Corporation Levas Pty.Ltd.	AUD Ordinary
Dental Corporation Petrie Pty.Ltd.	AUD Ordinary
Dental Corporation Pty Ltd	AUD Ordinary
Dr Chris Hardwicke Pty.Ltd.	AUD Ordinary
Gerber Dental Group Pty Ltd	AUD Ordinary
Larry Benge Pty Limited	AUD Ordinary
Scott Petrie (Dental) Pty Ltd	AUD Class E, AUD Class F, AUD Ordinary

Bermuda

Name	Share Classes
Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton, HM11, Bermuda	
Amedex Insurance Company (Bermuda) Limited	BMD1.00 Ordinary

Bolivia

Name	Share Classes
Guapomo Street 2005, Spazio Building, 1st Floor, Offices 201-202-2013, Santa Cruz de la Sierra, Bolivia	
Bupa Insurance (Bolivia) S.A	BOB100.00 Ordinary

Brazil

Name	Share Classes
Alameda Mamoré, no. 678, 11th floor, room 1104, Alphaville, Zip Code 06454-040, in the City of Barueri, São Paulo, Brazil	
Care Plus Negócios Em Saúde Ltda.	BRL1.00 Quotas
Alameda Mamoré, no. 687, 12th floor, rooms 1201, 1202, 1203 and 1204, Alphaville, Zip Code 06454-040, in the city of Barueri, São Paulo, Brazil	
Care Plus Medicina Assistencial Ltda.	BRL1.00 Quotas
Av. das Nações Unidas, 12,901, Unidade 901, Torre Oeste, Bloco C, Centro Empresarial Nações Unidas, Brooklin Paulista, São Paulo, SP, Brazil	
Personal System Serviços Médicos e Odontológicos Ltda.	BRL1.00 Quotas

British Virgin Islands

Name	Share Classes
Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	
Altai Investments Limited	HKD1.00 Ordinary, USD1.00 Ordinary
Berkshire Group Limited	USD1.00 Ordinary
Dynamic People Group Limited	USD1.00 Ordinary

Chile

Name	Share Classes
Avenida Departamental 1455, comuna La Florida, Chile	
Servicios De Personal Clinico CBS Dos S.A.	CLP Ordinary
Cerro Colorado N° 5240, Piso 11, Comuna Las Condes, Region Metropolitana, Chile	
Bupa Administracion y Servicios SpA	CLP Ordinary
Bupa Chile S.A.	CLP Ordinary
Bupa Compania de Seguros de Vida S.A.	CLP Ordinary
Bupa Inversiones Latam S.A.	CLP Ordinary
Clinica Bupa Santiago S.A.	CLP Ordinary
Grupo Bupa Sanitas Chile Uno, SpA	CLP1,000.00 Ordinary
Inversiones Clinicas CBS S.A.	CLP Ordinary

China

Name	Share Classes
Room 07-08, 3rd floor, Building 1, 21st Century Plaza, 40A Liangmaqiao Road, Chaoyang District, Beijing, 100125, China	
Bupa Consulting (Beijing) Co. Ltd.	HKD1.00 Ordinary
Unit 03, 13/F, No.604 RenMin North Road, Yuexiu District, Guangzhou, China	
Guangzhou Bupa Hospital Management Company Limited	CNY1.00 Ordinary
Unit 305A -305, 3/F, GT Land Autumn Plaza, No.11, 13 ZhuJiang East Road, ZhuJiang New Town, Tianhe District, Guangdong Province, China	
Guangzhou Bupa Quality HealthCare General Outpatient Department Company Limited	CNY1.00 Ordinary

Related Undertakings
continued

Denmark

Name	Share Classes
Palaegade 8, 1261 Copenhagen K, Denmark	
Bupa Denmark Services A/S	DKK100.00 Ordinary

Dominican Republic

Name	Share Classes
Av. Winston Churchill, corner with Rafael Augusto Sanchez, Plaza Acropolis, Apt. P2-D, Santo Domingo, Dominican Republic	
Bupa Dominicana, S.A.	DOP1,000.00 Ordinary

Ecuador

Name	Share Classes
Av. Republica de El Salvador N34-229, 4th Floor, Quito, Ecuador	
Bupa Ecuador S.A. Compania de Seguros[1]	USD1.00 Capital Stock

Egypt

Name	Share Classes
Building 55, Street 18, Maadi, Cairo, Egypt	
Bupa Egypt Insurance S.A.E.	EGP10.00 Ordinary
Bupa Egypt Services LLC	EGP100.00 Ordinary

Guatemala

Name	Share Classes
Quinta avenida número cinco guión cincuenta y cinco, Zona catorce de esta ciudad, Edificio Europlaza World Business Center, Torre III, undécimo nivel, área corporativa número un mil, Guatemala	
Bupa Guatemala, Compania de Seguros, S.A.	GTQ1.00 Ordinary

Guernsey

Name	Share Classes
PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey	
Bupa Holdings (Guernsey) Limited	£1.00 Ordinary
Bupa LeaseCo Holdings Limited	£1.00 Ordinary
Bupa LeaseCo. (Guernsey) Limited	£1.00 Ordinary
UK Care No. 1 Limited	£1.00 Ordinary

Hong Kong

Name	Share Classes
18/F Berkshire House, 25 Westlands Road, Quarry Bay, Hong Kong	
Bupa (Asia) Limited	HKD10.00 Ordinary
Bupa International Limited[2]	HKD Ordinary
Bupa Limited	HKD1.00 Ordinary
Horizon Health and Care Limited	HKD Ordinary
3rd Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	
Allied Medical Practices Guild Limited	HKD1.00 Ordinary
DB Health Services Limited	HKD1.00 Ordinary
Eplushealth Limited	HKD1.00 Ordinary
Great Option Limited	HKD1.00 Ordinary
Jadeast Limited	HKD1.00 Ordinary
Jadefairs International Limited	HKD1.00 Ordinary
Jadison Investment Limited	HKD1.00 Ordinary

Hong Kong continued

Name	Share Classes
Jadway International Limited	HKD1.00 Ordinary
Marvellous Way Limited	HKD1.00 Ordinary
Megafaith International Limited	HKD1.00 Ordinary
Quality HealthCare Dental Services Limited	HKD1.00 Ordinary
Quality HealthCare Medical Centre Limited	HKD100.00 Ordinary
Quality HealthCare Medical Services Limited	HKD1.00 Ordinary
Quality HealthCare Nursing Agency Limited	HKD10.00 Ordinary
Quality HealthCare Physiotherapy Services Limited	HKD1.00 Ordinary
Quality HealthCare Professional Services Limited	HKD1.00 Ordinary
Quality HealthCare Psychological Services Limited	HKD1.00 Ordinary
Room 901B-03A, 9th Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	
Quality Healthcare TPA Services Limited	HKD1.00 Ordinary

Macau

Name	Share Classes
Rua De Xangai No. 175 Edif., Associacao Comercial De Macau, 11 Andar, K, Macau	
Quality EAP (Macau) Limited	MOP1.00 Ordinary
Quality Healthcare Medical Services (Macau) Limited	MOP1.00 Ordinary

Mexico

Name	Share Classes
Montes Urales, No. 745, Piso 1, Colonia Lomas de Chapultepec I Seccion, C.P. 11000, Mexico City	
Bupa Mexico, Compania de Seguros, S.A. de C.V.	MXN1,000.00 Capital Stock Series E (fixed), MXN1,000.00 Capital Stock Series M (variable)
Montes Urales, No. 745, Piso 2, Colonia Lomas de Chapultepec I Seccion, Miguel Hidalgo Distrito Federal 11000, Mexico City	
Bupa Servicios de Evaluacion Medica, S. de R.L. de C.V.	Partnership Interest

New Zealand

Name	Share Classes
Bupa House, Level 2, 109 Carlton Gore Road, Newmarket, Auckland, 1023, New Zealand	
Bupa Care Services NZ Limited	NZD Ordinary
Bupa Retirement Villages Limited	NZD Ordinary
Level 4, 1 Walton Leigh Avenue, Porirua, 5022, New Zealand	
Dental Corporation (NZ) Limited	NZD Ordinary

Panama

Name	Share Classes
Prime Time Tower, Floor 25, Office 25 b La Rotonda Ave, Costa del Este, Panama	
Bupa Panama S.A.	US$1,000.00 Ordinary

Peru

Name	Share Classes
Av. Guardia Civil N° 664, Comuna San Isidro, Region Lima, Peru	
Integramedica Peru S.A.C.	PEN Ordinary

Poland

Name	Share Classes
28 Czerwca 1956 R, 135/147 Street, 61-545, Poznan, Poland	
Diagnostic – Med. Centrum Diagnostyki Radiologicznej Sp. z.o.o.	PLN500.00 Ordinary
Brzeska 12 Street, 03-737, Warsaw, Poland	
Centrum Edukacji Medycznej Sp. z.o.o.	PLN100.00 Ordinary
Czapliniecka 93/95, 97-400, Belchatow, Poland	
Megamed Sp. z.o.o.	PLN1,000.00 Ordinary
Goszczyńskiego 1 Street, 02-616, Warsaw, Poland	
Platinum Hospitals S.A.	PLN4.00 Ordinary-A, PLN4.00 Ordinary-B, PLN4.00 Ordinary-C, PLN4.00 Ordinary-D, PLN4.00 Ordinary-E
Szpital sw. Elzbiety – Mokotowskie Centrum Medyczne Sp. z.o.o.	PLN50.00 Ordinary
Kuznicka 1 Street, 72-010, Police, Poland	
Medika Uslugi Medyczne Sp. z.o.o.	PLN50.00 Ordinary
Partyzantow 76, 80-254, Gdansk, Poland	
Projekt Usmiech Bis Sp. z.o.o.	PLN500.00 Ordinary
Podleśna 61, 01-673, Warszawa, Poland	
Centrum Medyczne Mavit Sp. z.o.o.	PLN100.00 Ordinary
Poniatowskiego 2, 33-300, Nowy Sacz, Poland	
Niepubliczny Zaklad Opieki Zdrowotnej Remedium Sp. z.o.o.	PLN50.00 Ordinary
Pory 78 Street, 02-757 Warsaw, Poland	
Pory 78 Sp. z.o.o.	PLN100.00 Ordinary
Sport Medica S.A.	PLN1.00 Ordinary-A, PLN1.00 Ordinary-B, PLN1.00 Ordinary-C, PLN1.00 Ordinary-D, PLN1.00 Ordinary-E, PLN1.00 Ordinary-F, PLN1.00 Ordinary-G, PLN1.00 Ordinary-I, PLN1.00 Ordinary-J
Pulawska 48, 05-500 Piaseczno, Poland	
Silver Dental Clinic Sp. z.o.o.	PLN100.00 Ordinary
Szamocka 6 Street, 01-748, Warsaw, Poland	
Lux Med Onkologia Sp. z.o.o.	PLN50.00 Ordinary
ul. Elblaska 135, 80-718, Gdansk, Poland	
Centrum Opieki Medycznej Comed Sp. z.o.o.	PLN500.00 Ordinary
ul. Postepu 21 C Street, 02-676, Warsaw, Poland	
Elblaska Sp. z.o.o.	PLN50.00 Ordinary
LUX MED Sp. z.o.o.	PLN500.00 Ordinary
LUX-MED Investment S.A.	PLN50.00 Series A, PLN50.00 Series B, PLN50.00 Series C
ul. Stefana Batorego 17/19, 87-100 Torun, Poland	
Tomograf Sp. z.o.o.	PLN500.00 Ordinary
Wladyslawa Broniewskiego 3, 01-785, Warszawa, Poland	
Klinika Optimum Sp. z.o.o.	PLN Ordinary
Zygmunta Slominskiego, 5/U05 Street, Warsaw, Poland	
Smile Design Clinic Sp. z.o.o.	PLN100.00 Ordinary

Republic of Ireland

Name	Share Classes
1st Floor, 9 Exchange Place, I.F.C.S, Dublin 1, Ireland	
GK Medical and Dental Services Limited	€1.00 Ordinary
Hugh Bradley Limited	€1.00 Ordinary
Oasis Healthcare Holdings Ireland Limited	€1.00 Ordinary
Woodquay Dental Limited	€1.00 Ordinary
Xeon Dental Services Limited	€0.01 Ordinary
Second Floor, 10 Pembroke Place, Ballsbridge, Dublin, 4, Ireland	
Bupa Global Designated Activity Company	€1.00 Ordinary

Saint Kitts and Nevis

Name	Share Classes
Amory Building, Victoria Road, Basseterre, St. Kitts, Saint Kitts and Nevis	
Amedex Services Ltd. (St Kitts)	US$1.00 Capital Stock

Singapore

Name	Share Classes
600, North Bridge Road, #05-01 Parkview Square, 188778, Singapore	
Bupa Singapore Holdings Pte Ltd	SGD Ordinary

Spain

Name	Share Classes
Avda Marcelo Celayeta, 144 – Pamplona (31014), Spain	
Sanitas Mayores Navarra S.L.	€60.10 Ordinary
Avenida Generalitat Valenciana no 50, Valencia, Spain	
Especializada y Primaria L'Horta-Manises, S.A.U.	€1.00 Ordinary
c/Eguskiaguirre no.8, 48902, Baracaldo, Bilbao, Spain	
Sanitas Mayores Pais Vasco S.A.	€120.00 Ordinary
Calle Ribera Del Loira, 52, 28042, Madrid, Spain	
Elegimosalud S.L.U	€1.00 Ordinary
Grupo Bupa Sanitas S.L.U.	€100.00 Ordinary
Sanitas Emision S.L.U.	€1.00 Ordinary
Sanitas Holding, S.L.U.	€1.00 Ordinary
Sanitas Mayores S.L.	€651.28 Ordinary
Sanitas Nuevos Negocios S.L.U.	€1.00 Ordinary
Sanitas S.L. de Diversificacion S.U.	€6.02 Ordinary
Sanitas, S.A. de Hospitales S.U.	€6.01 Ordinary

Sweden

Name	Share Classes
Box 27093, 102 51, Stockholm, Sweden	
LMG Forsakrings AB	€1,000.00 Ordinary

Turkey

Name	Share Classes
Küçükbakkalköy Mah. Basar Sok, No: 20 Atasehir, Istanbul, Turkey	
Acibadem Grubu Sigorta Aracilik Hizmetleri A.S.	TRY1.00 Ordinary
Bupa Acibadem Sigorta A.S.	TRY1.00 Ordinary

United Arab Emirates

Name	Share Classes
Unit C1204, Level 12, Burj Daman, DIFC, PO Box 507019, Dubai, United Arab Emirates	
Bupa Global Middle East (DIFC) Limited	US$1.00 Ordinary

Related Undertakings
continued

United Kingdom

Name	Share Classes
1 Angel Court, London, EC2R 7HJ, United Kingdom	
ANS 2003 Limited	£0.01 Ordinary
ANS Limited	£0.10 Ordinary
Bede Village Management Limited	£1.00 Ordinary
Belmont Care Limited	£0.50 Ordinary
Bridge Health Investments Limited	£1.00 Ordinary
Bupa Care Homes (AKW) Limited	£1.00 Ordinary
Bupa Care Homes (ANS) Limited	£1.00 Ordinary, £1.00 Special Share
Bupa Care Homes (Bedfordshire) Limited	£1.00 Ordinary
Bupa Care Homes (BNH) Limited	£1.00 Ordinary
Bupa Care Homes (BNHP) Limited	£1.00 Ordinary
Bupa Care Homes (CFCHomes) Limited	£1.00 Ordinary
Bupa Care Homes (CFG) plc	£0.25 Ordinary
Bupa Care Homes (CFHCare) Limited	€0.000001 Redeemable Preference, £1.00 Ordinary
Bupa Care Homes (Developments) Limited	£1.00 Ordinary
Bupa Care Homes (GL) Limited	£1.00 Ordinary
Bupa Care Homes (HH Bradford) Limited	£1.00 Ordinary
Bupa Care Homes (HH Hull) Limited	£1.00 Ordinary
Bupa Care Homes (HH Leeds) Limited	£1.00 Ordinary
Bupa Care Homes (HH Northumberland) Limited	£1.00 Ordinary
Bupa Care Homes (HH Scunthorpe) Limited	£1.00 Ordinary
Bupa Care Homes (HH) Limited	£1.00 Ordinary
Bupa Care Homes (Holdings) Limited	£1.00 Ordinary
Bupa Care Homes Investments (Holdings) Limited	£1.00 Ordinary
Bupa Care Homes (Partnerships) Limited	£1.00 Ordinary
Bupa Care Homes (PT Lindsay Prop) Limited	£1.00 Ordinary
Bupa Care Homes (PT Lindsay) Limited	£1.00 Ordinary
Bupa Care Homes (PT Links Prop) Limited	£1.00 Ordinary
Bupa Care Homes (PT Links) Limited	£1.00 Ordinary
Bupa Care Homes (PT) Limited	£1.00 Ordinary
Bupa Care Services Limited	£0.20 Ordinary
Bupa Finance plc[3]	£1.00 Ordinary
Bupa Foundation	Guarantee Membership Interest
Bupa Global Holdings Limited	€1.00 Ordinary, €0.01 Ordinary, £1.00 Ordinary
Bupa Health at Work Limited	£1.00 Ordinary
Bupa Healthcare Services Limited	£1.00 Ordinary
Bupa Insurance Limited	£1.00 Ordinary
Bupa Insurance Services Limited	£1.00 Ordinary
Bupa International Markets Limited	£1.00 Ordinary
Bupa Investments Limited	£1.00 Ordinary
Bupa Investments Overseas Limited	AUD1.00 Redeemable Preference, CLP1.00 Redeemable Preference, €1.00 Redeemable Preference, £1.00 Ordinary, PLN1.00 Redeemable Preference, US$1.00 Redeemable Preference
Bupa Limited	£1.00 Ordinary
Bupa Occupational Health Limited	£1.00 Ordinary
Bupa Pension Scheme Trustees Limited	£1.00 Ordinary
Bupa Secretaries Limited	£1.00 Ordinary
Bupa Trustees Limited	£1.00 Ordinary
Bupa Wellness Group Limited	£0.01 Ordinary
Calverguild Limited	£1.00 Ordinary

United Kingdom continued

Name	Share Classes
Ebbgate Nursing Homes (London) Limited	£1.00 Ordinary-A
Ebbgate Nursing Homes Limited	£1.00 Ordinary
Health Dialog UK Limited	£1.00 Ordinary
Occupational Health Care Limited	£1.00 Ordinary, £1.00 Redeemable Preference
Personal Effectiveness Centre Limited	£1.00 Ordinary
Richmond Care Villages Holdings Limited	£1.00 Ordinary
Richmond Care Villages (Property) Limited	£1.00 Ordinary
Richmond Coventry Limited	£1.00 Ordinary
Richmond Letcombe Limited	£1.00 Ordinary
Richmond Nantwich Developments Limited	£1.00 Ordinary
Richmond Nantwich Limited	£1.00 Ordinary
Richmond Nantwich Properties Limited	£1.00 Ordinary
Richmond Northampton Limited	£1.00 Ordinary
Richmond Northampton Management Limited	£1.00 Ordinary
Richmond Painswick Management Company Limited	£1.00 Ordinary
Richmond Villages Operations Limited	£1.00 Ordinary
Watertight Investments Limited	£1.00 Ordinary
13 Queens Road, Aberdeen, Aberdeenshire, AB15 4YL, United Kingdom	
Hillington Park Dental Practice Limited	£1.00 Ordinary
Martin and Martin Dental Care Limited	£1.00 Ordinary
MFM Community Limited	£1.00 Ordinary
Partick Dental Ltd.	£0.01 Ordinary
39 Victoria Road, Glasgow, G78 1NQ	
Bupa Care Homes (Carrick) Limited	£1.00 Ordinary
Bupa Dental Care, Vantage Office Park, Old Gloucester Road, Hambrook, Bristol, BS16 1GW, United Kingdom	
A4 Health Group Limited	£1.00 Ordinary
Aesthetic Dental Laboratory Limited	£1.00 Ordinary
Andrew Greenwood Ltd	£1.00 Ordinary
Apex Dental Care Limited	£1.00 Ordinary
Aqua Dental Spa Limited	£1.00 Ordinary
Archway Dental Practice Limited	£1.00 Ordinary
Arnica Dental Care Limited	£1.00 Ordinary
Avsan Cove Limited	£1.00 Ordinary
Avsan Dental Edinburgh Limited	£1.00 Ordinary
Avsan Ferryburn Limited	£1.00 Ordinary
Avsan Fife Limited	£1.00 Ordinary
Avsan Fleet Limited	£1.00 Ordinary
Avsan Gloucester Limited	£1.00 Ordinary
Avsan Halstead Limited	£1.00 Ordinary
Avsan Knebworth Limited	£1.00 Ordinary
Avsan Kseat Limited	£1.00 Ordinary
Avsan Queenscross Limited	£1.00 Ordinary
Avsan Queensroad Limited	£1.00 Ordinary
Avsan Visage Limited	£1.00 Ordinary
B Dental Limited	£1.00 Ordinary
BASDAC (2011) LLP	Partnership Interest
BE White Ltd	£1.00 Ordinary
Bupa Dental Services Limited	£1.00 Ordinary
Caring Dentistry Ltd	£1.00 Ordinary
Cheshire Cat Orthodontics Limited	£1.00 Ordinary
Clock Tower Dental Care Limited	£1.00 Ordinary
Colchester Dental Referral Centre Limited	£1.00 Ordinary
Cranbrook Dental Practice Limited	£1.00 Ordinary

United Kingdom continued

Name	Share Classes
Creative Designs Dental Laboratory Limited	£1.00 Ordinary
Croft Dental Care Limited	£1.00 Ordinary
David Row Limited	£1.00 Ordinary
Den Dental Group Practice LLP	Partnership Interest
Dencraft (Leicester) Ltd	£1.00 Ordinary
Dencraft (South Yorkshire) Limited	£1.00 Ordinary
Dental Confidence Limited	£1.00 Ordinary
Dental Excellence – Harewood Practice LLP	Partnership Interest
Dentalign Colwyn Bay Ltd	£1.00 Ordinary
Dentalign Eastbourne Ltd	£1.00 Ordinary
Dentalign Orthodontics Limited	£1.00 Ordinary
Dentalign Orthodontics LLP	Partnership Interest
Dentalign Wrexham Ltd	£1.00 Ordinary
Derwent House Orthodontics Limited	£1.00 A Ordinary
Devon Smiles Limited	£1.00 Ordinary
Deysbrook Dental Surgery Limited	£1.00 Ordinary
Diamond House Dental Practice Limited	£1.00 Ordinary
Eckington Dental Practice Limited	£1.00 Ordinary
Eurodontic Limited	£1.00 Ordinary
Fairfield Dental Surgery Limited	£1.00 Ordinary
Freshdental Practice Limited	£1.00 Ordinary
Future Drilling Limited	£1.00 Ordinary
G & M Moynes Ltd	£1.00 Ordinary
Goodteeth Dental Surgeries Limited	£1.00 Ordinary
Grosvenor Orthodontic Clinic (Beckenham) Limited	£1.00 Ordinary
Harbour Way Surgery Limited	£1.00 A Ordinary
Haven Green Clinic Limited	£1.00 Ordinary
Highland Dental Care Limited	£1.00 Ordinary
Highwoods and St Johns Limited	£1.00 Ordinary
Highworth Dental Care Limited	£1.00 Ordinary
Hope Dental Practice Limited	£1.00 Ordinary, £1.00 Ordinary B
Hospital Lane Dental Clinic Limited	£1.00 Ordinary
In Store Dental Limited	£1.00 Ordinary
Iosis Clinic Limited	£1.00 Ordinary
J & M Dental Care Ltd	£1.00 Ordinary
J A Jordan & Associates Limited	£1.00 Ordinary
J.J. Thompson (Orthodontic Appliances) Limited	£1.00 Ordinary
James Taylor and Partners Limited	£1.00 Ordinary
JDH Holdings Limited	£0.10 Ordinary
Kidson Orthodontics Limited	£1.00 Ordinary
King Lane Dental Care Limited	£1.00 Ordinary
KN Wellness Ltd	£1.00 Ordinary
Lab 53 Limited	£1.00 Ordinary
Lawrence Street Dental Practice Limited	£1.00 Ordinary
Linden Dental Centre Limited	£1.00 Ordinary
Luke Barnett Clinic Limited	£1.00 Ordinary
Luke Barnett Limited	£1.00 Ordinary
Mainestream Dental Care Limited	£1.00 Ordinary
Mark Fazakerley (VHO) Limited	£1.00 Ordinary
MCM (Dental Services) Limited	£1.00 Ordinary
MDANZ Holdings Limited	£1.00 Ordinary
MDANZ Limited	£1.00 Ordinary
Metrodental Limited	£1.00 Ordinary
Milehouse Dental Care Limited	£1.00 Ordinary
Mojo-D Limited	£1.00 Ordinary
MZINC Limited	£0.01 Ordinary

United Kingdom continued

Name	Share Classes
Nigel Reynolds Limited	£1.00 Ordinary
NM Jones Ltd	£1.00 Ordinary
North Devon Orthodontic Centre Limited	£1.00 Ordinary
North Lakeland Ltd	£1.00 Ordinary
Oasis Dental Care (Central) Limited	£1.00 Ordinary
Oasis Dental Care (Southern) Holdings Limited	£0.10 B Ordinary, £1.00 Ordinary A, £1.00 Ordinary B, £0.10 Ordinary C, £0.10 Ordinary D, £0.10 Ordinary E
Oasis Dental Care (Southern) Limited	£1.00 Ordinary
Oasis Dental Care Limited	£1.00 Ordinary
Oasis Healthcare Limited	£0.01 Ordinary
Oral Implantology Limited	£1.00 Ordinary
Ortho 2008 Limited	£1.00 Ordinary
Orthoscene Limited	£1.00 Ordinary
Oswestry Dental Laboratory Limited	£1.00 Ordinary
Paul Coulthard Ltd	£1.00 Ordinary
Pembury TM Limited	£1.00 Ordinary
Perlan Limited	£1.00 Ordinary
Peter Baldwin (VHO) Limited	£1.00 Ordinary
Priors Croft Dental Practice Limited	£1.00 Ordinary
Private Dental Services Ltd	£1.00 Ordinary
Quantum Ortho Limited	£1.00 Ordinary
Quest Dental Care LLP	Partnership Interest
Raglan Suite Limited	£1.00 Ordinary
Ratcliffe Dental Limited	£1.00 Ordinary
Richley Dental Ceramics Limited	£1.00 Ordinary
Rise Park Dental Practice Limited	£0.10 Ordinary A, £0.10 Ordinary B
Roberts-Harry Clinic Ltd	£1.00 Ordinary
Shaw & Associates Dental Surgeons Ltd	£1.00 Ordinary
Silverwell Surgery Ltd	£1.00 Ordinary
Siobhan Owen Limited	£1.00 Ordinary
Smile Dental Care Ltd	£1.00 Ordinary
Smile Lincs Limited	£1.00 Ordinary
Steeple Grange Smiles Limited	£1.00 Ordinary
Stephen E B Jones Ltd	£1.00 Ordinary
Stob Dearg Limited	£1.00 Ordinary
Stop the Clock Dental Care Limited	£1.00 Ordinary
Store Dental Care Limited	£1.00 Ordinary
Synergy Ceramics Ltd	£1.00 Ordinary
TDK Dental Limited	£0.50 Ordinary A
The Adams and Lee Dental Practice Ltd	£1.00 Ordinary
The Bramhope Dental Clinic Limited	£1.00 Ordinary
The Clinic Dental Facial Limited	£1.00 Ordinary
The Dental Solutions Centre Ltd	£0.02 Ordinary
The Exeter Dental Centre Limited	£1.00 Ordinary
The Facial Aesthetics & Dental Centre Ltd	£1.00 Ordinary
The Oasis Healthcare Group Limited	£1.00 Ordinary
The Smile Centres Limited	£1.00 Ordinary
The Spire Halifax Limited	£1.00 Ordinary
The Tutbury Dental Practice Limited	£1.00 Ordinary
Tidge and Lou Limited	£1.00 Ordinary
Tooth Fixer Limited	£1.00 Ordinary
Total Orthodontics Limited	£1.00 Ordinary
Ultimate Smile Spa Ltd	£1.00 Ordinary
Wessington Way Limited	£0.10 Ordinary
Whole Tooth Limited	£1.00 Ordinary
Wimborne Total Dental Care Limited	£1.00 Ordinary
Windslade Limited	£1.00 Ordinary
Winning Smiles (Gillingham) Limited	£1.00 Ordinary

Related Undertakings
continued

United Kingdom continued

Name	Share Classes
Wylde Green Orthodontics LLP	Partnership Interest
Wylye Valley Dentistry Limited	£1.00 Ordinary
Xeon Smiles UK Limited	£1.00 Ordinary
Cromwell Hospital, Cromwell Road, London, SW5 0TU	
Cromwell Health Group Limited	£1.00 A Ordinary
Medical Services International Limited	£1.00 Ordinary
Mind Your Business (Ni) Ltd, 1 Elmfield Avenue, Warrenpoint, Newry, County Down, BT34 3HQ, Northern Ireland	
Belfast Orthodontic Clinic Ltd	£1.00 Ordinary
Blueapple Dental and Implant Team Limited	£1.00 Ordinary
Cranmore Excellence in Dentistry Limited	£1.00 Ordinary
DE (Belmont Road) Ltd	£1.00 Ordinary
Fortwilliam and Ballymena Specialist Dental Clinics Limited	£1.00 Ordinary
Smiles Dental Practices North Limited	£1.00 Ordinary

United States

Name	Share Classes
17901 Old Cutler Road, Suite 400, Palmetto Bay FL 33157, United States	
Bupa Insurance Company	US$1.25 Capital Stock
Bupa Investment Corporation, Inc.	US$1.00 Capital Stock
Bupa U.S. Holdings, Inc.	US$0.01 Common Stock
Bupa Worldwide Corporation	US$5.00 Capital Stock
U.S.A. Medical Services Corporation	US$5.00 Capital Stock

1. 0.000025% held by nominee.
2. 0.000001% held directly by the Company.
3. 100% held directly by the Company.

Other Undertakings

The related undertakings listed below are not wholly owned by the Company. The proportion of the nominal value of each share class held indirectly by the Company is shown below.

Australia

Name	Share Classes	Actual % held
Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia		
Mobile Dental Pty Ltd	AUD Ordinary	49.00
Level 3, 60-62 Clarence Street, Sydney NSW 2000, Australia		
Whitecoat Holdings Pty Ltd	AUD Ordinary	23.48
Whitecoat Operating Pty Ltd	AUD Ordinary	100.00

Bahrain

Name	Share Classes	Actual % held
Flat 207, Building 743, Road 831, Block 408, Sanabis, Bahrain		
Bupa Middle East Holdings Two W.L.L.	BHD50.00 Ordinary	75.00

Chile

Name	Share Classes	Actual % held
Anabaena N° 336, Comuna Viña del Mar, Region Valparaiso, Chile		
Clinica Renaca S.A.	CLP Ordinary	100.00
Desarrollo E Inversiones Medicas S.A.	CLP Ordinary	96.97
Promotora De Salud S.A.	CLP Ordinary	67.03
Sociedad Medica Imageneologia Clinica Renaca Limitada	CLP Social Rights	80.00
Av. Matta No 1868, Comuna Antofagasta, Region Antofagasta, Chile		
Sociedad Medico Quirurgica De Antofagasta S.A.	CLP Ordinary	100.00
Cerro Colorado N° 5240, Piso 11, Comuna Las Condes, Region Metropolitana, Chile		
Isapre Cruz Blanca S.A.	CLP Ordinary	99.73
Dr. Juan Noe N° 1370, Comuna Arica, Region Arica y Parinacota, Chile		
Corporacion Medica de Arica S.A.	CLP Ordinary	68.97
Sociedad De Inversiones Pacasbra S.A.	CLP Ordinary	100.00
Los Militares N° 4777, Torre I, Piso 8, Comuna de Las Condes, Region Metropolitana, Chile		
Bupa Servicios de Salud SpA	CLP Ordinary	100.00
Examenes De Laboratorio S.A.	CLP Ordinary	100.00
Integramedica S.A.	CLP Ordinary	99.99
Recaumed S.A.	CLP Ordinary	58.40
Sonorad II S.A.	CLP Ordinary	100.00
Manuel Antonio Matta N° 1868, Comuna Antofagasta, Region Antofagasta, Chile		
Inmobiliaria Centro Medico Antofagasta S.A.	CLP Ordinary	99.99
Manuel Antonio Matta N° 1945, Comuna Antofagasta, Region Antofagasta, Chile		
Centro Medico Antofagasta S.A.	CLP Ordinary	100.00
Inversiones Clinicas Pukara S.A.	CLP Ordinary	85.88
Servicios Y Abastecimiento A Clinicas S.A.	CLP Ordinary	100.00
Sociedad De Resonancia Magnetica Del Norte S.A.	CLP Ordinary	100.00
Sociedad Instituto De Cardiologia Del Norte Limitada	CLP Social Rights	50.00
Pedro Aguirre Piso 5, Cerda N° 843, Comuna Arica, Region Arica y Parinacota, Chile		
Centro De Diagnostico Avanzado San Jose S.A.	CLP Ordinary	100.00
Centro De Imagenes Medicas Avanzadas San Jose S.A.	CLP Ordinary	70.00

Hong Kong

Name	Share Classes	Actual % held
3rd Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong		
Alpha Medical MRI (TST) Limited	HKD10,000.00 Ordinary	65.00
Central Medical Diagnostic Centre Limited	HKD1.00 Ordinary	74.49
Central MRI Centre Limited	HKD1.00 Ordinary	100.00
Central PET/CT Scan Centre Limited	HKD1.00 Ordinary	100.00

India

Name	Share Classes	Actual % held
Max House, 1, Dr Jha Marg, Okhla, New Delhi, 110020, India		
Max Bupa Health Insurance Company Limited[1]	INR10.00 Ordinary	44.42

Peru

Name	Share Classes	Actual % held
Av. Guardia Civil N° 664, Comuna San Isidro, Region Lima, Peru		
Anglolab S.A	PEN Ordinary-A	100.00
	PEN Ordinary-B	50.00
MediPeru S.A.C	PEN Ordinary	99.97

Poland

Name	Share Classes	Actual % held
Al. Niepodleglosci 18, 02-653, Warsaw, Poland		
Endoterapia PFG Sp. z.o.o.	PLN50.00 Ordinary	40.00
Marszalkowska 99 A lok. 5B Street, 00-693, Warsaw, Poland		
Centrum Edukacyjne Medycyny Sportowej Sp. z.o.o.	PLN50.00 Ordinary	50.00
Porebskiego 9 Street, 81-185, Gdynia, Poland		
Niepubliczny Zaklad Opieki Zdrowotnej Przychodnia Lekarska "POGORZE" Sp. z.o.o.	PLN200.00 Ordinary	88.15
ul. Dluga 43, 05-510 Konstancin Jeziorna, Poland		
Lux Med Tabita Sp. z.o.o.	PLN100.00 Ordinary	88.00

Saudi Arabia

Name	Share Classes	Actual % held
Al-Khalidiyah-Nour Al Ehsan 3538, Unit 1 Jeddah 7505-23423, P.O. Box 23807, Jeddah, 21436, Saudi Arabia		
Bupa Arabia For Cooperative Insurance Company	SAR10.00 Ordinary	43.25
Prince Sultan St, Al Mohammediyah Dist., PO Box 260, Jeddah, 21411, Saudi Arabia		
Nazer Bupa Medical Equipment Company Limited	SAR1,000.00 Ordinary	50.00

Spain

Name	Share Classes	Actual % held
Avenida República Argentina, Número 6, Entreplanta, Seville, Spain		
Clinicas Ginemed S.L.	€6.02 Ordinary	70.00
Calle Arenal Numero 22, 3 Derecha, Madrid, Spain		
Foren Project S.L.	€1.00 Ordinary	20.00
Calle Ribera Del Loira, 52, 28042, Madrid, Spain		
Fundacion Sanitas[2]	€1.00 Contribution	100.00
Sanitas S.A. de Seguros	€0.68 Ordinary	99.91

United Kingdom

Name	Share Classes	Actual % held
1 Angel Court, London, EC2R 7HJ, United Kingdom		
Fulford Grange Medical Centre Limited	£1.00 'A' Ordinary	100.00
Ground Floor, Bury House, 31 Bury Street, London, EC3A 5AR, United Kingdom		
Healthbox Europe 1 LP	Partnership Interest	37.00
Swan Court, Waterman's Business Park, Kingsbury Crescent, Staines, Surrey, England, TW18 3BA, United Kingdom		
Healthcode Limited	£1.00 A Ordinary	100.00
	£1.00 E Ordinary	20.00
Wilson House Waterberry Drive, Waterlooville, Hampshire, PO7 7XX, United Kingdom		
London Oncology and Wellbeing Centre Limited	£1.00 B	100.00
	£1.00 Ordinary	42.15

United States

Name	Share Classes	Actual % held
933 First Avenue, King of Prussia PA 19406, United States		
Highway to Health, Inc	US$0.01 Ordinary	49.00
HTH Re, Ltd	US$1.00 Ordinary	100.00
HTH Worldwide, LLC	US$1.00 Ordinary	100.00
Worldwide Insurance Services, LLC	US$1.00 Ordinary	100.00

1. Part held by nominees.
2. The Sanitas Foundation.

Five-year financial summary

Five-year financial summary in brief

The five-year financial summary is presented to better understand trends.

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue – segmental analysis					
Australia and New Zealand	**4,737**	4,652	4,656	4,927	4,360
Europe and Latin America	**3,765**	3,853	3,499	3,346	2,754
Bupa Global and United Kingdom	**3,122**	3,323	3,288	3,537	3,502
Other businesses	**494**	488	417	440	433
Net reclassifications to other expenses or financial income and expenses	**–**	–	(1)	(1)	(1)
Consolidated total revenues	**12,118**	12,316	11,859	12,249	11,048
Claims and expenses					
Operating expenses (including claims)	**(11,619)**	(11,846)	(11,224)	(11,505)	(10,436)
Impairment of goodwill	**–**	(422)	(35)	(1)	–
Impairment of other intangible assets arising on business combinations	**(11)**	(21)	(4)	(16)	(21)
Other income and charges	**1**	(42)	(53)	(99)	(39)
Total claims and expenses	**(11,629)**	(12,331)	(11,316)	(11,621)	(10,496)
Profit/(loss) before financial income and expense	**489**	(15)	543	628	552
Net financial expense	**(79)**	(63)	(41)	(8)	(29)
Profit/(loss) before tax expense	**410**	(78)	502	620	523
Taxation expense	**(180)**	(133)	(190)	(134)	(136)
Profit/(loss) for the financial year	**230**	(211)	312	486	387
Attributable to:					
Bupa	**228**	(213)	306	482	382
Non-controlling interests	**2**	2	6	4	5
Profit/(loss) for the financial year	**230**	(211)	312	486	387
Equity					
Property revaluation reserve	**699**	692	700	796	706
Income and expenditure reserve	**6,194**	6,059	6,306	5,882	5,230
Cash flow hedge reserve	**21**	21	20	22	15
Foreign currency translation reserve	**266**	237	464	558	595
Equity attributable to Bupa	**7,180**	7,009	7,490	7,258	6,546
Equity attributable to non-controlling interest	**18**	17	20	30	31
Total equity	**7,198**	7,026	7,510	7,288	6,577

International Financial Reporting Standards relevant to Bupa

International Financial Reporting Standards (IFRS)

IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

International Accounting Standards (IAS)

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Reporting Date
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 40	Investment Property

Interpretations

IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 21	Levies
IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments
SIC 29	Service Concession Arrangements: Disclosures
SIC 32	Intangible Assets – Website Costs

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