Driving growth from transformation

Annual Report 2021

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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. 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.

We are an international healthcare company. Over 75 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.

Bupa at a glance

Our purpose
Helping people live longer, healthier, happier lives and making a better world

Our ambition

To be the world's most customer-centric healthcare company

Our values

Bupa is made up of passionate individuals who care about doing the right thing. As we transform and grow it's important that we stay true to our values. In living our purpose and innovating for a healthier future, our values help guide how we do things, how we work together and how we treat each other.

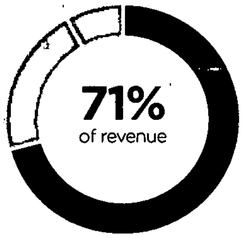
Brave
Make new possibilities happen

Caring
Act with empathy and respect

Responsible
Own your decisions and actions

Business model

Health insurance



21.1m
customers

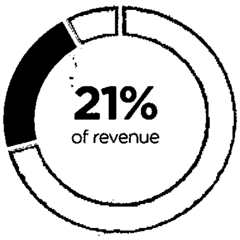
We have a strong domestic health insurance presence around the world.

We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong SAR, Brazil and through Bupa Global.

We offer additional health funding products, such as subscriptions and cash plans.

We also offer international private medical insurance (IPMI) through our Bupa Global businesses.

Health provision



16.9m
customers

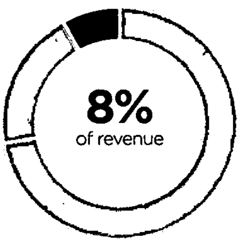
Health services include health assessments, GP services and physiotherapy. We also have outpatient and speciality clinics.

Digital provision services including digital GP services, care triage and consultation, mental health coaching and support, and chronic care management.

We run hospitals in Spain, Chile and Poland and one in the UK.

Around 1,000 dental centres across the UK, Ireland, Australia, Spain, Chile, Poland, Brazil and Hong Kong.

Aged care



20,000
residents

Our portfolio comprises care homes, retirement villages, day centres and homecare.

Aged care services in Australia, New Zealand, the UK and Spain.

Our Market Units

Asia Pacific

Our Asia Pacific Market Unit (APAC) 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. In Hong Kong SAR our business covers health insurance, health services and health provision.

43%
of revenue

4.4m
Health insurance customers

2.4m
Health provision customers

5,300
Aged care residents Australia

3,300
Aged care residents New Zealand

→ See page 39

Europe and Latin America

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

31%
of revenue

4.5m
Health insurance customers

11.4m
Health provision customers

5,300
Aged care residents

→ See page 40

Bupa Global and UK

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

26%
of revenue

2.8m
Health insurance customers

2.9m
Health provision customers

6,100
Aged care residents

→ See page 41

Other businesses

We work closely with our associate businesses in Saudi Arabia (Bupa Arabia and MyClinic) and India (Niva Bupa).

9.6m
Total customers

→ See page 42

Financial performance

£12.9bn

Revenue[1]

+8% at CER, 2020: £12.0bn
+6% at AER, 2020: £12.1bn

£423m

Statutory profit before tax[2]

+7% at AER, 2020: £396m

£907m

Net cash generated from operating activities

-32% at AER, 2020: £1,336m

£405m

Underlying profit[2]

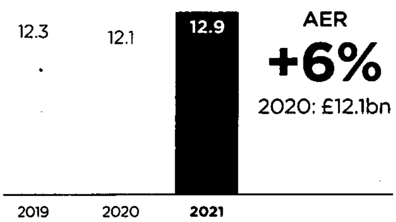
+14% at CER, 2020: £354m
+8% at AER, 2020: £374m

179%

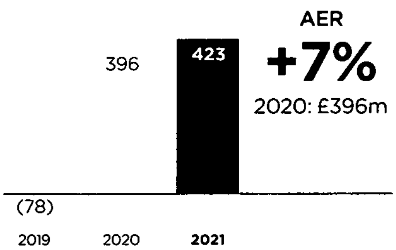
Solvency II capital coverage ratio[3]

2020: 160%

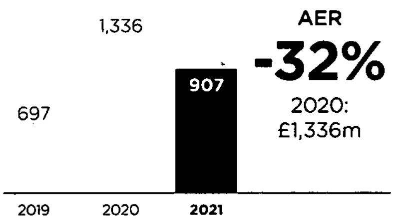
Revenue (£bn)



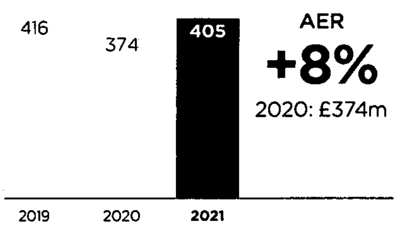
Statutory profit before taxation (£m)



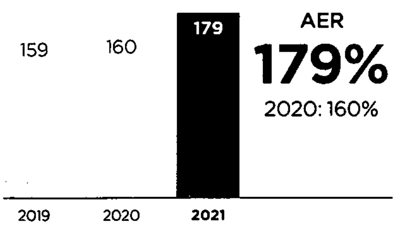
Net cash generated from operating activities (£m)



Underlying profit[4] (£m)



Solvency II capital coverage ratio[3] (%)



→ See Financial review on page 43

1. 2020 revenue has been restated by £24m for the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care – Australia. See Note 1.5 for further detail.
2. 2020 underlying profit and statutory profit have been restated by £(14)m following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for. See Note 1.5 for further detail.
3. The 2021 Solvency II capital position, Solvency Capital Requirement (SCR) and coverage ratio are estimates and unaudited.
4. 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 Note 2.
5. The numbers in the graphs are shown at AER.

Highlights and recognitions

New global 3x6 strategy driving growth through transformation

18%

Insurance customer growth across our markets

Launched an internal engagement platform, connecting our 84,000 people globally

78

Employee engagement scored **78 out of 100** in our **People Pulse survey**

Delivered our first Global Hackathon on data-driven solutions

Launched our Digital Skills Academy, building digital skills and literacy

Delivered our first eco-Disruptive global talent and innovation programme

Announced our ambition to become a net zero business by 2040

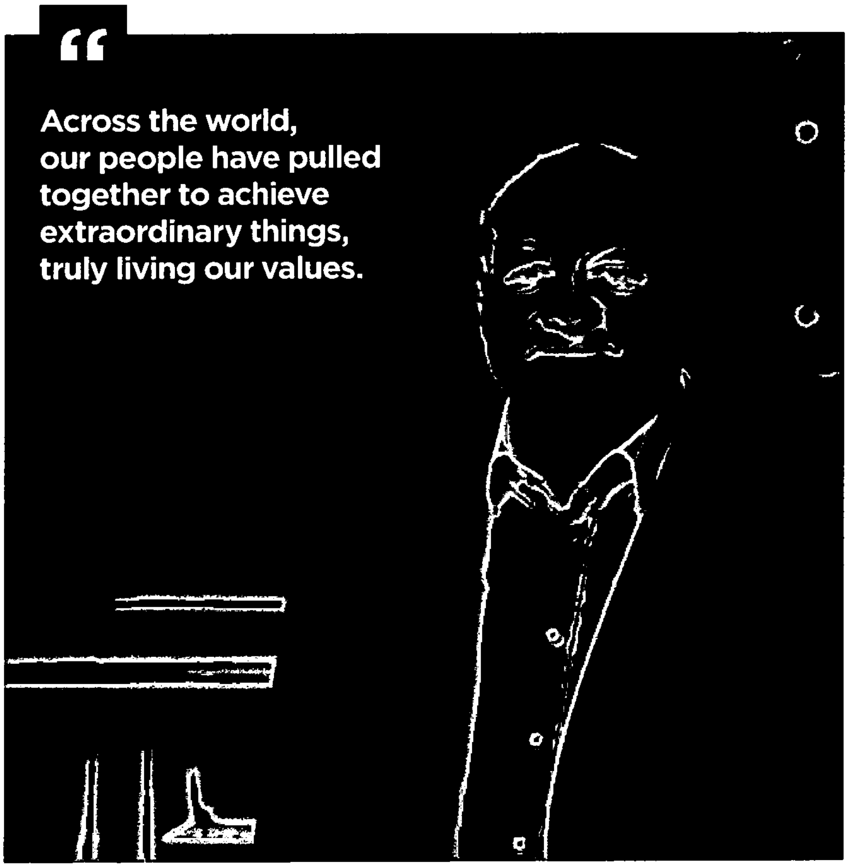
Supported the 'Ride for their Lives' health workers' campaign ahead of COP26

Launched our digital health proposition, Blua, in Australia, as part of global rollout

In Spain, we launched a carbon footprint feature in our customer app, which informs them about net emissions avoided when digital services are chosen

BGUK ranked third in the Inclusive Companies Top 50 UK employers

Focused on supporting our customers



Through the second year of the pandemic, our people have continued to take care of our customers without hesitation. They have also supported each other and played their part in how our markets managed to navigate the impacts of COVID-19. They really have been at their best during this period. The Board and I would like to recognise Bupa's people for what they have achieved this year.

In the Strategic Report, we summarise our results for 2021. The performance of our health provision and aged care businesses has improved and we're seeing strong customer growth in many of our health insurance businesses. We're seeing great progress on customer numbers in many markets and we've started some important strategic partnerships which will help us continue to grow. We are optimistic about the future and confident that Bupa is well placed to continue to perform strongly in the year ahead.

In Iñaki's first year as Group CEO, he has made significant progress in refreshing Bupa's strategic fundamentals to put us in the best place for success into the future. The refresh of Bupa's purpose, ambition and values shows our capacity to adapt to new business conditions. Our people have embraced the idea of running the business while transforming at the same time.

We're making good progress on the projects which underpin the pillars of our 3x6 strategy, including rolling out our Blua digital health platform across a number of our markets. We will build on this progress during 2022.

Sustainability is a key pillar of our strategy. Its importance to us is reflected in our refreshed purpose with the addition of 'and making a better world', demonstrating the broader role we expect to play in the health of our people and planet. We have strengthened our Sustainability and Environmental, Social and Governance (ESG) processes through the establishment of the Board Sustainability Committee and, at management level, the Sustainability Steering Committee.

We have also committed to being a net zero business across all emission scopes by 2040 and we are finalising our sustainability strategy. This will set out how Bupa will take a leadership role around the connection between human health and the health of the environment.

James Lenton joined us in September 2021 as our new Group Chief Financial Officer (Group CFO) and has been appointed to the Board as an executive director. I would like to thank Martin Potkins for his support this year as Interim CFO. We had a number of other changes to the Board during 2021 on the non-executive side, with more changes forthcoming.

You can read my Chairman's governance statement on page 55 for more details.

Iñaki and his leadership team are committed to delivering strong performance, transforming Bupa and becoming the world's most customer-centric healthcare company. This means a commitment to excellent customer experience, through great service and value, frictionless access and quality healthcare. This will be our focus for the year ahead.

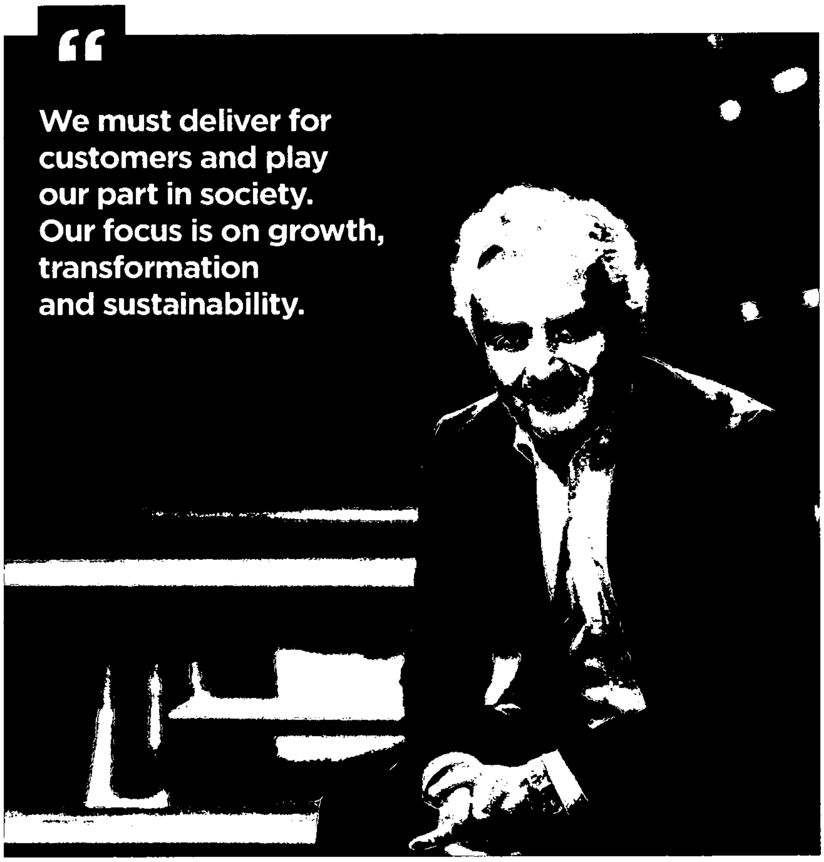
Our Strategic Report from pages 1-53 was reviewed and approved by the Board of Directors on 7 March 2022.

By order of the Board.

Roger Davis
Group Chairman

Group CEO's review

Delivering on our new strategy



Across Bupa we navigated the impacts of the second year of the pandemic, and I am really proud of the care and commitment our people continue to show for our customers and for each other. In these results, we see the benefits of the easing of restrictions in many places, with improving performance in health provision and aged care, but I am also very pleased to see strong organic customer growth in health insurance. As vaccination programmes are rolled out across the world, I'm hopeful that we will soon return to a more normal way of life. However, it is clear that world events, particularly the war in Ukraine, create further uncertainty and we need to remain vigilant as the impacts become clear.

Like many people, I am very worried about the war in Ukraine. Across Bupa, we're doing everything we can to offer support to people in need. Our thoughts are with everyone affected and we all hope for peace to prevail as soon as possible.

Last year, we launched our ambitious new 3x6 strategy, which is summarised below. As part of this, I asked our people to 'run and change' - which means that we need to run Bupa and continue to deliver high standards of service for our customers at the same time as we transform the business. I am delighted with the enthusiasm and energy everyone has shown as we start this journey. We are focused on embedding this strategy throughout Bupa with intensive work in progress, including how we will achieve our ambition to be a net zero business across all emission scopes by 2040.

Our full year 2021 results reflect the underlying strength of Bupa, with significant customer growth in several health insurance markets and more normal activity levels in our health provision services. We have maintained our financial resilience with revenue at £12.9bn up 8% on 2020 and underlying profit up 14% to £405m at CER, while we focused on helping our customers to access treatment as quickly and as safely as possible as COVID-19 restrictions eased. We continue to benefit from our diversified portfolio of businesses, and I am pleased with the strength of our overall performance.

In health insurance, a strong increase in customer numbers, particularly in the Europe and Latin America Market Unit, increased revenue from 2020. This was offset by increased claims levels in some markets as there was reduced disruption from the pandemic compared to 2020. We were particularly pleased with the growth in customer numbers in our health insurance businesses in Spain and Turkey, as well as in the UK.

We launched our business-wide 3x6 strategy to drive Bupa's transformation

Bupa eco-Disruptive

We launched eco-Disruptive, a global talent and innovation programme with eco start-ups

£12.9bn

Revenue

+8% at CER, 2020: £12.0bn
+6% at AER, 2020: £12.1bn

£423m

Statutory profit before tax

+7% at AER, 2020: £396m

£405m

Underlying profit

+14% at CER, 2020: £354m
+8% at AER, 2020: £374m

I see transformation as our route to growth and it is at the heart of our new plans. I'm confident that Bupa's new strategy will position us in the best way for success into the future.

Our health provision businesses are coming back strongly compared to 2020 as customers were able to access services more easily following a reduction in lockdown restrictions.

Occupancy improved in our aged care businesses as restrictions eased and more residents were able to be admitted to our homes. Protecting residents and staff remains our absolute focus and we continue to invest in safety equipment, staff training and support.

These results are a credit to our hard-working, dedicated people. Now we need to build on these solid foundations, adapt to changes in customer expectations for their healthcare and what people expect from businesses and embed our new strategy. This will enable us to transform Bupa and position ourselves for continued success into the future.

2021 highlights

- We launched the start of a series of emblematic projects which will underpin the pillars of the new strategy. Under the Transformation pillar we are beginning to roll out a **digital health platform** first developed in our Spanish business as **Blua**.
- As part of our commitment to sustainability, we confirmed our ambition to become a **net zero business by 2040** across all our operations. To underpin this ambition, we have set science-based targets which are aligned to keep Bupa's contribution to global warming to no more than 1.5°C.
- We launched **eco-Disruptive**, a global talent and innovation programme which brings together three elements of the new strategy: agile culture, transformation and sustainability. Through this, Bupa teams in Australia, Spain, Chile and the UK worked with eco start-ups to develop solutions to help meet environmental and human health challenges.
- Strengthening our technology, digital and data capabilities is crucial to realising our ambition and we launched a **Digital Skills Academy** to support our people's development. We delivered our first **Global Hackathon**, through which teams were challenged to design data-driven solutions to improve customers' experiences. As a step towards building a more agile culture, we also improved how our people connect and collaborate with each other by introducing a new global **internal engagement platform**.

Outlook

Although several of our markets have reached the advanced stages of vaccine deployment, we are still navigating the medium to long-term impact of COVID-19 in all our business lines. As restrictions are increasingly being lifted across the world, the vaccine rollout is progressing steadily, and economic activity is accelerating, we are positive about our future prospects. We know that the pandemic is not yet over and that conditions in some markets remain challenging, with the recruitment of healthcare workers an ongoing sector-wide issue, and with rising inflation increasing costs for our businesses. Specifically in Chile, we anticipate regulatory and political dynamics to affect our Isapre insurance business. While Bupa does not have businesses in either Ukraine or Russia, the macro-economic and human consequences of the conflict in that region are uncertain.

By focusing on the pillars of the new 3x6 strategy - Customers, Growth, Transformation, Sustainability, enabled by Agile Culture and Data - we are adapting well to the changing external environment and transforming Bupa to meet changing customer expectations. Our digital transformation is continuing at pace so that we can offer more services where and when our customers need them.

We are well placed to navigate challenges and take opportunities because of our underlying financial strength, resilience and our diversified business model. We are focused on embedding the new strategy, driving growth and transformation so that we can run and change.

Iñaki Ereño
Group CEO

External context

How our strategy is influenced

The environment we operate in is dynamic and fast-changing. This was true even before the pandemic, but the scale and pace of change in the healthcare sector has now been accelerated. The key factors shaping our external environment include both global and sector-specific trends and can be summarised as follows.

Global macro trends

Our macroeconomic environment

The COVID-19 pandemic triggered a slowdown in most major economies during 2020 but the macroeconomic backdrop improved throughout 2021

Several key macroeconomic indicators have improved in general this year across our markets - such as GDP growth and declining unemployment rates - and these trends have been enabled by vaccine rollouts. Nevertheless, inflationary pressures have increased due to a bounce-back in consumer demand and global supply chain disruption, and disruption related to COVID-19 remains a challenge.

Sustainability & ESG context

Stakeholders are increasingly holding companies accountable to higher standards of behaviour

There is growing alignment among different audiences that businesses should be assessed not only on their financial performance, but also on a wider set of factors around the broader sustainability and ESG agenda. These include their environmental impact - in particular, in terms of climate action - but also their impact on society and communities, their role as an employer, their corporate governance practices and ways of working. In this context, acting on meaningful sustainability and broader ESG considerations and embedding them in business practice is essential for responsible companies.

Sectoral trends

Existing long-term trends

Long-standing trends in the healthcare sector relating to demand, affordability and regulation continue to influence our strategic choices

Ageing populations and rising incidence of chronic illness continue to increase demand for healthcare services across the world. COVID-19 has heightened health awareness, further increasing demand for health services and funding solutions such as private medical insurance. At the same time, the scarcity of healthcare professionals persists across many countries, and governments and regulators continue to focus on care quality for health provision and on the affordability of health funding propositions.

Emerging trends

Healthcare is becoming increasingly consumer-focused

Customer preferences are evolving rapidly as people become increasingly engaged with their own health and expect more personalised services in all aspects of their lives, including healthcare. Delivering a better customer experience requires highly personalised health products, services and recommendations, and digitalisation and data will be key to this. COVID-19 has rapidly accelerated the adoption of digital remote care delivery, and increased digitalisation of the sector will continue over the longer term.

In 2021, we introduced a refreshed strategy for Bupa to respond to these existing and emerging trends and to take Bupa into a new era.

3x6 strategy

Driving Bupa's transformation

Our purpose

Helping people live longer, healthier, happier lives and making a better world

Our ambition

To be the world's most customer-centric healthcare company

3x ambition KPIs

40%
Customer care touchpoints owned by Bupa

60%
Active digital customers

80
Net Promoter Score of 80[1]

6x strategic and enabling pillars

Customers
Obsession with our customers' experience
→ See page 26

Growth
Strong performance and governance

Transformation
Continuous innovation and preparation
→ See page 24

Sustainability
Making a positive impact on the world
→ See page 28

Data
Enhanced data-driven decision-making

Agile Culture
The best, most diverse people and a great place to work
→ See page 16

1. Net Promoter Score (NPS) is a research metric and part of the Net Promoter System which is used by many businesses worldwide. NPS is used to measure customer loyalty and engagement and how likely they are to refer company's products and services to others.

Group CEO's Q&A

Q&A with our Chief Executive Officer

Iñaki Ereño Group CEO

Q. You launched a new strategy this year. Can you talk us through why you did this and what it led to?

A. At the start of 2021, the executive team and I spent time thinking about Bupa and its place in this changing world. From these really energising conversations we decided to refresh Bupa's strategic fundamentals, our purpose, ambition, strategy and values, in order to put us in the best place for success into the future.

First, we looked at Bupa's purpose. Our purpose is enduring - **'Helping people live longer, healthier, happier lives'** - but organisations should adapt and refresh their purpose if a new reality demands it. We know that Bupa's reality has changed - we have an increasing part to play, not only in the health of our customers, but also in the health of our planet. That's why we decided to add the words **'and making a better world'** reflecting the strength of our purpose, while recognising our role in the health of our planet.

We then discussed our ambition for Bupa and agreed that we wanted to be **'the world's most customer-centric healthcare company'**. We felt this reflected our commitment to excellent customer experience, through great service and value, frictionless access and quality healthcare. We have been aligning our health funding and our health provision assets behind this ambition, so that we can achieve it for our customers across the whole of Bupa.

Q. What will be the focus areas of the new strategy?

A. We have set three ambition KPIs and agreed six pillars to our strategy. Our three ambition KPIs - and they are very ambitious - define what we want to achieve:

- **40% of our customers' care touchpoints will be owned by Bupa through our physical and digital provision.**
- **At least 60% of our customers will fully interact with us digitally.**
- **Our Net Promoter Score (NPS) will be 80, in line with the most customer-centric organisations in the world.**

Our six strategic and enabling pillars define how we will achieve this. These are:

- **Customers:** obsession with our customers' experience.
- **Growth:** strong performance and governance.
- **Transformation:** continuous innovation and preparation.
- **Sustainability:** making a positive impact on the world.
- **Data:** enhanced data-driven decision-making.
- **Agile Culture:** the best, most diverse people and a great place to work.

And this is what we are calling the **'3x6 strategy'**.

Q. As well as targets and focus areas, what other changes have been made?

A. The 3x6 strategy requires us all to think and behave differently. We brought about 60 of Bupa's leaders together to work through our set of values. Together, we decided to refresh our **values** so that they are aligned with our purpose, ambition and strategy.

These three values are:

- **Brave:** make new possibilities happen.
- **Caring:** act with empathy and respect.
- **Responsible:** own your decisions and actions.

Q. How do you bring a business strategy to life for people when you explain it?

A. Our ambition is to be the world's most customer-centric healthcare company. Our 3x6 strategy sets up the strategic and enabling pillars which underpin our purpose and drive us towards achieving that ambition.

When I talk about the strategy, I bring it to life through the image of an elephant. To explain this, while size and strength - both of which Bupa certainly has - can be a real asset, even an elephant is not safe if it stays still or doesn't adapt to its surroundings.

For Bupa, this means we must start to run. We must find renewed energy, learn to move faster and flex our muscles. In practice, this means we must pursue growth and transformation, while remaining stable at the same time. Just like an elephant keeps one foot on the ground while running, we will build and we will grow, while also strengthening the solid platform in governance and risk management that we have developed in recent years.

I call this **'the run and the change'**. This means that we need to run Bupa and deliver for our customers, at the same time as transforming our business. And so, within Bupa we now talk about the 'elephant starting to run'.

Q. How then have you brought the strategy into action across Bupa?

A. I am delighted that our people have embraced the idea of running the business while transforming at the same time. Everyone across Bupa has been working together with pace and agility to apply the strategy across the business. As a result, we are making some very meaningful changes.

We wanted to show our commitment to the strategic pillars by launching a series of emblematic, Bupa-wide projects. Each pillar of the strategy has an emblematic project attached to it which will help us deliver better experiences for our customers and our people, as well as enable us to grow.

I see the emblematic projects as targets that we want every Business Unit of Bupa to be able to use in how they execute the pillars of the 3x6 strategy. For example, in the Customer pillar we are tasking each of our businesses with the target of at least 250 customer experience improvements per year. In the Agile Culture pillar, we are rolling out a customer listening project, which starts with our global leadership population. By enabling our people to listen to customer calls, they can better connect to the positive and negative experiences our customers have with us which in turn should generate improvement ideas. These are just some of our initial projects and we will introduce more as we continue to deliver the strategy.

To give you a sense of other relevant projects, please read the case studies on the following pages, which demonstrate how we are bringing other parts of the 3x6 strategy into action.

Q. You spoke about agile culture. Some people say that cultural change is one of the hardest things to achieve in a transformation process. Could you tell us why?

A. Because it can mean different things to different people. Culture seems to be the thing that differentiates a company from others. This pillar of the strategy was deliberately called Agile Culture as it involves a vision of the future. To achieve this vision, we need to:

- Develop our customer listening capabilities and actively improve our customer experience
- Work with data - in the future, we will all work with more data, so we all need to develop our skills in this area
- Build diversity of thinking behind the decisions we make and work more transversally, which means outside of silos.
- Building an agile culture is about ensuring that we have the best, most diverse people with the capabilities and mindset to transform Bupa. This means that we have to learn to work more quickly. We are focused on being the best, most diverse place to work and we really mean it. To find out more, please see our Culture case study on page 16.

We've got brilliant people across Bupa, the emblematic projects are under way and eco-Disruptive has already made a successful start. We are moving forward and I'm excited about the future.

Q. What does transformation mean to you within this strategy?

A. I see transformation as our route to growth: by scaling health prevention and chronic disease management programmes, attracting more new customers, but also focusing on improved customer retention.

Transformation is at the heart of the 3x6 strategy. COVID-19 has also raised the bar for all healthcare companies. For future pandemics, any healthcare company should be able to provide remote care through digital services. We have the opportunity to improve our services and build a frictionless customer experience. If we do this year after year, we will become the most customer-centric healthcare company.

The first emblematic project for the Transformation pillar is the rollout of the Blua digital health platform.

See our Blua case study on page 24.

Q. Sustainability is a key pillar of your strategy. Why is sustainability such an important topic for Bupa?

A. Sustainability is reflected in our refreshed purpose, which demonstrates the broader role we expect to play not only in the health of our people and customers but also in the health of our planet.

In 2021, we committed to being a net zero business across all emission scopes by 2040. We want everyone to be part of this journey, which will be part of the legacy of everyone in this company.

We believe improved sustainability and business growth can and should go hand in hand, because sustainability needs to be linked to overall goals. The fact that we don't have shareholders is a significant enabler, as profits can be reinvested to support the commitments we have made in order to fulfil our purpose. See our Sustainability case study on page 28.

Last year, we launched eco-Disruptive, our global talent and innovation programme. Through this, teams of Bupa people have worked with forward-thinking start-ups to devise solutions to a range of sustainability challenges. The aim of this is also to engage all of our people in the sustainability agenda. We will build on this first year's success and grow eco-Disruptive this year and into the future. To find out more see page 22.

→ **Watch the full interview on the annual report page on Bupa.com**

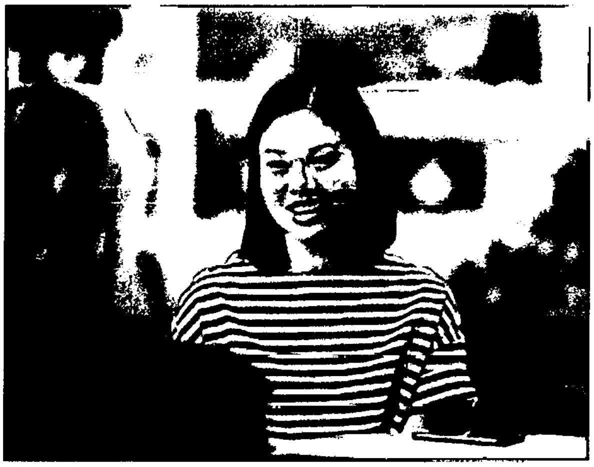
Group CEO's Q&A continued

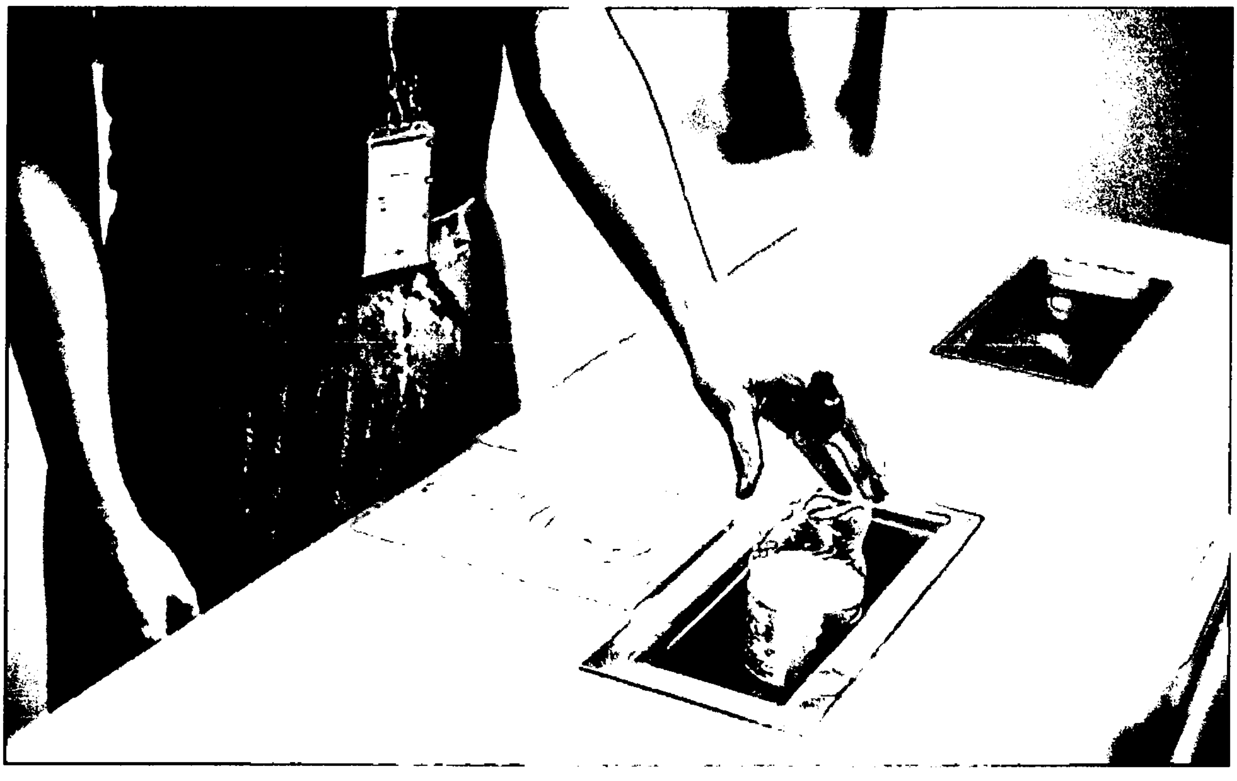
Emblematic projects overview

These projects began in 2021, each with a set of clearly defined targets against which progress will be measured. We will add new emblematic projects[1] as we make further progress in delivering the 3x6 strategy.

	Specific goal	Broader impact
Customers Customer experience improvements	250 improvements in customer experience in each business in a year Drive ongoing improvements to the prioritised parts of customer journeys (micro-moments)	Deliver a step-change in customer centricity, and help build a culture of continuous improvement rooted in direct customer feedback
Agile Culture Customer listening	100% of leaders regularly listening to our customers Build a Bupa-wide capability to listen to our customers directly	
Growth Growth in funding market share	Annual market share growth in each funding business Design a comparable measure of market share for Bupa vs. local competitors, with actionable plans	Increase Bupa's level of commercial ambition, and responsiveness to competitor actions
Transformation Global rollout of digital health	Every country to have a digital health solution Provide a digital platform to customers for primary and specialist care, health coaching and prevention, and chronic care management	Increase the 'clock speed' of our digital development capabilities, and start to digitally increase our owned provision
Data Global rollout platform of advanced analytics in retention	Reduction in our lapse rates in a year Build a foundational data and analyticals capability to best utilise the health data within, and across, Bupa	Build a world-class data-driven decision-making culture

1. An emblematic project in sustainability will form part of our new sustainability strategy, which is due to be finalised in 2022.





Strategy in action

Agile culture

The best, most diverse people and a great place to work

As we continue to navigate the impacts of the pandemic, our people remain focused on the heart of our business: supporting our customers every day.

With the launch of our 3x6 strategy and the development of the Agile culture pillar, we have been working to make Bupa the best, most diverse place to work by focusing on:

- Engaging with and listening to our people
- Building agility into our culture by improving our capabilities and delivering key initiatives in innovative ways
- Strengthening our culture of inclusion to ensure broad diversity
- Improving our people's wellbeing, health and safety
- Transforming internal communications and engagement to accelerate culture change, enabled by our new Workvivo platform
- Updating our values.

Engaging and listening to our people

While the pandemic reminded us of the importance of hearing from our people directly, Bupa's 3x6 strategy also calls on our people to be more innovative, creative, inclusive and collaborative than ever before. This is why nurturing an engaged workforce is key to achieving our ambition to be the world's most customer-centric healthcare company.

Our People Pulse survey runs across Bupa twice per year.

In 2021, we saw a record number of employees participating, with over 56,000 in June (79%) and over 53,000 in November (76%); both of these were higher than participation in 2020. Our overall engagement score was **78** in both surveys. Putting this into context, our engagement partners, Glint, saw a decline in engagement levels in 2021 across organisations through their global data. With Bupa's overall engagement score remaining stable, this indicates that many of our **leaders and teams are performing well in engaging their people** compared to the external environment.

Our people made over 113,000 comments across these two surveys.

Common themes within the comments included:

- Colleagues described a supportive working environment, with caring and encouraging managers and colleagues.
- Our people feeling that Bupa is making good progress on its performance and goals, compared to the external environment.
- Customer-facing colleagues highlighted workload pressure issues, exacerbated by the pandemic.

The insights are taken very seriously by our leaders, who explore the results with their teams and commit to focusing on the issues and opportunities that matter most to their people.

78

Engagement score

76%

People Pulse survey response rate (53,000 responded)

Wellbeing, health and safety

The pandemic has highlighted more than ever that if we take care of ourselves, we can take care of others; that's why wellbeing, health and safety are so important at Bupa.

Supporting our people during the pandemic

Across Bupa we continued to support colleagues with their **mental and physical health** through the pandemic, as well as navigate what 'hybrid' working has meant for office-based roles. Many of the lessons learned have been spread through our working practices across the world.

Keeping our people and our workplaces safe is always a priority. During the pandemic we have supported our people with measures such as enhanced cleaning and personal protective equipment (PPE) regimes and providing equipment and technology to enable our people to embrace hybrid working.

Our frontline colleagues have worked tirelessly to keep patients, residents and their families safe during the pandemic. Across our Market Units, we've supported our people in a range of ways.

APAC

- We maintained a strong focus on continued COVID-19 support, offering workshops and sessions tailored to the various challenges faced by our people during the pandemic. We ran almost 100 support sessions attended by over 2,000 people, demonstrating the need for, and acceptance of, support throughout this time. Topics included COVID-19 lockdown guidance, support for essential workers and remote working, self-care and supporting children during lockdown.
- We launched the 'Bupa LOVE' recognition scheme in our Australian aged care business to acknowledge the contribution made by our employees.
- Bupa leaders supported the vaccination campaign by sharing their reasons for getting vaccinated and using their medical knowledge to share information with employees. We encouraged care homes to set up a 'COVID Corner' to provide a central point for information and success stories of vaccination rates.
- The Bupa Foundation signed up to UNICEF's 'Give the World a Shot' campaign, donating £2.50 for every Bupa employee across APAC who was fully vaccinated by 31 December 2021, to around £38,000.

ELA

- We shared best practice across our businesses to learn from each other's experiences in managing the pandemic. This was particularly useful for our people in our health provision businesses.
- Throughout the pandemic, we've offered online support to our people, with a particular focus on mental health.
- We made wellbeing and mental health support available for all our employees, including online gym classes, nutrition tips, working from home workshops and access to a psychological support helpline.
- Nurses in Chile and Spain created a book, 'Stories of the Pandemic', as a reminder of this important period of time and as a tribute to the patients they cared for.

BGUK

- To show our appreciation for the contribution and commitment of our care services colleagues, we enhanced pay during peak seasons, increased the minimum base pay above the National Living Wage and regularly provided staff with tokens of appreciation across our services.
- We have also improved the support and benefits available to colleagues. This includes broadening our Employee Assistance Programme to offer onsite face-to-face counselling for our people, making it easier to access our Colleague Support Fund and increasing cash plan eligibility to help more colleagues with everyday health expenses.

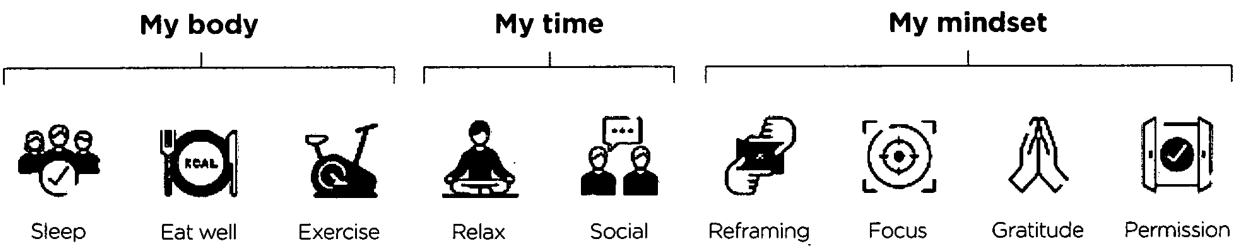
Personal Energy

We have an evidence-based tool, **Personal Energy**, which enables people to take purposeful steps to manage energy and wellbeing through three key building blocks: self-awareness, self-care (covering nine different aspects of wellbeing), and positive actions.

In early 2021, Group CEO Iñaki Ereño signed the **Global Business Collaboration for Better Workplace Mental Health** pledge, a clear commitment to continuing to reduce the stigma around mental health in society and measuring efforts to do this with six steps.

We're focused on implementing this with an action plan, promoting an **open culture to wellbeing**, taking proactive steps to create a culture which improves mental health, empowering people to manage their mental health, signposting to tools and resources and, through all of this, inspiring and influencing the business.

Personal Energy, our evidence-based tool



Strategy in action continued

Inclusion and diversity

We aspire for all people to feel valued, encouraged and supported so they feel a sense of belonging at Bupa and that they can truly be themselves. We have a zero-tolerance approach to racism, discrimination, bullying or unfair treatment of any kind. We want our people to represent a diverse society, so that we can meet the needs of our customers, now and in the future.

Our approach encompasses diversity in its broadest sense, from gender, sexuality and race, to social, educational and professional backgrounds, disability, religion, age, learning styles and personalities.

→ **See our Board Diversity Policy here**

Our ambitions are part of how we create a better shared future for our people everywhere:

- **We celebrate diversity in all forms,** creating a culture where everyone feels a sense of belonging and our people are able to bring their true selves to work and be their very best.
- **All Bupa leaders play an active part** visibly role-modelling inclusive leadership, building diverse teams and creating safe environments in which our people can develop and grow.
- **Our teams should be reflective of the customers and communities we serve,** mirroring the diversity of culture and heritage in our markets.

We lead our inclusion and diversity agenda through our global Inclusion Framework, which is focused on embedding inclusion into our culture. On an annual basis, we align both global and local goals with our three foundational elements: creating an **Inclusive Culture**, with **Inclusive Leadership** and **Inclusive Practices**.

Our global focus in 2021 has been on enhanced listening and improved understanding of what our people want, while also tracking the diversity of our leadership teams.

We also refreshed people policies and processes, with a key focus on recruitment to attract and hire diverse talent. This year, we also set up local targets which help to hold our leaders accountable.

Gender pay gap

Over recent years, governments around the world have been developing ways to address gender inequality. In many cases, this has taken the form of measuring a gender pay gap, which identifies where organisations have a disparity in the average pay of male and female employees.

Bupa operates in four countries that require gender pay gap reporting: Australia, Chile, Spain and the UK. The regulations vary by country; however, the pay gap calculation is broadly similar to the one used in the UK, which is based on the overall average pay of women against the overall average pay of men.

In 2021, Bupa UK's median gender pay gap was 18.1% for Insurance and Corporate, a 0.6% decrease compared to 2020. The Gender Pay Gap for our Provision business was 11.3%, showing an increase of 1.3%.

→ **See our 2021 UK Gender Pay Gap Report here**

Board diversity

The Board also has a **Board Diversity Policy** which was last updated in 2020 and is published **here**.

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Nurturing an engaged workforce is key to achieving our ambition to be the world's most customer-centric healthcare company.

Inclusion initiatives in Bupa's markets

APAC

Australia - Supporting First Nations employees: Bupa has strong commitments to support indigenous employment, both under the Reconciliation Action Plan and obligations within government contracts. This year, we have changed our cultural leave policy providing two days' paid cultural leave for First Nations employees, in addition to providing cultural awareness training to all leaders and career tracker internships.

ELA

Spain - uniting the world of sport in the first Inclusive Games: Our Sanitas Foundation made Madrid the world capital of inclusion with the celebration of the first Inclusive Games. The Higher Sports Council and the Spanish Olympic and Paralympic Committees brought together more than 170 Spanish Olympians and Paralympians who competed to raise awareness of sport and equality.

BGUK

UK - Inclusive leadership: 'Bupa Belong' is our management development programme to enable our leaders to manage inclusively and create a workplace where our people can be their whole selves.

Bupa Arabia

In Saudi Arabia, we have been working with universities to promote female leadership in the workplace. We invited students to Bupa Arabia's headquarters to meet senior female leaders who shared their stories and provided coaching on topics such as personal branding.

Agile culture in action

Growing our key capabilities

We strive to build capability as an organisation and for our people in order to meet the needs and opportunities for today and the future. To do so, we must develop and embrace agile ways of working, empower our people to think and act differently to deliver a step-change in customer centricity, and build a culture of continuous improvement rooted in direct customer feedback.

In 2021, we introduced a series of agile initiatives, including:

- **Communities of expertise** and transversal working, collaborating on projects such as our Global Hackathon and our global talent and innovation programme, eco-Disruptive.
- **The emblematic project** to provide leaders with direct access to the voice of our customers at each stage of the customer journey, in order to deliver meaningful improvements to our customers' experience.
- **New academies** across Bupa to develop expertise, and to equip everyone with knowledge and the chance to get involved in reshaping the way we support our customers, patients and residents.

Strategy in action continued

“

We’re focused on implementing an action plan, promoting an open culture to wellbeing, taking proactive steps to create a culture which improves mental health.

Agile culture in action

Promoting digital skills and capabilities for all of our people

Strengthening our technology, digital and data capabilities is crucial if we want to continue to deliver for Bupa’s customers, now and in the future. In 2021, we launched our Digital Skills Academy – a global learning programme that aims to support our people’s development across these areas and enable them to mobilise, harnessing the full potential of technology.

In November, we ran our inaugural Digital SummIT – a digital learning festival which brought together internal and external technology experts to deliver a range of interactive sessions on topics including AI, the Cloud, agile culture, data, security and sustainability. From introductory sessions to more technical and advanced sessions, our teams were able to access many different learning opportunities to strengthen their digital muscles.

Technological innovation and digital disruption in healthcare is happening at pace but we know this transformation isn’t just for our technical teams – everyone has a part to play.

Mark Glenn
Group CIO

”

Agile culture in action

Global Hackathon: Developing agile ways of working and promoting innovative thinking

To successfully transform Bupa, we must be brave and build a culture that allows us to run and change at the same time. This requires a steadfast commitment to equipping our people with the right tools and skills, empowering them to think differently and embrace agility.

Our first Global Hackathon in September was a great example of putting this approach into action. Diverse Bupa teams from different countries and businesses came together to collaborate and challenge each other. By giving our people the time and freedom to explore new ways of working, we enabled our workforce to be creative for the benefit of customers.

Data-driven decision-making is at the core of Bupa's refreshed strategy, so we challenged our teams to design data-driven solutions that will improve our customers' experiences. Our participants or 'hackers' were coached by experts across different specialisms: agile, transformation, digital, data and sustainability. Two winners from each region were selected by an expert panel before a global winner was chosen by our people. The global winning team went on to present their idea to Iñaki Ereño, with the regional winners getting the chance to develop their ideas with a view to implementing them in future.

Agile culture in action

Connecting our people across the world

Our vision of connecting all 84,000 Bupa people across the world was realised in 2021 as we worked together to swiftly launch our new internal communications platform, in partnership with **Workvivo**.

This launch was supported by five key principles:

- Every colleague at Bupa is included and has access.
- Colleagues are empowered to curate their own content and communicate with anyone else.
- Colleagues have the freedom to post on any topic and on the understanding that they are accountable for their words.
- Leaders will use the platform to be open, accessible and transparent.
- The experience should be easy, intuitive and consumer-grade.

Workvivo is a third-party platform which provides an open space which gives everyone a voice, including our frontline and customer-facing populations. It can be accessed on a mobile app or PC, offering a modern digital employee experience, similar to social media platforms that people are used to outside work.

Since the launch in autumn 2021, the platform has encouraged active, people-led engagement and employee-generated content. It has successfully enabled agile ways of working and the sharing of information and exchange of ideas globally.

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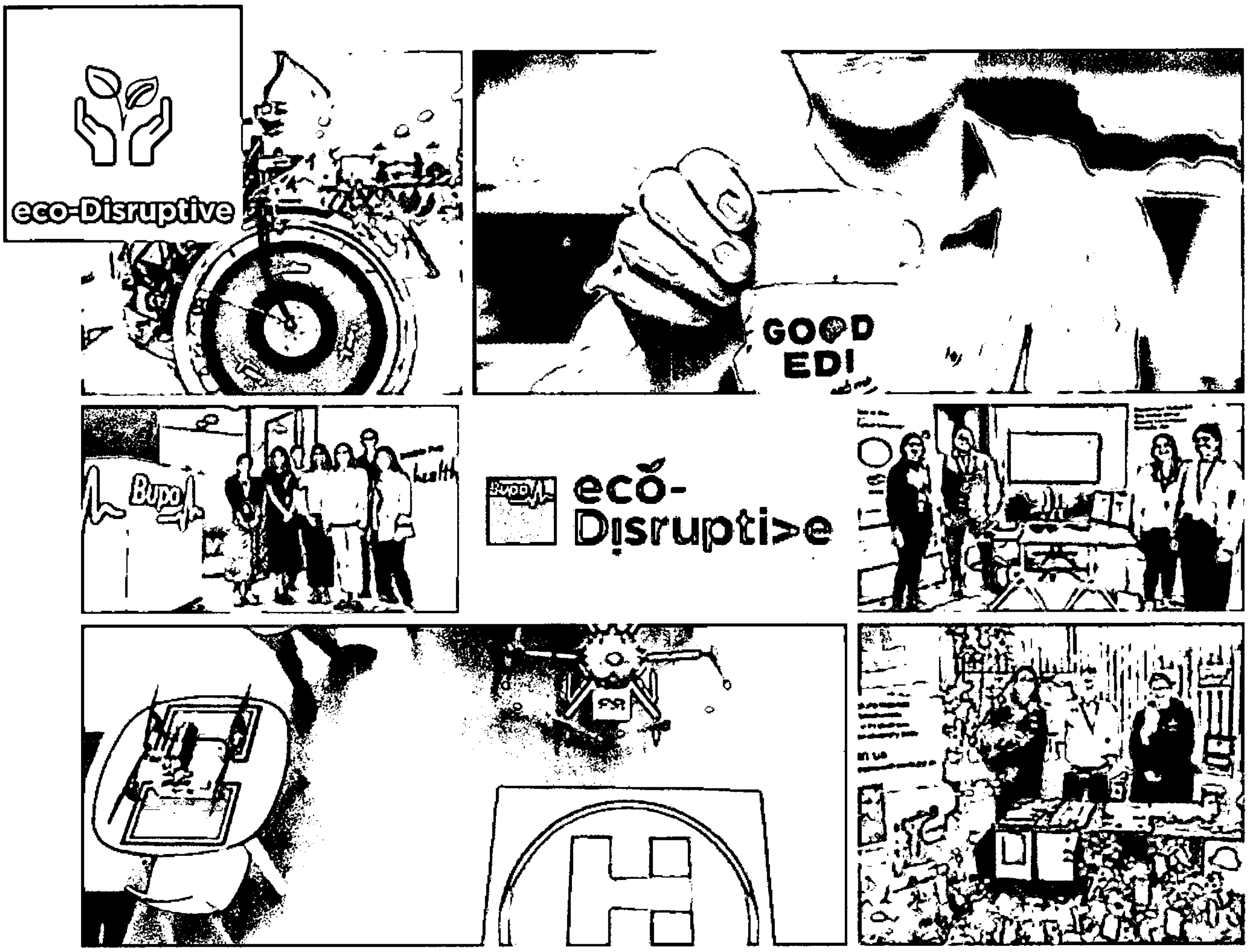


Bupa eco-Disruptive

Bupa 'eco-Disruptive' is a global talent and innovation programme that brings together three elements of our 3x6 strategy: sustainability, digital transformation and agile culture.

In May 2021, we launched this challenge across our business in four countries: Australia, Spain, Chile and the UK.

Our aim is for eco-Disruptive to be open to everyone, and in this first round, **126 participants in 18 teams engaged 900 start-ups working across six challenge areas.** The teams looked to harness the agility and energy of these emerging businesses to develop solutions to some of our biggest environmental issues.

Recognising the link between the health of people and the planet, eco-Disruptive focused on six challenge areas: climate change and carbon reduction; sustainable transport and clean air; circular economy and responsible consumption; biodiversity; healthy cities and citizens; and education and behaviour change.

Beyond testing emerging talent, the aim of the programme is to engage all employees with the sustainability agenda, showing that they can be part of the solution.

The teams engaged with many start-ups and were empowered to debate and vote for the start-up they most wanted to work with. This meant that we worked in depth with 18 start-ups overall. Together, they developed a minimum viable product and our employees voted for regional winners to go forward to a global final.

126 participants in 18 teams engaged 900 start-ups working across six challenge areas.

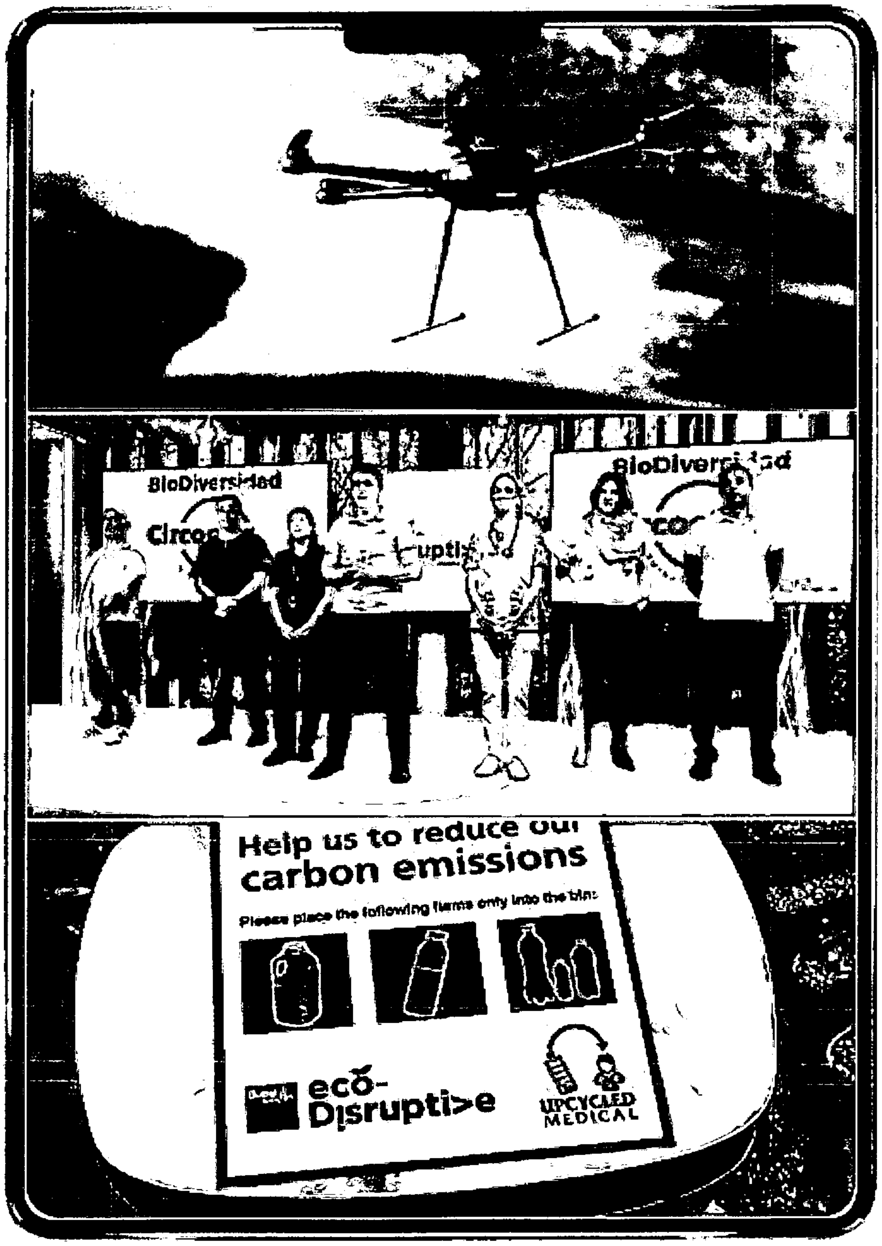
The three finalists were:

- **AirSeed:** An Australian start-up that aims to plant 100 million trees a year using drones and artificial intelligence.
- **Circoolar:** A Spanish start-up that turns plastic bottles into fabric, making ethical sustainable uniforms as they are designed to be zero waste. The uniforms are made by vulnerable women.
- **Upcycled Medical:** A UK start-up that produces clinical aprons made out of plastic and used PPE.

All Bupa employees worldwide then had the opportunity to vote the best solution at the global final in December, and Circoolar was the first global winner.

We have contributed a further £200,000 to help Circoolar produce their ethical and sustainable uniforms for healthcare professionals across all Bupa countries.

We also made financial contributions to the two other finalist start-ups. This work will help Bupa to deliver against our net zero ambitions and our purpose.



Strategy in action continued

Digital Health Solutions

Blua – Bupa's digital health solution

782,000

Digital consultations[1]

3,000

Over 3,000 doctors providing digital care

The emblematic project for the 3x6 strategy's Transformation pillar is the global rollout of a digital health solution. This is based on the Blua platform which we have successfully pioneered in Sanitas, our business in Spain.

We are now deploying Blua across Bupa businesses worldwide.

Blua brings exciting new digital services right to our customers' mobiles and other digital devices. It connects our customers to us in new ways and also better connects Bupa to our networks of doctors, hospitals and partners. In Spain, we saw a significant increase of users throughout the pandemic, with customers embracing telehealth and digital health solutions. It's now fast becoming one of the most popular ways for our customers to interact with us.

The information we get from every customer interaction helps us understand our customers better – what they need, what they want, and what treatment is best for them. Also, delivering services through telehealth solutions has the potential to reduce carbon emissions from patient travel, building and equipment power, which is relevant to Bupa's sustainability ambitions.

In summary, Blua helps us:

- Get even closer to our customers
- Offer high-impact, high-value services to our customers
- Maintain our leadership in innovation and technology.

Did you know?

Today, one in three consultations in Sanitas, Bupa's business in Spain, take place digitally.

What can Blua do?

Initially, we are developing some foundational capabilities for Blua across our markets:

- Booking and attending video consultations for primary care
- Checking symptoms and getting recommendations for next steps
- Customers managing their Bupa accounts.

1. All figures disclosed on this page refer to BluaU in Spain.

Building on this, we also plan to develop further capabilities, including:

- Booking and attending video consultations for specialist care
- Taking part in virtual health lifestyle preventative programmes
- Managing chronic conditions through online coaching.

How does Blua advance the Transformation pillar of Bupa's strategy?

40% customer care touchpoints: Blua lets us rapidly build innovative new services for our customers and makes them easily accessible via an app. Blua offers services including preventative health coaching, symptom checker and vital sign monitoring.

60% active digital customers: By drawing together all our digital services, provided by Bupa and third parties, behind a single 'front door', our customers can find them more easily and have confidence that their digital experience will be simple and user-friendly.

80 NPS: The most customer-focused organisations invest in their digital experience to make sure it's easy, seamless and safe. Blua is the result of that investment, and its real power is how it brings together the virtual and the physical, the payer and provider sides of our business to create a more holistic 'membership' experience.

Rolling out the Blua concept

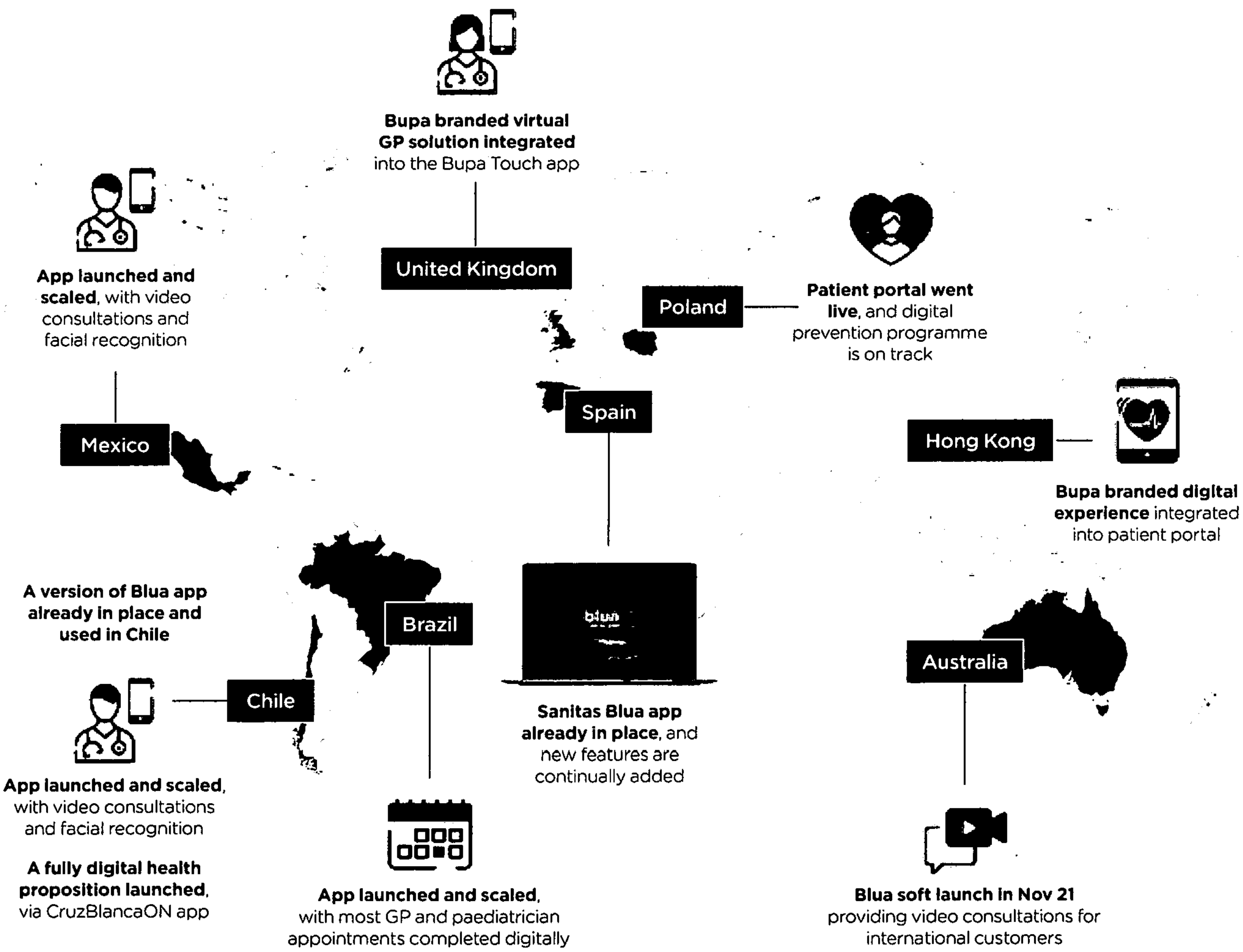
Building on the success of Blua in Spain, the concept is now being rapidly deployed in other markets.

3.8 million
digital prescriptions issued

9,000
'at home' services delivered (e.g. blood tests, medicine delivery)

98%
of claims were submitted online

The Blua rollout across our markets



Strategy in action continued

Innovating products and services for our customers

Bupa's ambition to be 'the world's most customer-centric healthcare company' means that we are committed to excellent customer experience, through great service and value, frictionless access and quality healthcare. During 2021, we put this into practice in a number of different ways across our businesses.

Spain

Through the Mi Sanitas app, we continued to service customers through the pandemic, focusing on responding quickly to customers' needs. We included 24-hour emergency video consultations in all our insurance products and launched a new health monitoring service through wearables called Conecta con tu salud. This has allowed us to be there for our customers during the pandemic while providing good service levels during the recovery, despite an increase in demand for care.

Australia

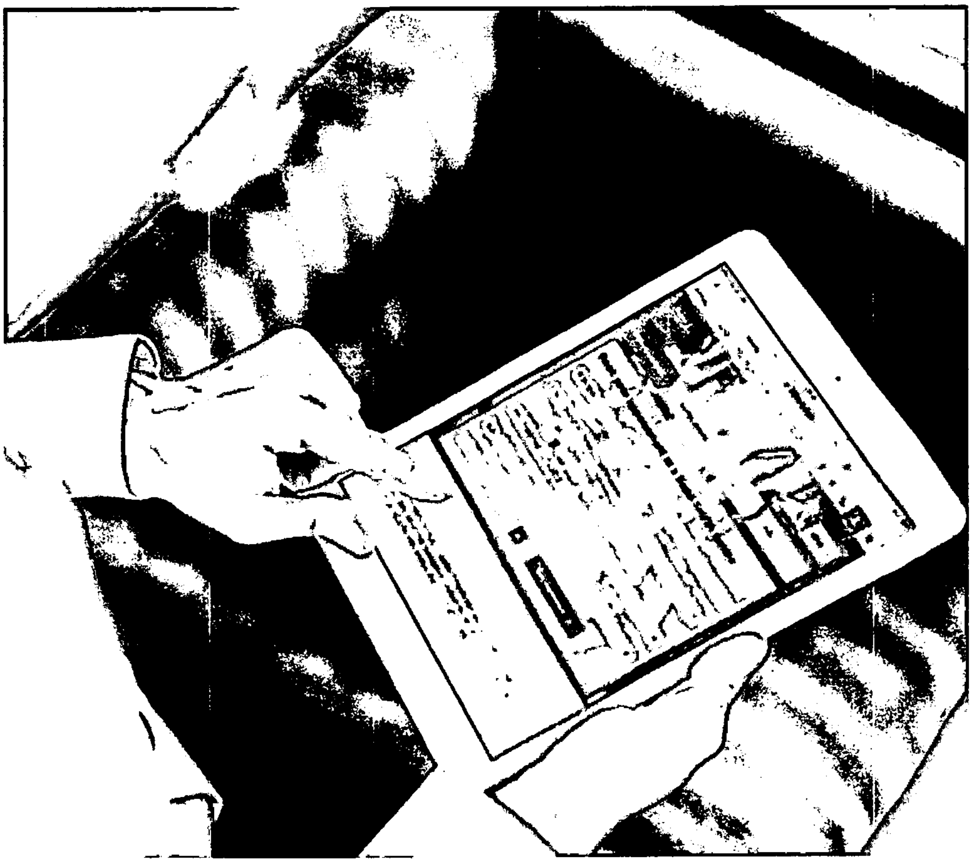
Our Australian health insurance customers played a key role in co-creating a reimagined New Extras Experience. Addressing customer feedback, the new product suite offers customers more choice and personalisation than ever before. The main product, FLEXtras, allows customers to select the extra services they would like to be covered for, the percentage of benefit they would like back from their preferred provider, and whether they are after standard or higher limits depending on their level of usage. This simple approach has been welcomed by customers who have been delighted that they are able to attend the provider of their choice and have certainty on what they can expect back, while picking and paying only for the services that they need to suit their individual needs.

UK

In 2021 we scaled up the rollout of Bupa Touch, a digital portal that gives customers access to their cover and benefits. Starting the year with just under 100,000 customer accounts, we added over 280,000 more, ending the year on over 380,000.

During the year, we added lots of new features, including the ability to process dental claims, and assisted registration to make it easier for customers to create an account. And we launched the Bupa Touch app, which includes a new feature that guides users to the most appropriate care pathway to access the support they need.

This new digital distribution channel will help us to meet our ambition of becoming the world's most customer-centric healthcare company.



In Australia, 'FLEXtras' allows customers to customise their product cover, annual limits and benefits

280,000

digital accounts were added on Bupa Touch during 2021

This has allowed us to be there for our customers during the pandemic while providing good levels of service during the recovery.

Brazil

In October 2021, we launched our first eCommerce platform for the sale of dental plans, marking our entry in the digital sales market in Brazil. This new digital channel offers affordable prices and ease of purchase for our customers.

This is an example of how we are investing in technology to help us provide the best experience for customers by focusing on practicality, speed and convenience. It's an example of how we are changing to be the most customer-centric healthcare company.

Mexico

We launched a new app in August 2021, which provides 24/7 health services to customers.

The app offers video consultations, geolocation of clinics, hospitals and laboratories, a digital policy card and policy information. By filling in measurements, such as height, weight, chronic conditions and a facial scan, it provides vital metrics such as heart rate, respiratory rate, systolic pressure, diastolic pressure and stress level. Any customer monitoring unusual levels can request an urgent medical consultation with a health professional.

Strategy in action continued

Sustainability

Sustainability and Environmental, Social and Governance (ESG) agenda

'Making a better world'

Attitudes and expectations of the roles that companies play in the world have fundamentally changed. This has accelerated and intensified through the COVID-19 pandemic and as broader socio-economic dynamics evolve. Health has been elevated in the minds of individuals and governments. Climate action is a critical priority, and the link between the two is increasingly being recognised.

Our contribution as a global healthcare company is to mitigate the impact of healthcare on the environment and build resilience into the healthcare system. We also have the opportunity and the responsibility to understand how people's health is impacted by the health of the planet and to educate and advocate for a healthier world.

In order to do so, we are developing a new sustainability strategy, focused on the interlinkages between people and planet health. This is due to be finalised in 2022. It will equip us to respond to the fast-changing external environment and to the increased expectations of the role companies play in society (see External context, page 10).

Guided by a materiality assessment undertaken in 2021, our new strategy will organise activity across our sustainability agenda, articulating the ways in which we are making a better world, in line with Bupa's refreshed purpose.

→ **Further information will be published on bupa.com/sustainability**

2021 priorities

During 2021, we advanced our sustainability agenda by:

- Refreshing our purpose from **'Helping people live longer, healthier, happier lives'** to also include **'and making a better world'**, demonstrating the broader role we must play in the health of our people and planet.
- Continuing to embed climate action within financial reporting processes, business planning, remuneration practices, risk management and **governance** through the establishment of our Board Sustainability Committee and our **Environment and Climate Action programme**.
- Completing a Group-wide materiality assessment to define the sustainability issues that have the greatest potential to impact our business and are most important to our stakeholders. These results were used to guide our new sustainability strategy.
- Setting our ambition to become a **net zero business by 2040**, underpinned by science-based targets to reduce our greenhouse gas emissions (GHG) to limit warming to 1.5°C.
- Delivering our first **'eco-Disruptive'** global talent programme, which has unified our people and innovative partners across the world to kick off our net zero journey and to raise awareness of the link between people and planet health. For further information, please see our eco-Disruptive case study on pages 22-23.
- Developing and refreshing our sustainability and ESG disclosures including the requirements of the **Taskforce on Climate-related Financial Disclosures (TCFD)** and our approach to responsible investment. Please see our TCFD disclosures on page 31 and other relevant disclosures on page 32.

- Building the foundation work for our climate advocacy, including Bupa's participation at the 'Climate Week NYC' as co-authors of the report, **'Driving co-benefits for climate and health'** in partnership with Forum for the Future, Walgreens Boots Alliance and GSK Consumer Healthcare. We have also joined the wider healthcare community signing the **#HealthyClimate prescription letter**, calling on governments and policymakers to act on the current climate and health crisis, and contributed to the **WHO COP26 Special Report on Climate and Health**.
- Investing approximately £7.6m in community activities. Please see our community investments **here**.

Sustainability & ESG governance

Bupa's sustainability governance is overseen by the Board, which holds management accountable for the delivery of our sustainability agenda through the Board Sustainability Committee. The Sustainability Steering Committee, following alignment with the sustainability leads at Group and Market Unit level, owns sustainability decision-making at management level, and is accountable to the Chief Executive Committee (CEC).

The Committee finalises recommendations to the CEO, CEC, Board Sustainability Committee and Board. This is described in more detail in the Governance section on page 92.

Our core focus in 2021 has been shaping our new sustainability strategy and delivering against our Environment and Climate Action programme, which aims to establish best practice for climate action and the health impacts of climate change. It focuses on four core areas:

1. Embed climate action into our operations, policies and risk management.
2. Reduce our carbon footprint and decarbonise our value chain. A key highlight of this pillar was the establishment of our net zero by 2040 ambition, underpinned by our science-based targets across our whole carbon footprint.
3. Advance our eco-health credentials by focusing on the links between and human and planet health.
4. Enhance our sustainability and ESG frameworks and disclosures.

For more information about our Sustainability & ESG governance, please see pages 66, 67.

Materiality assessment

In 2021, we completed a materiality assessment to ensure that our sustainability strategy focuses on the right areas, reflecting changes to the business and the external environment. In collaboration with an independent consultancy, the assessment identified 19 material issues across ESG topics that have the greatest potential to impact the business, either as a risk or opportunity, and matter most to our stakeholders.

This provided five topics of highest strategic importance to lay the foundations of our sustainability strategy, mapped to the UN Sustainable Development Goals.

The results were informed through engagement with business leaders and key external stakeholders across our main markets and were presented back to the business for validation and reported through our internal sustainability governance process.

For more information about our materiality assessment, please see our 'Approach to sustainability' section on bupa.com.

Our materiality assessment: ESG topics of highest strategic importance

The following five Environmental, Social and Governance (ESG) topics emerged from the materiality assessment as the highest priority:

One health[1]

Workplace physical and mental wellbeing

Healthy and sustainable lifestyles

Climate change

ESG governance and transparency

Sustainable Development Goals (SDGs) with greatest potential for impact

1. The interconnections between environmental issues such as climate change and human health.

Strategy in action continued

Our net zero ambition

We have set two major milestones in our sustainability journey: confirming our ambition to become a net zero business in Scope 1 and 2 by 2030 and across all scopes by 2040, and joining the UN-backed Race to Zero campaign through Health Care Without Harm which sees us partnering with other organisations who have committed to take rigorous and immediate action to halve global emissions by 2030 and deliver a healthier, fairer zero-carbon world over time.

As a first step in this journey, we set science-based targets which are aligned with keeping global warming to no more than 1.5°C relative to pre-industrial levels across all 3 emission scopes. These targets have been validated by the Science Based Targets initiative (SBTi) and they will ensure that Bupa makes transformational progress this decade.

Our Scope 1, 2 and 3 science-based targets are as follows:

- Reduce our absolute Scope 1 and 2 GHG emissions by at least 46.2% by 2030 from a 2019 base year.[1]
- Reduce our absolute Scope 3 GHG emissions from purchased goods and services, insurance-related services, business travel, downstream transportation and distribution by at least 63% by 2034 from a 2019 base year.
- Align our investment portfolio with 1.5 degrees by 2040 and achieve 25% of the required reduction based on temperature alignment by 2025[2] from 2020 base year.

→ **For more information about our science-based targets and our commitment to Race to Zero, please see our Environment and Climate Action section on bupa.com**

UK emissions

In line with the Streamlined Energy and Carbon Reporting (SECR) requirements of a large unquoted UK company, we are reporting our UK-based energy and carbon Scope 1 and 2 emissions[3].

We will also publish our externally assured 2019, 2020 and 2021 global Scope 1 and 2 carbon footprints to demonstrate the progress made from our 2019 baseline year on bupa.com during 2022. These disclosures will include a progress update on our net zero ambitions and science-based targets, which were published in October 2021.

We will continue to develop our reporting capabilities, aligned with the TCFD recommendations and with our growing sustainability agenda.

Streamlined Energy and Carbon Reporting (SECR)

The following table shows the energy and carbon intensity performance of our UK operations compared with last year[3].

	2021[3]	2020	Year on Year Change
Energy usage - (MWh) Building and electricity from grid and solar generation	160,011	152,819	Up 5%
Footprint (Scope 1 and 2) tCO_2e[3] Market-based (account for tariff-specific footprint)	19,760	19,142	Up 3%
Footprint (Scope 1 and 2) tCO_2e[3] Location-based (grid average factors)	31,534	31,422	Unchanged
Intensity metrics			
All customers Insurance, Provision and Aged Care businesses	5.7	5.0	Up 14%
Energy intensity MWh/thousand customers	28.2	30.3	Down 7%
Footprint (Scope 1 and 2) intensity[3] Market-based tCO_2e/thousand customers	3.5	3.8	Down 8%

Our energy usage increased in 2021 mainly as a result of lower gas and electricity consumption during the prior year following the temporary closure of our dental centres and health clinics due to COVID-19. Energy usage also increased due to the need to ventilate our care homes as part of essential COVID-19 safety measures. These factors have been partly mitigated through energy management initiatives in our aged care business.

UK carbon reduction and energy management activities

During 2021, to support our net zero ambition, we acted on a series of initiatives in the UK which included:

- Conducting a number of trials to optimise the temperature of our IT server rooms. The optimisation will be implemented across all Business Units in 2022.
- Optimising our Building Energy Management Systems (BEMS) within Care Services and Clinics, which has helped to mitigate some energy increases against the additional ventilation required due to COVID-19.
- Continuing to roll out LED lighting upgrades across the estate and moving our Leeds Health Clinic to a renewable energy heating, ventilation and air conditioning system.
- Extending our Automated Meter Reading (AMR) metering to all our Care Services, Clinics and Cromwell Hospital estate to better inform our energy reporting and analytics.
- Launching a Winter Energy campaign to our Care Services estate engaging our care home colleagues in simple checks and opportunities to reduce energy usage.

1. We decided to use our 2019 carbon emissions and energy usage to establish our baseline as well as track our future progress. Due to COVID-19, our carbon footprint in 2020 was unnaturally depressed from the underlying run rate, so anchoring the Group's public target off 2020 figures would make any future reduction less reflective of true progress on reductions.
2. Achieve science-based targets in corporate bonds, loans and equity by 2025 from a 2020 base year. Bupa's portfolio targets cover around 40% of its total investment and lending activities by invested value. By 2040, we intend our investment portfolio to be 1.5°C aligned.
3. UK-based operations energy and carbon data: 2021 is estimated based on factors including previous consumption trends and is subject to external verification later in 2022. 2020 data has been externally assured (limited assurance). Consumption and emissions data is based on the operational control approach against criteria set out in the GHG Protocol Corporate Accounting and Reporting Standard and the latest conversion factors mainly from the Department for Business, Energy and Industrial Strategy.

Task Force on Climate-related Financial Disclosures

We know that to be a viable business, we need to build climate risks and opportunities into how we run our business. We are demonstrating our climate goals through our science-based targets and our ambition to become a net zero business by 2040, while we also transform our business to embed sustainability into all decision-making. This is our first year disclosing against TCFD recommendations, and we will continue to develop the detail of our TCFD disclosures as we complete further analysis and strengthen our strategies.

TCFD Recommendation	Our Progress in 2021
Governance 1. Describe the Board's oversight of climate-related risks and opportunities 2. Describe management's role in assessing and managing climate-related risks and opportunities	1. The Board is responsible for our climate ambition and strategy and receives regular updates from the Board Sustainability Committee on Bupa's sustainability and ESG activities including activities to mitigate climate change. The Board Risk Committee oversees climate-related risks. 2. The Chief Executive Committee (CEC) is accountable for the executive leadership and execution of Bupa's sustainability agenda. As the development of our sustainability strategy progresses, updates will feed into the Sustainability Steering Committee, following alignment with the Sustainability Leads in our Market Units, and up to the Board Sustainability Committee. → **For further details, see pages 66, 67, 92**
Strategy 1. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term 2. Describe the impact of climate risks and opportunities on the organisation's business, strategy and planning 3. Describe the resilience of the organisation's strategy taking into consideration different climate related scenarios, including a 2ºC or lower scenario	1. We have identified our key climate-related risks over the short, medium and long term and identified the principal risks types as reputational and regulatory compliance risk, acute and chronic physical risk and transition risk. We have also identified our key climate-related opportunities - primarily the opportunity to fulfil our purpose, and that we expect customers to be more likely to choose companies showing leadership on ESG and climate issues. 2. As a healthcare company we are particularly aware of the inextricable link between the health of the planet, human health and healthcare. The materiality assessment we carried out in 2021 identified this link as a leading priority topic, in addition to other climate-related topics, including climate change and biodiversity loss. ▪ Our strategy reflects our deep commitment to sustainability and ESG issues. Sustainability is a key enabling pillar of our corporate strategy. The new sustainability strategy will be designed to articulate how we deliver against this and the ways in which we are 'making a better world'. Climate-related risks and broader ESG considerations are therefore embedded into our recurring business planning activities. ▪ A key focus is our commitment to become a net zero business by 2040, across all our operations and throughout our value chain, underpinned by our science-based targets. ▪ In preparing our financial statements we also have considered the impact of climate change and our own climate targets. This assessment has not given rise to any material change across the Group's key financial reporting judgements and it has not given rise to any asset impairments as at 31 December 2021. 3. We have incorporated climate change related financial stress testing into our stress testing programme and will continue to enhance our approach to stress testing in the coming years, including expanding the range of stress tests performed. → **For further details, see pages 29, 53**
Risk management 1. Describe the organisation's processes for identifying and assessing climate-related risks 2. Describe the organisation's processes for managing climate-related risks 3. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	1. We have identified our key climate risks, reviewed our risk appetite and defined our approach to managing these risks. We have a Corporate Responsibility and Sustainability Policy, which includes environmental consideration and is reviewed every two years. We have also updated our policies for a range of other key risks affected by climate change, such as our M&A and procurement policies. 2. We have established a Group-wide Environment and Climate Action programme to manage climate risks on our operations and on the external environment. In addition, our Board Sustainability Committee advises the Board and Executive on the environment and climate change risk. 3. We have integrated climate risk management into our Group-wide Risk Management Framework, which sets out how we identify, assess, manage and report on risks. We will continue to focus on embedding climate risk fully through the underlying processes across the Group. → **For further details, see pages 48, 53**
Metrics and targets 1. Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process 2. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets 3. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks	1. We use a range of metrics to measure and track our progress against key climate targets. These include year-on-year location and market-based Scope 1 and 2 absolute carbon reduction, business travel emissions, and customer-based carbon intensity metrics, and the Temperature Alignment and carbon intensity of our investment portfolio. We also measure our Scope 3 data, and intend to publish it on bupa.com during 2022. We include climate-related performance measures in Bupa's approach to remuneration, called the Group Performance Plan (GPP) for our senior leadership team. From 2022, we will be introducing the Strategic Performance Plan, our new senior leadership incentive scheme, which will have 15% of its scorecard linked directly to Scope 1 and 2 carbon reduction. 2. In October 2021, we announced our net zero by 2040 ambition, underpinned by 1.5 degree aligned science-based targets across all 3 emission scopes, including a separate 1.5 degrees temperature alignment target for our investments. These targets have been validated by the SBTi. 3. We disclose our UK 2021 SECR Scope 1 and 2 in this report. We intend to disclose our global Scope 1, 2 and Scope 3 footprint during 2022 on bupa.com. → **For further details, see pages 30, 95**

Strategy in action continued

Our Sustainability and ESG disclosures

Our approach to Responsible Investment

We view ESG factors as both risks to the long-term performance of our cash and financial investments, and opportunities to improve their impact on society and the environment.
Our investment portfolio is largely invested in cash and deposits, but with an allocation to bonds and loans managed by third parties. We ensure that ESG factors are incorporated in all investment decision-making and prohibit investments in certain sectors, including coal, tar sands, tobacco and controversial weapons. We are also a signatory to the UN Principles for Responsible Investment (PRI), and members of the Institutional Investors Group on Climate Change (IIGCC) and the UK Sustainable Investment Forum (UK SIF).

Sustainability and ESG disclosures overview

Disclosure	Description	Country
The Bupa Code	The Bupa Code provides clear direction in decision-making, and our performance management, risk management, governance and audit processes underpin this. Our commitment to integrity and transparency starts with our own people. Our employees adhere to the Bupa Code and its related policies, including Conflicts of Interest and managing Financial Crime risk. → **Please see it here**	Enterprise-wide
Responsible Investment	Our Responsible Investment statement which focuses on how we invest Bupa's cash and investments is published **here**.	Enterprise-wide
Responsible Supply Chain Management	Bupa works closely with its suppliers and is committed to ensuring a responsible supply chain. Please find our Responsible Supply Chain Management statement **here**.	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**.	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. Please find our Approach to Tax statement **here**.	UK
Gender Pay Gap	We publish our annual Gender Pay Gap Report for our operations in the UK. The 2021 report can be read **here**.	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 current statement **here**.	UK
Human Rights statement	Bupa recognises its responsibility to help protect, preserve and promote human rights around the world and is guided by fundamental principles of human rights, such as those in the United Nations Universal Declaration of Human Rights. Read our statement **here**.	Enterprise-wide

Contributing to communities

APAC

Our business in Australia and New Zealand invested £3.0m focused on creating a healthy planet for healthy and resilient people.

Bupa Foundation investments were made in support of: Kids Helpline, enabling over 50,000 school children to access youth mental health support during the pandemic through the Kids Helpline @ School programme; launching the Healthy Planet, Healthy People volunteering initiative with Conservation Volunteers Australia; partnering with UNICEF to bring the UN Child Friendly Cities programme to Australia; launching Project Crimson's Trees That Count programme in New Zealand and supporting COVID-19 relief efforts.

We also invested in a range of health, medical and community projects through the John Parsons Fellowship and the New Zealand Nutrition Foundation and in matched funding and volunteering efforts in Australia.

Hong Kong invested around £0.2m in healthy communities and environment, emergency relief and social welfare in the early stage of COVID-19 outbreak. We engaged our people and customers through Bupa4Life wellbeing challenges, community volunteering and our partnership with The Green Earth, which collected 58 million steps to virtually 'plant' a woodland.

ELA

In 2021, our businesses in Europe and Latin America invested £3.0m continuing to support COVID-19 recovery, notably in Latin America, with donations to local NGOs in Brazil and programmes such as Bupa Contigo throughout Bupa Global and Latin America. In Spain, Sanitas launched its 6th edition of Healthy Cities, focused on promoting physical and mental wellbeing in parallel with healthier, more sustainable communities; and extended it to LuxMed in Poland while the Caminatas Paso a Paso initiative encouraged elderly people to take up guided walks with support from Bupa Chile. Sanitas Foundation investments were made in support of social transformation projects, such as the Chair of Inclusive Sports Studies in Madrid's Polytechnic University, to guide this integrated sports practice and the delivery of the first ever Inclusive Games, where Spanish Olympic and Paralympic athletes competed together post-Tokyo.

BGUK

The Bupa Foundation invested £1.5m, focusing on practical projects which support people's mental wellbeing, particularly helping young people and those working in schools to thrive. It continued the flagship Wellbeing for Educators programme, which has now offered wellbeing sessions to over 4,500 people, and its partnership with the charity, Mind, to support better mental health for young people. BGUK's employees are empowered to play an active role in their communities through the Bupa Foundation Community Committees and volunteering. This includes volunteering as wellbeing coaches to schools, mentoring via our Career Ready partnership and supporting Dentaid to offer free dental care to those in need.

Promoting the long-term success and sustainability of Bupa

Section 172 statement

This statement sets out how the Board has acted in a way that promotes the success of the Company in achieving its purpose of helping people live longer, healthier, happier lives and making a better world. Bupa's status as a company without shareholders means that we can focus on the long-term achievement of our purpose and reinvest our profits into providing more and better healthcare for the benefit of current and future customers.

When making decisions, the Board takes into account:

- The likely long-term impact of the decision
- The interests or concerns of, and impact on, our key stakeholders
- The impact of our decisions and operations on the communities in which we operate, and the environment
- The need to maintain a reputation for high standards of business conduct.

Engaging with our key stakeholders

We consider our customers, people, Association Members (AMs), bond investors, suppliers and regulators to be our key stakeholder groups, and their views and concerns are taken into account in developing our business model and strategy.

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 sustainability and success. It is important for all levels of the business to engage with stakeholder groups to gain a better understanding of their interests and concerns and the impact our decisions have on them.

We set out below our key stakeholder groups and how we have engaged with them.

Customers

Our ambition is to be the world's most customer-centric healthcare company and our three ambition KPIs all relate to our customers. This means a commitment to excellent customer experience, through great service and value, frictionless access and quality healthcare. We are aligning our health funding and our health provision assets across the world to support this ambition.

Our 3x6 strategy focuses on customer experience through continuous innovation, a commitment to sustainability, and business growth underpinned by high standards of corporate governance. This puts customers at the core of everything we do and makes them our most important stakeholder group. Customer needs and preferences are evolving rapidly as consumers become increasingly engaged with their own health and expect more from service providers in all aspects of their lives, including healthcare.

Our customers are spread across the world and across our different lines of business in health insurance, health provision and aged care. The interests of different customer groups will differ by type of business and geography. By providing both health insurance and health provision we are well placed to understand the needs of customers throughout their interaction with healthcare systems and to integrate our offering to best meet these needs.

We champion quality, medically evidenced treatment and care, and seek to deliver value for money, provide exceptional care, keep our customers' data safe and help customers navigate the complex world of healthcare. More information on how we have supported our customers and how we strive for customer excellence demonstrated in the Blua case study on page 24.

The Board receives regular reports tracking key customer metrics, such as NPS, 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
- Quality products with broad coverage and high standards of care
- Greater personalisation of health products and services
- Quicker access to services, such as through digital applications.

The Board is regularly updated on matters affecting Bupa's customers via the Group CEO's reports, Market Unit and Business Unit updates and via specific customer performance updates. The pandemic has accelerated the adoption of digital care delivery, and an increased level of digitalisation of the sector will continue over the longer-term.

The health of our planet can impact people's health and the wider economy, in turn impacting the affordability of our products and services for customers. Many of our key stakeholders expect us to take action on ESG and sustainability matters. Therefore, we aim to address these through our strategy. More information can be found in the Communities and the environment disclosure below.

People

Our people are at the heart of our business, supporting our customers every day. We want our people to feel engaged and empowered to deliver great outcomes for our customers, to feel that Bupa is a great place to work and to 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 to engagement 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.

People issues are flowed up to the Board through regular reports from the Group CEO, and as part of Market Unit updates to the Board. These included the impact of the ongoing pandemic on our people and actions taken to support them. In addition, the Chief Sustainability and People Officer provided updates during the year on progress of the People strategy, inclusion and diversity, talent and succession, gender pay gap and incentives. The Board also receives reports on issues raised through the Speak Up whistleblowing service.

The Board discusses the results of the global employee survey (People Pulse), which assesses engagement across the Group, considers the trends they reveal and makes recommendations to management as necessary. Details of the latest survey can be found in the Agile culture section on page 16.

People issues also flow through to the Risk Committee where regular reports from the Chief Risk Officer have included monitoring risks to our people's resilience due to the pandemic, and their capacity and capability to deliver the Group's transformation objectives. In late 2021, the Nomination & Governance Committee reconsidered the Board's approach to engaging with the workforce and designated the Chairman and two Non-Executive Directors to meet regularly with representatives of Bupa's people and Market Unit executives for the businesses in the UK, Australia and New Zealand, and Spain. This recognises that a more structured means of gathering views from the workforce would be beneficial to the Board in its decision-making. Less interaction has happened in 2021 than prior to the pandemic due to restrictions on travel preventing the Board from carrying out site visits in-person, and the changes to the way large parts of our business have had to operate to protect our customers and our people.

Regulators

Bupa operates in highly regulated environments across both our health insurance and provision businesses. We are subject to financial services regulatory regimes in our insurance businesses and care quality regulators in our provision and aged care businesses.

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 responsible and sustainable way
- Have robust and effective processes and controls in place to mitigate risks to protect our customers.

Bupa is firmly committed to achieving high standards of compliance with our regulatory obligations in all of the markets in which we operate. Increased levels of regulation, and liaison between regulators, are a continuing international trend. Therefore, we take a proactive and coordinated approach to managing the regulatory risks to which we are exposed in order to reduce the risk of our customers suffering detriment, and minimising any financial or reputational impact on Bupa. We have a Group-wide Regulatory Compliance Risk Policy in place to ensure high standards of compliance with the requirements of all relevant regulators.

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. Relationships with other regulators are maintained at a local level by our Market Unit and Business Unit management teams, with subsidiary board interaction with local insurance regulators, as appropriate.

Bond 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, the Disclosure Guidance and Transparency Rules and Market Abuse Regulation.

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 road shows 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 increasingly 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 AMs, other than Directors (who automatically 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, NGOs, regulatory and public service.

AMs are selected based on recent and relevant experience in their field, independence from Bupa, their capacity to make a contribution, and experience in the key 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.

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.

Due to the ongoing pandemic, our events for AMs were again held online rather than in person during 2021 and we adapted the approach to and content of our events accordingly, including encouraging online attendance at the AGM. This has led to an increase in the level of attendance at these events, particularly from our AMs based outside the UK. At the AGM, we introduced the AMs to our new 3x6 strategy and asked them to approve new Articles of Association to bring them into line with best practice. This also granted clear authority to be able to hold general meetings by electronic means as opposed to webcasting an in-person meeting, as the restrictions imposed due to the pandemic had highlighted the benefits of being able to engage with AMs in different ways. However, in the absence of restrictions of the kind imposed during the pandemic, our intention is that we would always arrange our AGM in a way that allows participation in person.

Section 172 statement continued

Results calls have traditionally taken place as a webcast or conference call with a Q&A session at the end and this approach was also used for the briefing sessions since the pandemic started. However, following feedback from AMs to make online meetings more interactive, the 2021 autumn briefings were held via a different platform that enabled AMs to see the presenters and ask questions more easily. The briefings were hosted by the Chairman and presented by the Group CEO and Group CFO. They provided an update on:

- The Group's performance to June 2021
- Bupa's refreshed purpose, 3x6 strategy and values
- Activities linked to the new strategy, including the eco-Disruptive global talent programme (Agile culture, Transformation and Sustainability), the Global Hackathon (Transformation, Agile culture) and the launch of a new employee engagement platform (Agile culture)
- Our ambition KPI of 40% customer care touchpoints owned by Bupa.

This gave our AMs a more in-depth understanding of our new strategy and an opportunity to ask questions. This provided useful challenge and insights to the Board on our strategy and the issues important to our AMs. We intend for future events to include a digital element, even when we are also able to meet face to face.

Suppliers and partners

Our suppliers and partners represent our brand and are critical to delivering a high-quality service to our customers. They include hospitals, medical consultants and other healthcare professionals, systems suppliers and suppliers of products to our hospitals, clinics, dental centres and care homes.

We have a Group-wide Suppliers Risk Policy governing our processes for the selection, contracting and management of all of our suppliers to ensure that they represent our values and will not compromise the service we provide to our customers or how we treat our people.

We are committed to:

- Treating our suppliers fairly
- Paying suppliers on time (as per contracted terms)
- Selecting suppliers without prejudice
- Working with our suppliers to support improvements in their social, environmental and ethical practices
- Maintaining a supply chain that reflects and aligns with our own standards of responsible business conduct.

We work with our suppliers to ensure that they have effective processes in place to protect our customers' health and safety and the security and privacy of their data.

The Group also regularly engages with health and social care professionals and NGOs and works with other commercial and non-profit organisations to make a positive impact on specific health issues.

Our Sustainability agenda includes a workstream on responsible business conduct with a key focus on responsible supply chain management, including combating modern slavery. Our latest Modern Slavery statement can be found on bupa.com together with our Responsible Supply Chain statement.

Communities and the environment

Sustainability is reflected in our refreshed purpose through the addition of the words 'and making a better world'. This demonstrates the broader role we expect to play, not only in the health of our customers and our people, but also for the health of our planet. Our contribution as a global healthcare company is to mitigate the impact of healthcare on the environment and build resilience into the healthcare system for our wider society.

We help to build healthier and more resilient communities and aim to have a positive impact on the environment. We have dedicated Foundations in Australia, Spain and the UK to channel some of our investment. During the year this included: projects to support people's mental wellbeing in the UK; Bupa Contigo to support healthcare workers and businesses across Latin America during the pandemic; and launching the Healthy Planet, Healthy People volunteering initiative in Australia with Conservation Volunteers Australia.

For further information, see the Sustainability section on page 28 and the report of the Board Sustainability Committee on page 92.

High standards of business conduct

Bupa has a robust system of governance and risk management in place and operates a 'three lines of defence' model to identify, manage and mitigate risk, to ensure that we maintain high standards of business conduct. We aim, where appropriate, to operate to the same governance standards as are required of UK listed companies. This includes appointing AMs to carry out the governance and oversight role usually performed by shareholders, and applying the UK Corporate Governance Code 2018 (the Code) to set high governance standards for the Group.

These include governance processes around decision-making; risk appetite statements set by the Board; and risk policies and standards that are applied across the Group on areas including customer outcomes, people, capital management, supplier management, risk, clinical governance, data quality, information security, and wellbeing, health and safety. Further information on our principal risks and approach to risk management is on page 48.

All papers submitted to the Board or its Committees are required to include a summary of key risks, how relevant stakeholders have been considered in the proposals and the governance process undertaken prior to seeking Board approval to ensure that stakeholder interests or concerns have been considered and that proposals have been through appropriate review and approval processes prior to submission to the Board. This assists the Board in making well-informed decisions that promote the long-term, sustainable, success of the business.

As mentioned above, our Sustainability agenda also includes a workstream on responsible business conduct management, to take a more proactive approach to ensuring that Bupa conducts its activities in a responsible way.

The Governance section commencing on page 54 describes the role of the Board, the Directors, Bupa's system of governance, including the role of each of the three lines of defence; how we have complied with the Code during the year; and the role and activities of each Committee of the Board.

Strategic 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 Leadership section on page 60.

Approval of refreshed purpose, ambition and values, and 3x6 strategy

Customers, people, and communities and the environment

Issue	Action and progress	Further information
Our strategy needs to address: • The issues of most concern to our customers • Sectoral long-term and emerging trends • Global macro trends. As a service provider, our customers are our core stakeholder and we need to respond to their rapidly evolving needs and preferences as consumers become increasingly engaged with their own health and expect more from service providers in all aspects of their lives, including healthcare. Bupa needs to evolve at pace to meet these needs and preferences and ensure that we can continue to deliver our purpose in the long-term.	**Action** In March 2021, the Board approved our new 3x6 strategy, including our refreshed purpose and ambition, and setting three ambition KPIs to measure its success. It aims to drive growth through organic transformation and requires us to have an agile culture. Technology is a core aspect of the new strategy and, as part of this the Board was briefed on Blua, the digital health platform pioneered by our Sanitas business. The Board was satisfied that this is a good proposition which could deliver on the strategy and it is now being rapidly deployed across our markets. **Stakeholder considerations** The Board recognises that the 3x6 strategy also gives rise to a number of risks. As we increase digitalisation we must balance the benefits of digital interactions with our customers (such as increased flexibility and convenience) with the potential risks, including security of customer data and competition from new entrants to the healthcare sector that could disrupt the market. The Board further recognises that it is asking a lot of its people as we go through a period of transformation, including moving to an agile culture. This will bring long-term benefits to the Group and our customers. However, it could impact our people's capacity in the short to medium-term. Management and the Risk Function are monitoring the risks arising from the new strategy, including risk around the capacity and capability of our people, and management are taking appropriate action. We will update on the progress of our strategy in the next Annual Report. **Long-term impact** Achieving our strategy will meet customers' needs and mitigate risks to the business from sectoral long-term trends and global macro trends to ensure that we can continue to fulfil our purpose now and in the future.	→ Strategy from page 8 → Agile culture on page 16 → Sustainability on page 28 → Blua case study on page 24 → Leadership on page 60 → Board Sustainability Committee report on page 92

Bond issuance and related buyback

Customers, regulators and investors

Issue	Action and progress	Further information
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. Maintaining a strong capital base and access to liquidity means that the Group has the resources now, and in the future, to be able to maintain and improve its offer to customers and to fund the future growth of the business. The Board monitors the Group's funding and liquidity position to ensure that we have sufficient headroom in the level of liquidity we hold above risk appetite.	**Action** In September 2021, the Board approved the issue of a Restricted Tier 1 bond by its immediate subsidiary, Bupa Finance plc (BFplc), and a partial buyback of a Tier 2 bond already in issue from BFplc. This was part of the Group's proactive management of its funding and capital structure and the issue was intended to increase our financial flexibility by establishing access to the Restricted Tier 1 capital market and created additional Tier 2 capital headroom. **Stakeholder considerations** Management discussed the proposals with HMRC and the PRA in advance and sought their clearance and approval respectively. Management met with potential investors ahead of the issuance. The Board considered other potential courses of action and felt that this provided the best outcome, and that the novel (for Bupa) structure of the Restricted Tier 1 bond did not pose any risks to the Group's strategy. The issuance also offered a liquidity event for current holders of the bond being partially bought back. **Long-term impact** The bond issuance enabled Bupa to demonstrate to investors, regulators and customers that we 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. The issuance and partial buyback has enabled Bupa 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 and improve our offer to our customers and to generate sustainable long-term growth.	→ Leadership on page 60 → Note 17 on page 171

Section 172 statement continued

Sustainability
Communities and the environment

People's health is interconnected and interdependent with the health of our planet. Our customers, people, regulators and wider society increasingly expect companies to play their part in the communities in which they operate and to take action on issues such as climate change.

Action

The 3x6 strategy includes a Sustainability pillar - making a positive impact on the world. Bupa has taken a number of actions during the year to implement the Sustainability pillar including:

- Announcing our ambition to become a net zero business by 2040, (underpinned by the setting of science-based targets) and joining the UN-backed Race to Zero campaign
- Running our first eco-Disruptive programme, a global talent and innovation challenge bringing together the Sustainability, Agile culture and Transformation pillars of the strategy.

We are also developing our full Sustainability strategy, which is due to be finalised in the first half of 2022.

Stakeholder considerations and long-term impact

Although moving to a more sustainable way of operating will involve some additional costs in the short to medium-term, we believe it is not only the right thing to do for the planet, but also good business as it helps attract and retain our people, is taken into account by investors and lenders, and is an increasing area of focus for customers, governments and regulators.

Progress on our sustainability activities and information on our Sustainability strategy will be disclosed in future annual reports.

→ Sustainability section on page 28
→ Board Sustainability Committee report on page 92

Supporting our customers
Customers, high standards of business conduct and regulators

The COVID-19 pandemic resulted in a number of limitations being imposed on the provision of medical services in Australia which materially disrupted the private health insurance industry there. In 2020, a provision was established for deferred claims in our Australian Health Insurance business and a number of actions were taken to support customers (as reported in our 2020 Annual Report).

As a result of similar disruption to the UK private health insurance market, the Board approved a proposal in 2020 from our UK Health Insurance business to pass on any exceptional financial benefit ultimately arising from the pandemic to its eligible UK Health Insurance customers (as reported in our 2020 Annual Report).

Action

In September 2021, the Board considered and endorsed a proposal from our Australian Health Insurance business to return £66m (AUD$120 million) in cash to around 3.5 million customers as a result of claims savings made during the period of COVID-19 restrictions. This coincided with a release from the deferred claims liability provision made in 2020 (and which had been strengthened in 2021).

In March 2021, the Board considered and endorsed a proposal from our UK Health Insurance business that eligible health insurance customers would receive a share of £125 million in return of premium, following the pledge made in 2020 to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. The business continues to monitor claims patterns and, as at 31 December 2021, a premium provision of £71m is held in respect of UK Health Insurance, representing the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021.

A number of other actions were taken in response to the pandemic in all our markets as set out in the 2020 Annual Report.

Stakeholder considerations

For both decisions, the Board balanced customers' desire for swift action with the impact of the rebate on the businesses' current and forward-looking capital and liquidity and the expected level of claims rebound going forward. The proposal for the UK Health Insurance business was discussed in advance with the PRA and Financial Conduct Authority (FCA) who were concerned with both maintaining sufficient capital and treating customers fairly. The Australian Health Insurance proposal was in line with guidance published by the local insurance regulator.

Long-term impact

Claims patterns continue to be monitored to assess the impact of any further disruption to claims.

Our Market Units

Asia Pacific[1]

£5,498m

Revenue

+5% AER 2020[2]: £5,249m
+4% CER 2020: £5,292m

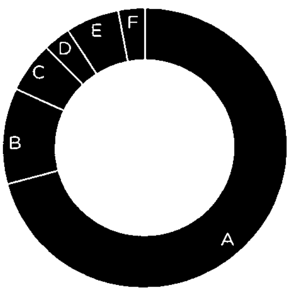
£222m

Underlying profit

+71% AER 2020[2,3]: £130m
+69% CER 2020: £131m

Customers

4.4m Health Insurance
2.4m Healthcare Provision
5,300 Aged care, Australia
3,300 Aged care, New Zealand



Revenue by business

A. Bupa Health Insurance **71%**
B. Bupa Health Services **11%**
C. Bupa Villages and Aged Care Australia **6%**
D. Bupa Villages and Aged Care New Zealand **3%**
E. Hong Kong Insurance **6%**
F. Hong Kong Health Services **3%**

Revenue increased by £206m to £5,498m at CER. Underlying profit was £222m, an increase of 69% at CER mainly driven by volume growth across our businesses and the non-recurrence of the six-month deferral of the premium increase for Australian Health Insurance customers, which was implemented in 2020.

We began to see the benefits of transformation programmes, with an enhanced focus on operational efficiency and investing in digital to support better customer outcomes. Profitability increased as a result of changes in product mix and improved customer retention. This was partially offset by COVID-19 restrictions, temporary store and clinic closures in our Health Services business and the continued rebound of claims in Hong Kong Health Insurance.

In Australian Health Insurance, revenue grew with the non-recurrence of the six-month deferral of the premium increase implemented in 2020 - and the application, therefore, of a full year of premium rate increases - together with the delivery of business transformation initiatives. Underlying profit was up from a low base in 2020, driven by strong revenue, margin remediation initiatives from product migrations and better operational performance, including retention. During the pandemic we have provided over AUD$315m of support to customers, which included premium deferral, discounts, financial assistance and policy suspensions. We also announced plans to return £66m (AUD$120m) in cash to around 3.5m customers. The combined operating ratio (COR)[4] was 92%[5] (2020: 95%). We launched our Apple Digital card, which more than 420,000 customers have added to their digital wallets.

Health Services in Australia delivered revenue growth from improved volumes, mainly in the Australian Defence Force contract, with volumes maintained in our dental and optical businesses. Underlying profit declined significantly due to temporary COVID-19 closures. Lockdowns and border closures reduced volumes and profitability in our Bupa Medical Visa Services business. In December, we launched our new digital telehealth platform, Blua, which enables customers to attend appointments remotely with health professionals. We also announced the sale of our portfolio of 22 dental practices in New Zealand, previously managed under the Australian Health Services business.

Revenue in our Australian aged care business reduced due to the sale of four homes and closure of a further five homes as part of planned portfolio optimisation initiatives. Underlying losses improved, driven by an increase in occupancy to 87% (2020: 85%), portfolio optimisation and operating efficiency initiatives undertaken as part of an overall business transformation programme that began in 2019.

In our New Zealand aged care business, revenue improved, reflecting strong village sales. Closing occupancy was down to 88% (2020: 91%) due to COVID-19 restrictions. The underlying loss reflects higher operating costs. As part of our portfolio optimisation, we sold seven rehabilitation sites, one care home and announced the closure of three care homes.

In December, following an extensive proactive pay compliance review in Australia and New Zealand, we have quantified historical underpayments of employee entitlements affecting some current and former employees. Details are provided in Note 1.5 of the financial statements.

In Hong Kong SAR, revenue increased driven by the reopening of services and improved volumes in both provision and insurance. The continued rebound of claims led to overall underlying losses in Hong Kong Insurance, partially offset by the improved performance in Health Services from increased demand and the launch of new COVID-19-related services.

1. On 1 July 2021, we formed the new Bupa Asia Pacific Market Unit, comprising our businesses in Australia, New Zealand and Hong Kong SAR. These results and comparatives are presented as the new Market Unit.
2. 2020 revenue and underlying profit have been restated by £24m in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia. See Note 1.5 for further detail.
3. 2020 underlying profit has been restated by £(14)m following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for. See Note 1.5 for further detail.
4. 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.
5. Bupa HI Pty Ltd (Australia): Based on S.05.01 Prudential Regulation Authority (SII) form (estimated and unaudited).

Our Market Units continued

Europe and Latin America

£4,004m

Revenue

+6% AER 2020: £3,765m
+12% CER 2020: £3,569m

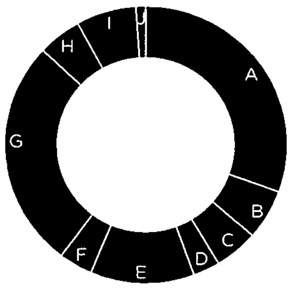
£162m

Underlying profit

(12)% AER 2020: £184m
(7)% CER 2020: £174m

Customers

4.5m Health Insurance
11.4m Healthcare Provision
5,300 Aged care



Revenue by business

A. Sanitas Seguros **31%**
B. Sanitas Hospitales & New Services **5%**
C. Sanitas Dental **5%**
D. Sanitas Mayores **3%**
E. LuxMed **12%**
F. Bupa Acıbadem Sigorta, Turkey **4%**
G. Bupa Chile **27%**
H. Care Plus, Brazil **5%**
I. Bupa Global Latin America **7%**
J. Bupa Mexico **1%**

Revenue grew by 12% with underlying profit decreasing by 7% at CER. Performance was driven by the normalisation of claims after exceptionally low levels in 2020 across all our insurance businesses, alongside challenges in our Chilean Isapre insurance business.

This was offset by increased insurance volumes as new business sales continued to grow, as well as higher provision volumes with activity returning to historically normal levels.

Sanitas Seguros, our health insurance business in Spain, delivered good revenue growth driven by strong sales, with a net gain of 121,000 new customers, while underlying profit declined due to the impact of higher claims as restrictions were lifted and COVID-19 coverage was added to certain policies. The COR for the full year was 88% (2020: 84%). We continued to enhance our digital offer with the launch of Conecta tu salud allowing customers to monitor their health through the Mi Sanitas app. There was strong growth of 22% in video consultations through BluaU.

Our Dental business in Spain delivered good results with revenue and underlying profit up, driven by higher activity following the lifting of restrictions. Customer numbers increased by 26% compared to 2020 to 202,000.

In our Hospitals and New Services business in Spain, revenue and underlying profit grew year on year with activity gradually returning to normal levels and government-related pricing uplifts. The number of video consultations increased to 24% of total consultations. In August, following a strategic review we sold our fertility business, Ginemed.

In Sanitas Mayores, our aged care business in Spain, revenue was broadly in line with 2020. Underlying profit was up driven by the recovery of occupancy post lockdown and the sale of three care homes and closure of one. Closing occupancy improved to 87% (2020: 76%).[1]

In Chile, there was good revenue growth due to higher volumes and outpatient activity in our health provision business. Underlying profit was up in health provision which was more than offset by increased underlying losses in our insurance businesses. The performance of the Isapre insurance business was affected by regulatory interventions impacting the whole sector, which included preventing premium adjustments and mandating significant extensions to cover. To mitigate the impact of these regulatory changes, we restructured our business and reduced our operating costs. We expect the regulatory and political landscape to continue adversely impacting the Isapre business in 2022 and will continue to monitor this closely and engage with relevant stakeholders. We continued to enhance our digital offer, enabling customers to access networks of doctors and monitor their health.

In Poland, LuxMed delivered good revenue growth from new corporate subscriptions with increased underlying profit as activity gradually returned to historically normal levels. We opened four clinics, one imaging diagnostic facility and one mental health clinic. We also acquired three healthcare providers, reinforcing our leading position in the market.

In Turkey, our health insurance business Bupa Acıbadem Sigorta, delivered strong revenue growth driven by increased customer volumes, with a net increase of more than 332,000 customers. We ended the year with around 986,000 customers. Underlying losses were driven from higher claim volumes.

Care Plus in Brazil delivered strong revenue and customer growth while underlying profit was down due to the reduction of claims disruption.

Bupa Mexico's revenue and underlying profit were up, driven by the launch of our first outpatient product distributed through BBVA, as well as a distribution agreement with HDI, higher volumes from Vitamedica, a third-party administrator we acquired in January 2021, and the reopening of provision services.

Bupa Global Latin America made an underlying loss as the claims disruption seen in 2020 did not recur. We expanded our digital offer with the launch of our app, Mi Bupa Latinoamérica and our first domestic insurance products in Ecuador.

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

Bupa Global and UK

Revenue was up 10% while underlying profit decreased by 44% at CER, driven by the insurance businesses as claims activity increased compared to 2020, with customers being able to access private healthcare more easily. This was exacerbated in Bupa Global, our IPMI business, where pricing of experience-rated products referencing the lower claims seen in 2020 led to reduced profitability.

£3,396m

Revenue

+9% AER 2020: £3,122m
+10% CER 2020: £3,098m

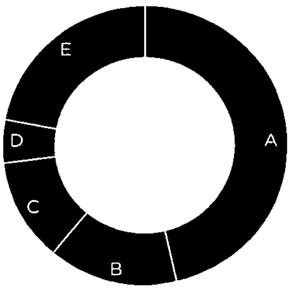
£62m

Underlying profit

(44)% AER 2020: £110m
(44)% CER 2020: £110m

Customers

2.8m Health Insurance
2.9m Healthcare Provision
6,100 Aged care



Revenue by business

A. Bupa UK Insurance **45%**
B. Bupa Dental Care **14%**
C. Bupa Care Services **11%**
D. Bupa Health Services **5%**
E. Bupa Global **25%**

UK Insurance revenue was up, as we added 135,000 new customers in UK PMI, Dental and Cash Plan, improving performance year-on-year. Underlying profit decreased due to the reduced claims disruption arising from COVID-19, partly offset by higher revenues. We announced in March 2021 that eligible health insurance customers would receive a share of £125m in return of premium following the pledge we made to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. To date, we have made cash payments to around 99% of eligible customers, the first major health insurer to do so. We are yet to determine a final settlement as we continue to monitor claim patterns and, as at 31 December 2021, we continue to hold a premium provision of £71m. This consists of the net disruption to claims due to the impact of COVID-19, including deduction of related costs and impact to profit, deferred claims we expect to rebound in the future and the payments we have already made. It represents the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021. We extended our women's health support by launching a new Menopause HealthLine offering advice from specially trained nurses. We continued to expand our digital offer with almost 400,000 customers now registered on Bupa Touch, giving them online access to their cover and benefits.

In Bupa Global, revenue was flat and underlying losses occurred both from the reduced claims disruption as COVID-19 restrictions eased, and where experience-rated products had been necessarily priced by reference to the lower claims seen in 2020. We saw lower new business volumes, although this was partially offset by strong retention. We launched Private Client, a new product tailored for Ultra-High Net Worth individuals, combining direct access to private medical specialists, wellbeing therapies and a dedicated concierge manager.

The COR for Bupa Insurance Limited, the UK-based insurance entity that underwrites both domestic and international insurance, worsened to 97% due to reduced claims disruption in our PMI business and unfavourable claims experience in our IPMI business (2020: 92%).

In UK Dental, the underlying result improved as our practices remained fully open for the year compared to 2020. This allowed us to increase the number of private and NHS patients, although productivity was still limited due to strict COVID-19 safety measures. We completed the rollout of a new IT infrastructure to strengthen resilience across all practices in our network and launched Dentally, a new practice management system.

Revenue and underlying profit in UK Care Services were up due to a recovery in occupancy. Our closing occupancy rate was up to 84% (2020: 82%). Our Richmond Villages have seen strong growth with both occupancy up and strong sales of our retirement housing. Our journey transforming aged care through digital innovation has continued with the launch of eCare, an electronic care planning system, across Richmond Villages with the wider rollout to care homes in 2022. Sector-wide staffing pressures have continued, and we implemented the government regulation to mandate vaccines across all our care settings.

In Health Services, revenue and underlying profit increased, driven by higher customer numbers in clinics and increased demand for preventative wellbeing, alongside strong growth in mental health support services and COVID-19 testing services. In our clinics we launched a Menopause Plan offering women access to specially trained GPs. Cromwell Hospital continues to be impacted from reduced international business, and increased costs due to the pandemic.

1. The £125m payment to customers comprises £110m of rebate payments under our pledge and £15m related to COVID-19 impacts within contractual payments under risk and profit share arrangements.
2. Bupa Insurance Limited: Prepared under local GAAP. Excludes our associate Highway to Health (GeoBlue).

Our Market Units continued

Other businesses

£5m

Revenue

(17)% AER 2020: £6m
0% CER 2020: £5m

£45m

Underlying profit

(18)% AER 2020: £55m
(12)% CER 2020: £51m

Customers

3.2m Bupa Arabia
6.2m Niva Bupa
0.2m Arabia Clinics

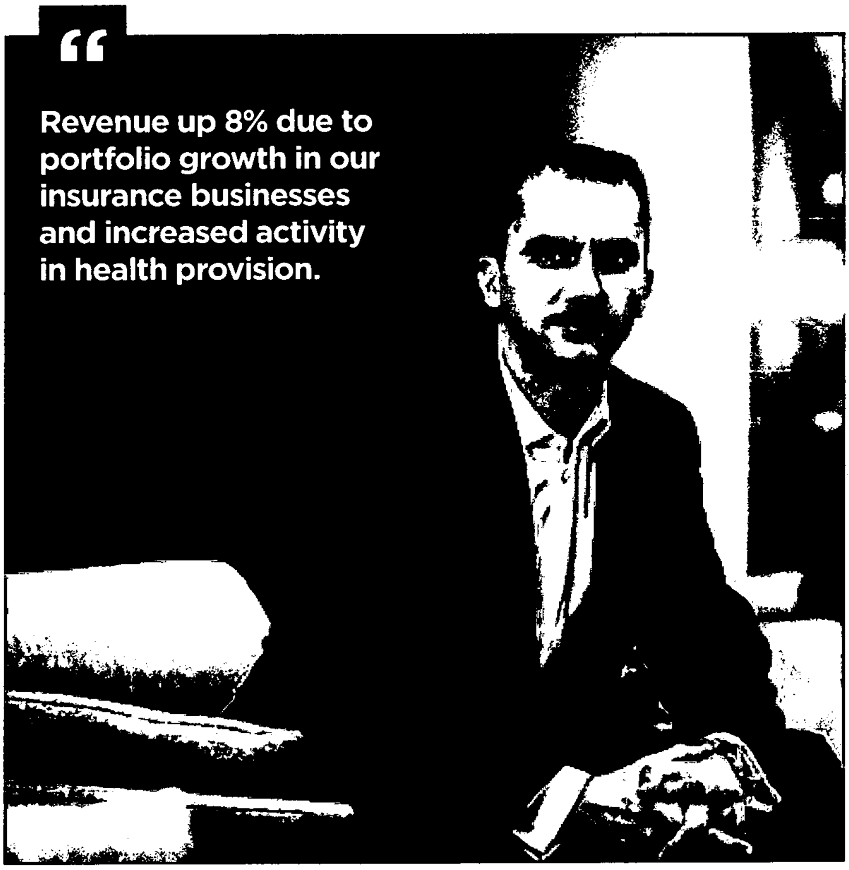
On 1 July 2021, Hong Kong SAR entities were incorporated into a new Market Unit called Bupa Asia Pacific.

The 'Other businesses' segment now includes our associate businesses Niva Bupa (formerly known as Max Bupa) in India, and Bupa Arabia, in Saudi Arabia. These results and comparatives are presented excluding the Hong Kong SAR entities.

In 2021, we saw increased customer volumes in both Niva Bupa and Bupa Arabia. Underlying profit was £45m, down 12% at CER, largely driven by the higher claim volumes in both associate businesses as COVID-19 continued to have an impact throughout Saudi Arabia and India.

Financial review

Well placed to pursue future growth from transformation



> "Revenue up 8% due to portfolio growth in our insurance businesses and increased activity in health provision.

James Lenton Chief Financial Officer

Overview

Revenue was £12.9bn, up 8% (2020: £12.0bn[1] at CER), and underlying profit was £405m, up 14% (2020: £354m[2] at CER). The Group's underlying results reflect strong customer growth across our insurance businesses and improving results in health provision and aged care as we emerge from the pandemic. This is offset by increased insurance claim levels following reduced disruption to elective procedures compared to 2020.

Financial highlights

£12.9bn

Revenue

+6% at AER, 2020: £12.1bn
+8% at CER, 2020: £12.0bn

£423m

Statutory profit before tax

+7% at AER, 2020: £396m

£907m

Net cash generated from operating activities

-32% 2020: £1,336m

£405m

Underlying profit

+8% at AER, 2020: £374m
+14% at CER, 2020: £354m

179%

Solvency II capital coverage ratio[3]

2020: 160%

1. Balances have been restated by £24m for a gross up between other revenue and financial expense (included within central expenses and net interest margin) in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia. See Note 1.5 for further detail.
2. Underlying and statutory profit have been restated by £(14)m at AER following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for. See Note 1.5 for further detail.
3. The 2021 Solvency II capital position, Solvency Capital Requirement (SCR) and coverage ratio are estimates and unaudited.

Financial review continued

Our statutory profit before taxation was £423m, up 7% (2020: £396m at AER), reflecting higher underlying profit, and gains made on acquisitions and divestments, including a one-off gain arising upon the transfer of customers from CS Healthcare into our UK Insurance business and divestment of our rehabilitation business in New Zealand, partially offset by a small number of goodwill and intangible impairments.

We generated cash from operating activities of £907m, down £429m, primarily as a result of higher claims as disruption to elective procedures reduced from 2020.

Our Solvency II capital coverage ratio of 179% at 31 December 2021 (2020: 160%) remains strong and is above our target working range of 140-170%.

We repaid a £350m senior bond on its maturity in June 2021 and issued a £300m Restricted Tier 1 bond in September, alongside a successful £250m tender offer on the 2023 £500m Tier 2 bond. This enhanced our capital position. Additionally, in December our £800m revolving credit facility (RCF) with a maturity in August 2022 was refinanced and replaced with a new facility of £900m, expiring in 2026, improving our liquidity position. As at 31 December 2021, the RCF was drawn down by £150m.

Revenue (CER)

Revenue was up 8% through portfolio growth and price rises in our insurance businesses, alongside increased activity in our health provision businesses.

Insurance customer growth year on year was 18% (6% year-on-year growth when excluding our associate businesses' customers), driven by our Europe and Latin America Market Unit, especially in Spain and Turkey. Group insurance revenue grew 5%[1] as a result of the customer growth, and premium rate increases, including in Australia where an agreed change was deferred by six months in 2020. This was offset by our announcement in Australia Health Insurance to return £66m (AUD$120m) in cash to around 3.5m customers and a top-up to the return of premium pledge provision in UK Insurance.

Our health provision businesses saw revenue growth of 20% reflecting higher customer numbers as the impact of reduced COVID-19 lockdowns in 2021 meant our businesses operated with fewer restrictions than 2020 and customers were able to access services more easily.

In our aged care businesses, revenue was broadly in line with 2020, with closing occupancy rates 3.5 percentage points higher as restrictions eased and more residents were admitted to our homes. This was offset by some targeted disposals of homes as part of portfolio management in Australia, New Zealand and Spain.

Underlying profit (CER)

Group underlying profit increased by 14% to £405m (2020: £354m at CER), reflecting the continued emergence of our businesses from the pandemic. This has resulted in increased profits in health provision and aged care from reduced restrictions across our Market Units as well as lower COVID-19-related costs. This is partly offset by insurance profits reducing as strong customer growth could not offset the return to normalised levels of claims versus the disruption seen in 2020.

For our largest line of business, health insurance, despite good revenue growth, underlying profit decreased as insurance claim levels increased following reduced disruption to elective procedures compared to 2020. Incurred claims are gradually returning towards more normalised levels, with a higher volume of claims in some businesses; however, the volume and timing of these varies by market.

	2021 £m	2020 £m
Asia Pacific at CER	**222**	131
Europe and Latin America at CER	**162**	174
Bupa Global and UK at CER	**62**	110
Other businesses at CER	**45**	51
Underlying profit for reportable segments at CER	**491**	466
Central expenses and net interest margin at CER	**(86)**	(112)
Consolidated underlying profit before taxation at CER	**405**	354
Foreign exchange re-translation on 2020 results (CER/AER)	**-**	20
Consolidated underlying profit before taxation at AER	**405**	374
Impairment of intangible assets and goodwill arising on business combinations	**(18)**	(12)
Net gains/(losses) on disposal of businesses and transaction costs on business combinations	**13**	(1)
Net property revaluation gains	**16**	26
Realised and unrealised foreign exchange gains/(losses)	**5**	(2)
Other Market Unit non-underlying items	**13**	(7)
Group non-underlying items	**(14)**	3
Gains on return-seeking-assets, net of hedging	**3**	15
Total non-underlying items	**18**	22
Statutory profit before taxation at AER	**423**	396

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.

In Australia, we continue to hold a deferred claims liability provision of £163m at 31 December 2021 (2020: £171m at AER). Although broadly in line with the prior period, the provision was strengthened in the year due to the continued domestic claim disruptions caused by the pandemic. This was offset by a release coinciding with the announcement on 6 October 2021 that we would return £66m (AUD$120m) in cash to around 3.5m customers as a result of claim savings made. We will continue to monitor claim patterns to assess the impact of any further disruption to claims.

In the UK, we announced in March 2021 that eligible health insurance customers would receive a share of £125m in return of premium following the pledge we made to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. To date, we have made cash payments to around 99% of eligible customers, the first major health insurer to do so. We are yet to determine a final settlement as we continue to monitor claim patterns and as at 31 December 2021 we continue to hold a premium provision of £71m. This consists of the net disruption to claims due to the impact of COVID-19, including deduction of related costs and impact to profit, deferred claims we expect to rebound in the future and the payments we have already made to these customers. It represents the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021.

We returned to profitability in our health provision businesses, as restrictions in the majority of our markets reduced allowing customers to access these services. This is in contrast to 2020 when there were a number of temporary closures due to localised government restrictions.

The underlying loss in aged care reduced significantly year-on-year, with revenue and customer levels broadly in line, but with lower costs, as the cost of maintaining high standards of health and safety and the need for agency staff reduced. We have taken targeted actions to optimise our care home portfolio with divestments in Australia, New Zealand and Spain, helping our occupancy rates, which have increased by 3.5 percentage points from 2020. As restrictions continue to ease, we expect the aged care business to move back towards profitability.

Central expenses and net interest margin of £86m were lower than prior year (2020: £112m at CER) as higher investment returns, particularly in Turkey, were partly offset by the additional one-off costs for the partial buyback of a Tier 2 bond maturing in 2023.

Statutory profit (AER)

Statutory profit before taxation was £423m up 7% (2020: £396m[1]). This reflects the increase in underlying profit signifying the continued emergence of our businesses from the pandemic.

In 2021, non-underlying items totalled £18m profit, compared to a £22m profit in 2020. The key drivers for non-underlying items in 2021 were property revaluation gains in our New Zealand retirement villages, gains made on the divestment of our rehabilitation business in New Zealand and a one-off gain on acquisition, arising upon the transfer of customers from CS Healthcare into our UK Insurance business (£40m). This was partially offset by an impairment of intangible assets in Bupa Villages and Aged Care Australia in relation to unused bed licences following the government announcement to deregulate bed licences from 2024 and costs associated with the debt buyback earlier in the year.

Taxation

The Group's effective tax rate for the period was 15% (2020: 44%), which is lower than the current UK corporation tax rate of 19%. This is due to a prior year credit of £43m following a favourable court decision in Spain. If this exceptional item was removed, the Group's effective tax rate would be 25%, due mainly to profits arising in jurisdictions with a higher rate of corporate income tax than the UK. The 2020 tax rate of 44% was 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, with the deferred tax liability on the UK defined benefit pension surplus revalued from 17% to 35% (being the UK tax rate which would apply in the event of a cash refund on a wind-up of the scheme). The change in the enacted UK tax rate from 19% to 25% (which applies from 1 April 2023) did not have a material impact on the effective tax rate for the period, as this only impacted the smaller remaining net deferred tax asset in the UK.

1. Underlying and statutory profit have been restated by £(14)m at AER following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a SaaS arrangement are accounted for. See Note 1.5 for further detail.

Financial review continued

Cash flow

Net cash generated from operating activities decreased by £429m to £907m primarily as a result of higher claims as disruption to elective procedures reduced from 2020.

Net cash used in investing activities decreased by £661m to £235m in 2021 with lower deposits being made as a result of the increased claims activity. In addition, we have received a £34m dividend from Bupa Arabia, whereas in 2020 we made an investment in Bupa Arabia to increase our holding by 4%.

Net cash used in financing activities increased by £338m to £548m, primarily due to the repayment of a £350m senior bond upon maturity and partial buyback of £250m of Tier 2 bonds. This is partially offset by cash generation from the issuance of the Restricted Tier 1 bonds.

Funding

The key developments in 2021 were the Restricted Tier 1 bond issuance and partial buyback of the Tier 2 bonds in addition to the refinancing of the Group's RCF. A £350m senior bond was repaid on its maturity in June 2021.

At 31 December 2021, our £900m RCF was drawn by £150m (2020: £nil). During 2021, we also put in place a €30m bank facility in Spain to further support Group liquidity. This was fully undrawn at the year end.

We focus on managing our leverage in line with our credit rating targets. Leverage excluding operating leases at 31 December 2021 was 19.7% (2020: 25.3%). Leverage is 27.0% (2020: 32.4%) when IFRS 16 lease liabilities are taken into account.

Coverage of financial covenants, which reflect interest cover and debt/net worth, remains well within the levels required in our bank facility.

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.

Our Bupa Finance plc senior debt ratings are A3 (negative) by Moody's and BBB+ (stable) by Fitch. Fitch and Moody's reviewed Bupa's credit ratings during 2021 with no changes.

Solvency

Our solvency coverage ratio of 179% remains strong and is above 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 2021, the estimated SCR of £2.5bn is flat to 2020 and Own Funds of £4.5bn was £0.4bn higher when compared to 31 December 2020.

Our surplus capital was estimated to be £2.0bn, compared to £1.5bn at 31 December 2020, representing a solvency coverage ratio of 179% (2020: 160%). Our business continued to generate capital through our underlying profitability. This capital generation was largely offset by capital expenditure, debt financing activities and negative FX movements during the period as sterling appreciated against some of our major currencies.

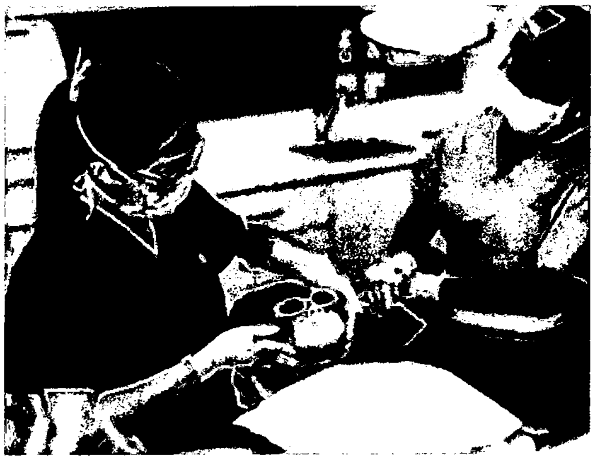
We have performed an analysis of the relative sensitivity of our estimated solvency coverage ratio to changes in market conditions and underwriting performance. Each sensitivity is an independent stress of a single risk and before any management actions. The selected sensitivities do not represent our expectations for future market and business conditions. A movement in values of properties that we own and lease continues to be the most sensitive item, with a 10% decrease having a 11 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	179%
Property values -10%	168%
Loss ratio worsening by 2%	172%
Sterling depreciates by 20%	172%
Interest rate -100bps	177%
Group Specific Parameter (GSP)[1] +0.2%	177%
Pension risk +10%	179%
Credit spreads +100bps (no credit transition)	179%
Equity markets -20%	179%

We include a Group Specific Parameter (GSP) in respect of the insurance risk parameter in the Standard Formula. We apply a premium recognition adjustment to the GSP loss ratio data to allow for the distorting impact of the COVID-19 pandemic. The PRA have confirmed its approval of this approach.

1. Group Specific Parameter (GSP) is substituted for the insurance premium risk parameter in the standard formula, reflecting the Group's own loss experience.



Risk

Embedding a strong risk management culture is a strategic priority across Bupa supported by robust risk management and controls.

“

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

This focus on culture is essential in order to respond to changing environments and evolving regulation. This means we can better 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.

Our comprehensive risk management programme ensures that risk management comes 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 pages 32, 49, 64.

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 2021

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 continued to put 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. With a new strategy and an enhanced purpose, we have also placed significant emphasis on the risks associated with the new strategy, 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 recent experiences or events, including the pandemic, to assess what lessons could be learned and implemented across the Group
- Review of 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 changing regulatory and political environments across the Group
- Reviewing and enhancing our liquidity risk appetite
- 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
- Strengthening our clinical governance structures and approach
- Reviewing the risks associated with our workforce relating to the resilience of our staff but also the strategic risks associated with workforce availability
- 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 (NEDs) at Group Board level and at subsidiary board level for our main insurance subsidiaries (more on our system of governance on page 60).

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. The Bupa Enterprise Risk Committee (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 Bupa Group CEO.

Each of our large insurance entities is overseen by a local Board Risk Committee, consisting mainly of independent 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.
- 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.
- 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.

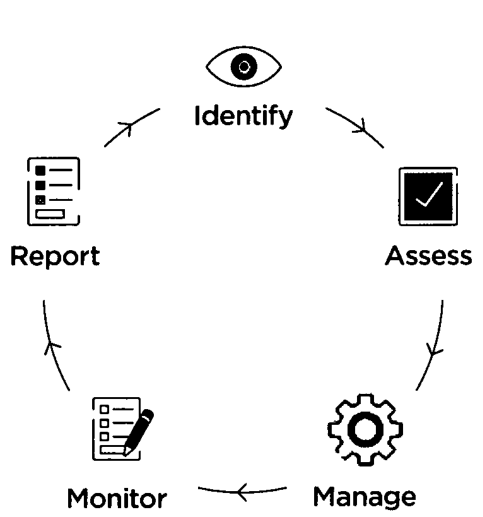
We manage the risks to Bupa as a result of climate change using our risk management systems and structures as described above.

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 a joint Audit and 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 approved 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 and trading conditions.
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 absolute claims across the Group are higher than prior year, there continues to be reduced claims in some markets from restrictions causing 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. ▪ There is a relatively low exposure to reserving risk compared to underwriting risk due to the very short-term nature of our claims development patterns. ▪ We have extensive control mechanisms in place, including holding an appropriate prudence margin, 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 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.	▪ Maintaining internal control processes and governance frameworks, approving risk policies and assessing compliance help to mitigate this risk. ▪ The Group 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. Strategic and operational risks remained heightened due to the pandemic and the launch of our new strategy.

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 continue to be 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 as we further 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 continue to increase 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 insurance conduct rules, 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 and climate change and other issues which can be interpreted as having an 'ethical' dimension, including executive and/or low pay, Inclusion and diversity, treatment of suppliers, governance, responsible investment. Adverse comments and unfavourable media coverage can impact on 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 that 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

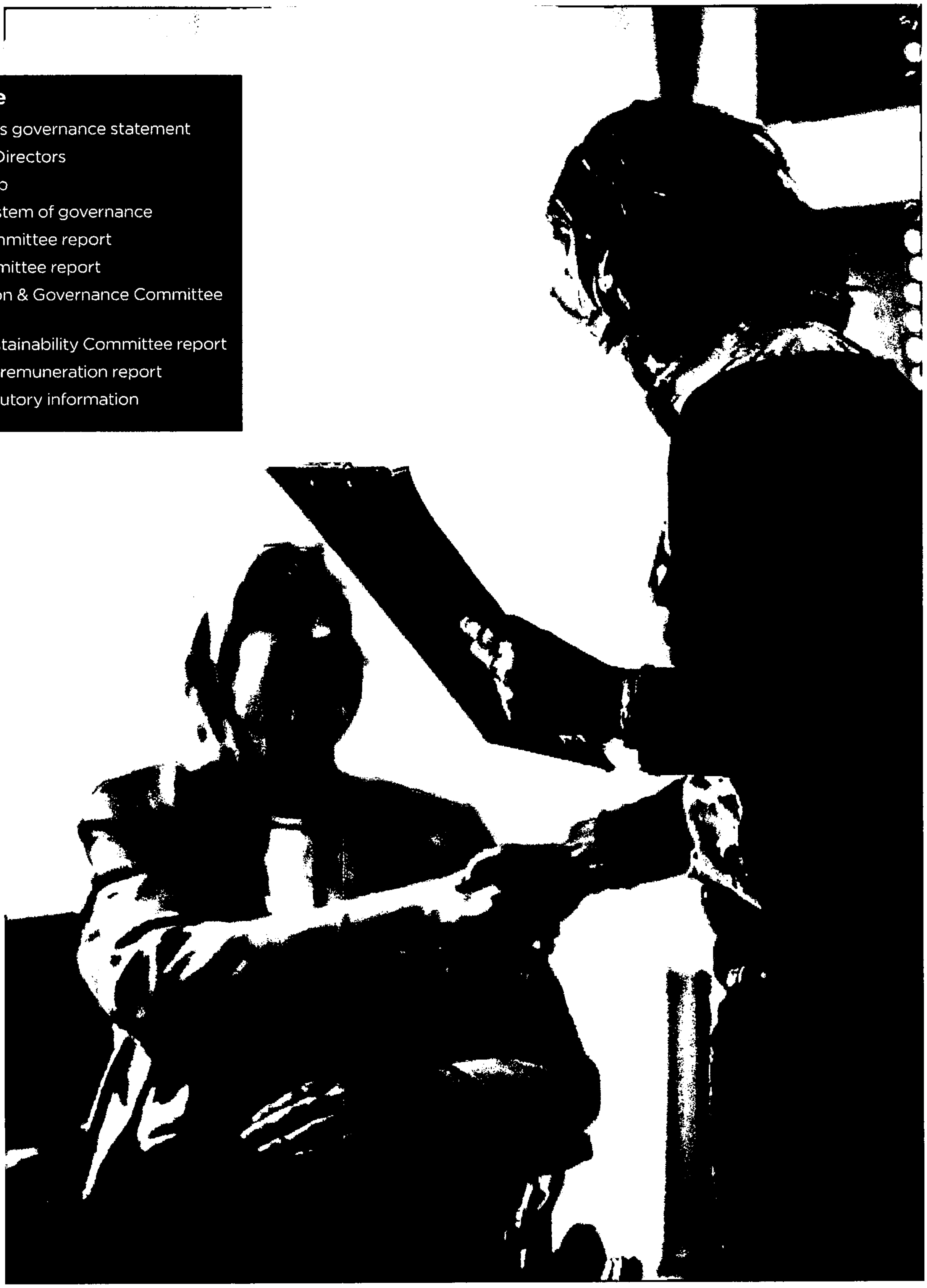
Risk	Description	Comment and outlook	Mitigating actions
Strategic workforce risks	Risks associated with the resilience of our own people, particularly as a result of the pandemic, including health, safety and wellbeing, and capacity, which impact on our employees' ability to deliver for the customer. This also includes strategic risks associated with workforce availability.	• 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. • Our frontline 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. • In many markets, we continue to see strategic challenges associated with workforce availability, which may impact our ability to deliver services.	• 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. • The pandemic-related risks 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 actions to support our people through this. • Workforce availability remains a key area of focus for senior management with a range of activities under way in each market to address challenges.
Technology and resilience	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 that depressed economic conditions further exacerbate existing challenges around demonstrating value to customers with reduced spending power which could impact the profitability or viability of the business.	• 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 on our businesses. In many markets, we are seeing heightened inflationary pressures. • We manage any macroeconomic, regulatory and political uncertainty following the UK's exit from the EU as part of our 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.
Transformation execution risks	The risks associated with failing to deliver effective and timely transformation and change. This includes the risks associated with acquisition and disposal decisions and their implementation.	• Our new strategy is focused on addressing customer expectations as they change, particularly following the pandemic. • All Market Units have a range of transformation activities under way.	• Transformation and strategy execution are a key focus of senior management. • Appropriate governance structures are in place to monitor the transformation activities under way.
Geopolitical uncertainty and supply chain disruption	The risks associated with geopolitical uncertainty and increasing nationalistic policies across our businesses and, in particular, the impact of this on supply chains.	• This has been an emerging trend for some time but has been exacerbated by the pandemic. • We are also seeing impacts as a result of Brexit. • While Bupa does not have businesses in either Ukraine or Russia, the global macro-economic risks and human consequences of the conflict are uncertain and we will continue to monitor any potential impacts on Bupa's businesses.	• Throughout the pandemic we have heightened our supplier monitoring, management and communications to help minimise disruption. • For key product lines, we built up Bupa owned or controlled stocks to minimise supply chain delays and avoid supply shortages.

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.	▪ We have identified our key climate-related risks over the short, medium and long term. The principal risks we have identified are reputational and regulatory compliance risk (short term), acute and chronic physical risk impacting our property portfolio and aged care businesses (medium to long term), and transition risk impacts in the wider economy affecting the affordability of our products and services (medium to long term). There are also likely to be health impacts from climate change, which will affect health insurance claims in the longer term (long term). We do not expect climate change to have a material impact on our investment and insurance risk exposures in the short term. ▪ Our businesses' planning and strategy process incorporates the consideration of these risks. ▪ 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. ▪ A key focus is our commitment to become a net zero business by 2040, across all our operations and throughout our value chain, underpinned by our 1.5 degree aligned science-based targets.	▪ We have integrated climate risk management into our Group-wide Risk Management Framework, which sets out how we identify, assess, manage and report on risks. We will continue to focus on embedding climate risk fully across the Group. ▪ We have a Corporate Responsibility and Sustainability Policy, which includes environmental consideration and will be updated in Half 1 2022 to reflect our new sustainability strategy that is in development. We have also updated our policies for a range of other key risks affected by climate change, such as our mergers and acquisitions (M&A) and procurement policies and will continue to consider the impact on all other policies. ▪ We have established a Group-wide Environment and Climate Action programme to consider and take appropriate action for Bupa, both in terms of managing the risks climate change poses to Bupa, but also the risk Bupa poses to the environment based on our operations. In addition, our Board Sustainability Committee advises the Board and Executive on the environment and climate change risk. ▪ The direct impacts of climate change on health are uncertain, but are likely to emerge over time. 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 performed a range of climate-related stress testing, including a 2 degree aligned disorderly transition scenario and will continue to explore further potential scenario analysis and stress tests to perform, including 4 degree aligned scenarios. These results have strengthened our understanding of our risk profile and will form a key input into future strategic decision-making.

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 continued to de-risk our liquidity and capital positions, having issued Restricted Tier 1 bonds in September 2021 and settled a proportion of 2023 subordinated notes. We continue to monitor the markets to ensure we appropriately fund the Group. ▪ We have reviewed and updated our liquidity risk appetite.

Governance



Chairman's governance statement

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During this period of change, strong governance is critical to ensure that we manage emerging and existing risks well.

Adopting our new strategy, purpose and values

As a Board, we have worked with Iñaki to develop, approve and start to oversee the implementation of Bupa's new 3x6 strategy and refreshed purpose and values. Our refreshed values help us set the tone for the culture we encourage across the Group, and will help us make the cultural shift required to achieve our strategy. Our people have made a fantastic start on the journey for Bupa to become more agile and we have been excited to see the outcome of new programmes such as eco-Disruptive and the Global Hackathon. During this period of change, strong governance is critical to ensure that we manage emerging and existing risks well, including to protect our customers' data as we move to greater digitalisation. The Board and its Committees will continue to assess progress and hold management accountable for both what is achieved and how.

The Sustainability pillar of the 3x6 strategy steps up Bupa's commitment to be a more sustainable organisation and to fulfil our refreshed purpose. We have also set ambitious targets to be net zero by 2040 across all emission scopes. The new Board Sustainability Committee is overseeing the development of our Sustainability strategy which the Board is due to approve shortly, and we look forward to sharing more information in the near future. I am also pleased to confirm that we are reporting against the Task Force on Climate-Related Financial Disclosures framework for the first time this year, on a voluntary basis. We will continue to develop our reporting in this area over the coming years. See page 66 for details of how we govern our sustainability and ESG activities.

Supporting our customers

We have continued to support our customers and people through the ongoing pandemic. The Board has considered lessons learned from the first wave of the pandemic and the Group's preparedness for subsequent waves or a future pandemic. We also endorsed a proposal from our Australian Health Insurance business to return AUD$120 million (£66 million) in cash to around 3.5 million customers.

Board changes

James Lenton joined us in September 2021 and became our new Group Chief Financial Officer (Group CFO) and an Executive Director in November 2021. I would like to thank Martin Potkins for his support this year as Interim CFO.

I would also like to thank Janet Voûte and Nicholas Lyons who stepped down from the Board in 2021, and Clare Thompson who is retiring from the Board on 30 April 2022. Janet, who retired at the end of her second three-year term, has been a true customer champion and her experience in sustainability has been invaluable in developing our priorities. Nick, who stepped down to prepare to become Lord Mayor of London, provided great insight for our sustainability and corporate strategy during his three years on the Board. Clare has served on the Board for seven years, most recently as Chair of the Audit Committee and Senior Independent Director (SID), providing great challenge to management and bringing strong financial and insurance knowledge to the Board. An internal candidate to succeed Clare as SID and Audit Committee Chair has been identified but their appointment remains subject to regulatory approval.

I am delighted to welcome Pia Heidenmark Cook to the Board as a Non-Executive Director (NED) from 1 April 2022 who brings significant sustainability experience. Recruitment of further NEDs, to replace those who have retired recently, is under way. We are seeking to enhance the Board's expertise in technology, as well as increase the level of diversity, including as regards gender and ethnicity.

Focus for 2022

Our focus for 2022 and beyond is overseeing the delivery of our 3x6 strategy and ensuring that management achieve the desired transformation at pace, while maintaining a sound control environment. Completing our current NED recruitment process is key to ensuring that the Board has a diverse range of skills, knowledge, and experience to guide Bupa on its current journey and to support the delivery of our strategy. We will also be finalising and beginning to implement our new Sustainability strategy, and further developing the role of the Board Sustainability Committee.

Roger Davis
Chairman

Board of Directors

Appointed:
2015 and as Chairman in 2019

N Re

Roger Davis Chairman

"I am proud to be Bupa's Chairman at this pivotal time as it executes its new strategy and refreshed purpose. My international mindset and extensive business experience gained through my wide-ranging executive career in financial services has provided me with commercial experience in international businesses, as well as a good understanding of risk management and regulatory requirements. This experience was gained through a variety of executive roles at Robert Fleming (in equity sales, corporate broking, and investment banking) and Barclays plc culminating with my appointment as an executive director and Head of UK Banking. I also bring previous non-executive and chairman experience through my former appointment as chairman of Sainsbury's Bank and a non-executive director of Experian plc where I also chaired the remuneration committee, and my current external appointments. I also lead on engaging with our employees within the UK."

External appointments: Chairman of Global RadioData Communications and Future for Heroes.

Appointed:
2021

Su

Iñaki Ereño Group Chief Executive Officer

"I am passionate about Bupa's purpose, and it is an honour to be entrusted with the opportunity to lead Bupa on the road ahead. I was delighted to have been appointed Group CEO following joining Bupa in 2005. My deep knowledge of Bupa from my past roles including CEO of Sanitas and of Bupa's ELA Market Unit puts me in a strong position to help drive Bupa to achieve its ambition to be the world's most customer-centric healthcare company.

Previously, I held senior positions at the Telefonica Group and Carrefour as well as founding an online start-up. I hold a degree in Law and an MBA from IESE Business School."

External appointments: None.

Appointed:
2021

James Lenton Group Chief Financial Officer

"Bupa's purpose resonates with me, and I was delighted to join Bupa at an exciting time in its journey. Before joining Bupa, I was chief financial officer of Hammerson plc, a FTSE 250 owner and manager of properties with a European portfolio. Prior to that, I was both chief financial officer and a board member of AIG's European Group. Earlier in my career I was a partner at EY providing a range of assurance and advisory services including M&A, financing and external audit to clients, including FTSE 100 companies and financial services groups. These roles have given me experience of driving transformation and the ability to identify and focus on key activities to improve performance."

External appointments: None.

Appointed:
2015

N A Ri Su

Clare Thompson Senior Independent Director

"My 35-year executive career at PricewaterhouseCoopers LLP, and experience as a non-executive director, has given me substantial knowledge of the insurance sector, regulatory requirements, and corporate reporting. I was audit/lead partner on major financial services groups and served as UK insurance lead. I was formerly a non-executive director and chair of the audit committee of Bupa's UK regulated insurance subsidiaries giving me greater insight into this part of the business. I also bring non-executive experience from previous roles at Direct Line Insurance Group plc, Retail Charity Bonds plc and the Partnership Board of Miller Insurance Services, and my current role as a non-executive director and chair of the audit committee of M&G plc. I am a fellow of the Institute of Chartered Accountants in England and Wales."

External appointments: Non-executive director of the Financial Reporting Council. Non-executive director and chairman of the audit committee of M&G plc.

Committee key

● Committee Chairman (A) Audit (N) Nomination & Governance

(Re) Remuneration (Ri) Risk (Su) Board Sustainability

Appointed:
2018

(A) (N) (Ri)

Paul Evans Non-Executive Director

"I bring health insurance expertise to the Board from various senior roles over 17 years at AXA culminating in being group chief executive officer of AXA's global Life, Savings and Health businesses. I am also a chartered accountant and spent 13 years at PricewaterhouseCoopers LLP. This, together with my current non-executive roles, enables me to provide challenge to management and has given me considerable experience of strategy, risk management and solvency issues. I am also currently a non-executive director of Bupa's UK insurance regulated subsidiaries and chair their audit committee and am a member of their risk committee. This deepens my knowledge of the business and gives the Board stronger oversight of this business. I am also a former chairman of the Association of British Insurers."

External appointments: Chairman of Allianz Holdings plc, Anorak Technologies Group Limited and the board of trustees of Youth@Heart. Non-executive director of Swiss Re Europe SA and Swiss Re International SE.

Appointed:
2019

(Ri) (Su) (Re)

Michael Hawker AM Non-Executive Director

"I bring considerable, international, knowledge and experience of financial services and risk management gained over more than 35 years in the banking and insurance industries, in both executive (Insurance Australia Group, Westpac Banking Corporation and Citibank) and non-executive (Macquarie Group Limited and Aviva plc) roles in Europe, Asia and Australia. I am also a non-executive director and deputy chairman of Bupa's Australia and New Zealand business and am a member of its risk committee. This gives me in-depth knowledge of the business. I am also excited to be the Board's designated Director to engage with employees within Australia and New Zealand."

External appointments: Non-executive director of the ASX100 listed companies Westpac Banking Corporation (chair of technology committee) and senior independent director of Washington H Soul Pattinson Pty and Company Ltd. Non-executive director of a number of non-profit organisations including the Museum of Contemporary Art in Sydney and Jawun which supports indigenous and rural communities in Australia to establish self-management. Awarded a Member of the Order of Australia for services to the community in 2010.

Appointed:
2019

(Re)

Cath Keers Non-Executive Director

"I bring useful digital consumer expertise to the Bupa Board, with over three decades of professional and leadership experience across the retail, consumer, digital and technology sectors for both small, scale-up businesses such as Trusted Housesitters Group Limited and Ustwo Limited, to large listed businesses including my current role as chief marketing officer of Sage Group plc. Previously, I was chair of Tesco Mobile Limited, chief marketing officer at Telefonica O2 Holdings Limited and a non-executive director of The Sage Group plc, Royal Mail plc, Home Retail Group Limited, Liverpool Victoria Friendly Society Limited and Telefonica Europe. I was also a non-executive director and chairman of the remuneration committee of Funding Circle Holdings plc, Home Retail Group Limited and Liverpool Victoria Friendly Society Limited. I was also a member of the remuneration committee while a non-executive director of The Sage Group plc."

External appointments: Chief marketing officer of The Sage Group plc. Chairman of Ustwo Limited and Trustedhousesitters Group Limited.

Appointed:
2019

(A) (Ri)

Matías Rodríguez Inciarte Non-Executive Director

"I bring significant experience of Spanish financial services, risk management and government to the Board.

I am currently chairman of Sanitas S.A. de Seguros, Bupa's Spanish health insurance business, and a member of its audit and risk committees. My early career included roles in the Spanish civil service and as a Minister in the Spanish Government. I then held several executive roles at Banco Santander SA including executive vice president and chief financial officer, and vice chairman and head of risk management. The Board's Nomination & Governance Committee has asked me to lead on engagement with our employees in Spain which I am looking forward to."

External appointments: 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 SA Sicav, a Spanish investment fund. Head of Santander Universities, a Department of Banco Santander in charge of Santander's Program with Universities.

Board of Directors continued

Appointed:
2019

N Ri Su

Professor Melvin Samsom Non-Executive Director

"I bring substantial clinical and management experience from my career in gastroenterology as both a consultant and researcher and more recently as a hospital chief executive. I was previously the director of health, wellbeing and biotech, and a member of the executive board of Neom, a proposed new, futuristic city in Saudi Arabia.

In my current roles as an international adviser and board member in Saudi Arabia, I have been focusing on the design and transformation of a public healthcare system at country level. These, together with my previous roles, which have included 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, have given me valuable experience of clinical risk management, strategy and effecting cultural change."

External appointments: Senior international adviser for the Health Holding Company of the Ministry of Health and member of the boards of the Eastern Health Cluster, the Jeddah Health Cluster and the Al-Jouf Health Cluster in Saudi Arabia.

Appointed:
2017

A Re Ri

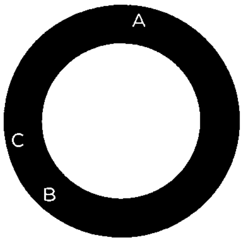
Caroline Silver Non-Executive Director

"I bring over 30 years of experience in international investment banking, most recently as managing director and partner of Moelis & Company. A chartered accountant, I previously held senior corporate finance and M&A roles at Morgan Stanley and Merrill Lynch. I bring a wealth of international experience, especially within African markets and bring strategy, regulatory and risk management experience to the Board."

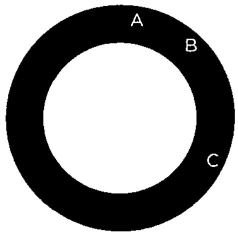
External appointments: Chair of PZ Cussons plc and chair of its nomination and ESG committees. Director of Intercontinental Exchange Inc and chair of its subsidiary, ICE Clear Europe Limited. Non-executive director of Meggitt plc. Advisory partner at Moelis & Company.

Board skills, diversity and inclusion

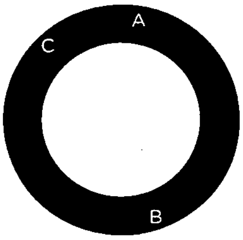
Nationality
A. **British** (6)
B. **Australian** (1)
C. **Other European** (3)



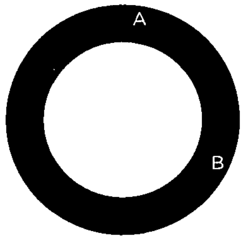
Balance of the Board
A. **Independent Non-Executive Chair** (1)
B. **Executive** (2)
C. **Independent** (7)



Non-Executive Director tenure
A. **0-3 years** (43%)
B. **3-6 years** (43%)
C. **6+ years** (14%)

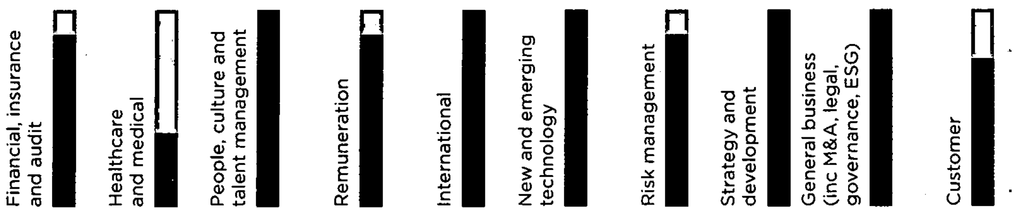


Board gender diversity
A. **Women** (30%)
B. **Men** (70%)



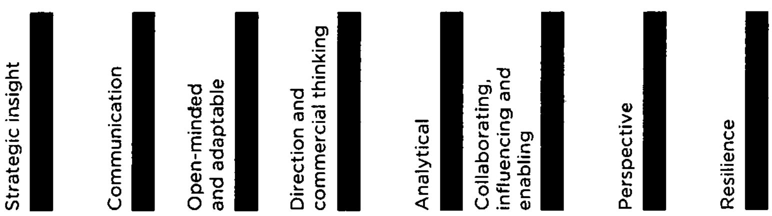
Non-Executive Directors' skills, knowledge and experience

Level of expertise
■ **High** ■ **Medium** □ **Low**



Non-Executive Directors' capabilities

Skill level
■ **Good** ■ **Excellent**



Leadership

Board roles and responsibilities

The Board is responsible for the long-term success and sustainability of Bupa for the benefit of its customers and wider stakeholders, now and in the future.

Leadership

Chairman
Roger Davis

Leads the Board, 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. He ensures that there is effective communication with the Association Members (AMs), acts as a sounding board for the Group CEO and represents the Group externally.

→ More info page 61

Group CEO
Iñaki Ereño

Responsible for the day-to-day leadership and management of the business, in line with our 3x6 strategy, risk appetite and annual and long-term objectives approved by the Board. He 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. He leads the Chief Executive's Committee (CEC) in driving the performance of the business and setting the overall strategic agenda.

→ More info page 61

Independent oversight and challenge

Senior Independent Director
Clare Thompson

The Senior Independent Director serves 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.

→ More info page 62

Non-Executive Directors

The NEDs provide an independent view on the running of our business, governance and boardroom best practice. They oversee, constructively challenge, and hold to account, management in its implementation of strategy within the Group's system of governance and the risk appetite set by the Board.

→ More info page 62

Independence statement

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 and they each meet the independence criteria set out in the UK Corporate Governance Code 2018.

Group Company Secretary
Colin Campbell

Supports the Chairman and the Board by ensuring that the Board has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. This includes ensuring that the Board receives accurate, timely and clear information, and assisting in the Board and Committee evaluation process, NED succession planning and recruitment, and engaging with AMs, including arranging the Annual General Meeting (AGM).

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 and wider stakeholders, now and in the future. It works to achieve 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 69 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 AMs, as set out in more detail in the Section 172 statement on page 34.

There is a schedule of matters reserved to the Board for decision which include: setting Bupa's strategy and ensuring that Bupa's culture is aligned with its purpose, values and strategy; changes to the Group's capital structure; approval of major transactions and significant capital expenditure; and overseeing the Group's internal control and risk management processes to ensure that they remain appropriate and are operating effectively. 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 2021 to ensure that strategy was discussed at each scheduled meeting (other than the shorter meeting in August 2021 to approve the 2021 half year results).

Most meetings in 2021 were held virtually due to ongoing travel restrictions around the world, with the annual offsite strategy meeting being run as a 'hybrid' meeting with those Directors attending in person who were able to do so, and others joining remotely. In-person site visits were also unable to go ahead as planned.

To maintain the Directors' understanding of the business and their relationships with local management, alternative arrangements continued to be used, including Committee Chairs attending meetings virtually for the equivalent committees in Market Units, and having calls with key members of management across the Group.

The board, audit and risk chairs of our major insurance subsidiaries each respectively attended a Board, Audit Committee or Risk Committee meetings during the year. The Chairman continued to attend senior leadership team conference calls to understand management's immediate challenges and proposed responses.

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 our 3x6 strategy, 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 CEC in driving the performance of the business and setting the overall strategic agenda.

Iñaki Ereño became Group CEO on 1 January 2021. A summary of his skills and experience can be found on page 56.

Roger Davis was appointed as Chairman from 1 January 2019, having been an independent Non-Executive Director since July 2015 and was re-appointed by the Board for a further three-year term as Chairman from 1 January 2022. The Board was satisfied that Roger met the independence criteria in the Code at the time of his appointment as Chairman. Roger reduced the number of his external appointments following his appointment as Chairman and the Board considers that his current external appointments do not hinder him from providing sufficient time to his duties at Bupa. Details of his other appointments are set out in his biography on page 56.

Leadership continued

The Senior Independent Director

Clare Thompson is the current SID. 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. Clare will retire from the Board on 30 April 2022. The Board has identified an internal candidate to succeed Clare as SID and Audit Committee Chair, and their appointment is subject to regulatory approval.

Non-Executive Directors

Our NEDs provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in their 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. We are in the process of recruiting additional NEDs. See the Nomination & Governance Committee report on page 88 for more information.

Board diversity, skills and succession planning

Succession plans are regularly reviewed by the Board and the Nomination & 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 & Governance Committee is currently leading a process to recruit new NEDs, including directors with technology and digital transformation expertise, to the Board. The new NEDs will replace Nicholas Lyons and Janet Voûte, who have recently retired from the Board, and Clare Thompson. More information can be found in the Nomination & Governance Committee's report on page 88.

Bupa's Board Diversity Policy is available on bupa.com. The Policy 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, 30% of the Board, and 26% of the CEC, are women. As at 31 December 2021, 47% (2020: 37%) of the direct reports of the CEC were women.

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 & 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 how Bupa supported its people through the pandemic. Further knowledge-building sessions were arranged during the year on areas including data lakes and data mining, predictive and preventive medicine, digital health capabilities and other topics related to sustainability and the future of healthcare. These technology orientated training sessions provided the Board with a valuable reference point in an increasingly important area. Briefings on technical issues related to the matters within their remit are also held by the Board's Committees, as needed.

Key activities in 2021

Our 3x6 strategy

- **Development**

Bupa's focus over the preceding few years was, rightly, on reinforcing its foundations, becoming more efficient and ensuring that Bupa generally has a robust system of internal controls. However, in a fast-changing world, we need to keep pace with developments such as digitalisation, the challenges that the pandemic has brought and the increasing importance of sustainability and the inter-linkages between human and planet health, while reinforcing our strong platform. Our customers are our core stakeholders and we need to respond to their rapidly evolving needs and preferences as consumers become increasingly engaged with their own health and expect more from service providers in all aspects of their lives, including healthcare. Bupa needs to evolve at pace to meet these needs and preferences and ensure that we can continue to deliver our purpose in the long-term. In March 2021, the Board approved our new 3x6 strategy including our refreshed purpose and ambition and setting three ambition KPIs to measure its success. It aims to drive growth through organic transformation and requires us to have an agile culture in order to achieve our ambition to be the world's most customer-centric healthcare company.

In April, the Board agreed a framework to track progress on execution of the strategy and transformation of the business. In June, we approved Bupa's refreshed values. These have been simplified and aligned with the strategy while retaining 'Caring', which is part of Bupa's DNA as a healthcare company (see Our people below and Agile culture on page 16 for more information on our values). In July, management established the baseline data for the three ambition KPIs (to own 40% of customer care touchpoints in our provision businesses, 60% of interactions with our customers to be digital, and to achieve a NPS of 80) for each Market Unit against which progress could be measured.

- **Implementation**

The Board fully supports the new strategy and receives updates on the development and implementation of the strategy at each meeting. These have included updates on our Blua global digital health solution, eco-Disruptive, our net zero by 2040 ambition, actions to optimise our portfolio of businesses ensuring continued robust performance management, developing our 2022-2024 Base Plan, and progress against the Transformation framework. Each Market Unit provided updates during the year on their plans to implement the strategy in their markets and progress to date. The discretionary bonus and reward schemes for our people have performance targets aligned with the new strategy and the Board has recently approved a new incentive scheme for senior managers that has performance conditions related to the strategy, including carbon reduction. See the Directors' remuneration report on page 94 for more details.

- **Oversight**

The Board has overseen, and continues to oversee, management's implementation of the strategy to ensure that it is delivering the desired quality outcomes within acceptable timescales. It is also important that the changes we are making are governed well and that we ensure that we have the right capabilities and sufficient capacity and resilience in our workforce to deliver the strategy. The Audit and Risk Committees have assisted in this oversight by identifying risks arising from the strategy and adapting their assurance plans to monitor these risks and the controls being put in place to mitigate them. See the reports of each Committee on pages 78 and 85, respectively for more information. The Board has also received People-related updates including the results of our People Pulse surveys which show a strong level of engagement with Bupa.

For further information see the 3x6 strategy, Group CEO's Q&A and Our strategy in action sections in the Strategic Report from page 8.

Group CFO succession

The previous Group CFO, Joy Linton, left Bupa in March 2021 to take up a new CFO role in Australia. Martin Potkins served on the Board as Interim Group CFO from March to November 2021 before stepping down from his executive roles with Bupa on 31 December 2021. The Nomination & Governance Committee led the process to recruit a new Group CFO, in conjunction with an external executive search firm (see the Committee's report on page 88). The Committee recommended to the Board that James Lenton be appointed and he became Group CFO on 1 November 2021 following receipt of regulatory approval, and was appointed as an Executive Director on 11 November 2021.

NED recruitment

As part of its responsibilities for overseeing Board succession, the Nomination & Governance Committee has been leading on the recruitment of new NEDs to replace Janet Voûte and Nicholas Lyons who retired during the year, and Clare Thompson who is due to retire on 30 April 2022. The recruitment process additionally aims to bring sustainability, technology and digital transformation skills to the Board and improve the Board's diversity, particularly in relation to gender balance and ethnic diversity. The Board was delighted to appoint Pia Heidenmark Cook as a NED with sustainability experience with effect from 1 April 2022, and recruitment for the additional NEDs is in progress.

Supporting our customers

The COVID-19 pandemic resulted in a number of limitations being imposed on the provision of medical services in Australia, which materially disrupted the private health insurance industry there. In 2020, a provision was established for deferred claims in our Australian Health Insurance business and a number of actions were taken to support customers (as reported in our 2020 Annual Report). In September 2021, the Board considered and endorsed a proposal from our Australian Health Insurance business to return £66m (AUD$120 million) in cash to around 3.5 million customers as a result of claims savings made during the period of COVID-19 restrictions.

In March 2021, the Board considered and endorsed a proposal from our UK Health Insurance business that eligible health insurance customers would receive a share of £125 million in return of premium, following the pledge made in 2020 to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. See the Section 172 statement on page 34 for more information.

Bond issuance and buyback

In September 2021, the Board approved the issue of a Restricted Tier 1 bond by its immediate subsidiary, Bupa Finance plc, and a partial buyback of a Tier 2 bond previously issued by Bupa Finance plc. This was part of the Group's proactive management of its funding and capital structure and the issue increased our financial flexibility and enhanced our strong liquidity and capital positions.

Leadership continued

Our people

Culture and our people

The Board is responsible for ensuring that our culture is aligned with Bupa's purpose, values and strategy 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 to enable us to deliver our purpose.

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. During the year, the Board reviewed the Group's values in the light of the new strategy and approved a revised set of values: brave, caring and responsible.

Senior managers across the Group were involved in formulating the revised values. The Board felt that the chosen values link well with Bupa's refreshed purpose and strategy and the tone of the culture that the Board aims to foster for the organisation as a healthcare company taking responsible actions and caring for its customers, people and the planet, and embracing the innovation, change and challenge required to achieve its strategy. Our new strategy requires an evolution in our culture to enable our people to drive continuous improvement and help us become a truly customer-centric organisation, while preserving important aspects of our culture such as maintaining a control environment that supports our risk appetite.

In addition, Bupa has a number of leadership imperatives, endorsed by the Board, 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 culture in a number of ways including direct workforce engagement (described further below) and regular people-related items on its agenda including:

- Measuring our people's engagement level and how they embody Bupa's values 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
- Leadership development, talent and succession, inclusion and diversity, and employee wellbeing.

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. When this requirement came into force in 2019, we set out why the Board's workforce engagement practices at that time were considered appropriate for Bupa, recognising that they were not one of the three proscribed methods of engagement set out in Provision 5 of the Code. The Nomination & Governance Committee has monitored developing best practice in this area and considered other approaches to workforce engagement. In December 2021, the Committee approved an enhanced approach and designated Roger Davis, Michael Hawker and Matías Rodríguez Inciarte as the designated Directors to meet regularly with representatives of our workforce and to participate in workforce events in the UK, Australia and New Zealand, and Spain, respectively. An annual programme of events is being developed for each Director and each of the three Directors will regularly report back to the Board, with a view to enhancing the dialogue between the Board and the wider workforce. Details of the programme will be described in the next annual report. The Nomination & Governance Committee will monitor the implementation and impact of the revised approach during 2022. During the year, the Chairman has attended a UK and a global 'town hall' meeting with our people and sent out a Christmas message to thank our people for their continued hard work.

Engagement methods during 2021 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. We have also rolled out an interactive employee engagement platform which enables open discussion for all of our people, including frontline health provision and aged care staff without a Bupa email address. Further information is available in the Agile culture section on page 16.

During the year the Board has considered the results of two People Pulse surveys, held two update sessions on the Speak Up process, received an update on the People strategy and on health, safety and wellbeing, covering both employees and customers.

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 various 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 have been arranged virtually, so far as practicable.

The continuing pandemic meant that site visits were not possible during the year; however, the Board continued to closely monitor the health, safety, wellbeing and resilience of our people through regular reports from the Group CEO, which include updates from the Market Unit CEOs, Group Chief Risk Officer (Group CRO) and other functional leaders and in discussion with Market Unit CEOs when they attended Board meetings. As set out in the relevant sections of this Annual Report, the Board Committees liaised with the relevant chairs of committees of our major insurance subsidiaries and met with senior managers for each Market Unit.

Senior managers also held regular online meetings with their teams, including on the Group's full year and half year results. The Group CEO and Chief Sustainability and People Officer have also published a series of podcasts to our people on different aspects of the 3x6 strategy.

The recent launch of the new employee engagement platform has further enhanced our ability to engage with employees, with Executive Directors and senior management regularly posting content about initiatives or successes and can interact with our people. Examples include asking staff to give 'shout-outs' to colleagues that they see living our values and going above and beyond what is expected of them, to senior executives sharing their stories on topics such as mental wellbeing and resilience. Employee forums are also still 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 Agile culture section on page 16.

Inclusion and diversity

We aspire for all our people to feel valued, encouraged and supported to achieve, to be treated fairly and to feel that they belong at Bupa and can truly be themselves. We strive to be an inclusive and diverse organisation, embracing diversity in all its forms. This is embedded in the 3x6 strategy, which aims for Bupa to have the best, most diverse people and be a great place to work. We expect our leaders to demonstrate inclusive leadership and build diverse teams to reflect the customers and communities we serve. During the year, the Board received an update on Bupa's progress in this area and the planned activity for 2022, which includes improving our ability to capture meaningful data to measure progress, providing further training to our leaders and making mentoring available more broadly to support diversity in our succession and talent pools.

The recruitment, training, career development and promotion of all employees is based on the skills, knowledge and experience of the individual and takes no account of age, disability, race, beliefs, gender, sexual orientation or other characteristics. Should employees become disabled during employment, every effort is made to continue their employment and, if necessary, appropriate training is provided.

Our approach to inclusion and diversity is published on bupa.com. It focuses on creating inclusive cultures, leadership and practices. It is globally set and locally owned, with each Market Unit having 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. We have no tolerance for racism or discrimination of any kind. We measure progress in a number of ways, including by tracking our overall employee engagement and our people's sense of belonging in each country in which we operate through the People Pulse surveys, and monitoring key data points in our senior leadership teams such as gender, ethnicity and disability where we are able to.

Our approach to inclusion and diversity supports our sustainability and ESG agenda (see page 28 for further information) and is sponsored by two members of the CEC who sit on our Inclusion & Diversity Steering Committee. The Board also has a Board Diversity Policy which is described above.

Senior succession and talent review

During the year, the Board considered a review of senior talent below CEC level and succession plans for each CEC member. A mentoring programme has been put in place for NEDs to mentor senior leaders which has been very well received and will be continued in 2022. Gender diversity had increased in the senior talent pool to around 50% women. As part of routine succession planning, the Board also considered the succession plan for the Group CEO and the actions needed to further develop individuals in the pipeline.

Leadership continued

Sustainability and ESG governance

Sustainability and ESG issues are a key focus for the Board and a core pillar of our 3x6 strategy. Effective oversight of sustainability-related risks and opportunities are essential to Bupa's ability to execute the strategy and achieve long-term sustainable growth. During 2021, we have strengthened our sustainability and ESG governance processes through the establishment of the Board Sustainability Committee and the Sustainability Steering Committee (SSC) at executive management level.

The Board Sustainability Committee replaces the corporate responsibility and sustainability advisory committee which was set up in 2019 and comprised senior executives and NEDs. The SSC oversees Bupa's global agenda and reports to the CEC, Board Sustainability Committee, and other Board Committees as appropriate. This streamlines Bupa's internal governance and oversight and sets clearly defined accountabilities, with representation at Board and executive level to ensure that sustainability remains a priority for the organisation and is factored into decision-making. The diagram shows how we govern our sustainability and ESG activities.

Board oversight

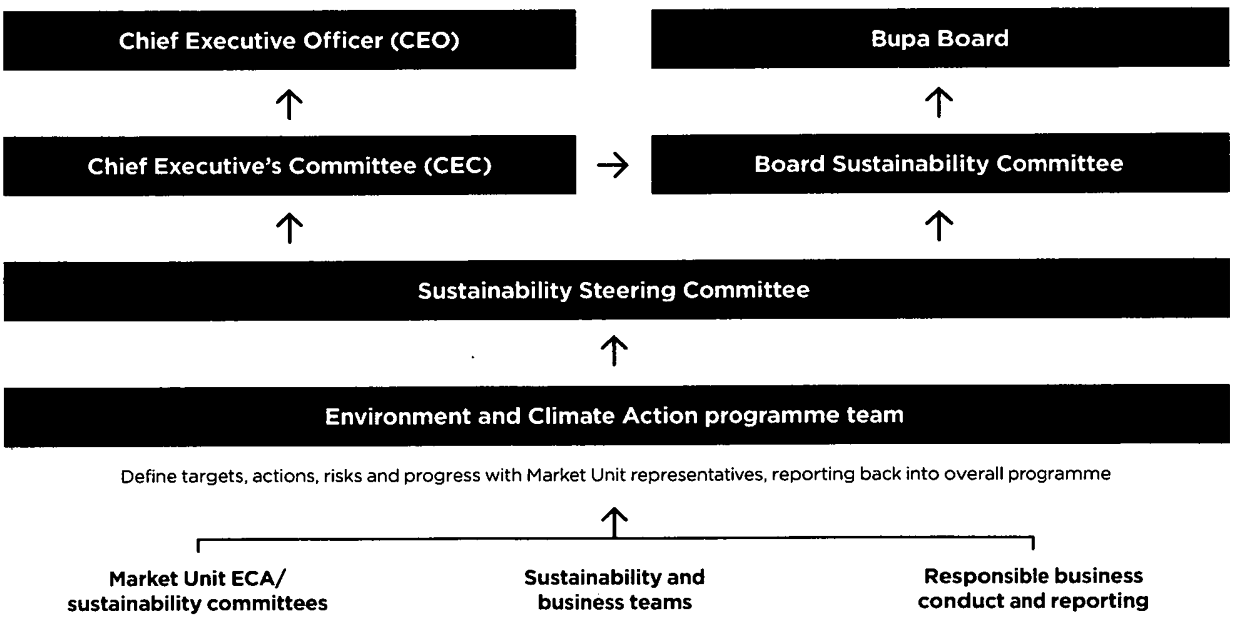
The Board has overall responsibility for establishing, and approving any changes to, Bupa's Sustainability strategy, on the recommendation of the Board Sustainability Committee. The Board's oversight of sustainability and ESG issues, including climate-related risks and opportunities to our operations, investments and insurance underwriting, is undertaken by:

- Reviewing and guiding strategy, major plans of actions, stress-testing and scenario planning, risk management policies, annual budgets plans
- Setting performance objectives for management and monitoring their implementation and performance, including in relation to targets to address climate-related issues
- Overseeing major capital expenditures, acquisitions and divestitures.

In September 2021, the Board received an update on progress against the Sustainability pillar of the 3x6 strategy, including the setting of science-based targets to reduce Bupa's greenhouse gas emissions, developing Bupa's sustainability and ESG disclosures, and the eco-Disruptive programme. The Remuneration Committee and the Board have also approved a new long-term incentive plan, the Strategic Performance Plan (SPP), which aligns with achievement of the Group's new strategy, including a performance measure linking to the Sustainability pillar of the 3x6 strategy with targets for reduction in Bupa's carbon dioxide emissions. See the Director's remuneration report on page 94 for more information.

Board Sustainability Committee oversight

The Board Sustainability Committee will assist the Board in articulating and developing Bupa's Sustainability strategy and will oversee sustainability initiatives across Bupa, in line with Bupa's purpose, values and corporate strategy. The Committee's remit covers environment and climate action, as well as Bupa's contribution to, impact on and role in society in the countries in which it operates. This includes monitoring the content and completeness of Bupa's external statements, disclosures and other reporting on sustainability and ESG matters. See the Board Sustainability Committee's report on page 92 for more information.



Oversight by other Board Committees

The Risk Committee is responsible for overseeing climate-related risks and opportunities, including in relation to:

- Our investing activities
- Our own operations
- Our insurance underwriting activities and other products and services.

The Audit Committee, as requested by the Board or the Board Sustainability Committee, reviews the Group's external statements and disclosures in relation to sustainability and ESG matters and oversees any external assurance over such disclosures. It has monitored management's plans to include climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in the 2021 Annual Report and the external assurance being carried out over our 2019 and 2020 baseline data for greenhouse gas emissions.

The Nomination & Governance Committee reviews the balance, structure and composition of the Board and its Committees and keeps Bupa's corporate governance arrangements under review. During the year, it reviewed the proposal to establish the Board Sustainability Committee as a standing committee of the Board. The Board has recently approved the appointment of Pia Heidenmark Cook as a NED from 1 April 2022 who brings considerable sustainability expertise to the Board.

Management oversight

The CEC comprises the Group CEO, Group CFO and executives accountable for the executive leadership and execution of Bupa's sustainability and ESG agenda, which includes the Environmental and Climate Action programme (E&CA programme).

Our Group CEO is responsible for ensuring climate-related risks and opportunities are fully integrated into the Company's long-term business strategy.

The Group CFO oversees functions that are fundamental to the governance of climate risks and opportunities, including our Financial Planning & Analysis and Responsible Investment teams.

Our Chief Sustainability and People Officer is responsible for overseeing sustainability and ESG governance and strategy and for leading a team that coordinates these activities across our Market Units.

The SSC is chaired by the Chief Sustainability and People Officer. It comprises the Group CFO, Chief Medical Officer, Chief Risk Officer, sustainability leads and core representatives from Bupa's Market Units. It is accountable to the CEC to drive Bupa's sustainability ambitions and outcomes. It reviews the Group's Sustainability and ESG agenda, including risks and opportunities, oversees reporting, and finalises recommendations to the Group CEO, CEC, Board Sustainability Committee, and the Board. We have increased the number of scheduled SSC meetings to make sure that sustainability and ESG issues are discussed regularly at the CEC level and through our global sustainability and ESG network.

Our E&CA programme working group is chaired by the Director of Sustainability. Its main responsibilities are to:

- Manage and ensure strategic priority objectives and deliverables are defined and aligned with respective Market Unit representatives
- Ensure connectivity, governance, risk identification and management of project interdependencies
- Manage and monitor delivery against plan, against the programme's four priority pillars, and realisation of benefits.

For more information on our sustainability and ESG activities, see the Sustainability section on page 28.

Board and Committee performance

This year, we again carried out an internal questionnaire-based evaluation of the Board and its Committees using an online tool. The questionnaires were completed by all Directors who were on the Board at 31 December 2021, and several 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 2022.

The principal actions agreed by the Board are summarised in the table below and the reports of each Committee set out their principal actions arising from their respective evaluations. Progress against these actions will be reported on in the 2022 Annual Report and Accounts.

The Board concluded that, overall, the Board and Committees had operated effectively during the year. In particular, it was found that the Board holds inclusive discussions in a trusting atmosphere.

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 Directors' performance in 2021 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.

Clare Thompson led the assessment of Roger Davis's performance during the year and the Board agreed that he continues to be an excellent Chairman who has handled the impact of the pandemic well and fostered an inclusive culture.

Leadership continued

Agreed actions from 2021 Board evaluation

Topic	Agreed action	By
Overseeing culture	Further develop methods to measure the Group's culture, including measuring behaviours to demonstrate Bupa's values are embedded throughout the business. Implement the new approach to workforce engagement involving the Chairman and two NEDs being designated to engage with our people in the UK, Australia and New Zealand, and Spain. See page 64 for more information. When site visits can resume, we aim to enable the Directors to meet representatives of the local workforce.	Board Nomination & Governance Committee
Strategy	This follows on from the action that arose from the 2020 Board evaluation to build on the Five Year Vision and develop a new strategy with the new Group CEO. Now that the 3x6 strategy has been approved, the Board has requested management to develop further their thinking on what the Group should look like in 2025 and onwards and to enhance its analysis of external factors that could impact the direction of the strategy or the business's ability to deliver the strategy.	Board
Talent and executive succession	Bupa needs to ensure that there is a depth of talent and management capability across the Group to achieve its strategy. It aims to do this through: • Holding focused sessions on talent and succession with the CEOs of each Market Unit • Continue with Board mentoring programme • Ensuring that the new long-term incentive plan will help attract new talent to Bupa. See the Remuneration Committee Chair's letter on page 94 for more information on the new plan.	Board Directors Remuneration Committee

Progress against actions from the 2020 Board evaluation

The Board reviewed progress against the 2020 evaluation actions during the year.

Topic	Agreed action	Progress made
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.	The Group's new 3x6 strategy was launched in April 2021 with a refreshed purpose, ambition and set of values. See the strategy section from page 8 for more information.
	Continue to hold deep dives into the competitive environment and customer engagement and expand the Board's knowledge of technology matters.	The Board has held a number of development sessions on recognising and responding to digital shifts including: digital health capabilities, data lakes and data mining. The Board also receives regular Market Unit updates which include commentary on the competitive environment and progress on the ambition KPI to achieve a NPS of 80, and the customer-related emblematic projects.
	Continue the focus on succession planning for the senior roles on the Board and within senior management.	The Nomination & Governance Committee has discussed emergency cover and succession planning for senior roles on the Board, and James Lenton was successfully recruited as Bupa's CFO. Clare Thompson is due to retire from the Board on 30 April 2022 and the Board has identified an internal candidate to succeed her as SID and Chair of the Audit Committee, subject to regulatory approval. One new NED with sustainability expertise has recently been announced and further recruitment of NEDs to fill vacancies to address skills gaps is under way. In relation to senior management, strengthening succession for all key management roles is a key People priority. The Board carried out a review of senior talent in late 2021 and programmes are in place to develop talent across the Group, including through the eco-Disruptive programme. Board members mentor senior managers below the CEC.
Governance	Review the Group's culture more closely and consider how the Board can influence it.	Culture is a key enabling pillar of the new strategy and will be reported on in more detail in 2022. During 2021, the Board approved a set of refreshed corporate values and agreed a new approach to enhance workforce engagement to help increase visibility of culture and workforce issues at Board level.
	Deepen understanding of the impact of stress and crisis events and the Group's resilience.	The Risk Committee receives regular updates on operational resilience risk and considers stress and scenario tests in relation to the Own Risk and Solvency Assessment (ORSA). Consideration is being given to testing additional stress scenarios in relation to climate change risks and testing scenarios over a longer timescale than the three years used for the ORSA. The Risk Committee considers lessons learned from events to ensure that similar issues are prevented in other areas of the business or that the business can be better prepared to deal with stress or crisis events. In 2021, this included reviewing management's preparedness for another pandemic.

Bupa's system of governance

Our Board governance structure

Association Members (AMs)
External oversight
Hold Board to account

↑

Board
Group oversight
Set strategy, risk appetite and culture
Take major decisions

Governance
Risk Management Framework

Governance
Policies, standards, internal controls

↑

Group CEO
Has day-to-day authority to lead and manage the business

Chief Executive's Committee
Supports the Group CEO in leading the business and managing risk

First line of defence

↑

Market Units and Functions
Implement strategy
Identify, manage, monitor and report on risks

- Asia Pacific
- Europe and Latin America
- Bupa Global and UK
- Other businesses

↑

Risk Committee
Oversees risk management

→ See p85

Second line of defence

↑

Risk, Compliance and Clinical Governance
Test, monitor and challenge risk governance

↑

Audit Committee
Oversees the integrity of the financial statements
Internal financial controls
Internal audit
External audit

→ See p78

Third line of defence

↑

Group Internal Audit
Independent assurance of governance, risk management and internal controls

↑

Remuneration Committee
Sets remuneration policy
Rewards delivery of customer outcomes and strategy

→ See p94

↑

Nomination & Governance Committee
Board balance and diversity
Association Members
Oversees corporate governance

→ See p88

↑

Board Sustainability Committee
Sustainability strategy and oversight

→ See p92

Bupa's system of governance continued

Bupa's governance structure is designed to enable the Board to lead within a framework of prudent and effective controls which enables risks to be 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. In addition, the External Auditor provides further assurance to the Audit Committee and the Board in relation to the Group's financial statements.

As a company limited by guarantee, Bupa does not have shareholders. To carry out the governance and oversight role usually performed by shareholders, we appoint Association Members who can vote at general meetings of the Company. For more information see the Section 172 statement on page 34.

The RMF ensures that:

- All parts of the Group apply a consistent and robust approach to risk management.
- Current and emerging risks and climate-related risks to the business are identified and their potential consequences are understood.
- Risk appetites are established 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 encouraging our people to communicate risk events without fear of blame.
- A culture is encouraged in all areas of the Group to reward appropriate risk behaviours, and challenge and sanction inappropriate risk behaviours.

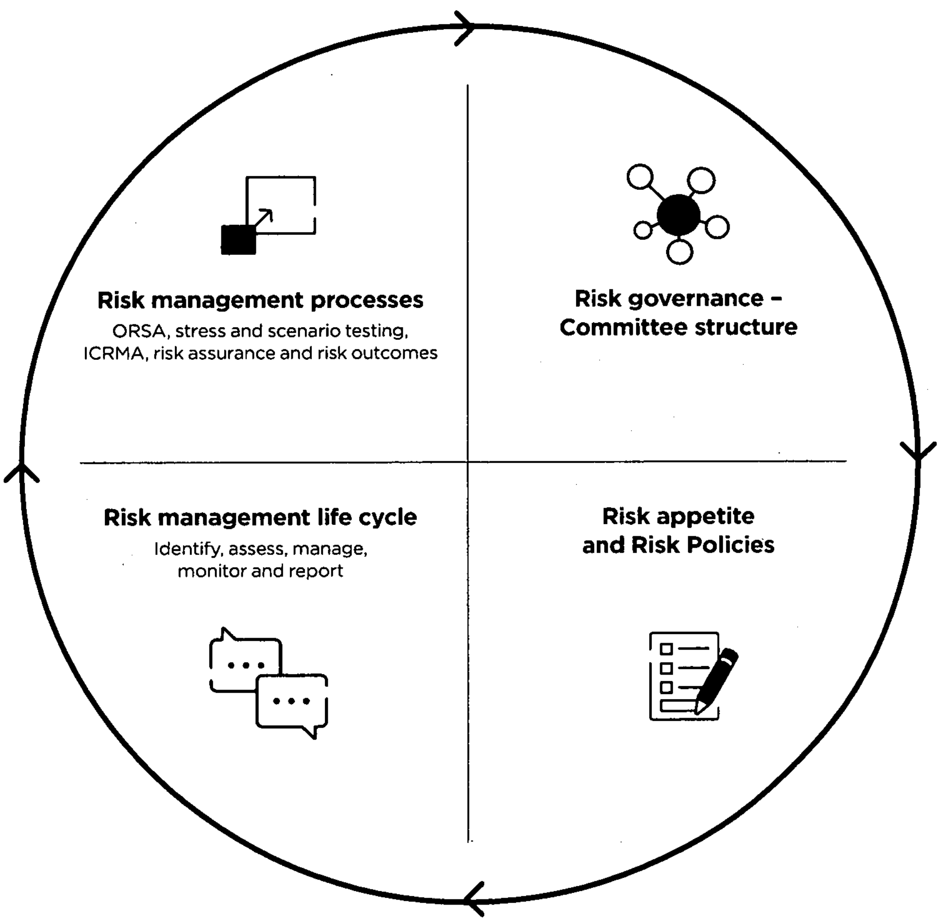
The diagram below shows the key components of the RMF. The diagram on the next page shows how each of the 'three lines' reports to the Board or its Committees.

Key components of the Risk Management Framework

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 establishing and monitoring Bupa's system of governance, risk management and control (via the RMF and three lines approach) and setting associated policies for implementation by management.

Key components of the Risk Management Framework



Three lines of defence model

The Board is ultimately responsible for the system of governance, Risk Management Framework (RMF) and setting policies.

First line of defence Businesses/Functions Identify, manage and report/ advise and support/monitor	**Identify, manage and report** Identifying, assessing, controlling and mitigating risks to Bupa's objectives; compliance with Risk Policies and external regulations; identifying, escalating and learning from incidents; reporting of risk positions, weaknesses and incidents. **Advise and support** Advise on the application of Risk 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 Risk Policies and external regulations.
Second line of defence Risk and Compliance/Clinical Governance and Assurance Oversight and challenge/ advise and support	**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** Setting 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.
Third line of defence Internal Audit Independent assurance	**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), mandatory training on key topics, and role-specific training for frontline people. We also undertake regular internal communications campaigns on key issues to maintain awareness and share relevant information. Each Business Unit sets target risk outcomes for the year, which are reviewed and agreed with Market Unit management and Group management risk committees. These are subsequently 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 Risk Policies. It is carried out by the first line of defence and challenged by the second line (risk, compliance and clinical governance) and third line (internal audit). It requires continuous monitoring of risk management controls and timely escalation of identified issues or gaps against 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, Compliance and Clinical Governance

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. The Risk and Compliance Function operates across the Group and each Market Unit has a chief risk officer.

Bupa's system of governance continued

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 Internal Control and Risk Management Report that sets out the opinion of all three lines of defence.

Further information on our approach to risk management, together with details of the principal and other significant risks to the Group are set out in the Risk section on page 48.

Clinical Governance Function

The Clinical Governance (CG) Function, led by the Chief Medical Officer (CMO), is responsible for establishing and overseeing Bupa's Clinical Governance framework. The CG Function works closely with the Risk and Compliance Function to ensure that clinical 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)

Purpose

GIA provides independent and objective assurance to the Audit Committee over the effectiveness of Bupa's systems of governance, risk management and internal control by establishing, undertaking and reporting on an approved assurance plan each year. This helps the Group to accomplish its purpose, protect its assets, reputation and sustainability, and ensure that risks to Bupa's customers and businesses are managed appropriately, in line with the risk appetite set by the Board.

Independence and governance

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. The CAO liaises with the Group CEO on day-to-day operations. GIA has no direct operational responsibility or authority over any of the business activities, risks and associated internal controls that it assesses. GIA is primarily staffed internally, but 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 findings from its assurance work, and all GIA reports are made available to Audit Committee members. The CAO regularly attends Risk Committee meetings, and other executive committee fora in order to ensure that GIA's work is adequately informed, supported and communicated.

Further details of the activities of the Audit Committee in relation to GIA are set out in the Audit Committee report on page 82.

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 September 2021 and is available on bupa.com.

Assurance activity in 2021

GIA undertakes risk-based assurance work in accordance with an assurance plan approved and monitored by the Audit Committee. During 2021, this included assurance activities over recurring key risks across Bupa's Business Units and functions and including prioritisation of coverage across the following four areas: organisational resilience; change management and execution; risk governance; and information security. The assurance plan responded to ongoing areas of inherent risk facing Bupa's business, but also took account of the impact of the ongoing pandemic, the establishment of Bupa's new 3x6 strategy, and the amount of change inherent in Bupa's plans.

Performance and quality assurance

GIA's overall performance is 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 2021 balanced scorecard and associated quality assurance report has provided positive assurance over GIA's ongoing effectiveness.

GIA maintains a quality assurance and improvement programme which 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.

Focus of 2022 assurance activity

GIA's assurance plan for 2022 has been developed to address core risks facing Bupa's business and aligned with an agreed set of risk priorities developed in conjunction with the second line and agreed with the Audit and Risk Committees. Alignment of assurance goals relating to agreed risk priorities will help ensure that Bupa's overall assurance activities are conducted more effectively and efficiently than in previous periods. Assurance activity is being prioritised to address key risks relating to: transformation, change and resilience; customer and conduct risks; information security and data integrity; supply chain and sustainability; core financial risks; and risk governance and control. GIA's planned assurance will be delivered at a global, Market Unit and Business Unit/local level. All audits will consider risks and controls associated with first/second-line risk assurance, risk culture, data, people and change.

Integrated reporting

An integrated report, which provides an overview and assessment of the Group's systems of risk management and internal control in 2021, 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 2022. 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, and provide feedback on the action taken in response to concerns raised. All employees complete mandatory annual training and there are Speak Up officers for each business. We use our engagement survey to test the level of confidence our people have in Speak Up and invite feedback. 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. PricewaterhouseCoopers LLP (PwC) was appointed at the 2021 AGM as our new External Auditor. The lead audit partner, Jo Leeson, attends all meetings of the Audit Committee and Risk Committee and provides regular reports to the Audit Committee.

PwC has internal procedures and controls to follow the Ethical Standards issued by the Auditing Practices Board and the FRC 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 PwC'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. The policy is in line with the FRC's Revised Ethical Standard 2019 on the integrity, objectivity and independence of external auditors. It sets out certain pre-approved services, permitted services requiring approval and prohibits all other services. Non-audit services are generally capped at 70% of the average Group statutory audit fees paid over the preceding three years. In practice, only pre-approved services or permitted services are allowed in exceptional circumstances. Depending on the value, permitted services must be approved in advance by the Group Financial Controller, Group CFO or Chair of the Audit Committee.

For 2021, PwC's first year as External Auditor, the level of non-audit services is capped at 70% of the Group statutory audit fee agreed for 2021.

Information on the Audit Committee's interaction with the External Auditor during the year can be found in the Audit Committee report on page 83.

Bupa's system of governance continued

Complying with the UK Corporate Governance Code 2018

We choose to apply the Code as we aim, where appropriate, to operate to the same governance standards as are required of UK listed companies. Throughout 2021, 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 2021.

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 • Receiving regular management information on customers and their views of the Group and our products • Considering the impact of its decisions on relevant stakeholders. The Chairman reviews the frequency, timing and content of Board meetings to ensure that sufficient time is devoted to strategy matters.	→ Section 172 statement on page 34 → Leadership section on page 60 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.	This is enshrined in the schedule of matters reserved to the Board. Bupa's purpose has recently been updated to 'Helping people live longer, healthier, happier lives and making a better world'. The values and strategy are driven from this purpose and the Board approved an updated set of values and the new 3x6 strategy during the year.	→ Strategy from page 8 → Leadership - Our people on page 64
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 the Company's objectives, and receives regular management information on progress against the annual operating plan and a quarterly rolling forecast. 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 Board annually reviews and approves the Own Risk and Solvency Assessment, which assesses the Group's overall solvency needs related to the Group's risk profile. An integrated report on internal control and risk management giving the opinions of each of the three lines of defence is considered by a joint meeting of the Risk and Audit Committees prior to the Board approving the statement on internal control and risk management in each Annual Report.	→ Risk section on page 48 → Bupa's system of governance on page 69 → Risk Committee report on page 85
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. Across the Group, there is an active programme of engagement by management with our key stakeholders, including our customers, our people, regulators, and bondholders and for the Board with Association Members and the Prudential Regulation Authority. The Group also regularly engages with policymakers, health and social care professionals, consumer groups and NGOs, and works with other commercial and non-profit organisations to make a positive impact on specific health issues. The Board regularly engages with the PRA, the Group's lead insurance regulator in the UK.	→ Blua case study on page 24 → Agile culture on page 16 → Section 172 statement on page 34

Principle	How we apply the Principle	Further information
1. Board leadership and company purpose continued		
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 concern.	Our People framework includes 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.	→ Agile culture on page 16 → Leadership - Our people on page 64 → Whistleblowing disclosure on page 73

2. Division of responsibilities

Principle	How we apply the Principle	Further information
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 67
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 currently comprises the Chairman (who was independent on appointment), Group CEO, Group CFO, and seven independent NEDs (with recruitment of additional NEDs ongoing to replace recently retired 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 our 3x6 strategy, 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.	→ Leadership section on page 60
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 their development and implementation of strategy within the Group's system of governance and the risk appetite set by the Board. We have assessed the time commitment required for each role on the Board and Committees and consider whether each NED will have sufficient time to devote to their duties at Bupa prior to appointment. This is reassessed annually or when there is a significant change to their role or they seek permission to take up additional external roles.	→ Leadership on page 60
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.	

Bupa's system of governance continued

Principle	How we apply the Principle	Further information
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 & 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 2021, the Committee oversaw the process which led to the recruitment of James Lenton as Group CFO and is currently leading on the recruitment of three new NEDs. Succession planning for senior management below Board level is carried out by the Board which considered senior executive succession plans in late 2021. All Board recruitment takes into account the Board Diversity Policy.	→ Nomination & Governance Committee report on page 88 → Board Diversity Policy on 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 & 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. Recruitment of additional NEDs is ongoing to address gaps in the skills matrix. The Nomination & 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.	→ Leadership - Board diversity, skills and succession planning on page 62 → Nomination & Governance Committee report on page 88
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 2021, an internally facilitated Board evaluation was carried out which assessed the effectiveness of the Board and its Committees. The next externally facilitated evaluation is due to be conducted in 2022. The Chairman separately led an evaluation of each Director, with the SID leading a review of the Chairman's performance.	→ Leadership - Board evaluation on page 67
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 2021 half year and full year results and the 2021 Annual Report and Accounts and concluded that Bupa maintained a sound and effective system of risk management and internal control with some weaknesses in internal controls, which are being addressed by management.	→ Bupa's system of governance on page 69 → Audit Committee report on page 78
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 2021 Annual Report and Accounts in early 2022 and was satisfied that it presents a fair, balanced and understandable assessment of the Group's position and prospects and reported its findings to the Board.	→ Audit Committee report on page 78 → Statement of Directors' responsibilities on page 111
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.	On recommendation from the Risk Committee, the Board sets the Group's risk appetite which sets out the nature and extent of risk the Board are willing to take and agrees the principal risks facing the business. A Risk Management Framework is in place to identify, monitor, manage and assess risk. Bupa operates a three lines of defence model and the Risk Committee oversees the principal risks facing the Group and the processes and plans in place to mitigate or monitor those risks. The Risk and Audit Committees monitor the Group's risk management and internal control systems on behalf of the Board on a continuous basis, including monitoring emerging risks.	→ Audit Committee report on page 78 → Risk Committee report on page 85 → Risk section on page 48 → Internal control statement on page 110

Principle	How we apply the Principle	Further information
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. A new long-term incentive plan is being proposed to AMs at the 2022 AGM which includes performance targets linked to the new 3x6 strategy (including carbon reduction). 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 2021, the Risk Committee did not recommend any Group-wide adjustments to remuneration.	→ Directors' remuneration report on page 94
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 current Remuneration Policy was approved at the 2020 AGM. During 2021, the Remuneration Committee has considered revisions to the Group's remuneration arrangements to introduce a new long-term incentive plan, the SPP, and therefore intends to propose the SPP and a revised policy to the AMs for approval at the 2022 AGM. No Director is involved in setting their own remuneration, and will abstain from voting on a matter where they would be considered conflicted.	→ Directors' remuneration report on page 94
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.	→ Directors' remuneration report on page 94

Audit Committee report

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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.

Q. How has the Committee ensured a smooth transition to PwC as the Group's new external auditor?

A. **Clare:** Jo Leeson, the lead audit partner from PwC, attended Committee meetings from December 2020 onwards and the PwC team undertook transition activities. I had regular meetings with Jo and updates were provided to the Committee throughout the year. The Committee invited PwC to give its view on the key issues and judgements relating to the 2020 year-end audit to identify any significant differences of opinion to KPMG, so that these could be discussed with management and resolved ahead of the review of the 2021 half year results and audit of the 2021 Annual Report. Discussions were held between management and PwC with no significant differences of opinion arising.

Q. What are the key areas of focus for the Committee in 2022?

A. **Clare:** During 2022, the Committee will focus on implementing IFRS 17 Insurance Contracts; further strengthening the Group's system of internal control; overseeing assurance over non-financial information, including sustainability and ESG disclosures; and the impact on Bupa of the outcome of the Department for Business, Energy and Industrial Strategy consultation on Restoring Trust in Audit and Corporate Governance when known. I am also preparing to hand over the Committee Chair role after I retire from the Board.

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 Committee comprises independent NEDs, all of whom are considered to have recent and relevant financial experience gained through their executive and non-executive careers. Three of the four Committee members are chartered accountants. There are cross-memberships between the Committee, the Risk Committee and the Remuneration Committee to oversee risk management and internal control, ensure an integrated approach to risk management and assurance between Group Risk and GIA, and to provide input on the quality of the Group's financial results to aid remuneration decisions. See the Directors' biographies on page 56 for more information on each Committee member's qualifications and experience. The Group CEO, Group 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.

I am preparing to hand over my role as Committee Chair as I am due to retire from the Board on 30 April 2022. The Board has identified an internal candidate to succeed me as Committee Chair, subject to regulatory approval.

Key activities in 2021

During the year, the Committee considered the following regular items of business:

- Regular reports from management on key issues and judgements impacting the Group's statutory and regulatory financial results
- The appropriateness of the going concern basis of accounting for the Group's half year and full year financial results and the longer-term viability statement in the 2021 Annual Report
- Reports from the CAO on the internal control environment
- Reports from the Chief Actuary on insurance claims reserving
- The annual letter to management on internal control from KPMG, the outgoing External Auditor
- The transition to the incoming External Auditor, PwC's audit plan, engagement letter and audit progress and conclusions.

Key issues the Committee considered during the year included:

- The ongoing impact of the COVID-19 pandemic on the Group's IFRS and Solvency II insurance reserves
- Overseeing the transition to PwC as External Auditor
- Management's proposed approach to implementing IFRS 17 Insurance Contracts
- The representations and disclosures associated with the bond issuance and partial buyback that completed in September 2021
- The Department for Business, Energy and Industrial Strategy consultation on Restoring Trust in Audit and Corporate Governance, which could impose additional responsibilities on companies and audit committees in relation to corporate governance, internal controls and external audit requirements.

Further information on some of these topics is set out below.

Insurance claims reserving

Bupa continued to hold additional technical provisions during the year where constructive obligations relating to the pandemic required such liabilities to be recognised.

A deferred claims provision continued to be held throughout the year in respect of the health insurance business in Australia, where the Australian prudential regulator (APRA) continued to mandate the need to provide for the rebound of claims following the COVID-19 disruption to private medical services, creating a constructive obligation for the Group to pay claims in relation to the disrupted business.

As a result of similar disruption to the UK private health insurance market, the Board approved a proposal in 2020 from our UK Health Insurance business to pass on any exceptional financial benefit ultimately arising from the pandemic to its eligible UK Health Insurance customers (as reported in our 2020 Annual Report) and a return of premium provision was established. A provision remains in place at 31 December 2021.

The Committee has continued to monitor the impact of COVID-19 on the Group's IFRS and Solvency II insurance reserves, particularly in relation to the judgements and calculations of the deferred claims provision estimates held in the Australian Health Insurance business and the Return of Premium provision held in the UK Health Insurance business. The estimates were refreshed regularly during the year with reference to the latest claims experience and other factors influencing the recognition and estimation of these reserves. The Committee considered the appropriateness of the overall level of insurance reserves, including the level of prudential margin. In reviewing and approving the insurance reserves, the Committee also took into consideration the External Auditor's report to the Committee.

It considered updates on the Return of Premium provision for UK Health Insurance customers and the deferred claim liability provision held by the Australian Health Insurance business and agreed that these were appropriate.

Bond issuance

In September 2021, the Board approved the issuance of a Restricted Tier 1 bond and partial buyback of an existing senior bond. The Committee was satisfied with the results of management's analysis that there were no recent developments in the business which would impact the transactions or require additional disclosure in the offering document and noted the External Auditor comfort process.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) comes into effect for Bupa's 2023 financial year. During the year, the Committee received several updates on the progress of the project to implement IFRS 17 and reviewed the detailed technical accounting papers provided by management. The Committee challenged the significant judgements in the papers, particularly in relation to onerous contracts and fulfilment cash flows. The External Auditor also presented its views on the key judgements. The Group's final IFRS 17 policy will be approved during 2022.

IT general controls

Management have been undertaking a remediation programme to uplift information security and IT general controls for some time. KPMG's annual letter to management of observations arising from the audit, and internal audit reports, raised a number of points in relation to Bupa's IT control environment. The Committee noted that these were issues common to many companies and should be considered in the context of the improvements made to IT controls across the Group over several years. The Committee requested regular updates from management on IT general controls, setting out the planned activity to remediate the points raised and the timescale for completing this work. The first update was considered in September 2021 with good progress noted in embedding the IT general controls required under the Group's Technology Risk Policy and supporting standards, and the introduction of an IT general controls risk and control self-assessment process (RCSA). The Committee noted that the RCSA process had assisted management in assessing progress and noted that GIA had resource aligned with the Market Units and prioritised technology risks in its audit plan.

Audit Committee report continued

Impairments

Management's analysis of goodwill impairment assessments across the Group's cash-generating units (CGUs) was subject to enhanced scrutiny by the Committee again at half year 2021 and ahead of approval of the 2021 Annual Report. Particular focus was given to the impairment tests for UK Care Services, Bupa Dental Care UK, Bupa Chile and Bupa Villages and Aged Care Australia. The Committee agreed with management's assessment that no impairments are required for these CGUs.

Sustainability and ESG disclosures

In December 2021, the Committee updated its Terms of Reference to include reviewing the Group's external statements and disclosures in relation to sustainability and ESG matters and overseeing any external assurance over such disclosures, if requested by the Board or the Board Sustainability Committee, given the increasing importance of these disclosures to our external stakeholders. The Committee has received updates on Bupa's preparations to report against the requirements of TCFD and of the Streamlined Energy and Carbon Reporting Regulations (SECR) in the 2021 Annual Report, and the internal assurance that will be provided ahead of disclosure of baseline greenhouse gas (GHG) emission data.

Liaison with other Board Committees

The Committee has worked closely with the Risk Committee during the year, holding a joint meeting in early 2021 and one in early 2022 to consider an integrated assurance report giving the opinions of all three lines of defence on the Group's control environment in relation to the 2020 and 2021 financial years respectively. A further joint meeting was held in December 2021 and included a deep dive on material fraud risk and consideration of the aligned assurance plan for 2022 from the second and third lines of defence.

In early 2022, the Committee Chair attended a meeting of the Remuneration Committee to provide a view on the quality of Bupa's earnings in 2021 to aid the Remuneration Committee's decision on the appropriateness of the financial performance data used in connection with the calculation of the bonuses potentially payable under the incentive schemes within the Remuneration Committee's remit.

Significant issues and areas of judgement

Key issue	Committee response
Goodwill and intangible assets 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. The level of additional uncertainty presented by the pandemic has reduced from that at the prior period end for most businesses. However, the continued recovery from the pandemic and the uncertainty regarding any longer-term impact further increase 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 continued recovery from the pandemic for a number of the Group's businesses, both during the year and forecast through the 2022-2024 plan period, has been a key area of focus within management's analysis and judgements. Consistent with the prior 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. Bupa continued to hold additional insurance reserves during the year where constructive obligations relating to the pandemic required such liabilities to be recognised. Where these exist, the amount and timing of in-scope deferred claims that are expected to rebound continue to be a key judgement.	The Committee considered the appropriateness of the overall level of insurance reserves held at key reporting dates. The Committee received a report from the Chief Actuary setting out estimates of the IFRS insurance reserves, including the consolidated margin of prudence, as well as the result of the annual review of compliance with Bupa's Claims Reserving and Liability Adequacy Standards. The Committee also took into consideration the External Auditor's report to the Committee. Throughout the year, the Committee was presented with a number of updates specifically focused on the judgements and calculations of the deferred claims provision estimates held in Australia and the return of premium provision held in the UK. The Committee concluded that the best estimate insurance reserves held at 31 December 2021 were appropriate.
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. In valuing care home property, a judgement is made on the highest and best use of the property. The underlying assumptions involved in the valuation estimates, including profitability, occupancy levels and capitalisation rates and discount rates, are subject to a high level of judgement.	The Committee received the results from the external valuations undertaken as part of the triennial property review, primarily across the Spanish properties, and also Directors' valuations performed in other Market Units. The Committee also reviewed reporting from the External Auditor addressing the valuations to assess their reasonableness and considered the appropriateness of disclosures made. The Committee is satisfied that the revaluation exercise undertaken by management is sufficiently robust and that the resultant movements in fair value across the Group's property portfolio is appropriate.
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 obligations, which include the discount rate, rates of inflation, salary increases and mortality.	The Committee reviewed the assumptions used in the valuation of the related pension assets and liabilities performed by the independent scheme actuary at both the half year and full year. The External Auditor provided the Committee with benchmarking assessments across the assumptions used in the valuation of pensions liabilities. The Committee concluded that managements IAS 19 valuation exercise was sufficiency robust and prudent, with appropriate disclosure made within the financial statements.

Audit Committee report continued

Financial reporting

The Committee reviewed the half year and full year 2021 financial statements with both management and the External Auditor.

Fair, balanced and understandable

In assessing whether the 2021 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 2021 Annual Report
- 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 are 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 2021 Annual Report
- The layout and presentation are clear with appropriate language used throughout.

Going concern and longer-term viability

Management presented their going concern assessment to the Committee ahead of the Board's approval of the Group's 2021 half year results and 2021 Annual Report. This included analysis of the impact of a number of stress scenarios and the Group's base plan for the period 2022-2024 and their impact on Bupa's solvency, liquidity, borrowings and trading profitability. It further considered contingent liabilities, guarantees and commitments and the Group's current risk management policies and procedures. The Committee agreed with management's conclusion that in each plausible scenario the testing provided comfort that Bupa would remain a going concern.

Group Internal Audit (GIA)

The assurance provided by GIA is an important part of the Committee's consideration of Bupa's overall control environment. Further details on the role of GIA and its work during the year are available in the Bupa's system of governance section on page 69, and information on the Group's RMF can be found in the Risk section on page 48. During 2021, the Committee interaction with GIA included:

- Reviewing regular reports from the CAO covering GIA's progress towards completing its 2021 Global Assurance Plan, findings from GIA assurance activity and the effectiveness of management's actions in responding to these findings, and insights relating to root causes of findings and thematic issues which help the Committee to monitor the effectiveness of risk management and culture across the Group
- Reviewing the Group's integrated report on the ongoing effectiveness of Bupa's systems of internal control and risk management, including the CAO's opinion
- Assessing GIA's effectiveness, including through independent quality assurance. The latest assessment was provided in January 2022 and the Committee was satisfied that:
  - GIA has remained effective as Bupa's third-line function, providing appropriate assurance, evidenced by an independent quality assurance programme, across the Group's key businesses and risks
  - GIA's assurance work has appropriately informed the Committee's assessment of the Group's systems of risk management and control, and influenced improvements via management action
  - GIA generally conforms to the requirements of the Global Institute of Internal Auditors Standards and the UK Institute of Internal Auditors Financial Services Code
- Reviewing and approving GIA's risk-based 2022 Global Assurance Plan and budget (2022 Plan). The Committee was satisfied that GIA has the appropriate resources and ways of working to achieve its 2022 Plan.

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 KPMG, the outgoing External Auditor, in conducting the audit of the 2020 Annual Report. The assessment was carried out using a questionnaire sent to Committee members and members of management. It 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, Group 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 regulatory requirements 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 (up to their retirement as external auditor) and PwC as appropriate and was satisfied with management's actions to ensure the independence of both was preserved.

The Committee holds regular meetings with the lead audit partner without management present to ensure that they had the opportunity to raise any concerns, particularly in relation to each Annual Report and Solvency Financial Condition Report, and to assist the Committee in ensuring that the External Auditor remains independent and objective. In 2021, an additional private meeting was held with the lead audit partner of PwC to seek PwC's initial views as External Auditor. The Committee Chair held regular meetings with the lead audit partners of KPMG and PwC, as appropriate, throughout the year and the Committee received regular updates from both management and PwC on the transition to PwC as External Auditor. The lead audit partner from PwC attended Committee meetings from December 2020 and PwC undertook certain transition activities, including attending key governance meetings during the 2020 financial reporting process.

The Committee approved the external audit plan and audit fee for the audit of the 2021 Annual Report. The Committee will consider the effectiveness, independence, objectivity and the quality of service provided by PwC in Q2 2022 following completion of the 2021 year-end audit.

PwC provided external assurance in relation to the financial information published in connection with the bond issue which was completed in September 2021. For information on the fees paid to PwC for non-audit services provided during the year see Note 2.3.3 on page 142.

The Committee agreed with the FRC and PwC that Bupa Group and the BGUK Market Unit would take part in an FRC pilot programme on engagement level audit quality indicators (AQIs), quantitative and qualitative metrics about the audit process used to provide more in-depth information about factors that influence external audit quality. The Committee agreed the AQIs with PwC in areas important to an effective audit, and updates on the AQIs have been reported by PwC to the Committee at meetings throughout the course of the audit. A final report will be provided to the Committee in Q2 2022. The FRC will hold feedback sessions with the Committee Chair and PwC. The output will help inform an FRC best practice guide on how to use AQIs.

The Committee has recommended to the Board that PwC be re-appointed as the Group's External Auditor at the 2022 AGM and confirms that the recommendation is free from influence by any third party, and that no contractual terms have been imposed on the Company restricting the AMs' choice of External Auditor. The Group intends to tender the External Auditor appointment at least every ten years. More information on the role of the External Auditor and how PwC maintains its independence from Bupa is set out in Bupa's system of governance section on page 69.

Audit Committee report continued

Subsidiary governance

Despite the pandemic preventing the Committee members from travelling during the year, links with the audit committees of Bupa's major insurance subsidiaries have been maintained through calls and virtual attendance as follows:

	Group to subsidiary	Subsidiary to Group
Bupa Insurance, UK	• Clare Thompson attended a meeting of the audit committee • Clare Thompson and Caroline Silver held calls with the finance director and internal audit director	• Paul Evans, a member of the Committee and chair of the Bupa Insurance, UK audit committee, provided regular updates to the Committee
Bupa Health Insurance, Australia	• Clare Thompson and Caroline Silver attended a meeting of the audit committee and held calls with the finance director, internal audit director and incoming audit chair	• The subsidiary committee chair attended a Committee meeting and provided an update
Sanitas de Seguros, Spain	• Clare Thompson met with the committee chair in December 2021 • Clare Thompson and Caroline Silver held calls with the chief financial officer and internal audit director	• The subsidiary committee chair attended a Committee meeting and provided an update • Matías Rodríguez Inciarte, a Committee member and a member of the Sanitas de Seguros audit committee, provided regular updates to the Committee
Bupa Chile	-	• The subsidiary committee chair attended a meeting and provided an update

The Committee also received summaries and minutes of the meetings of the major insurance subsidiary audit committee meetings that took place during the year.

Committee effectiveness review

Good progress has been made against the actions agreed from the 2020 internal evaluation of the Committee's effectiveness with the Committee overseeing a Finance Function change programme, the requested aligned assurance report from the three lines of defence on Bupa's control environment being implemented and a process established to improve the Committee's interaction with the Remuneration Committee for the year-end reward process. The quality of papers submitted to the Committee has shown some improvement following training provided by the Group Company Secretary's team to regular paper authors, although further improvements could be made.

The results of the internally facilitated review of the Committee's performance during 2021 were discussed in December and the Committee was satisfied that it was operating effectively. Key themes and proposals for 2022 included: further understanding the capabilities of Bupa's Finance Function, assessing the overall fit of Bupa's assurance functions and strengthening interaction with the audit committees of Bupa's major insurance subsidiaries.

Focus for 2022

During 2022, the Committee will focus on implementing IFRS 17 Insurance Contracts; further strengthening the Group's system of internal control; overseeing assurance over non-financial information, including sustainability and ESG disclosures; and the impact on Bupa of the outcome of the Department for Business, Energy and Industrial Strategy consultation on Restoring Trust in Audit and Corporate Governance when known.

Clare Thompson
Audit Committee Chair

Risk Committee report

The Committee adapts its focus to ensure that new and emerging risks are identified and that appropriate mitigating action is taken by management.

Q. How does climate change risk impact Bupa?

A. **Caroline:** Climate change poses a number of risks to Bupa from the impact it could have on people's health leading to increased health insurance claims, the physical risks to our aged care businesses and property portfolio such as from flooding, transition risk impacts in the wider economy impacting the affordability of our products and services, and reputational and regulatory compliance risks. Some of these are longer-term risks and we need to take action now to mitigate them. We are therefore integrating climate risk management into our RMF and the Committee is monitoring management's actions to mitigate these risks.

Q. What are the key areas of focus for the Committee in 2022?

A. **Caroline:** As the Group implements the new 3x6 strategy, the Committee will be monitoring the risks to its execution closely. We will also be continuing to develop our understanding and approach to sustainability and ESG risks as the new Sustainability strategy is finalised and executed. Workforce and clinical risks also remain key areas of focus for the Committee together with inflation risk and geopolitical risks.

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 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 48.

Risk Committee report continued

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 Mike 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 recent experience in Saudi Arabia offers insight into one of Bupa's growth markets.

The Group CEO, Group CFO, CRO, CMO, CAO 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 2021, having regard to the executive performance evaluation process in place, the Committee did not recommend any Group-wide adjustments to remuneration.

Key activities in 2021

Different risks pose a higher or lower threat to the performance and longer-term sustainability of our business at different times and the Committee adapts its focus accordingly to ensure that new and emerging risks are identified, that the profile of existing risks is monitored, and appropriate mitigating action is taken by management. This has been particularly important during 2021 with the continued impact of the pandemic and the fast pace of change throughout the business driven by our new 3x6 strategy. See the Risk section on page 48 for details of the principal risks to the Group.

Risks to the 3x6 strategy

Our new strategy is ambitious and requires Bupa to become more agile and move at pace to transform the business. The strategy has an impact on the Group's risk profile and the Committee is monitoring the emerging risks from the strategy and ensuring that management maintains a strong control environment while moving at pace. In particular, the impact of the strategy on information security, privacy, clinical and workforce risks is being monitored closely.

COVID-19-related risks

The CRO and CMO provided regular reports on the pandemic, Bupa's response and the pandemic's impact on the Group's risk profile. It further considered lessons learned from the pandemic. The Committee was satisfied that the Group's provision businesses had managed their clinical response to the pandemic well and had shared lessons learned from the first wave of the pandemic enabling them to be better prepared for subsequent waves and for potential similar events to occur in future. However, the pandemic continues to give rise to risks to our business through its impact on the economy, our people, our supply chains, the performance of our businesses and longer-term government and regulatory responses to the pandemic. The Committee is therefore closely monitoring these risks and management's response to them.

The Committee also carefully considered whether Bupa should mandate vaccination for all staff, discussing the legal, ethical and reputational issues and risks, and the need to balance the safety of customers with the right of individuals to choose whether, or not to be vaccinated. The Committee concluded that it was supportive of the approach taken by government vaccination programmes and it was appropriate to encourage and support our people to be vaccinated but not to mandate vaccination, unless this was a local legal or regulatory requirement for roles. Bupa encouraged all its employees to be vaccinated as soon as possible and worked to address vaccine hesitancy in staff, such as in UK Aged Care where vaccination was mandated by government.

Environment and climate change risks

Climate risk management has been integrated into Bupa's RMF and policies. During the year, the Committee has overseen the development of a climate change stress testing framework. Stress tests were performed on a range of climate-related scenarios including a longer-term scenario based on the PRA's 2021 Climate Biennial Exploratory Scenarios (CBES). These stress tests deepened the Committee's understanding of the Group's risk profile and will assist the Board in future strategic decision-making. The Committee has also considered the reputational risk from Bupa's ambitious target to be a net zero business by 2040.

Information security, technology and operational resilience risks

The Committee has continued to closely monitor technology, information security and privacy risk during the year 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 has also focused on the embedding of requirements under the Group's Operational Resilience Policy that came into force in January 2021. Operational resilience was identified as an increasing risk in light of the continued pandemic and the level of change required across the Group to achieve the new 3x6 strategy.

The Committee received regular updates from the Chief Information Officer on IT general controls, information security and operational resilience and the activities undertaken to further strengthen and embed the policies, controls and reporting that had been put in place. The Committee was pleased to note the increased transparency in the control environment through a Risks and Controls Self-Assessment Framework (RCSA), which had been key to mitigating information security and technology risks, and the identification by first-line management of technology risks to the new strategy, and that these were being addressed. Updates were also received on privacy risk, and the Committee discussed the need to proactively consider emerging privacy risks, such as around increased digitalisation of products and the use of artificial intelligence.

Clinical risks

Clinical risk is an operational risk that the Committee monitors closely to ensure that the risk of injury, loss or harm to customers is appropriately and effectively mitigated. This risk is not only relevant to our provision businesses, where we treat customers, but also to our health insurance businesses, which are working to improve information received on the quality of care provided by third-party providers funded by our health insurance businesses. The Committee receives regular reports from the CMO including management information on incidents within our provision businesses and continuous improvements in clinical governance. The Clinical Governance Policy was further strengthened during the year and, at the Committee's request, the practices and outcomes considered to comprise good or excellent clinical governance have been documented to drive awareness and consistency of the standards of clinical governance expected across Bupa.

Aged care in Australia

Following the improvement programme in our Australian aged care business following the imposition of sanctions on a number of our care homes from the local aged care regulator in 2019 (which have now been resolved), the Committee has continued to monitor the business and has considered lessons that have been learned through the programme. It was pleased at the positive cultural change in the business and the improvements made to prevent similar issues arising again. The Committee received an update from management on the final report issued by the Royal Commission into Aged Care Quality and Safety in Australia and the actions being taken as a result. However, the availability, capability and remuneration of the workforce in this sector remains a key issue and could impact clinical risk. This continues to be monitored.

Liaison with other Committees

The Committee works closely with the Audit Committee, holding a joint meeting in December 2021 which included a deep dive on material fraud risk and consideration of the aligned assurance plan for 2022 from the second and third lines of defence. In early 2022 another joint meeting was held to consider an integrated assurance report giving the opinions of all three lines of defence on the Group's internal control environment in relation to the 2021 financial year.

In early 2022, the Committee Chair attended a meeting of the Remuneration Committee to provide a view on whether any Group-wide adjustments should be made to discretionary remuneration for risk factors during 2021, to aid the Remuneration Committee's decision on the appropriateness of the financial performance data used in connection with the calculation of the bonuses potentially payable under the incentive schemes within the Remuneration Committee's remit. No Group-wide adjustments were recommended.

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 Group's insurance cover; 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 Risk Policies and risk appetite statements.

Subsidiary governance

During the year, the Committee has maintained links with Bupa's major insurance subsidiaries through: calls between the Committee Chair, Clare Thompson (as Audit Committee Chair) and the chief risk officers of each major insurance subsidiary; the chair of each of their board risk committee's attending a meeting of the Committee; and providing an update on matters considered by their respective committees; and the Committee Chair and Clare Thompson attending a meeting of the UK major insurance subsidiary board risk committee and the Committee Chair attending a meeting of the Australia major insurance subsidiary risk committee.

The Committee also received summaries and minutes of the meetings of the major insurance subsidiary risk committee meetings that took place during the year.

Committee effectiveness review

There has been good progress on the key themes identified in the 2020 internal review of the Committee's effectiveness with: regular discussions on the management of clinical risks with improved reporting from the CMO; approval of the revised Clinical Governance Policy; and enhancement to Bupa's approach to lessons learned from issues or incidents that occur to ensure that lessons are shared across the Group, including to different business lines. Lessons learned have been reviewed from a number of issues including the information security uplift programme and the issues previously experienced in Bupa Villages and Aged Care Australia.

With the approval and implementation of the new 3x6 strategy, the Committee has had risks arising from the strategy at the forefront of its mind and will continue to focus on them in 2022. Collaborative reporting from each of the three lines of defence concerning the assessment of the effectiveness of the Group's systems of internal control and risk management has been enhanced and is providing valuable insight to the Committee.

The results of the internally facilitated review of the Committee's performance during 2021 were discussed in December and the Committee was satisfied that it was operating effectively. The discussion drove identification of some of the key areas of focus for 2022 set out below.

Focus for 2022

In 2022, the Committee will continue to focus on:

- The impact of the 3x6 strategy on the Group's risk profile
- Climate change risks to our health insurance and provision businesses and how management are addressing these
- Further strengthening clinical risk management
- Continuing our work on risk management maturity.

Caroline Silver
Risk Committee Chair

Nomination & Governance Committee report

"Augmenting the level of knowledge and experience on the Board in digital transformation and sustainability matters is key to achieving Bupa's new purpose and ambition.

Q. What skills are the Board looking for in the NEDs being recruited?

A. **Roger:** Augmenting the level of knowledge and experience on the Board in digital transformation and sustainability matters is key to achieving Bupa's new purpose and ambition. In doing so, we are also keen to improve gender and ethnic diversity on the Board.

Q. What are the key areas of focus for the Committee in 2022?

A. **Roger:** The successful recruitment of additional NEDs is important for the Board's continued effectiveness and smooth succession plans. Ensuring that Mike, Matías and I have a valuable dialogue and interactions with our people to enable us to bring insights to the Board on what matters to our people and what our culture is like on the front line. Finally, further enhancing our governance oversight of our subsidiaries, particularly of our provision businesses and smaller insurance businesses.

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 for Board appointments.

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 and members of Market Unit advisory or oversight committees with independent members. Further information on Bupa's approach to encouraging inclusion and diversity at all levels of the business can be found in the Agile culture section on page 16. The Board Diversity Policy 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 three independent NEDs, including the SID. The Group CEO and Chief Sustainability and People Officer regularly attend Committee meetings. The Committee met three times during the year and agreed several matters by written resolution.

External agencies are engaged to provide services to recruit Directors and to identify potential AMs. Russell Reynolds was engaged to recruit the new Group CFO and Korn Ferry has been engaged to recruit new NEDs. Both Russell Reynolds and Korn Ferry are signatories to the Enhanced Voluntary Code of Conduct for Executive Search Firms. Russell Reynolds has an employee health insurance scheme provided by Bupa. Korn Ferry has provided other services to Bupa since 2020 including executive search and benchmarking of roles and remuneration.

Key activities in 2021

Group CFO recruitment

Joy Linton left Bupa in March 2021 to take up a new executive role in Australia, and the Board appointed Martin Potkins as Interim Group CFO from 5 March 2021 while a permanent successor was sought. Martin served on the Board until 11 November 2021. Russell Reynolds was engaged to lead the search for a suitable Group CFO candidate. The Committee was strongly supportive of searching for candidates from both within and outside financial services and for candidates to be drawn from a diverse range of backgrounds and experiences to bring a different perspective and breadth of insight. The long list included a diverse range of candidates from the UK, US, Australia, and South-East Asia. In particular, experience of working in large complex organisations, and of change management or transformation was sought. Following an extensive interview process, which included interviews with each Committee member, the Board decided to offer James Lenton the role as the most suitable candidate due to his financial services background and experience of executing transformational change. The Board formally appointed James as Group CFO from 1 November 2021 and as an Executive Director on the Board from 11 November 2021.

The Committee acknowledges that James's appointment further decreases the proportion of women on the Board; however, all appointments are made on merit. The recruitment process is summarised in the diagram below.

New Board Sustainability Committee

In early 2021, the Committee recommended to the Board that the Corporate Responsibility and Sustainability Advisory Committee established in 2020 (with membership from senior executives and NEDs) be replaced with a Board Sustainability Committee comprising a majority of independent NEDs with a focus on oversight of the Group's Sustainability strategy and related activities. The Board approved the proposal, and the committee was established from 1 April 2021. The Board Sustainability Committee is chaired by a NED and comprises a majority of NEDs and the Group CEO. The Committee recommended, and the Board appointed, Nicholas Lyons as the inaugural chair of the Board Sustainability Committee and Iñaki Ereño, Melvin Samsom, Clare Thompson and Janet Voûte as members. See the Board Sustainability Committee's report on page 92 for information on its activities in 2021.

Group CFO recruitment

October – November 2020 ↓	Russell Reynolds engaged Role specification agreed by the Chairman and Group CEO designate Longlist drawn up
December 2020 ↓	Shortlist of seven candidates interviewed by Russell Reynolds External candidates interviewed by Group CEO and Chief Sustainability and People Officer
January – April 2021 ↓	Two preferred candidates interviewed by the Chairman, Audit Committee Chair, Risk Committee Chair, other Committee members, Asia Pacific CEO, and Chief Information Officer Remuneration Committee agreed proposed package for preferred candidate Board approved offer to preferred candidate, subject to regulatory approval
October – November 2021 ↓	Regulatory approval received James Lenton appointed to the Board and as Group CFO

Nomination & Governance Committee report continued

Non-Executive Director recruitment

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. The Committee and the Board acknowledge that recent changes to the Board have reduced the gender diversity on the Board and that the Board is lacking in members from an ethnically diverse background each of which could impact the cognitive diversity of the Board. The Committee engaged Korn Ferry in late 2020 to search for a new NED from an ethnic minority background who would bring relevant skills or expertise to the Board, particularly in medical technology or broader technological expertise, experience in key growth markets for Bupa, a deep understanding of the health and wellness sector, a good understanding of the broad ESG agenda, or an ability to lead contributions on inclusion and diversity.

An extensive and varied longlist of high-quality candidates was provided. Two candidates were shortlisted and were interviewed by all members of the Committee, the Group CEO and the Group Company Secretary. The preferred candidate was agreed but was, unfortunately, unable to proceed.

In September 2021, as part of Board succession planning, Korn Ferry was engaged to carry out a search for up to three further NEDs to replace Janet Voûte, Nicholas Lyons, and Clare Thompson. The Committee was seeking candidates with expertise in technology and digital transformation, and sustainability, with a preference for female and ethnically diverse candidates. Six candidates were shortlisted for each of the technology and sustainability roles and I and the Chief Sustainability and People Officer interviewed each candidate in late 2021, following which the candidate list was further refined to five candidates. The Committee interviewed candidates with experience in sustainability in early 2022. The Committee recommended to the Board that Pia Heidenmark Cook, who has a strong background in sustainability, particularly from her former role as Chief Sustainability Officer at IKEA, be appointed to the Board from 1 April 2022. A recruitment process for candidates with technology and digital transformation skills is in progress.

Chairman re-appointment

I was appointed to the Board on 16 July 2015 and as Chairman from 1 January 2019 for an initial term of three years. In December 2021, following the annual review of my performance, led by the SID, the Committee recommended to the Board that I be appointed for a further three-year term as Chairman to 31 December 2024. I stepped out of the meeting while my re-appointment was being considered and Clare Thompson chaired this part of the meeting.

Other NED changes

Paul Evans and Matías Rodríguez Inciarte's first three-year terms concluded on 1 November and 31 December 2021 respectively. On the recommendation of the Committee, the Board appointed both Paul and Matías for a second three-year term as they have been effective members of the Board and the Committees of which they are members. They also provide a valuable link between the Board and its major insurance subsidiaries, with Matías being chair of our Spanish insurance subsidiary and Paul being a board member and audit chair of our UK insurance subsidiaries. Paul was not present during the discussion on his re-appointment. In addition, Michael Hawker and Melvin Samsom's first three-year terms are due to expire on 31 March and 10 April 2022 respectively. In early 2022, the Board, on recommendation from the Committee, appointed both Mike and Melvin for a second three-year term as they have both provided constructive challenge to management with Mike bringing excellent insurance and risk experience and Melvin bringing invaluable medical and clinical knowledge and experience to the Board.

The tenure of Clare Thompson (our SID and Audit Committee Chair) was extended by one year to seven years concluding on 30 April 2022 to provide continuity of oversight at Board level over financial reporting and external audit during the change of both Group CFO and External Auditor during 2021. Clare was not present during the discussion on the extension of her appointment. Clare will retire from the Board on 30 April 2022. An internal candidate to succeed Clare as SID and Audit Committee Chair has been identified, but their appointment is subject to regulatory approval.

Following Nicholas Lyons' retirement from the Board in August 2021, Melvin Samsom was appointed as Chair of the Board Sustainability Committee on 1 September 2021. Melvin has recent, relevant experience of sustainability matters from his previous executive role on the NEOM project in Saudi Arabia. To ensure sufficient members on each committee, Melvin Samsom was appointed as a member of the Committee and Mike Hawker as a member of the Board Sustainability Committee from 1 January 2022 and the Remuneration Committee in February 2022.

Board development and skills, knowledge and experience

The Committee regularly reviews the composition of the Board to ensure that there remains an appropriate combination of skills, experience and knowledge and sufficient diversity (including gender, social and ethnic backgrounds), cognitive and personal strengths, and Board succession planning encompasses these factors. The 2020 Board evaluation identified that the Board wanted to increase their collective knowledge of external developments in technology, to enable them to understand the market context better and be better able to review and challenge technology-related proposals. This is particularly relevant given the emphasis on digital transformation in the Group's new strategy. To address this, Board development sessions have been held during 2021 on a number of topics, including data lakes and data mining, predictive and preventive medicine, digital health capabilities and future healthcare and sustainability. In addition, the ongoing NED recruitment aims to bring deeper technology and digital transformation experience to the Board to address areas identified as weaker in the Board skills matrix. The Board also held a session on how Bupa supported its people through the pandemic.

Other Board matters

The Committee reviewed the Directors' other commitments for potential conflicts of interest and for threats to their independence.

Association Members

The Committee reviews the AM engagement plan regularly and was mindful of the importance of effective communication with the AMs during the pandemic. As in 2020, we held the AGM in 2021 with minimal in-person attendance to meet quorum requirements and strong encouragement to join virtually.

There was no active programme of recruitment of new AMs in place during 2021. In late 2021, the Committee agreed a revised strategy for the recruitment of new AMs in the future.

Workforce engagement

In December, the Committee approved proposals to enhance the Board's engagement with the workforce by designating me, Mike Hawker and Matías Rodríguez Inciarte to meet regularly with representatives of Bupa's people and Market Unit executives for the UK, Australia and New Zealand, and Spain respectively, commencing during 2022 with updates provided to the Board at regular intervals.

The Committee will monitor the implementation and impact of the revised approach during 2022.

Further information on how we engage with our workforce is set out on page 64.

Corporate governance oversight

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 keep and demonstrate high standards of governance.

In late 2020, the Committee approved revisions to the Group Subsidiary Governance Policy, which reflected recommendations from the Provision Subsidiary Governance Review carried out in 2020 at the Committee's request. During the year, the Committee has continued to oversee the implementation of these improvements to subsidiary governance, has considered the results of the board evaluation of the Group's Spanish insurance subsidiary and approved a number of new or extended subsidiary non-executive director appointments. In future, non-executives from each of the Group's Market Units will be invited to provide an update on governance to the Committee.

Board and Committee effectiveness

As already disclosed, an internal evaluation of the effectiveness of the Board and its Committees was undertaken in 2021 and the results of the Board evaluation are set out on page 67.

In December, the Committee considered the results of the internally facilitated review of its performance during 2021 and was satisfied that it continued to operate effectively. Themes identified for discussion during 2022 included:

- The need for continued focus on Board and Committee succession
- Identifying areas of focus for each NED and supporting them to derive maximum contribution from everyone
- Monitoring the implementation of the improved workforce engagement proposals
- Further improving governance oversight of subsidiaries, particularly over provision businesses and the Group's smaller insurance businesses, and follow-up on the Provision Subsidiary Governance Review undertaken in 2020.

The actions from the 2020 internal Committee evaluation included developing the Board's core skills concerning ESG matters, healthcare provision and technology matters, continued focus on Board succession planning and diversity, and clarifying the expectations of NEDs in relation to the extent of their role beyond their core duties. As discussed above, a number of development sessions have been held covering the topics identified and the ongoing NED recruitment aims to enhance the level of ESG, technology and digital transformation experience on the Board, as well as diversity, particularly of gender and ethnicity.

Focus for 2022

In 2022, the Committee plans to continue its work to recruit additional NEDs, arrange an externally facilitated evaluation of the Board and Committees, and follow up on the agreed actions from the 2021 review of the Committee's effectiveness as set out above.

Roger Davis
Nomination & Governance Committee Chair

Board Sustainability Committee report

"The Committee will oversee and hold management to account against the Group's sustainability commitments and help drive our sustainability strategic framework.

Q. **Why has Bupa established a Board-level sustainability committee?**

A. **Melvin:** Sustainability is a key pillar of our 3x6 strategy and it is reflected in our refreshed purpose. This demonstrates the broader role we expect to play not only in the health of our people and customers, but also the health of our planet. Companies must actively contribute to the sustainability and ESG agenda to make a positive impact on the world. The Committee will oversee and hold management to account against the Group's sustainability commitments and help drive our sustainability strategic framework.

Q. **What difference can Bupa make in sustainability and ESG issues?**

A. **Melvin:** As a global healthcare company, we have the opportunity and the responsibility to build resilience into healthcare systems and advocate for a healthier world. To date, we have set two major milestones by confirming our ambition to become a net zero business by 2040 and joining the UN-backed Race to Zero campaign. We are currently finalising our long-term sustainability strategy which will be focused on the inter-linkages between people and planet health.

The Committee's role and governance

The Committee was established by the Board in April 2021 as a standing committee of the Board to replace the corporate responsibility and sustainability (CRS) advisory committee which was set up in 2019. The CRS advisory committee enhanced management's focus on ESG matters. However, its status was reviewed in early 2021 by the Nomination & Governance Committee and the Board, which agreed to elevate it to a Board Committee due to the importance of sustainability in our new 3x6 strategy and to ensure sufficient non-executive oversight and challenge to management.

The Committee's principal role is to assist the Board in considering and approving its sustainability strategy and providing oversight of the implementation of that strategy and of sustainability initiatives across Bupa, in line with Bupa's purpose, ambition, values and corporate strategy. This includes reviewing compliance with Bupa's public commitments on sustainability matters and monitoring the content and completeness of Bupa's external statements, disclosures, and other reporting on sustainability and ESG matters.

The Committee's remit covers environment and climate action as well as Bupa's contribution to society in the countries in which it operates. The Committee will liaise with other Board Committees as necessary, including with the Audit Committee to review sustainability and ESG disclosures in the Annual Report and Accounts each year, with the Remuneration Committee to ensure that sustainability and ESG matters are appropriately considered in setting Bupa's remuneration policy, and the Risk Committee on relevant risks such as climate change-related financial risks. A full description of the Committee's role is set out in its Terms of Reference on bupa.com.

Nicholas Lyons chaired the Committee from its initial establishment until his retirement from the Board on 31 August 2021 and was succeeded by Melvin Samsom. The Committee currently comprises three NEDs and the Group CEO. The Group CFO and Chief Sustainability and People Officer regularly attend Committee meetings. The Committee met three times during the year and is scheduled to meet four times in 2022.

Key activities in 2021

This is an exciting time for the Committee as it helps the Board consider and approve Bupa's sustainability strategy. A number of initiatives were already in progress when the Committee was established, such as the EC&Action programme and eco-Disruptive (see page 22 for more information), and it has received updates on these during the year. Further information on the initiatives discussed below can be found in the Sustainability section on page 28.

Developing our sustainability strategy

Our ambition is to move from considering sustainability issues primarily to alleviate risk exposure, to one where bold, integrated and differentiated sustainability leadership is core to our business.

For this reasons, we are developing a new sustainability strategy, focused on the inter-linkages between people and planet health. It will:

- Identify the unique positive contribution which Bupa can make to sustainability and the foundations on which this is based
- Equip Bupa to respond to the fast-changing external environment, to the increased expectations of the role companies play in society
- Enable the Committee to oversee progress through tangible measures and hold management to account on the achievement of our sustainability goals.

Bupa's senior management team is finalising a proposal with assistance from an external sustainability consultancy and has provided progress updates to the Committee during the year. We expect to be able to recommend the final sustainability strategy to the Board shortly.

Bupa's net zero by 2040 ambition

In October 2021, Bupa announced its ambition to become a net zero business by 2040 and joined the UN's Race to Zero campaign. To underpin our net zero ambition, we have set science-based targets for all emission scopes, which are aligned with keeping global warming to no more than 1.5°C. The Committee considered the proposed targets, the risks and challenges to achieving them and supported management's net zero ambition. These targets have been validated by the Science Based Targets initiative. See the Sustainability section on page 28 for more information.

Task Force on Climate-related Financial Disclosures

Bupa aims to hold itself to the same standards of governance and compliance as UK listed companies as far as possible and so chose to report against TCFD in the 2021 Annual Report. In line with many other companies, Bupa is developing its ability to comply with TCFD by putting systems and controls in place to gather sufficiently robust and assured data.

In early 2022, the Committee reviewed the approach to the Group TCFD and statutory disclosures in the 2021 Annual Report. For more information, please see page 28.

Committee effectiveness

As the Committee was established during the year and only held three meetings in 2021, it was not included in the Board and Committee evaluation for 2021. The Committee will, however, be included in the externally facilitated evaluation due to be carried out in 2022.

Focus for 2022

The key focus for the Committee in 2022 is to refine the proposed sustainability strategic framework for the Group and recommend it to the Board for approval. The Committee will then oversee the implementation of this strategy and continue to oversee Bupa's ongoing sustainability initiatives such as the EC&A programme, progress against our science-based targets to reach net zero by 2040, the next stage of eco-Disruptive and further improving our TCFD disclosures.

Melvin Samsom
Board Sustainability Committee Chair

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

"

The Committee is responsible for ensuring that Bupa adheres to the highest standards of governance and best practice in remuneration matters.

Cath Keers
Committee Chair

Key items covered at scheduled meetings in 2021

18 January (additional meeting)
Forecast payouts for 2020 MBS and 2020-23 GPP

4 February
2020 MBS outcome, 2020-23 GPP outcomes, CEC annual reward review

17 February
2018-20 LTIP outcome, Annual reward review for Designated Individuals, 2021 MBS non-financial targets

7 April (additional meeting)
Approved new Group CFO remuneration offer

28 April (offline circulation)
Approved the appointment of Deloitte as the Committee's Adviser and discussed current GPP to understand initial thoughts on its redesign

28 June
GPP redesign

26 July
GPP redesign, overview of general workforce, subsidiary chair & NED fee review, Chairman fee review, review of current exceptional senior management reward arrangements

29 September
GPP redesign, regulatory update, diversity, inclusion and gender pay deep dive, Approve global reward standard, 2022 MBS customer measure approach

8 December
GPP redesign, Remuneration Policy Statement, Directors' remuneration policy and report changes, 2022 MBS incentive scheme rules, 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 2021 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. Remuneration policy is structured to promote the strong and sustainable performance of the Group 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 bupa.com.

On 31 August 2021, Nick Lyons stepped down from the Board and Committee, following his nomination to be the Lord Mayor of London, and Janet Voûte announced her retirement from the Board and Committee effective 31 December 2021.

New Strategic Performance Plan (SPP)

As a key initiative for 2021 and as disclosed in the 2020 Directors' remuneration report, the Company committed to undertake a review of the Group Performance Plan (GPP), as it was no longer considered fit to drive Bupa's transformation under the new strategic plan.

Through the course of the year the Committee met to discuss and design the new incentive. There were four key design principles:

- Longer-term performance should be measured (three years versus one year)
- Clear targets to be used (forward looking targets versus retrospective assessment)
- Fewer measures overall
- A strong link to the new 3x6 strategy.

The SPP applies to Bupa's senior leaders and Executive Directors and will work as follows:

- An individual will be invited to join the scheme at the beginning of the three-year performance period, subject to individual performance.
- To meet the targets at the end of the three-year performance period, the Committee will assess Bupa's performance using a balanced scorecard capturing financial and non-financial measures and payout will be confirmed to participants.

Key SPP design features

Balanced scorecard

The Committee and Board feel strongly that aligning pay and reward with our strategy provides a compelling narrative and real opportunity to drive Bupa's transformation, making Bupa the world's most customer-centric healthcare company. The following four measures were selected for this reason:

Return on capital employed (ROCE) - (55% weighting)

- ROCE is a good measure of Bupa's performance as it ensures that we use our capital efficiently. We have a wide range of businesses in our portfolio and are focused on ensuring we operate these efficiently and profitably to ensure that we create a strong and sustainable business.

Customer healthcare touchpoints (15% weighting)

- This measure directly links to one of our three ambition KPIs; 40% customer care touchpoints owned by Bupa. In order to become the world's most customer-centric healthcare company, we need to ensure that we support customers with their health and wellbeing and truly understand their needs. Owning more customer healthcare touchpoints will provide us with more data/insight on our customers, support our move towards becoming more digitally enabled and ultimately lead us to tailoring our support to each customer's needs to provide better outcomes.

Customer numbers (15% weighting)

- One of the key drivers of our growth is having more customers. We want to retain our existing ones, while also finding new customers, and to do that we need to be continually implementing improvements based on feedback from customers. Focusing on customer numbers ensures that we continue to have a strong and sustainable business.

CO_2 reduction (15% weighting)

- Our refreshed purpose demonstrates the role we have to play in the health of the planet. We have committed to science-based targets and will be a net zero business across all emission scopes by 2040. We strongly believe that business and sustainability go hand in hand and believe it is important to incentivise our senior leaders on this basis.

While the SPP does not directly contain a risk category like the GPP, the Committee will consider whether a risk adjustment is required at the time it determines the payout.

Details of the new performance measures are set out in the implementation section on page 99. The performance measures are open to review each year, and as with all good incentive schemes, will evolve where necessary. All selected measures can be tracked and communicated during the performance year.

Award level

The new SPP is based on ambitious three-year goals and delivery of the 3x6 strategy. In order to align the reward opportunity with the greater individual effort required, the Executive Director award levels will increase. The Group CFO maximum award level will increase from 250% to 275% of salary (target 125% to 137.5%). The Group CEO maximum award level will increase from 275% to 300% of salary (target 137.5% to 150%).

The Committee is comfortable that the level of ambition and challenge in the targets is greater than before. Achieving a target payout would require significant effort and a material increase in Company performance.

Summary of design outcomes of the new SPP

- Clearly aligns pay and reward with our new strategy, strengthening line of sight and ability to influence measures
- Further increases weighting of non-financial measures by 5%
- Remains straightforward, with all participants aligned to the new strategy and with a clear line of sight on the Group's performance
- Measurable and focuses participants on specific strategic objectives
- Based on three-year performance, promoting long-term sustainable performance.

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

Directors' Remuneration Policy

For 2022, we are proposing an updated Remuneration Policy, to be voted on by AMs at the 2022 AGM, which incorporates the new SPP design features discussed. The Board are supportive of the updated policy.

2021 activities

While the GPP redesign has been the principal objective of the Committee in 2021, the Committee has been actively engaged with management throughout 2021 as the organisation set out its new strategy. While many activities fall under our regular schedule of meetings and agenda items, we have held additional meetings to enable ongoing discussions on both externally and internally driven matters.

Executive appointments

There were some key changes at CEC level in 2021. The most significant of these was the appointment in September 2021 of James Lenton into the Executive Director role of Group CFO following the departure of Joy Linton in March 2021. Martin Potkins acted as Interim CFO prior to James Lenton's arrival at Bupa.

The Committee carefully considered the terms for the new appointment, and were informed by external benchmarking and market practice trends to set the levels of remuneration. Details of James' remuneration is set out for 2021 on page 99 in the single total figure of remuneration 2021 and for 2022 in the statement of implementation of remuneration policy on page 103.

Wider employee context and workforce engagement

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

The Committee also reviewed the outcomes from the November 2021 global People Pulse survey (referenced on page 16) to obtain more detailed insight into what our employees are saying. The Pulse survey, which generated over 56,000 comments, identified the importance of investment in personal growth and how this generates an exponential impact on other engagement drivers such as company prospects.

Comments on remuneration and specifically anything on executive remuneration are fed back to the Remuneration Committee for their consideration and to help inform future decisions and policy.

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 oversight, reward, however, 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 2021

Salary

In 2021 no increase to pay was made to the new Group CEO.

Management Bonus Scheme (MBS)

The Management Bonus Scheme is the Group's annual bonus plan applying to leaders and managers across Bupa. 50% of the payout for Executive Directors is deferred for three years.

Performance of Group management profit was favourable to plan, due to the diversified nature of Bupa and continued emergence of our businesses from the pandemic, which has resulted in improved performance in health provision and aged care from reduced restrictions across our Market Units as well as lower COVID-19-related costs. In contrast, our health insurance business was impacted as insurance claim levels increased following reduced disruption to elective procedures compared to 2020 and claims are gradually returning to more normalised levels. We undertook a range of actions to support our customers during the pandemic. This included announcing plans to return cash to Australian health insurance customers as a result of claim savings made and processing payments to eligible UK insurance customers following our 2020 return of premium pledge. In the UK, we were the first major health insurer to make such payments.

We have maintained our financial resilience with revenue, which was slightly above target primarily due to portfolio growth, price rises in a majority of our insurance markets and increased activity in health provision. Cost efficiency was slightly below target driven by a number of reasons including unplanned project overruns.

We continued to make good progress against specific actions in support of each business's broader customer agenda. Examples include: investment in digital improvements; training and development of employees; customer listening initiatives and improvement in reputation measures. COVID-19 continued to impact NPS performance in 2021. Despite the challenging context of the pandemic, most NPS scores across the Group were maintained or increased and where scores decreased it was generally by only a few points.

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 no business-wide risk adjustments would apply.

The individual performance multipliers for the Group CEO and Group CFO, based on their performance during the year, were 140% and 100% respectively. The Committee approved bonuses of 72% and 51% of maximum bonus opportunity for both the Group CEO and new Group CFO respectively.

Group Performance Plan (GPP)

For the Group Performance Plan, performance is based on one year of performance, with payout confirmed after that year and deferred for three years.

This is the last year that the Group Performance Plan will vest as this will be replaced by the Strategic Performance Plan (SPP).

For the 2021-24 GPP, the payout is based on Bupa's performance, assessed against a scorecard measured over the 2021 financial year. The scorecard is made up of several measures assessed at Group level, sitting within four broad categories: financial (60% weighting); customer (15%); people (10%); and risk (15%).

Financial (60%)

Financial performance metrics are closely linked to the 2021 MBS financial performance measures discussed above in the Management Bonus Scheme section. The Committee assessed the overall financial performance at Group level as above target.

Customer (15%)

The Committee recognised the good progress made overall in customer.

The outcomes for 2021 have led to a better understanding of what our customers think of the service they are receiving, and we can act on this feedback with more focus, energy and pace. We are harnessing the power of our teams to use this direct voice of the customer to fuel the generation of more improvement ideas, and in 2021 we delivered more than 1,500 enhancements to our customers that directly address the things that get in the way of providing an exceptional experience.

People (10%)

We achieved our highest levels of participation in our people survey in 2021, with 76% of Bupa employees responding to the survey in November. Our overall Engagement score of 78 was down one point from 2020, but consistent with scores from 2018-2019. Bupa's engagement score remains well positioned against global data from the survey provider indicating an overall decline in global engagement levels in 2021. The Committee recognised the achievement in the current climate and therefore assessed overall People performance as strong.

Risk (15%)

Delivering sustainable performance is core to achieving our revised ambition of being the most customer-centric healthcare company and hence is at the heart of our 3x6 strategy. In 2021, we continued to strengthen the linkages between strategy, operational execution and risk management.

Data is a key enabling pillar to our strategy and so the risks to it remain an area of focus going forward. The progress in achievement of risk positions at Group level for privacy and informational security risks in the context of a pandemic, associated lockdowns and personal challenges and rapidly changing customer expectations is testament to the strength of our culture, our character and our risk management structure.

In our provision businesses, especially aged care, progress has been made in defining our expectations and delivering to them. Managing risks in our provision businesses remains a challenge and a focus.

Reflecting on the above, the Committee is pleased with the progress on risk in 2021, although continuing to recognise that there is still more to do, and has assessed the overall performance on risk measures to be strong.

Outcome

Payout of the GPP is based on the Committee's judgement, taking into account the performance across the measures. The Committee assessed GPP performance at 80% of maximum.

Committee evaluation

The annual Committee evaluation results indicated that the Committee continues to operate effectively.

Mike Hawker joined the Committee in February 2022 and another NED will be appointed shortly as part of the current round of director recruitment being overseen by the Nomination & Governance Committee

In 2022, the Committee intends to consider further improvements in the assessment of risk culture, particularly with the big change agenda under the new strategy. In addition, as regards wider employee remuneration, the Committee remains vigilant to the need for constant oversight and monitoring of wider employee pay and to consider any actions arising from wider Board discussion on inclusion and diversity and pay differences (e.g. gender pay gap).

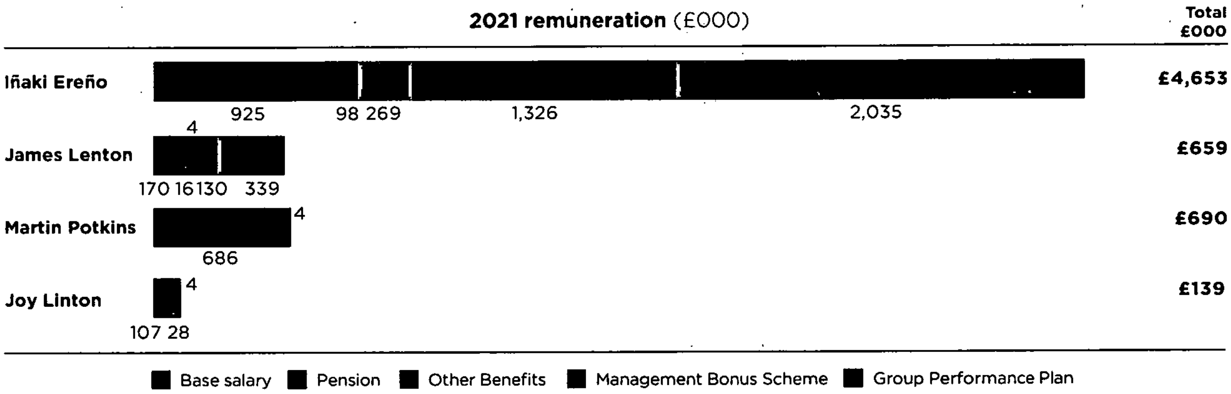
Voting on remuneration

The Directors' remuneration report and the Directors' Remuneration Policy will both be subject to an advisory vote at this year's AGM, although the Board intends to act as though bound by the Remuneration Policy as approved by the AMs.

Cath Keers
Committee Chair

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

Our executive remuneration at a glance



The chart above is representative of the implementation of the Directors' Remuneration Policy.

The chart shows salary, pension and benefits paid in 2021, the total payout of the 2021 MBS, 50% of which is deferred until March 2024, and the 2021-24 GPP award, payment of which is deferred until March 2025.

2021 MBS outcome

Measure	Outcome[1]
Group profit (55% weighting)	▪ Above target level performance (114.7% of target)
Revenue (10% weighting)	▪ Above target level performance (101.3% of target)
Cost efficiency (10% weighting)	▪ Below target level performance (96.4% of target)
Customer objectives (16.25% weighting)	▪ Above target level performance (101.6% of target)
Customer NPS (8.75% weighting)	▪ Below threshold level performance (68.8% of target)

1. Outcome shows performance level for each measure. To determine payout, this is converted into a Business Performance Multiplier (BPM) and the final calculated payout is the product of the BPM and the Individual Performance Multiplier (IPM).

2021-24 GPP outcome

Measure	Outcome[1]
Financial (60% weighting)	▪ Above target level payout (87.5% of max)
Customer (15% weighting)	▪ Above target level payout (65.3% of max)
People (10% weighting)	▪ Above target level payout (75% of max)
Risk (15% weighting)	▪ Above target level payout (68% of max)

1. Outcome shows payout level for each measure. As GPP has no set target level performance, results are presented as an outcome of the maximum.

2022-24 SPP Measures

Measure	Reason for measure
Return on capital employed (55% weighting)	ROCE is a good measure of a Bupa's performance as it ensures that we use our capital efficiently. We have a wide range of businesses in our portfolio and are focussed on ensuring that we operate these as efficiently and profitably as we can. One of our focus areas over the next few years is on beating our cost of capital to ensure that we create a strong and sustainable business.
Customer healthcare touchpoints (15% weighting)	Our ambition is to be the world's most customer-centric healthcare company. We need to find ways to support customers with their health and wellbeing; one of the routes to that over the long term is to move into preventative and predictive healthcare, requiring greater use of data/insight and for us to become more digitally enabled. Increasing the number of customer healthcare touchpoints that Bupa owns will strengthen our ability to understand our customers and let us tailor our support to their needs.
Customer numbers (15% weighting)	One of the key outcomes of being a more customer-centric company is having more customers. We want to retain our existing customers while finding new customers, and to do that we need to be continually implementing improvements based on feedback from customers. Focussing on customer numbers ensures that we continue to have a strong and sustainable business.
CO_2 reduction (15% weighting)	Health has been elevated in the minds of individuals, families, organisations and governments. Climate action is a critical priority across the world. The linkages between the two are increasingly being recognised and Bupa has a responsibility to play a part in this; we want to make a positive impact. We have made some external commitments to reduce our carbon footprint and believe it is important to incentivise our leaders to make a better world.

Directors' remuneration report
Part 2: Implementation

This section sets out the details of the Executive Directors' and NEDs' remuneration, showing how the Remuneration Policy has been implemented in 2021 and how it will be applied in 2022. 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. Certain disclosures of the detailed information about the Directors' remuneration set out below have been audited by the Group's independent auditor, PWC.

Single total figure of remuneration 2021 – Executive Directors (audited)

Director	Year	Salary £000	Benefits £000	MBS[1] £000	GPP[2] £000	Pension[3] £000	Total £000	Total fixed remuneration £000	Total variable remuneration £000
Iñaki Ereño[4]	**2021**	**925**	**269**	**1,326**	**2,035**	**98**	**4,653**	**1,292**	**3,361**
Group CEO	–	–	–	–	–	–	–	–	–
Evelyn Bourke[5]	–	–	–	–	–	–	–	–	–
Group CEO	2020	894	114	1,135	1,372	223	4,838	1,231	3,607
Joy Linton[6]	**2021**	**107**	**4**	**–**	**–**	**28**	**139**	**139**	**0**
Group CFO	2020	593	46	–	–	148	787	787	0
Martin Potkins[7]	**2021**	**686**	**4**	**–**	**–**	**–**	**690**	**690**	**0**
Interim Group CFO	2020	–	–	–	–	–	–	–	–
James Lenton[8]	**2021**	**170**	**4**	**130**	**339**	**16**	**659**	**190**	**469**
Group CFO	2020	–	–	–	–	–	–	–	–

1. MBS refers to incentive earned in respect of 2021 performance with 50% deferred until March 2025. In the deferral period, continued employment is required for payout.
2. The 2021 GPP is determined based on the GPP rules, based on 2021 performance and is payable in March 2025. In the deferral period, continued employment is required for payout.
3. Pension figures reflect a cash allowance paid to Executive Directors in lieu of company contributions into a pension scheme and are in line with the wider workforce.
4. Inaki Ereno's benefit figures includes a housing allowance of £120,000, tax return services and one-off relocation support which are grossed up to meet the costs of the appropriate tax.
5. The 2020 figures for Evelyn Bourke include payment of the 2018-2020 LTIP of £1,100,000.
6. Joy Linton was Group CFO until March 2021 and the figures reflect payments made for this period. The 2020 benefit amount and totals have been updated to include an additional tax cost of £6,516 incurred in regards support provided on an application for indefinite leave to remain.
7. Martin Potkins acted as interim CFO from 5 March to 11 November 2021 receiving salary of £686,265 for this period. No MBS or GPP award was made and no payment received.
8. James Lenton joined Bupa as Group CFO on 20 September 2021, and received salary of £170,455 for the period to 31 December. Pro-rated MBS and GPP awards were made for the period. James' appointment as an Executive Director was confirmed in November 2021.

2021 MBS measures and performance (audited)

For 2021, the Group CEO's target MBS opportunity was 100% of salary, with a maximum of 200%. The Group CFO's target MBS opportunity was 75% of salary, with a maximum of 150%.

The performance measures used to determine the 2021 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 NPS (8.75% of award) – this is a measure to drive improvement of our Net Promoter Score.
- Customer objectives (16.25% of award) – this measure includes targets to improve our Customer Excellence Framework standards.

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 140% in recognition of outstanding 2021 performance. The Group's new strategy has generated a real sense of vision, ambition and cohesion within Bupa and is being executed with impressive speed. He has set a new level of aspiration and customer-centric purpose. For example, eco-Disruptive, our global talent programme bringing together sustainability, agile culture and digital transformation, is an example of new innovative initiatives, symbolising Bupa's commitment, both internally and externally, to the environment and our refreshed purpose.

The Group CFO, who joined at the end of September 2021, received an individual performance multiplier of 100% in recognition of landing well in Bupa and already providing strong technical expertise, particularly around capital management.

Directors' remuneration report
Part 2: Implementation continued

The financial targets and actual performance for the 2021 MBS are set out in the table below.

2021 MBS payout[1] (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	Iñaki Ereño Max bonus % of salary	Iñaki Ereño Actual payout % of salary	James Lenton Max bonus % of salary	James Lenton Actual payout % of salary
Group profit	392.2	435.8	479.4	500.1	110.0%	96.3%	82.5%	51.6%
Group revenue	13,662.1	15,180.1	16,698.2	15,378.3	20.0%	14.5%	15.0%	7.7%
Cost efficiency	16.0%	14.5%	13.1%	15.0%	20.0%	9.0%	15.0%	4.8%
Customer objectives	90%	100%	110%	101.6%	32.5%	23.7%	24.4%	12.7%
Customer NPS	90%	100%	110%	68.8%	17.5%	0.0%	13.1%	0.0%
Total					**200%**	**143.5%**	**150%**	**76.8%**

1. For each performance measure in the table, a Business Performance Multiplier (BPM) can be earned on a sliding scale of 0% and 125% for that measure, depending on actual business performance compared to the performance targets. Threshold performance is 0% BPM ; Target performance is 100% BPM and Maximum performance is 125% BPM. Included in the actual payout calculation is the respective IPM% for the Group CEO and Group CFO.

Interests awarded during 2021 (audited)

During the year, awards for the 2021-24 GPP were made to the Executive Directors. The plan covers the annual performance period to 31 December 2021. Subject to the potential application of malus, the award will be paid in March 2025.

The Group CEO's target 2021-24 GPP award is 137.5% of salary, with a maximum of 275%. The Group CFO's target 2021-24 GPP award is 125% of salary, with a maximum of 250%. Threshold award is 0% of salary for Group CEO and Group CFO. Any payment of the 2021-24 GPP will be made in 2025. The payout for the Group CEO and Group CFO is based on the Committee's assessment of Bupa's performance against a scorecard for the 2021 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 Group against the GPP measures and made a judgement on the overall level of payout being 80% of maximum award. Payout of the 2021-24 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.

The Committee also reviews Bupa's overall underlying business and risk performance after the end of the deferral period before approving final payment and may adjust the level of payment based on this.

2021-24 Group Performance Plan (GPP) measures and performance

The payout for our Executive Directors is based on the Committee's assessment of Bupa's performance based on performance against a scorecard for the 2021 financial year, details of which are set out in the table to the right and discussed in the Chair's letter.

2021-24 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 is collated and reviewed on a Group basis. The financial measures achieved a payout of 87.5% of max, the customer measures achieved a payout of 65.3% of max, the people measures achieved a payout of 75% of max and the risk measures achieved a payout of 68% of max.

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 applying 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 method has been chosen as it makes use of our gender pay data which provided a readily available and robust dataset. 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
2021	Option B	Total pay and benefits	206:1	215:1	123:1
		Salary only	41:1	44:1[1]	27:1
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	197:1	143:1	116:1
		Salary only	43:1	37:1	29:1

1. The median salary and ratio as calculated for this table shows a lower value than that reported at the 25th percentile. This is a result of the differing methodologies used in determining the salary levels in Gender Pay Gap versus actual pay.

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 significantly vary 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
2021 Total pay and benefits	£22,584	£21,632	£37,930
2021 Salary	£22,358	£21,120	£34,889
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

The 2021 50th percentile salary shown in the table above is lower than the lower quartile salary as a result of the Gender Pay Gap data methodology used in identifying the 25th, 50th and 75th percentile employees for this table. The Gender Pay Gap data is a snapshot of pay as at 5 April whereas the table above uses actual pay earned through the year. As a large proportion of our population is paid hourly, monthly pay can vary significantly across the year.

Relative importance of spend on pay

The table below 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.

	2021 £m	2020[2] £m	Difference 2021-2020 £m
Remuneration paid to all employees[1]	**2,395**	2,317	78
Cash flow used in investing activities	**235**	896	-661

1. Remuneration paid to all employees includes staff costs relating to wages and salaries as found in note 2.3.1 (page 141).
2. The 2020 figure for the 'Remuneration paid to all employees' has been corrected from the figures of £2,309m stated in the 2020 report. The 2020 figure for 'Cash flow used in investing activities' has been restated from a value of £904m.

Directors' remuneration report
Part 2: Implementation continued

Percentage change in remuneration of Directors and employees

The table below shows the change in salary/fees, benefits and short-term incentives (annual bonus) for Executive Directors and Non-Executive Directors in 2021 compared to 2020, 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 2021 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			
Iñaki Ereño[1]	2.8%	136%	17%
James Lenton[2]	0.5%	-65%	n/a
Average UK employee[3]	1.7%	no material change	6.9%
Non-Executive Directors			
Roger Davis (Chairman)	0.9%	-23%	n/a
Paul Evans	0.6%	43%	n/a
Michael Hawker	2.3%	n/a	n/a
Cath Keers[4]	0.0%	-71%	n/a
Nick Lyons[5]	10.5%	0%	n/a
Matías Rodríguez Inciarte[6]	12.7%	n/a	n/a
Prof. Melvin Samsom[7]	8.9%	-88%	n/a
Caroline Silver	0.0%	n/a	n/a
Clare Thompson	3.0%	0%	n/a
Janet Voûte[8]	4.8%	-40%	n/a

1. The change in salary details the difference in the December 2020 salary of outgoing CEO Evelyn Bourke, with the April 2021 salary for Iñaki Ereño. The increase in benefits costs for Iñaki Ereño, compared to those received by Evelyn Bourke correlates to benefits provided for housing, allowances and tax supports related to his relocation to the UK.
2. The change in salary reflects the difference in the March 2021 salary of outgoing CFO Joy Linton, with the September 2021 salary for James Lenton. As no MBS was paid to Joy Linton in 2020, no change in payment is shown.
3. All permanent employees in the UK who were in employment during the two calendar year periods of 2020 and 2021 were selected as the most appropriate comparator.
4. As no travel expenses were incurred in 2021, overall benefit costs for Cath Keers were greatly reduced.
5. Nick Lyons resigned as a NED in 2021, therefore, to provide a year-on-year comparison, changes to his 2021 NED fees and benefits are based on annualised figures. The percent change in fees is a result of changing committee memberships.
6. Matías Rodríguez Inciarte had no benefits in 2020, therefore no comparable change is available for 2021.
7. The reduction in benefit costs for Prof. Melvin Samsom reflect significantly reduced travel compared to 2020.
8. The reduction in benefit costs for Janet Voûte reflect reduced travel compared to 2020.

Historical

The table below 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 %
2021	Iñaki Ereño[1]	4,653	72%	-	80%	-
2020	Evelyn Bourke[2]	4,838	64%	50%	57%	-
2019	Evelyn Bourke	3,646	10%	0%	49%	49%
2018	Evelyn Bourke	2,078	45%	16%	-	-
2017	Evelyn Bourke[3]	2,511	64%	41%	-	-

1. Details of Iñaki Ereño's 2021 incentive payout are laid out on page 98
2. Evelyn Bourke retired as Group CEO on 31 December 2021.
3. Evelyn Bourke was appointed Group CEO on 25 July 2016.

Statement of implementation of Remuneration Policy in 2022

The remuneration of the Group CEO and Group CFO for 2022 was reviewed by the Committee in the context of the Remuneration Policy as described on pages 105-108. Having reviewed the salaries, the Committee approved salary increases for the Group CEO and Group CFO of 1.9% and 2.0% respectively, to reflect their performance in the role and position against external market practice as well as considering alignment with the broader workforce. To align the reward opportunity to the greater individual effort required, the Committee also approved SPP award level increases for the Executive Directors. The Group CEO maximum award level increases from 275% to 300% of salary (target 137.5% to 150%) and Group CFO maximum award level increases from 250% to 275% of salary (target 125% to 137.5%).

	Salary (effective from 1 April 2022)	Pension (effective from 1 January 2022)	Management Bonus Scheme[1]	Strategic Performance Plan[2]
Iñaki Ereño Group CEO	£943,000	12% salary	Target opportunity - **100% salary** Maximum opportunity - **200% salary**	Target opportunity - **150% salary (£1,387,500)** Maximum opportunity - **300% salary (£2,775,000)**
James Lenton Group CFO	£612,000	12% salary	Target opportunity - **75% salary** Maximum opportunity - **150% salary**	Target opportunity - **137.5% salary (£825,000)** Maximum opportunity - **275% salary (£1,650,000)**

1. Based on salary earned in 2022.
2. SPP award based on salary as of 1 March 2022.

The MBS and SPP have been designed, in line with the Remuneration Policy, to support Bupa's new strategy. 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 and support strong and sustainable performance.

Measure	Management Bonus Scheme Weighting per measure
Profit	55%
Revenue	10%
Cost efficiency	10%
Customer	25%

Measure	Strategic Performance Plan Weighting per measure
ROCE	55%
Customer healthcare touchpoints	15%
Customer numbers	15%
CO_2 reduction	15%

The outcomes for MBS and SPP are both subject to a risk assessment.

Payments to former Directors (audited)

Evelyn Bourke retired on 31 December 2020, but she continued to receive private medical insurance until 9 September 2021. The value of this benefit was £2,039.

No payments for loss of office were made to Joy Linton and Martin Potkins who left Bupa in 2021.

Chairman and Non-Executive Director fees

During 2021, 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 fees for the Chairman and the basic Non-Executive Director were increased in line with the broader UK-based population.

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

		2021 Fee
Chairman fee		**£433,500**
Non-Executive Director basic fee		**£72,000**
Senior Independent Director fee		**£25,000**
Committee Chair fee	Audit Committee	**£25,000**
	Remuneration Committee	**£25,000**
	Risk Committee	**£25,000**
	Sustainability Committee	**£15,000**
Committee membership fee	Audit Committee	**£8,000**
	Remuneration Committee	**£8,000**
	Risk Committee	**£8,000**
	Sustainability Committee	**£4,500**
	Nomination & Governance Committee	**£4,500**

Directors' remuneration report
Part 2: Implementation continued

Single total figure of remuneration 2021 – NEDs (audited)

	Fees £000		Benefits[1] £000		Total £000	
	2021	2020	**2021**	2020	**2021**	2020
Roger Davis (Chairman)	**429**	425	**10**	13	**439**	438
Paul Evans[2]	**170**	169	**10**	7	**180**	176
Michael Hawker[3]	**175**	171	**0**	0	**175**	171
Cath Keers	**96**	96	**2**	7	**98**	103
Nicolas Lyons[4]	**62**	86	**1**	1	**63**	87
Matías Rodríguez Inciarte[5]	**195**	173	**2**	0	**197**	173
Prof. Melvin Samsom	**86**	79	**4**	34	**90**	113
Caroline Silver	**112**	112	**0**	0	**112**	112
Clare Thompson	**137**	133	**1**	1	**138**	134
Janet Voûte	**87**	83	**3**	5	**90**	88
Total	**1,549**	1,527	**33**	68	**1,582**	1,595

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 2021 figures for Paul Evans include £78,075 of fees, and his 2020 Fees have been restated to include £77,500, in respect of his services as a NED of Bupa Insurance Limited and Bupa Insurance Services Limited.
3. The 2021 figures for Michael Hawker's include AUD 172,992, and his 2020 Fees have been restated to include AUD 167,083, in respect of his services as Deputy Chairman of Bupa Australia and New Zealand.
4. Nicolas Lyons resigned as a NED on 31 August 2021.
5. The 2021 figures for Matías Rodríguez Inciarte include EUR 118,750, and his 2020 Fees have been restated to include EUR 100,000, in respect of his services as a NED of Sanitas, SA de Seguros.

Committee Governance

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

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

The Committee presented the 2020 Directors' remuneration report at the AGM in May 2021 and it was approved by the AMs.

In determining the remuneration policy and practices, the Committee considers the following principles of the Corporate Governance code: Clarity; Simplicity; predictability; proportionality and outcomes not rewarding poor performance.

In September 2020, Mr. Smith, our Remuneration Committee Independent Adviser from Mercer, informed management and the Chair of his intention to leave Mercer at the end of December 2020 and establish Ellason LLP, a new specialist consulting firm focusing on advisory services to remuneration committees for listed and private companies. To recognise the good advice and support that Mr. Smith has provided to the Committee, to retain historic knowledge of actions and decisions and to provide consistency through the upcoming year end, management proposed to retain Mr. Smith and transition over to Ellason LLP until the end of the reward review in early 2021, when a new selection process would occur to find a new adviser. Following this process, where a number of advisory firms presented to the committee, Deloitte was appointed by the Remuneration Committee as its independent adviser from 1 May 2021. The appointment is reviewed every year. The Committee is of the view that Deloitte provides independent remuneration advice to the Committee and does not have any connections with Bupa that may impair its independence. Both Ellason LLP and Deloitte are members of the Remuneration Consultants' Group and voluntarily operate under this group's code of conduct when providing advice on executive remuneration in the UK. Ellason LLP fees for services to the Committee in 2021 were £9,350 and Deloitte's fees for services to the Committee in 2021 were £67,950 on a time and materials basis. During the year, Deloitte 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 2021. A full description of the Committee's role is set out in its Terms of Reference on bupa.com

Directors' remuneration report
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, views expressed by the AMs, 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 and making a better world. The Policy is intended to deliver a level and mix of remuneration competitive with companies of a similar scale and complexity. The proposed Policy is subject to an advisory vote by AMs at the 2022 AGM. If approved, it will apply immediately, for up to three years.

Remuneration Policy table – Executive Directors

Base salary	Management Bonus Scheme	Strategic 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 motivate and incentivise delivery of strong sustained performance over the long term aligned to Bupa's strategic objectives.	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 their 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.	As Bupa cannot provide equity-based incentives, it provides a LTIP in the form of a deferred cash incentive that is broadly reflective of equity based plans in comparable companies. Awards are usually made on an annual basis and relate to performance over a three-year period. Vesting of awards is based on the extent to which performance targets, set and assessed by the Committee are achieved. Any payments will be made following the end of the performance period.	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 Group 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 300% of base salary.	Executive Directors 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 with 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 55% of the SPP will be based on financial measures, with the remainder based on measures linked to key strategic priorities of the business. Threshold performance results in a payment of 10% of the maximum.	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, GPP, SPP and LTIP. 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 SPP, GPP and the MBS (which includes the initial bonus payment and the deferred bonus).

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

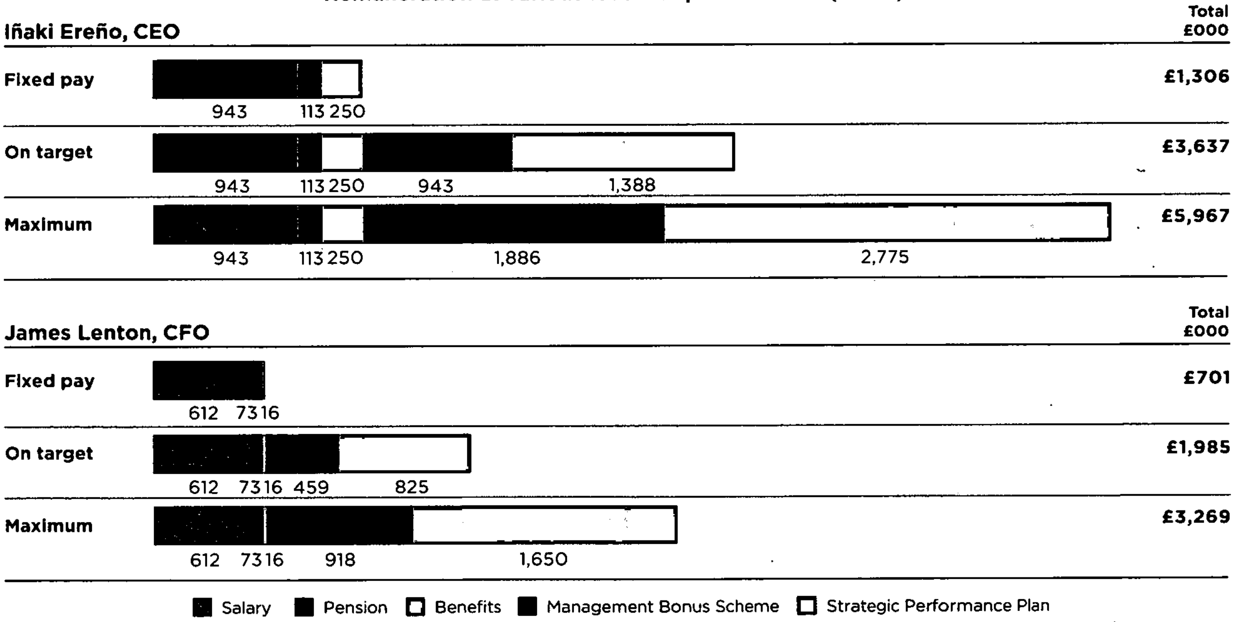
- Misstatement of results
- An error in assessing any relevant performance metric or in the information or assumptions on which the MBS, or SPP is determined
- Serious reputational damage to Bupa or a relevant Business Unit
- A scenario in which significant risk has been taken which is outside of Bupa's 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 2022 to calculate the MBS values and 1 March 2022 to calculate the SPP values.

Remuneration at various levels of performance (£000)



Performance measures and target setting

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

Measures and targets for the SPP 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. Targets are set for vesting at threshold, target and maximum performance levels.

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 105 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 with 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 SPP are the same for the senior executive population.

A small number of senior executives across Bupa participate in the SPP, 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 three-year performance period.

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 106.

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 SPP 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 may 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 SPP payment. • Any SPP 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.

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.

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 on bupa.com.

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 2021

	Board		Audit Committee[10]	Nomination & Governance Committee	Remuneration Committee		Risk Committee[10]		Board Sustainability Committee[11]
	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Scheduled Mtgs	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs
No. of meetings	**10**	**1**	**8**	**3**	**6**	**2**	**6**	**2**	**3**
Roger Davis	10/10	1/1		3/3	6/6	2/2			
Iñaki Ereño[1]	10/10	1/1							3/3
James Lenton[2]	2/2	0/0							
Joy Linton[3]	2/2	0/0							
Martin Potkins[4]	6/7	0/1							
Paul Evans	10/10	1/1	8/8	3/3			6/6	2/2	
Michael Hawker[5]	10/10	1/1					6/6	1/2	
Matías Rodríguez Inciarte	10/10	1/1	8/8				6/6	2/2	
Cath Keers[6]	9/10	0/1			6/6	2/2			
Nicholas Lyons[7]	6/7	1/1		1/1	4/4	2/2			1/1
Melvin Samsom	10/10	1/1					6/6	2/2	3/3
Caroline Silver[8]	9/10	1/1	8/8		5/6	1/2	6/6	2/2	
Clare Thompson	10/10	1/1	8/8	3/3			6/6	2/2	3/3
Janet Voûte[9]	8/10	1/1		2/3	4/6	1/2			2/3

1. Iñaki Ereño joined the Board on 1 January 2021.
2. James Lenton joined the Board on 11 November 2021.
3. Joy Linton retired from the Board on 4 March 2021.
4. Martin Potkins joined the Board on 5 March 2021 as Interim Group CFO and retired from the Board on 11 November 2021. He was unable to attend one Board meeting due to illness and the additional Board meeting called to approve the appointment of the new Group CFO, for which it would have been inappropriate for him to attend.
5. Michael Hawker was unable to attend one additional Risk Committee meeting due to a prior commitment.
6. Cath Keers was unable to attend one scheduled Board meeting and the additional Board meeting due to pre-existing commitments.
7. Nicholas Lyons retired from the Board on 31 August 2021 and was unable to attend one Board meeting due to chairing a board meeting at one of his external directorships.
8. Caroline Silver was unable to attend one Board meeting and two Remuneration Committee meetings, including one additional meeting, due to pre-existing commitments.
9. Janet Voûte was unable to attend two Board meetings, one Nomination & Governance Committee meeting, three Remuneration Committee meetings, including one additional meeting, and one Board Sustainability Committee meeting due to illness and pre-existing commitments.
10. Includes two joint meetings of the Audit and Risk Committees.
11. The Board Sustainability Committee was established on 1 April 2021.

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. These have been in place throughout 2021 and to the date of this Annual Report. There are no other qualifying third-party indemnity provisions or pension indemnity provisions in place.

Disclosure compliance

The Strategic Report and the audited financial statements are presented on pages 1-53 and from page 121, respectively. The Governance report on pages 54-111 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 165
Risk management objectives and policies	Note 26 page 183
Likely future business developments	Strategic report page 1
Acquisitions and disposals	Note 24 page 180
Financial performance	Page 5
Relationships with suppliers, customers, and others	Section 172 statement page 34
Engaging with our people and employment of disabled persons	Leadership - Our people page 64
Greenhouse gas emissions, energy consumption and energy efficiency action	Page 30

Other statutory information continued

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 127 includes information on the Directors' detailed assessment of the Group's status as a going concern.

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.

Our new 3x6 strategy introduced in early 2021 is the driving force behind our transformation agenda and planning process. We chose a three-year assessment period because it ties in with our internal 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. Scenarios considered included a delay of six to nine months in the development of COVID-19 herd immunity following delayed vaccine rollouts and the emergence of vaccine-resistant variants; plus an additional 1% claims inflation for insurance businesses and 1% expense inflation for all businesses on top of base case expectations. This process shows 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. The Group remains most exposed to failure through a lack of liquidity at the Group centre.

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 remaining £250m portion of the subordinated bond maturing in 2023 is repaid from available liquidity. The forecast also assumes that a £300m senior bond maturing in 2024 is refinanced with a similar instrument upon or before maturity. While this provides some uncertainty, there is a considerable period of time before maturity to plan for refinancing. The Group's liquidity position has also been considered under stressed scenarios. Whilst 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.

Our most recent Own Risk and Solvency Assessment (ORSA), which brings together the outcomes of risk management and financial management processes, 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 which are aligned with our risk profile. This assessment concluded that we expect to have sufficient capital assets to continue to meet regulatory requirements over a three-year period.

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 48, 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 considered both current expectations, and reasonably plausible severe scenarios, including those arising from the further impact of COVID-19 on the Group. While continuing uncertainty exists as a result of the ongoing pandemic, 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 has allowed for strong financial performance since the start of the pandemic and continues to support 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 2024.

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 48. 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. This process has been in place throughout the year and to the date of this report and is regularly reviewed by the Risk Committee. 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 85 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 2021, 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 assurance report which set out an overall assessment of the Group's systems of risk management and internal control in 2021. The Board recognised the progress made by

Bupa, detailed in the Risk section on page 48, 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.

Political donations

Our policy is not to make donations to political parties or to independent election candidates and will not do so without specific endorsement from our AMs. We confirm that we do not believe that we have made any political donations, nor incurred any political expenditure within the definition contained in s364 of the Companies Act 2006 (as amended) (the Act), during 2021. As the broad definitions used in the Act make it possible for the normal business activities of the Company, which might not be thought of as political expenditure or donations to political organisations in the usual sense, to be caught, we will again be proposing a resolution at our 2022 AGM to authorise the Group to make political donations, given the wide definition in s364 of what constitutes a political donation. This is in accordance with best practice for listed companies.

Branches

The Company has an inactive branch in Cyprus.

Articles of Association

The Company is limited by guarantee and 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. All Directors must offer themselves for election or re-election at each AGM.

A Director's appointment ceases upon: resignation, prohibition 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, a written request from at least three-quarters of the other Directors, by Board resolution if the Director has missed four consecutive meetings, 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 Act.

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 UK
- 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

A resolution to re-appoint PricewaterhouseCoopers LLP as External Auditor will be put to the forthcoming AGM of the Company.

By order of the Board.

Colin Campbell
Group Company Secretary
7 March 2022

Company number: 432511

Financial statements

Independent auditors' report to the members of The British United Provident Association Limited

Report on the audit of the financial statements

Opinion

In our opinion, The British United Provident Association Limited's Group financial statements and Company financial statements (the "financial statements"):

- Give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- Have been properly prepared in accordance with UK-adopted international accounting standards; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report:

- The Consolidated and Company Statements of Financial Position as at 31 December 2021;
- The Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- The Consolidated and Company Statements of Cash Flows for the year then ended;
- The Consolidated and Company Statements of Changes in Equity for the year then ended; and
- The notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 2.3.3, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

Bupa is an international healthcare group, providing health insurance, health provision and aged care services. The Group operates from a significant number of locations globally and has four reportable segments: Bupa Asia Pacific; Europe and Latin America; Bupa Global and UK; and Other businesses, which includes investments in associates.

The year ended 31 December 2021 is our first year as the external auditors of the Group. Following the external audit tender in 2019, we undertook certain transition activities, including attending key governance meetings during the 2020 financial reporting process. In planning for our first year audit, we met with the Audit Committee and members of management across the Group to discuss and understand the businesses and any significant changes during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our understanding of the previous auditors' approach, when forming our own views regarding the audit risks and as part of developing our planned audit approach to address those risks. Given the activities of the Group, we have built teams with the relevant industry experience in all significant locations in which the Group operates.

The COVID-19 pandemic has continued to have a significant global impact throughout 2021. In planning our audit, we have considered the impact of the pandemic on the Group's business and the financial statements. Where necessary, we have utilised virtual technologies and collaborative workflow tools to obtain sufficient, appropriate audit evidence whilst working in this hybrid environment.

We have also considered the potential impact of climate change related factors in our audit, including challenging management on their assessment of how climate change related risks and opportunities impact the financial statements.

Overview

Audit scope

- The Group has four reportable segments, in addition to the Group Centre activities. Each reportable segment includes a number of reporting components across different locations and service lines.
- We conducted audit testing over 40 components. These were selected based on our assessment of inherent risk and their financial significance to the consolidated financial results.
- 21 components were subject to an audit of their complete financial information.
- Specific audit procedures were performed on certain balances and transactions for a further 19 components.
- Our audit scope provided coverage of 99% of IFRS Profit before taxation expense.

Independent auditors' report to the members of The British United Provident Association Limited continued

Key audit matters

- Valuation of provisions arising from insurance contracts (Group)
- Impairment of goodwill (Group)
- Valuation of freehold property and investment property (Group)
- Valuation of defined benefit pension obligation (Company)

Materiality

- Overall group materiality: £21.2m based on 5% of Profit before taxation expense.
- Overall company materiality: £10.0m based on 1% of Total assets.
- Performance materiality: £15.9m (Group) and £7.5m (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

	Key audit matters	How our audit addressed the key audit matter
Valuation of provisions arising from insurance contracts (Insurance contract liabilities) (Group) *Refer to Audit Committee Report, and Note 19.1 (for accounting policy and financial disclosures)*	Provisions arising from insurance contracts comprises provisions for unearned premiums, provisions for claims and life insurance contract liabilities. We consider the valuation of the provisions for claims, including the deferred claims liability, and the return of premium provision within the provisions for unearned premiums, as key areas of audit focus given the magnitude and inherent uncertainty involved in these estimates. **Provisions for claims** £1,093m (2020: £1,083m) The calculation of the outstanding claims provision is based on certain key assumptions, including expected claims development patterns, a margin for prudence, claims inflation and expected trends in medical costs and treatments. The COVID-19 pandemic has disrupted the claims profile across the Group, increasing the level of judgement required to estimate claims provisions. **Deferred claims provision** £163m (2020: £171m) Government restrictions affected insurance customers' ability to access treatment in private healthcare facilities and make claims, particularly for elective procedures. In Australia, a deferred claims provision is held due to regulatory commitments which give rise to a constructive obligation to fund the deferred medical service, even if the service were to postdate a customer's contract period. This deferred claim provision is held on a best estimate basis (plus a margin for prudence) and represents the estimated cost of claims that are expected to rebound. The key assumption used to calculate the deferred claims provision is the rebound (or deferral) factor applied to the estimated claims shortfall. **Return of premium provision** £71m (2020: £145m) 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 COVID-19 pandemic to its policyholders by establishing a 'return of premium' provision within their provision for unearned premiums. The provision has been calculated based on estimating the ultimate net reduction in claims costs attributable to COVID-19, adjusted to take into account incremental costs and profit impacts attributable to COVID-19 and deducting the estimated costs of deferred claims expected to rebound. The return of premium provision has reduced during the period following settlements made to policyholders.	The work performed to address the valuation of provisions for claims included the following procedures: • Understood and evaluated the processes and controls in place to determine the provisions for claims; • Tested the design and operating effectiveness of controls in place over provisions for claims, including those covering the approval of assumptions and completeness and accuracy of data used; • Using our actuarial specialist team members, we: – Applied our industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practices; – Evaluated the key assumptions used in the valuation of provisions for claims for reasonableness compared to historic experience and the estimated impact of COVID-19; – Performed independent re-projections for a number of business units, comparing our estimated provisions to those booked by management, and investigated differences, where material; – Where independent projection was not performed, evaluated the methodology and assumptions applied by management, or performed a diagnostic check to identify and investigate any anomalies; • Evaluated the methodology and assumptions used by management in calculating the deferred claims provision, including the assumed rebound factor applied, by comparison to experience to date and available market data; • Assessed the appropriateness of management's methodology to calculate the return of premium in the UK and in particular challenged management on the critical assumptions, tested the application of their methodology, performed sensitivity analysis on the calculations and tested payments made; • Assessed whether the disclosures related to insurance contract liabilities, including the deferred claims provision and the return of premium provision, are compliant with the applicable financial reporting standards. Based on the procedures performed and the evidence obtained, we consider the valuation of the insurance contract liabilities to be appropriate.

	Key audit matters	How our audit addressed the key audit matter
Impairment of goodwill (Group) *Refer to Audit Committee Report and Note 3 (for accounting policy and financial disclosures)*	Goodwill is initially recognised on business combinations and subsequently tested for impairment on an annual basis. The assessment of whether impairment losses should be recognised is based on calculating the recoverable amount for the related Cash Generating Unit (CGU), which is usually its value in use, determined by using discounted cash flow projections. Estimating and discounting the cash flow projections requires significant judgement. The key assumptions vary by CGU and include the discount rate and the forecast cash flows, including the impact of the terminal growth rate, retention rates for dentists and occupancy levels. We identified the following CGUs as having a higher risk of impairment due to their lower headroom, being the recoverable amount over carrying value, and sensitivity to alternative reasonable assumptions: ▪ Bupa Dental Care UK - Goodwill £467m (2020: £467m); ▪ Bupa Care Services UK - Goodwill £90m (2020: £90m); ▪ Bupa Chile - Goodwill £130m (2020: £152m); and ▪ Bupa Villages and Aged Care Australia - Goodwill £99m (2020: £111m). There is inherent uncertainty in estimating and discounting the cash flow projections, with a range of potential outcomes greater than our materiality from plausible alternative assumptions, some of which could result in impairment.	For goodwill impairment, we performed the following procedures: **Discount rates** ▪ Used our valuation experts to assess the appropriateness of management's methodology for computing the Weighted Average Cost of Capital used for discounting projected cash flows in the Value in Use calculation. ▪ For the four CGUs identified as having a higher risk of impairment, we used our valuation experts to independently compute the discount rates with reference to external comparable market information, compared the calculated rates to those used by management and investigated any differences. **Model integrity** ▪ Verified the discounted cash flow models including validating the numerical accuracy of and the mechanics of the models and the application of the discount rates. **Cash flows** ▪ Agreed cash flow forecasts to internal supporting documentation, including approved Business Plans. ▪ Compared cash flow forecasts used in the review to historical performance and challenged where forecasts indicated performance that deviated significantly from historical performance. ▪ Challenged key assumptions in the cash flow projections, such as expected occupancy rates, clinician hours and dentist retention and the terminal growth rates applied, and obtained supporting internal or external information. ▪ Performed sensitivity analyses on the key assumptions. **Disclosure** ▪ Assessed the appropriateness of the relevant disclosures to confirm compliance with the applicable financial reporting standards. Based on the procedures performed and the evidence obtained, we consider the conclusion that no impairment of goodwill is required to be supportable.
Valuation of freehold property and investment property (Group) *Refer to Audit Committee Report and Notes 4 and 5 (for accounting policy and financial disclosures).*	The Group holds freehold property (see Note 4 Property, plant and equipment) and investment property (see Note 5 Investment property). We consider the valuation of freehold property and investment property as key areas of audit focus given the magnitude and inherent uncertainty involved in these estimates. **Freehold property** Freehold properties of £2,248m (2020: £2,423m) comprise care homes, care villages, clinics, hospitals and offices across a number of locations. The properties are held under the revaluation model and are subject to periodic and at least triennial valuations performed by external independent valuers. The valuations are conducted by valuation experts and performed in accordance with relevant industry guidelines. The properties have been valued as fully equipped operational entities having regard to the trading potential reflecting the specialised nature of the facilities. A capitalised maintainable earnings or discounted cash flow model is used, assuming a reasonably efficient operator of the facility. The valuation is judgemental and involves estimation uncertainty. The significant assumptions include occupancy levels, estimated net earnings, capitalisation rates and discount rates. There is also judgement in the allocation of the fair value of the facility between its constituent parts, including the property. Where an external valuation has not been obtained, valuations are performed by the Directors to support the carrying value of the property. **Investment property** Investment properties of £666m (2020: £627m) relate predominantly to retirement villages in New Zealand. The properties are leased to third parties to generate rental income. The properties are held at fair value and subject to an independent external valuation annually. The valuation is based on discounted cash flow projections and uses subjective assumptions including the discount rate and expected rental yields.	For valuation of freehold property and investment property, we performed the following procedures: ▪ Assessed the appropriateness of the valuation methodology applied and whether this is in accordance with the requirements of the relevant standards; ▪ Obtained the most recent external valuation reports and critically assessed the qualifications and experience of the external valuers to determine whether they have the knowledge required to perform the valuations; ▪ For both external and Directors' valuations, we challenged the key assumptions relating to operating cash flows, such as occupancy rates and discount rates, as well as reviewing capitalisation rates and the useful lives of existing facilities. In critically assessing the key assumptions, we have utilised our own valuation experts, and considered external benchmarks and forecasts as well as reports from external chartered surveyors; ▪ For Directors' valuations, we have also challenged adjustments to the valuation model, with reference to the most recent external valuation obtained; and ▪ Assessed whether the disclosures in relation to the valuation of freehold and investment properties are compliant with the relevant financial reporting requirements. Based on the procedures performed and the evidence obtained, we consider the valuation of freehold property and investment property to be appropriate.

Independent auditors' report to the members of The British United Provident Association Limited continued

	Key audit matters	How our audit addressed the key audit matter
Valuation of defined benefit pension obligation (Company) *Refer to Audit Committee Report and Note 7 (for accounting policy and financial disclosures).*	The Company operates several defined benefit funded pension schemes, the most significant of which is The Bupa Pension Scheme which closed to future accrual as at 31 December 2020. The present value of the funded obligation is £1,969m (2020: £2,031m) with a net surplus of £479m recognised (2020: £479m). The estimate of the defined benefit pension obligations is inherently uncertain and requires expert judgement. External expert actuarial advice has been used in setting the key assumptions for the IAS 19 valuation, including mortality, inflation and discount rates. Small changes in these assumptions can have a significant impact on the defined benefit pension obligations and the 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.	For valuation of defined benefit pension obligations, we performed the following procedures: ▪ Assessed 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; ▪ Challenged the key assumptions, including mortality, inflation and discount rates. In critically assessing the key assumptions, we have utilised our own pension valuation experts, and considered benchmarking against available market data; ▪ Assessed the appropriateness of the surplus recognition with reference to the Trust Deed and Rules and relevant accounting standards; and ▪ Assessed whether the disclosures in relation to the valuation of the defined benefit pension obligations are compliant with the relevant financial reporting requirements. Based on the procedures performed and the evidence obtained, we consider the valuation of the defined benefit pension obligations to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

For the Group audit we defined a component as being a single reporting pack within the Group's consolidation process. Based on the output of our risk assessment, along with our understanding of the Bupa Group structure, we identified 21 components for which a full scope audit of their financial information has been performed. This was determined by assessing those components considered to be financially significant and with reference to our risk assessment.

We identified a further 19 components where specific audit procedures were performed on certain balances and transactions to provide sufficient and appropriate audit coverage over individual financial statement line items.

The components where we performed audit procedures included some operating in each of the Group's Market Units and covered over 91% of Group Revenue, 99% Group Profit before taxation expense and 85% of Group Total assets.

We also performed audit procedures over the Group Centre functions, including the consolidation process and certain treasury and payroll processes.

For the remaining components we performed analysis to assess whether our planning assumption that there was no risk of material misstatement remained appropriate.

As the group audit team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In our role as group auditors, we exercised oversight of the work performed by auditors of the components including performing the following procedures:

- Issued group instructions outlining areas requiring additional audit focus, including the key audit matters included above;
- Held a global planning workshop with in scope components;
- Maintained an active dialogue with reporting component audit teams throughout the year;
- Attended meetings with local management;
- Reviewed reporting requested from component teams, including those areas determined to be of heightened audit risk; and
- Reviewed component team detailed working papers, where relevant.

Due to the impact of COVID-19, we were unable to visit overseas component teams in person. However we performed a detailed review of key audit working papers at all in-scope components remotely.

For the Company audit, based on the outputs of our risk assessment, we identified one financially significant component being the holding company operations.

Materiality.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	£21.2m	£10.0m
How we determined it	5% of Profit before taxation expense	1% of Total assets
Rationale for benchmark applied	In determining our materiality, we have considered the financial metrics which we believed to be relevant, and concluded that Group Profit before taxation expense was the most appropriate benchmark. The Group is profit-orientated and Profit before taxation expense is a key performance metric used by the Directors' and other users of the financial statements.	In determining our materiality, we considered the financial metrics which we believed to be relevant and concluded that Total assets was the most appropriate benchmark. The primary purpose of the company is as a holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1.3m to £17.3m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £15.9m for the Group financial statements and £7.5m for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.2m (Group audit) and £0.5m (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' going concern assessment and challenging the rationale for downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considering management's assessment of the Group's regulatory solvency coverage and liquidity position in the forward looking scenarios considered;
- Assessment of the impact of severe, but plausible, downside scenarios;
- Assessing liquidity of the Group and Company, including the Group's ability to pay customers, suppliers and creditors as amounts fall due;
- Assessing the ability of the Group to comply with covenants;
- Enquiring and understanding the actions taken by management to mitigate the impacts of COVID-19, including attendance at all Group Audit Committee and Group Risk Committee meetings; and
- Reviewing the disclosures included in the financial statements in relation to going concern, including the Basis of Preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of The British United Provident Association Limited continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Corporate governance statement

ISAs (UK) require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to certain Group activities where non-compliance with the related laws and regulations could result in fines or litigation, or loss of the Group's licence to operate. We consider the areas most likely to have such an effect would be in relation to financial conduct regulation, healthcare provision conduct regulation and regulatory capital and liquidity requirements. In addition, risks arise from the Group's required compliance with related taxation legislation (including VAT and payroll taxes) and pensions legislation. We considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgmental areas of the financial statements, including those shown in our Key Audit Matters. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Board, management, Internal Audit, senior management involved in the Risk and Compliance functions and the Group and Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group and Company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the relevant regulators in all significant locations, including the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority in the UK;
- Reviewing relevant meeting minutes including those of the Board of Directors, Remuneration and Disclosure Committees and attending all Audit Committee and Risk Committee meetings;
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Testing transactions entered into outside of the normal course of the Group and Company's business; and
- Reviewing the Group's register of litigation and claims, Internal Audit reports, and Chief Medical Officer's Reports in so far as they related to non-compliance with laws and regulations and fraud.

Independent auditors' report to the members of The British United Provident Association Limited continued

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 12 May 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other voluntary reporting

Directors' remuneration

The Company voluntarily prepares a Directors' remuneration report in accordance with the provisions of the Companies Act 2006. The Directors requested that we audit the part of the Directors' remuneration report specified by the Companies Act 2006 to be audited as if the Company were a quoted company.

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

7 March 2022

Consolidated Income Statement
for the year ended 31 December 2021

	Note	2021 £m	2020 restated[1] £m
Revenues			
Gross insurance premiums	2.1	**9,227**	8,908
Premiums ceded to reinsurers	2.1	**(102)**	(95)
Net insurance premiums earned		**9,125**	8,813
Care, health and other customer contract revenue	2.1	**3,699**	3,230
Other revenue	2.1	**79**	99
Total revenues		**12,903**	12,142
Claims and expenses			
Insurance claims incurred	2.2	**(7,294)**	(6,712)
Reinsurers' share of claims incurred	2.2	**79**	57
Net insurance claims incurred		**(7,215)**	(6,655)
Share of post-taxation results of equity accounted investments	6	**42**	56
Impairment of goodwill and intangible assets	3	**(27)**	(19)
Other operating expenses	2.3	**(5,237)**	(5,024)
Other income and charges	2.4	**49**	1
Total claims and expenses		**(12,388)**	(11,641)
Profit before financial income and expense		**515**	501
Financial income and expense			
Financial income	2.5	**97**	92
Financial expense	2.5	**(185)**	(182)
Net impairment loss on financial assets		**(4)**	(15)
Net financial expense		**(92)**	(105)
Profit before taxation expense		**423**	396
Taxation expense	2.6	**(62)**	(175)
Profit for the year		**361**	221
Attributable to:			
Bupa		**358**	219
Non-controlling interests		**3**	2
Profit for the year		**361**	221

1. Refer to note 1.5 for details of the restatements.

Notes 1-28 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £m	2020 restated[1] £m
Profit for the year		**361**	221
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement			
Unrealised losses on revaluation of property	4	**(26)**	(5)
Remeasurement losses on pension schemes	7	**(5)**	(128)
Taxation credit on income and expenses recognised directly in other comprehensive income	2.6	**8**	11
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	3	**(126)**	63
Other foreign exchange translation differences		**(240)**	39
Net gain/(loss) on hedge of net investment in overseas subsidiary companies		**62**	(62)
Share of other comprehensive income of equity accounted investments		**6**	13
Change in fair value of financial investments through other comprehensive income		**(6)**	7
Realised loss on disposal of financial investments at fair value through other comprehensive income		**1**	-
Change in cash flow hedge reserve		**(21)**	-
Taxation credit on income and expenses recognised directly in other comprehensive income	2.6	**-**	2
Total other comprehensive expense		**(347)**	(60)
Comprehensive income for the year		**14**	161
Attributable to:			
Bupa		**14**	159
Non-controlling interests		**-**	2
Comprehensive income for the year		**14**	161

1. Refer to note 1.5 for details of the restatements.

Notes 1-28 form part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2021

	Note	2021 £m	2020 restated[1] £m
Assets			
Goodwill and intangible assets	3	**3,577**	3,890
Property, plant and equipment	4	**3,816**	4,144
Investment property	5	**666**	627
Equity accounted investments	6	**905**	868
Post-employment benefit net assets	7	**542**	547
Restricted assets	8	**158**	149
Financial investments	9	**2,911**	2,865
Derivative assets	10	**41**	61
Deferred taxation assets	11	**89**	49
Current taxation assets		**24**	12
Assets arising from insurance business	12	**1,374**	1,345
Inventories	13	**93**	126
Trade and other receivables	14	**624**	613
Cash and cash equivalents	15	**1,739**	1,706
Assets held for sale	16	**38**	8
Total assets		**16,597**	17,010
Liabilities			
Subordinated liabilities	17	**(997)**	(1,247)
Other interest-bearing liabilities	17	**(822)**	(1,191)
Lease liabilities	18	**(921)**	(1,016)
Post-employment benefit net liabilities	7	**(69)**	(76)
Provisions arising from insurance contracts	19.1	**(3,233)**	(3,212)
Derivative liabilities	10	**(35)**	(77)
Provisions for liabilities and charges	20	**(279)**	(283)
Deferred taxation liabilities	11	**(295)**	(331)
Current taxation liabilities		**(55)**	(117)
Other liabilities arising from insurance business	19.2	**(213)**	(162)
Trade and other payables	21	**(2,216)**	(2,149)
Liabilities associated with assets held for sale	16	**(4)**	(1)
Total liabilities		**(9,139)**	(9,862)
Net assets		**7,458**	7,148
Equity			
Property revaluation reserve		**655**	699
Income and expenditure reserve		**6,502**	6,147
Cash flow hedge reserve		**-**	21
Foreign exchange translation reserve		**(13)**	263
Equity attributable to Bupa		**7,144**	7,130
Restricted Tier 1 notes	22	**297**	-
Non-controlling interests	23	**17**	18
Total equity		**7,458**	7,148

1. Refer to note 1.5 for details of the restatements.

Approved by the Board of Directors and signed on its behalf on 7 March 2022 by

Roger Davis

Chairman

James Lenton

Group CFO

Notes 1-28 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

	Note	2021 £m	2020 restated[1] £m
Operating activities			
Profit before taxation expense[1]		**423**	396
Adjustments for:			
Net financial expense[1]		**92**	105
Depreciation, amortisation and impairment[1]		**532**	524
Other non-cash items[1]		**(135)**	(94)
Changes in working capital and provisions:			
Increase in provisions and other liabilities arising from insurance contracts		**238**	442
(Increase)/decrease in assets arising from insurance business		**(73)**	16
Funded pension scheme employer contributions		**(1)**	(9)
(Increase)/decrease in trade and other receivables, and other assets		**(25)**	21
Increase in trade and other payables, and other liabilities[1]		**65**	103
Cash generated from operations		**1,116**	1,504
Income taxation paid		**(200)**	(136)
Increase in cash held in restricted assets	8	**(9)**	(32)
Net cash generated from operating activities		**907**	1,336
Cash flow from investing activities			
Acquisition of subsidiary companies, net of cash acquired		**(19)**	(25)
Investment in equity accounted investments	6	**(14)**	(109)
Dividends received from associates		**34**	-
Disposal of subsidiary companies and other businesses, net of cash disposed of		**104**	-
Divestment in equity accounted investments		**7**	-
Purchase of intangible assets[1]	3	**(108)**	(141)
Purchase of property, plant and equipment	4	**(193)**	(184)
Proceeds from sale of property, plant and equipment		**18**	101
Purchase of investment property	5	**(37)**	(59)
Disposal of investment property		**-**	1
Purchases of financial investments, excluding deposits with credit institutions[1]		**(1,070)**	(1,609)
Proceeds from sale and maturities of financial investments, excluding deposits with credit institutions		**750**	1,302
Net withdrawals from/(investments into) deposits with credit institutions		**231**	(224)
Interest received		**62**	51
Net cash used in investing activities		**(235)**	(896)
Cash flow from financing activities			
Proceeds from issue of Restricted Tier 1 notes	22	**297**	-
Proceeds from issue of interest-bearing liabilities and drawdowns on other borrowings		**391**	648
Repayment of interest-bearing liabilities and other borrowings		**(983)**	(578)
Principal repayment of lease liabilities		**(130)**	(126)
Repayment of interest on lease liabilities	18	**(47)**	(54)
Interest paid[2]	17	**(83)**	(103)
Net receipts on settlement of hedging instruments		**8**	4
Dividends paid to non-controlling interests		**(1)**	(1)
Net cash used in financing activities		**(548)**	(210)
Net increase in cash and cash equivalents		**124**	230
Cash and cash equivalents at beginning of year		**1,705**	1,451
Effect of exchange rate changes		**(91)**	24
Cash and cash equivalents at end of year[3]	15	**1,738**	1,705

1. Refer to note 1.5 for details of the restatements.
2. Includes other bank fees and charges of £2m (2020: £3m).
3. Includes bank overdrafts of £1m (2020: £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 (2020: £nil).

Notes 1-28 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	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	Restricted Tier 1 notes £m	Non-controlling interests £m	Total equity £m
2021									
Balance as at 1 January 2021		**699**	**6,147**	**21**	**263**	**7,130**	**-**	**18**	**7,148**
Profit for the year		**-**	**358**	**-**	**-**	**358**	**-**	**3**	**361**
Other comprehensive income/(expense)									
Unrealised loss on revaluation of property	4	**(26)**	**-**	**-**	**-**	**(26)**	**-**	**-**	**(26)**
Realised revaluation profit on disposal of property		**(4)**	**4**	**-**	**-**	**-**	**-**	**-**	**-**
Remeasurement loss on pension schemes	7	**-**	**(5)**	**-**	**-**	**(5)**	**-**	**-**	**(5)**
Foreign exchange translation differences on goodwill	3	**-**	**-**	**-**	**(126)**	**(126)**	**-**	**-**	**(126)**
Other foreign exchange translation differences		**(20)**	**(6)**	**-**	**(211)**	**(237)**	**-**	**(3)**	**(240)**
Net gain on hedge of net investment in overseas subsidiary companies		**-**	**-**	**-**	**62**	**62**	**-**	**-**	**62**
Share of other comprehensive income of equity accounted investments		**-**	**6**	**-**	**-**	**6**	**-**	**-**	**6**
Change in fair value of financial investments through other comprehensive income		**-**	**(6)**	**-**	**-**	**(6)**	**-**	**-**	**(6)**
Realised loss on disposal of financial investments at fair value through other comprehensive income		**-**	**1**	**-**	**-**	**1**	**-**	**-**	**1**
Change in cash flow hedge reserve		**-**	**-**	**(21)**	**-**	**(21)**	**-**	**-**	**(21)**
Taxation credit/(charge) on income and expense recognised directly in other comprehensive income	2.6	**6**	**3**	**-**	**(1)**	**8**	**-**	**-**	**8**
Other comprehensive expense for the year, net of taxation		**(44)**	**(3)**	**(21)**	**(276)**	**(344)**	**-**	**(3)**	**(347)**
Total comprehensive (expense)/income for the year		**(44)**	**355**	**(21)**	**(276)**	**14**	**-**	**-**	**14**
Issue of Restricted Tier 1 notes	22	**-**	**-**	**-**	**-**	**-**	**297**	**-**	**297**
Dividends paid to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Balance as at 31 December 2021		**655**	**6,502**	**-**	**(13)**	**7,144**	**297**	**17**	**7,458**

Notes 1-28 form part of these financial statements.

Consolidated Statement of Changes in Equity continued
for the year ended 31 December 2021

	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 interests £m	Total equity £m
2020								
Balance as at 1 January 2020, as previously reported		692	6,059	21	237	7,009	17	7,026
Opening balance adjustments[1]	1.5	-	(38)	-	-	(38)	-	(38)
Balance as at 1 January 2020, as restated		692	6,021	21	237	6,971	17	6,988
Profit for the year[1]		-	219	-	-	219	2	221
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[1]		16	(1)	-	24	39	-	39
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)	-	26	(60)	-	(60)
Total comprehensive income for the year		7	126	-	26	159	2	161
Dividends paid to non-controlling interests		-	-	-	-	-	(1)	(1)
Balance as at 31 December 2020		699	6,147	21	263	7,130	18	7,148

1. Refer to note 1.5 for details of the restatements.

Notes 1-28 form part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2021

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 UK-adopted international accounting standards, in conformity with the requirements of the Companies Act 2006. The change, on 1 January 2021, from International Financial Reporting Standards (IFRS) as adopted in the European Union, to UK-adopted IFRS, was a change in accounting framework, in line with the requirements of UK company law, not a change in accounting policy. There was no impact on recognition, measurement or disclosure from this change in framework.

The financial statements were approved by the Board of Directors on 7 March 2022. The Directors have reviewed and approved the Group's accounting policies which have been applied consistently to all the years presented, unless otherwise stated.

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 2021 comprise those of the Company and its subsidiary companies, and the share of results of equity accounted investments.

Subsidiaries are those entities over which the Group has control. The Group controls an entity when it has power over it, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group considers all relevant facts and circumstances when determining whether control exists and makes a reassessment whenever those facts and circumstances change.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences to the date that control ceases. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group applies the purchase method in accounting for business combinations. The Group recognises identifiable assets, liabilities and contingent liabilities at fair value, and any non-controlling interests in the acquiree. 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). Functional currencies are identified at a 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.

Notes to the Consolidated Financial Statements continued

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	Details	Note
Goodwill and intangible assets	Goodwill and intangible assets are recognised on acquired businesses based on fair values at the date of acquisition. Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis, or when there are indicators of impairment. Other intangible assets are tested for impairments when there are indicators of impairment. **Sources of estimation uncertainty** Annual impairment tests include a number of sources of estimation uncertainty as the key assumptions used when modelling the recoverable amount include estimating the discount rate, terminal growth rate and the forecast cash flows. Estimation uncertainties within these cash flows vary by CGU. For aged care this includes occupancy rates, fee rates, staff costs and operating expenses; for provision business, available clinician hours, fee rates and operating expenses; and for insurance business, future insurance premium rises, claims volatility and claims inflation. The Group is still navigating the medium to long-term impact of COVID-19 across the different business lines and as such there is significant estimation uncertainty in the above assumptions. This includes the impact of the timing of the recovery of business cash flows as well as determining appropriate discount rates and terminal growth rates in light of associated market volatility. During 2021 a change has been made to the estimation technique used for modelling forecast cash flows to remove the financing costs from future lease cash flows. This has not impacted the carrying value of goodwill and intangible assets in the current or prior year. **Accounting judgements** Judgement is applied to determine whether there is an indication of impairment to intangible assets. In making this judgement, the Group considers current trading and future plans associated with each of the assets in order to assess whether a full impairment assessment is required.	3
Property valuations	The Group has a significant portfolio of care home, hospital and office properties. These are subject to periodic and at least triennial valuations performed by external independent valuers, with directors' valuations performed in intervening years. **Sources of estimation uncertainty** Significant assumptions for freehold properties are normalised earnings, average occupancy and capitalisation rates, whereas for investment property key assumptions are discount and capital growth rates. **Accounting judgements** In valuing care home property, a judgement is made on the highest and best use of the property. In the majority of cases this leads to the property being valued as part of a group of assets making up a going-concern business using market-based assumptions. The business is valued on a fair maintainable trade basis with the fair value thus calculated being allocated to plant and equipment and bed licences where applicable at net book value (as a proxy for fair value), with the residual value being allocated to property.	4,5
Defined benefit pension obligations	The Group's principal defined benefit scheme is in the UK, The Bupa Pension Scheme. The scheme closed to future accrual as at 31 December 2020 and the current triennial valuation at 1 July 2020 was finalised during the year. External actuarial advice has been taken in setting the assumptions used in the valuation of the defined benefit pension obligations, which are the discount rate, rates of inflation, salary increases and mortality. As defined benefit schemes are long-term in nature these assumptions can be subject to uncertainty.	7
Claims provisioning	Estimates included in the provisions arising from insurance contracts include expected claims payments and expenses required to settle existing insurance contract obligations. A deferred claim provision continues to be held within the outstanding claims provision in respect of health insurance business in Australia, where the Australian prudential regulator (APRA) has mandated the need to provide for the rebound of claims following the COVID-19 disruption, triggering a constructive obligation for the Group to pay claims in relation to the disrupted business. The provision has been calculated based on the central estimate of the present value of expected future payments required to settle claims deferred as a result of COVID-19 restrictions, together with related claims handling costs and an additional risk margin. **Sources of estimation uncertainty** 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 respect of the deferred claim provision significant assumptions include forecasting the insurance claims that remain deferred at the reporting date following periods of significant COVID-19 disruption and the percentage of those claims which are likely to rebound in future.	19

Area	Details	Note
Unearned premium provisioning	The unearned premium provision includes a return of premium provision in respect of the UK Private Medical Insurance (PMI) business. In April 2020, Bupa Insurance Limited made a pledge to pass back to customers any exceptional financial benefits experienced by the UK PMI business that ultimately arise as a result of COVID-19. The provision has been calculated based on estimating the ultimate net reduction in claims costs attributable to COVID-19, adjusted to take into account incremental costs and profit impacts attributable to COVID-19, and deducting the estimated costs of deferred claims expected to rebound and COVID-19 related claims inflation. **Sources of estimation uncertainty** Significant assumptions include forecasting the insurance claims that remain deferred at the reporting date following COVID-19 disruption, including the timing and amount of claims that are expected to rebound and in calculating the exceptional financial benefits that are expected to be experienced by the business, including the identification of incremental costs and profit impacts attributable to COVID-19.	19

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 scenario-based stress testing and reverse stress testing, 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 liquidity, regulatory solvency, access to funding and trading profitability over the next 12 months.

The assessment identified the risks and uncertainties most likely to impact the Group and considered the impact to the Group's businesses under a number of reasonably plausible severe scenarios. Scenarios considered included a delay of six to nine months in the development of COVID-19 herd immunity following delayed vaccine roll outs and the emergence of vaccine-resistant variants; and an additional 1% claims inflation for insurance businesses and 1% expense inflation for all businesses on top of base case expectations. Under such scenarios, significant short-term reductions in profitability arise, however the Group would still remain within its risk appetites for liquidity and regulatory solvency. Additionally, the Group has access to a £900m revolving credit facility (RCF) as described in note 17(c). The Group expects to remain compliant with the RCF's covenants under stressed scenarios and may further draw down on the RCF in order to meet liquidity needs. Additional management actions would allow downside impacts to be further mitigated by reducing expenditure, obtaining additional funding or divesting investments or businesses.

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 1-53. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 43-46. The Directors' assessment of the Group's longer-term viability over a three-year period is described on page 110.

1.5 Restatements and changes in accounting policies

Except for the changes detailed in (a) to (f) below, the Group has consistently applied its accounting policies to all periods presented in these Consolidated Financial Statements.

The impacts of the restatements to the published 31 December 2020 figures and at 1 January 2020 are set out below:

31 December 2020	**As published £m**	**Restatements £m**	**As restated £m**
Total revenues	12,118	24	**12,142**
Total claims and expenses	(11,629)	(12)	**(11,641)**
Net financial expense	(79)	(26)	**(105)**
Taxation expense	(180)	5	**(175)**
Total impact on profit for the year		(9)	
Goodwill and intangible assets	3,908	(18)	**3,890**
Provisions for liabilities and charges	(232)	(51)	**(283)**
Deferred taxation liabilities	(350)	19	**(331)**
Total impact on net assets		(50)	
Income and expenditure reserve	6,194	(47)	**6,147**
Foreign exchange translation reserve	266	(3)	**263**
Total impact on equity		(50)	

Notes to the Consolidated Financial Statements continued

1 January 2020	As published £m	Restatements £m	As restated £m
Goodwill and intangible assets	3,869	(14)	**3,855**
Provisions for liabilities and charges	(187)	(38)	**(225)**
Deferred taxation liabilities	(370)	14	**(356)**
Total impact on net assets		(38)	
Income and expenditure reserve	6,059	(38)	**6,021**
Total impact on equity		(38)	

(a) Underpayment of employee entitlements

During the year, the Group has been able to quantify historical underpayments of employee entitlements affecting some current and former employees, following an extensive proactive pay compliance review carried out in Australia and New Zealand. Comparative periods have been restated resulting in the impacts shown in the table below.

	31 December 2020 £m
Opening income and expenditure reserve	**(27)**
Other operating expenses – employee costs (note 2.3)	**(8)**
Financial expense (note 2.5)	**(2)**
Taxation expense (note 2.6)	**4**
Total impact on profit for the year	**(6)**
Closing income and expenditure reserve	**(33)**
Foreign exchange movement in the period	**(3)**
Total impact on equity	**(36)**

	31 December 2020 £m
Provisions for liabilities and charges	**(51)**
Deferred taxation liabilities	**15**
Total impact on net assets	**(36)**

As at 31 December 2021 the Group is holding a provision of £62m (2020: £51m) in respect of future remediation payments. Refer to note 20 for further details.

(b) Refundable Accommodation Deposits (RADs)

The Group receives interest-free RADs in respect of payments for aged care units in Bupa Villages and Aged Care Australia. Revenue is recognised for the imputed interest on RADs, reflecting the Group's position as lessor. The Group has determined that the use of the Maximum Permissible Interest Rate (MPIR) is most appropriate to determine the imputed revenue and interest amounts. The MPIR is a rate set by the Australian Government and is used to calculate the Daily Accommodation Payment to applicable residents. Previously the Group used the overnight funding rate to determine imputed revenue and interest.

The impact of this change in measurement is shown in the table below. Comparative periods have been restated for the change.

	31 December 2020 £m
Other revenue (note 2.1)	**24**
Financial expense (note 2.5)	**(24)**
Total impact on profit for the year	**-**

(c) Market Unit restructure

In 2021, the Group announced an update to the organisational structure transferring Bupa Hong Kong from Other businesses into the Australia and New Zealand Market Unit to form Bupa Asia Pacific. 2020 results by operating segment have been restated to reflect this change. The amounts related to Bupa Hong Kong which have been restated between segments are shown below.

	Bupa Hong Kong 31 December 2020 £m
Gross insurance premiums	**382**
Premiums ceded to reinsurers	**(3)**
Internal reinsurance	**(48)**
Net insurance premiums earned	**331**
Care, health and other customer contract revenue	**151**
Other revenue	**6**
Total revenues for reportable segments	**488**

	Bupa Hong Kong 31 December 2020 £m
Underlying profit for reportable segments	6
Non-underlying items:	
Impairments of intangible assets and goodwill arising on business combinations	(11)

The restructure had no impact to the Consolidated Statement of Financial Position or Consolidated Income Statement.

(d) IFRS Interpretations Committee decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)'

In April 2021, the IFRS Interpretations Committee (IFRS IC) published its final agenda decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)'. This agenda decision considered how an entity should account for configuration and customisation costs incurred in implementing a Software as a Service (SaaS) arrangement. The IFRS IC concluded that such costs should be expensed unless the criteria for recognising a separate asset are met. The Group has reviewed the historic capitalisation of SaaS costs which has led to certain assets being derecognised where capitalisation is judged to have been non-compliant with the new guidance. The impact of this agenda decision has been recognised on a fully retrospective basis resulting in the impacts shown below. Comparative periods have been restated to reflect the change in accounting policy resulting from the new guidance.

	31 December 2020 £m
Opening income and expenditure reserve	**(11)**
Other operating expenses - depreciation (note 2.3)	3
Other operating expenses - other (note 2.3)	(7)
Taxation expense	1
Total impact on profit for the financial year	**(3)**
Closing income and expenditure reserve	**(14)**
Total impact on equity	**(14)**

	31 December 2020 £m
Goodwill and intangible assets	(18)
Deferred taxation liabilities	4
Total impact on net assets	**(14)**

(e) Financial asset classification

Following an internal review of financial asset classification, as at 31 December 2020, £169m of assets have been restated from deposits with credit institutions at amortised cost to corporate debt securities and secured loans at amortised cost. In addition, £186m of deposits with credit institutions and £14m of cash and cash equivalents have been restated from BB+ and below (below investment grade) to AA- to AA+.

These restatements had no impact to the Consolidated Statement of Financial Position.

(f) IFRS 9, IAS 39, IFRS 7 and IFRS 16 interest rate benchmark reform

In response to reforms of benchmark interest rates, 'Interest Rate Benchmark Reform - Phase 2' 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; and hedge accounting. These amendments were effective from 1 January 2021. The Group has made use of exemptions provided by the amendments in relation to financial instruments and hedge accounting and there was no recognition or measurement impact as a result of eligible transition activity. The amendments also require additional disclosures related to interest rate benchmark reform. These disclosures are provided in note 26.2.3. No restatements were required as a result of adopting these amendments.

(g) Other

A number of other amended standards and interpretations became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Notes to the Consolidated Financial Statements continued

1.6 Forthcoming financial reporting requirements

A number of financial reporting standards, amendments and interpretations have been issued but are not effective for the year ended 31 December 2021 and have not been early adopted by the Group. These include:

(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. Under the general measurement model, 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 eligible 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.

In December 2021 the IASB issued 'Initial Application of IFRS 17 and IFRS 9 - Comparative Information', providing a transition option for entities initially adopting IFRS 17 and IFRS 9 Financial Instruments at the same time. As Bupa has already adopted IFRS 9 the amendment is not expected to have any impact on the Group.

(b) IAS 1 amendments

In February 2021, the IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' to help improve accounting policy disclosures for the primary users of financial statements. Entities must disclose material accounting policies, rather than the current requirement to disclose significant accounting policies, and the concept of materiality in the context of accounting policies is further defined. The amendments are effective from 1 January 2023. These amendments are expected to impact Group disclosures, but have no impact on recognition or measurement.

(c) IAS 8 amendments

'Definition of Accounting Estimates (Amendments to IAS 8)' was issued by the IASB in February 2021. The amendments introduce the definition of accounting estimates and include further amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective from 1 January 2023. These amendments are not expected to have a material impact on the Group.

(d) IAS 12 amendments

In May 2021 the IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' removing an existing deferred tax recognition exemption for transactions that give rise to equal taxable and deductible temporary differences on initial recognition. A lessee's recognition of assets and liabilities on inception of a lease is potentially such a transaction, depending on applicable tax law. The amendments are effective from 1 January 2023. These amendments are not expected to have a material impact on the Group.

(e) Other

A number of other amendments to standards and interpretations have been issued and are not yet effective for the year ended 31 December 2021. None of these is expected to have a material impact on 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. The Group announced an update to the organisational structure in 2021, with the incorporation of Bupa Hong Kong into the previous Australia and New Zealand Market Unit to form Bupa Asia Pacific. The three Market Units are now Bupa Asia Pacific; 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 China and the Group's associate investments, Bupa Arabia and Niva Bupa are reported within Other businesses. The segmental disclosures below are reported consistently with the way the business is managed and reported internally.

Comparative information has been restated to reflect the change in organisational structure. Refer to note 1.5 for further details.

Reportable segments	Services and products
Bupa Asia Pacific	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, respite care and residential villages.
	Bupa Villages and Aged Care New Zealand: Nursing, residential, respite care and residential villages.
	Bupa Hong Kong: Domestic health insurance, primary healthcare and day care clinics including diagnostics.
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.
	Associate: Highway to Health (United States of America) (operating as GeoBlue).
Other businesses	Bupa China: Clinical services.
	Associates: Bupa Arabia (Kingdom of Saudi Arabia) and Niva 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.

Notes to the Consolidated Financial Statements continued

Underlying profit

The following items are excluded from underlying profit:

- Impairment of intangible assets and goodwill arising on business combinations - these 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 - 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 - 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. This includes items such as restructuring costs and profit or loss amounts related to changes to strategic investments.

The total underlying profit of the reportable segments is reconciled below to profit before taxation expense in the Consolidated Income Statement.

(i) Revenues

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2021 £m	2020 restated[1,2] £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 restated[1] £m	**2021 £m**	2020 restated[2] £m
Gross insurance premiums	**4,241**	4,050	**2,663**	2,658	**2,323**	2,200	**-**	-	**9,227**	8,908
Premiums ceded to reinsurers	**(5)**	(3)	**(22)**	(24)	**(75)**	(68)	**-**	-	**(102)**	(95)
Internal reinsurance	**(53)**	(48)	**-**	-	**53**	48	**-**	-	**-**	-
Net insurance premiums earned	**4,183**	3,999	**2,641**	2,634	**2,301**	2,180	**-**	-	**9,125**	8,813
Care, health and other customer contract revenue	**1,264**	1,174	**1,354**	1,124	**1,081**	932	**-**	-	**3,699**	3,230
Other revenue	**51**	76	**9**	7	**14**	10	**5**	6	**79**	99
Total revenues for reportable segments	**5,498**	5,249	**4,004**	3,765	**3,396**	3,122	**5**	6	**12,903**	12,142
Consolidated total revenues									**12,903**	12,142

1. 2020 amounts have been restated to report Bupa Hong Kong as part of the Bupa Asia Pacific Market Unit. Refer to note 1.5c for details of the restatement.
2. Refer to note 1.5b for details of the restatement.

(ii) Segmental result

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2021 £m	2020 restated[1,2] £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 restated[1] £m	**2021 £m**	2020 restated[2] £m
Underlying profit for reportable segments[3]	**222**	130	**162**	184	**62**	110	**45**	55	**491**	479
Central expenses and net interest margin[2]									**(86)**	(105)
Consolidated underlying profit before taxation expense									**405**	374
Non-underlying items:										
Impairments of intangible assets and goodwill arising on business combinations	**(18)**	(11)	**-**	(1)	**-**	-	**-**	-	**(18)**	(12)
Net gain/(loss) on disposal of businesses and transaction costs on business combinations[4]	**8**	-	**3**	26	**2**	(27)	**-**	-	**13**	(1)
Net property revaluation gain/(loss)	**17**	30	**-**	-	**(1)**	(4)	**-**	-	**16**	26
Realised and unrealised foreign exchange (loss)/gain[5]	**-**	-	**(3)**	-	**7**	(2)	**1**	-	**5**	(2)
Other Market Unit non-underlying items[6]	**-**	-	**(9)**	-	**22**	(7)	**-**	-	**13**	(7)
Group non-underlying items[7]									**(14)**	3
Gain on return-seeking assets, net of hedging									**3**	15
Total non-underlying items									**18**	22
Consolidated profit before taxation expense									**423**	396

1. 2020 amounts have been restated to report Bupa Hong Kong as part of the Bupa Asia Pacific Market Unit. Refer to note 1.5c for details of the restatement.
2. Refer to note 1.5 for details of the restatement.
3. Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. Other businesses includes Bupa Arabia and Niva Bupa. Bupa Global and UK includes Highway to Health. For further information please refer to note 6.
4. 2020 net gain/(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.
5. Includes the foreign exchange impact of treating unearned premiums and deferred acquisition costs as non-monetary items.
6. £22m within the Bupa Global and UK segment includes a £40m net gain on the acquisition of the membership and business of CS Healthcare (see note 24) and restructuring costs.
7. Includes £18m loss recognised following the early redemption of £250m of unguaranteed subordinated bonds during the year.

Notes to the Consolidated Financial Statements continued

(iii) Other information

The Market Unit segmental results set out in table (ii) above include the following material non-cash items:

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2021 £m	2020 restated £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 restated £m	**2021 £m**	2020 restated £m
Amortisation and depreciation costs for reportable segments[1]	**(165)**	(164)	**(187)**	(185)	**(147)**	(150)	**-**	-	**(499)**	(499)
Unrealised gain on investment property	**26**	25	**1**	-	**-**	-	**-**	-	**27**	25
Surplus/(deficit) on revaluation of property	**(8)**	5	**(1)**	-	**(1)**	(4)	**-**	-	**(10)**	1
Share of profits/(losses) from associates	**-**	-		-	**(3)**	1	**45**	55	**42**	56

1. Refer to note 1.5c and 1.5d for details of the restatement.

(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	
	2021 £m	2020 restated £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 restated £m
Total revenues[1]	**5,023**	4,761	**3,161**	2,868	**1,776**	1,722	**2,943**	2,791	**12,903**	12,142
Consolidated non-current assets[2]	**3,281**	3,569	**3,434**	3,449	**691**	842	**1,575**	1,719	**8,981**	9,579

1. Refer to note 1.5b for details of the restatement.
2. Consolidated non-current assets excludes financial investments, restricted assets, assets arising from insurance business, deferred taxation assets and post-employment benefit net assets.

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 based on the best estimate of future cash flows. 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 on a straight-line basis.
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. These revenue streams typically relate to short-term services that have fixed, rather than variable, transaction prices and there are no significant judgements required when considering the time pattern of revenue recognition. Payment terms vary from on 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 comprises: - Rental income and amenities fees from Occupation Right Agreements, which is recognised on a straight-line basis over the term of the arrangement. - Imputed interest on interest-free refundable accommodation deposits (RADs) in respect of payments for aged care units in Bupa Villages and Aged Care Australia. Revenue is recognised for the imputed interest on RADs, reflecting the Group's position as lessor. Use of the Maximum Permissible Interest Rate (MPIR) is considered most appropriate to determine the imputed revenue and interest amounts. The MPIR is a rate set by the Australian Government and is used to calculate the Daily Accommodation Payment to applicable residents. - Government funding received in response to COVID-19, most notably in Bupa Health Services, Australia, Bupa Villages and Aged Care Australia and Hong Kong. Such funding is recognised when it is considered reasonably certain that the funding will be received and all necessary conditions have been complied with.

Notes to the Consolidated Financial Statements continued

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 2021, Bupa Hong Kong has been reallocated from Other businesses to the Bupa Asia Pacific Market Unit. Comparatives have been restated accordingly.

	Care, health and other customer contract revenue 2021 £m	Net insurance premiums earned 2021 £m	Other revenue 2021 £m	Total revenues 2021 £m
Bupa Health Insurance	8	3,876	1	3,885
Bupa Health Services	626	-	1	627
Bupa Villages and Aged Care Australia	317	-	34	351
Bupa Villages and Aged Care New Zealand	146	-	14	160
Bupa Hong Kong	167	307	1	475
Bupa Asia Pacific	**1,264**	**4,183**	**51**	**5,498**
Sanitas Seguros	8	1,228	2	1,238
Sanitas Dental	110	70	3	183
Sanitas Hospitales and New Services	221	-	-	221
Sanitas Mayores	130	-	-	130
LuxMed	470	13	1	484
Bupa Acıbadem Sigorta	-	166	-	166
Bupa Chile	392	674	2	1,068
Care Plus	3	178	-	181
Bupa Mexico	8	46	-	54
Bupa Global Latin America	12	266	1	279
Europe and Latin America	**1,354**	**2,641**	**9**	**4,004**
Bupa UK Insurance	18	1,576	4	1,598
Bupa Dental Care UK	493	-	-	493
Bupa Care Services	401	-	-	401
Bupa Health Services	168	-	1	169
Bupa Global	1	725	9	735
Bupa Global and UK	**1,081**	**2,301**	**14**	**3,396**
Other	-	-	5	5
Other businesses	**-**	**-**	**5**	**5**
Consolidated total revenues	**3,699**	**9,125**	**79**	**12,903**

	Care, health and other customer contract revenue 2020 restated[1] £m	Net insurance premiums earned 2020 restated[1] £m	Other revenue 2020 restated[1] £m	Total revenues 2020 restated[1] £m
Bupa Health Insurance	6	3,668	–	3,674
Bupa Health Services	562	–	23	585
Bupa Villages and Aged Care Australia[1]	313	–	35	348
Bupa Villages and Aged Care New Zealand	142	–	12	154
Bupa Hong Kong[1]	151	331	6	488
Bupa Asia Pacific[1]	1,174	3,999	76	5,249
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
Other	–	–	6	6
Other businesses	–	–	6	6
Consolidated total revenues	3,230	8,813	99	12,142

1. Refer to note 1.5 for details of the restatements.

Analysis of net insurance premiums earned

	2021 £m	2020 £m
Gross premiums written	**9,353**	8,909
Change in gross provisions for unearned premiums	**(126)**	(1)
Gross insurance premiums	**9,227**	8,908
Gross premiums written ceded to reinsurers	**(109)**	(97)
Reinsurers' share of change in gross provisions for unearned premiums	**7**	2
Premiums ceded to reinsurers	**(102)**	(95)
Net insurance premiums earned	**9,125**	8,813

Notes to the Consolidated Financial Statements continued

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. 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 in some markets.

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 in respect of the Australian health insurance business) 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.

	2021 £m	2020 £m
Insurance claims paid	**7,267**	6,576
Change in gross provisions for claims[1]	**88**	206
Risk Equalisation Special Account levy (net of recoveries)	**(61)**	(70)
Insurance claims incurred	**7,294**	6,712
Recoveries from reinsurers on claims incurred	**(77)**	(58)
Reinsurers' share of change in gross provisions for claims	**(2)**	1
Reinsurers' share of claims incurred	**(79)**	(57)
Net insurance claims incurred	**7,215**	6,655

1. Change in gross provisions for claims includes £1m in respect of the deferred claims provision recognised at 31 December 2021 (2020: £163m).

Note 2.3: Other operating expenses

Other operating expenses in brief

Other operating expenses include staff costs, medical supplies, 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	2021 £m	2020 restated[1] £m
Staff costs	2.3.1	**2,438**	2,358
Acquisition costs	2.3.2	**427**	447
Medical supplies and fees		**1,186**	997
Property costs		**251**	237
Lease rentals and other expenses[2]		**24**	18
Marketing costs		**112**	113
Catering and housekeeping costs		**58**	58
Consultancy fees		**135**	130
Net gain on foreign exchange transactions		**(4)**	–
Amortisation of intangible assets	3	**169**	157
Depreciation expense	4	**330**	338
Other operating expenses (including auditors' remuneration)	2.3.3	**111**	171
Total other operating expenses		**5,237**	5,024

1. Refer to note 1.5 for details of the restatement.
2. 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.

	2021 £m	2020 restated[1] £m
Wages and salaries	**2,395**	2,317
Social security costs	**144**	145
Contributions to defined contribution schemes	**52**	45
Other pension costs	**(2)**	2
Total staff costs	**2,589**	2,509
Staff costs relating to claims handling reported in claims	**(151)**	(151)
Staff costs in operating expenses	**2,438**	2,358

1. Refer to note 1.5a for details of the restatement.

Information concerning individual directors emoluments, interest and transactions is detailed in the Directors' Remuneration Report included on pages 94–108 of this report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the directors in respect of 2021 was £7m (2020: £7m). Employer contributions to pensions for executive directors for qualifying periods was £nil (2020: £nil).

Notes to the Consolidated Financial Statements continued

Employee numbers

The average number of employees, including Executive Directors, employed by the Group during the year was:

	2021	2020 restated[1]
Bupa Asia Pacific	**17,290**	18,351
Europe and Latin America	**40,636**	37,154
Bupa Global and UK	**23,151**	23,567
Other businesses	**4**	5
Group	**519**	469
Total average employee numbers	**81,600**	79,546

1. 2020 employee numbers have been restated to report 1,635 Bupa Hong Kong employees as part of the Bupa Asia Pacific Market Unit following the updated organisational structure implemented during 2021. Bupa Hong Kong was previously reported under Other businesses.

2.3.2 Acquisition costs

	2021 £m	2020 £m
Commission for direct insurance	**367**	355
Other acquisition costs paid	**67**	69
Changes in deferred acquisition costs	**(7)**	23
Total acquisition costs	**427**	447

The movement in the deferred acquisition costs asset is detailed in note 12.

2.3.3 Auditors' remuneration

	2021 £m	2020 £m
Audit fees for audit of Company's annual accounts	**0.5**	0.9
Fees payable to the Company's auditor and its associates for:		
Audit fees for audit of Company's subsidiaries required by legislation	**7.4**	6.9
Audit fees for audit-related assurance services	**1.6**	1.0
Audit fees to the Company's auditors	**9.5**	8.8
Fees payable to the Company's auditor and its associates for other services:		
All other non-audit services	**0.2**	0.2
Total non-audit fees	**0.2**	0.2
Total auditors' remuneration	**9.7**	9.0

All services provided by PwC during the year were in compliance with the Group's non-audit services policy, the FRC Ethical Standard and approved by the Audit Committee. Audit services were provided by KPMG for the year ended 31 December 2020.

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	2021 £m	2020 £m
Gain on acquisition of businesses[1]		**42**	-
Net gain/(loss) on disposal and restructuring of businesses[2]		**13**	(1)
(Deficit)/surplus on revaluation of property	4	**(10)**	1
Net gain on disposal of property, plant and equipment		**4**	1
Total other income and charges		**49**	1

1. Gain on acquisition of businesses includes a £42m gain in relation to the acquisition of the membership and business of CS Healthcare (see note 24). This is gross of related transaction costs of £2m.
2. 2020 net gain/(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.

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	2021 £m	2020 £m
Interest income:			
Investments at fair value through profit or loss		**42**	21
Investments at fair value through other comprehensive income		**12**	2
Investments at amortised cost		**18**	28
Net realised gains/(losses):			
Net realised gains/(losses) on investments at fair value through profit or loss		**3**	(3)
Net realised (losses)/gains on financial investments at fair value through other comprehensive income		**(1)**	5
Net increase in fair value:			
Investments at fair value through profit or loss		**-**	13
Investment property	5	**27**	25
Net foreign exchange translation (losses)/gains		**(4)**	1
Total financial income		**97**	92

Included within financial income is a net gain, after economic hedging, on the Group's return-seeking asset portfolio of £3m (2020: net gain £15m).

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.

	2021 £m	2020 restated[1] £m
Interest expense on financial liabilities at amortised cost	**92**	98
Finance charges in respect of leases and restoration provisions	**48**	55
Other financial expenses[1]	**45**	29
Total financial expenses	**185**	182

1. Refer to note 1.5 for details of the restatement.

Other financial expenses includes £23m (2020: £24m) of imputed financial expenses in relation to interest-free refundable accommodation deposits received by the Group in respect of payment for aged care units in Bupa Villages and Aged Care Australia.

A loss of £18m was recognised in other financial expenses following the early redemption of £250m of unguaranteed subordinated bonds during the year. The bonds were originally due to mature on 25 April 2023.

Notes to the Consolidated Financial Statements continued

Note 2.6: Taxation expense

Taxation expense in brief

Taxation expense on the profit 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 initially recorded and this difference is recognised in the period in which such a determination is made.

	2021 £m	2020 restated[1] £m
Current taxation expense		
UK taxation on income for the year	**6**	-
UK taxation adjustments in respect of prior periods	**(7)**	13
Total UK current taxation (income)/expense	**(1)**	13
Double taxation relief	**(6)**	(8)
Foreign taxation on income for the year	**179**	209
Foreign taxation adjustments in respect of prior years[2]	**(45)**	(15)
Total foreign current taxation expense	**134**	194
Total current taxation expense	**127**	199
Deferred taxation income		
Origination and reversal of temporary differences	**(69)**	(41)
Adjustments in respect of prior periods	**5**	2
Changes in taxation rates	**(1)**	15
Total deferred taxation income	**(65)**	(24)
Taxation expense	**62**	175

1. Refer to note 1.5 for details of the restatement.
2. A favourable decision of the Spanish Supreme Court resulted in the release of a provision of £43m for the year ended 31 December 2021.

(ii) Reconciliation of effective taxation rate

	2021 £m	2020 restated[1] £m
Profit before taxation expense	**423**	396
UK corporation taxation rate	**19%**	19%
Tax at the UK corporation taxation rate	**80**	75
Effects of recurring taxation reconciliation items:		
Different taxation rates in foreign jurisdictions	**34**	25
Deductions not allowable for taxation purposes	**24**	28
Income not taxable or taxable at concessionary rates	**(10)**	(12)
Property revaluation not included as a temporary difference	**(7)**	(5)
Results of associates	**(9)**	(12)
Changes in taxation rates	**(1)**	15
Movement in deferred taxation asset not recognised	**2**	1
	33	40
Effects of non-recurring taxation reconciliation items:		
Taxation adjustments in respect of prior periods[2]	**(47)**	-
(Profit)/loss on disposal and acquisition of business	**(4)**	(2)
Pension surplus charge[3]	**-**	68
Other	**-**	(6)
	(51)	60
Taxation expense at the effective rate of 15% (2020: 44%)	**62**	175

1. Refer to note 1.5 for details of the restatement.
2. A favourable decision of the Spanish Supreme Court resulted in the release of a provision of £43m for the year ended 31 December 2021.
3. For 2020, the 'Pension surplus charge' represented 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).

The revaluation of UK deferred taxation balances following the change in the enacted UK taxation rate from 19% to 25% (which applies from 1 April 2023), did not have a material impact on the effective taxation rate for the year.

(iii) Current and deferred taxation recognised directly in other comprehensive income

	2021 £m	2020 £m
Deferred taxation credit in respect of:		
Unrealised loss on revaluation of property	**6**	4
Remeasurement loss on pension schemes	**2**	7
Other items including foreign exchange translation differences	**-**	2
Taxation credit on income and expenses recognised directly in other comprehensive income	**8**	13

Notes to the Consolidated Financial Statements 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	2-10 years
- Brand and trademarks	3 years-indefinite
- Customer relationships	3-20 years
- Technology and databases	10 years
- Distribution networks	10-14 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.

Intangible assets with an indefinite useful life, or not yet available for use, are subject to annual impairment reviews.

In other intangibles, the Group holds bed licences, with a carrying value of £83m (2020: £110m), within the Bupa Villages and Aged Care Australia CGU. Following the Australian Government's announcement of the deregulation of bed licences from 1 July 2024, the Group has reviewed the amortisation term and reduced it from being an indefinite useful economic life to cover the period from 1 October 2021 to 1 July 2024. The Group has recognised £8m of amortisation in respect of Australian bed licences at 31 December 2021. In addition an impairment loss of £10m was recognised in respect of bed licences no longer in use.

	Goodwill £m	Computer software[1] £m	Brands/ Trademarks £m	Customer relationships £m	Other[2] £m	Total £m
2021						
Cost						
At beginning of year	**3,440**	**1,053**	**336**	**918**	**333**	**6,080**
Assets arising on business combinations	**28**	**-**	**1**	**29**	**4**	**62**
Additions	**-**	**108**	**-**	**-**	**-**	**108**
Disposals	**(52)**	**(63)**	**(13)**	**-**	**(8)**	**(136)**
Transfer to assets held for sale	**(17)**	**-**	**-**	**-**	**-**	**(17)**
Other	**(25)**	**3**	**-**	**1**	**(1)**	**(22)**
Foreign exchange	**(141)**	**(30)**	**(32)**	**(24)**	**(23)**	**(250)**
At end of year	**3,233**	**1,071**	**292**	**924**	**305**	**5,825**
Amortisation and impairment loss						
At beginning of year	**798**	**672**	**165**	**403**	**152**	**2,190**
Amortisation for year	**-**	**89**	**9**	**56**	**15**	**169**
Impairment loss	**6**	**9**	**-**	**-**	**12**	**27**
Disposals	**-**	**(60)**	**(2)**	**-**	**(4)**	**(66)**
Other	**(5)**	**2**	**-**	**-**	**-**	**(3)**
Foreign exchange	**(15)**	**(16)**	**(13)**	**(17)**	**(8)**	**(69)**
At end of year	**784**	**696**	**159**	**442**	**167**	**2,248**
Net book value at end of year	**2,449**	**375**	**133**	**482**	**138**	**3,577**
Net book value at beginning of year (restated)[1]	2,642	381	171	515	181	3,890
2020						
Cost						
At beginning of year (as previously reported)	3,352	991	333	915	329	5,920
Opening balance adjustment[1]	-	(18)	-	-	-	(18)
Assets arising on business combinations	13	-	-	-	-	13
Additions	-	136	-	1	4	141
Disposals	(5)	(63)	-	-	(4)	(72)
Other	-	(3)	-	-	-	(3)
Foreign exchange	80	10	3	2	4	99
At end of year (restated)[1]	3,440	1,053	336	918	333	6,080
Amortisation and impairment loss						
At beginning of year (as previously reported)	781	649	152	340	129	2,051
Opening balance adjustment[1]	-	(4)	-	-	-	(4)
Amortisation for year	-	79	11	57	10	157
Impairment loss	-	8	-	-	11	19
Disposals	-	(61)	-	-	-	(61)
Other	-	(3)	-	-	-	(3)
Foreign exchange	17	4	2	6	2	31
At end of year (restated)[1]	798	672	165	403	152	2,190
Net book value at end of year (restated)[1]	2,642	381	171	515	181	3,890
Net book value at beginning of year (restated)[1]	2,571	328	181	575	200	3,855

1. Refer to note 1.5d for details of the restatement.
2. Predominantly comprises bed licences, distribution networks and licences to operate care homes.

Intangible assets of £3,577m (2020: £3,890m) include £753m (2020: £867m) which is attributable to other intangible assets arising on business combinations comprising customer relationships, brand and trademarks and other in the above table.

Notes to the Consolidated Financial Statements continued

Computer software assets of £375m (2020: £381m) includes £300m (2020: £317m) attributable to capitalised internal development costs. £82m of costs (2020: £110m) were capitalised in the period.

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 business drivers of the cash flow forecasts vary by CGU. 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. For insurance business, key drivers are assumed future insurance premium rate rises, claims volatility and claims inflation. 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 with further projections added for years four and five.

During 2021 a change was made to the estimation technique used for modelling estimated future cash flows to remove financing costs from future lease cash flows. While this has not impacted the carrying value of goodwill and intangible assets in the current or prior years, this has led to an increase in the value in use of some CGUs with significant leasing portfolios.

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 2.0% and 6.6% (2020: 2.5% 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 forecast 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:

	2021 %	2020 %
Bupa Australia Health Insurance	**7.4**	7.7
Bupa Health Services Australia	**9.3**	9.7
Bupa Villages and Aged Care Australia	**9.8**	10.0
Bupa Chile	**11.5**	12.3
LuxMed	**8.2**	8.9
Sanitas Seguros	**8.6**	9.4
Sanitas Mayores	**8.0**	8.9
Bupa Acıbadem Sigorta	**17.7**	23.8
Care Plus	**13.1**	15.4
Bupa Care Services UK	**7.0**	6.9
Bupa Dental Care UK	**7.8**	7.5
Bupa Global	**11.2**	10.2
Hong Kong	**10.0**	10.4

The annual testing undertaken determined the recoverable amount of all CGUs to be higher than their respective carrying value, resulting in no impairments to goodwill.

During the year an impairment loss of £6m was recognised in relation to goodwill, of which £4m related to goodwill associated with bed licences no longer in use and £2m relating to Bupa Villages and Aged Care Australia care homes prior to transfer to held for sale.

The following table summarises goodwill by CGU as at 31 December:

	2021 £m	2020 £m
Bupa Asia Pacific		
Bupa Australia Health Insurance	**821**	894
Bupa Health Services Australia	**288**	311
Bupa Villages and Aged Care Australia	**99**	111
Hong Kong	**115**	112
Europe and Latin America		
Bupa Chile	**130**	152
LuxMed	**246**	251
Sanitas Seguros	**46**	101
Sanitas Mayores	**21**	22
Bupa Acıbadem Sigorta	**24**	41
Care Plus	**26**	19
Other	**5**	-
Bupa Global and UK		
Bupa Care Services UK	**90**	90
Bupa Dental Care UK	**467**	467
Bupa Global	**68**	68
Other	**3**	3
Total	**2,449**	2,642

Sensitivity to changes in key assumptions

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 or where the Group considers there to be business uncertainty due to recent local pressures.

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.

	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	95	7.8	2.1	(98)	(85)	(92)
Bupa Care Services UK	73	7.0	2.1	(121)	(106)	(107)
Bupa Villages and Aged Care Australia	61	9.8	3.0	(34)	(28)	(45)
Bupa Chile	54	11.5	3.0	(46)	(37)	(63)

Key assumptions underpinning the cash flows differ across the CGUs. For Bupa Dental Care UK, cash flows are highly sensitive to available clinician hours during the forecast period. For Bupa Care Services UK and Bupa Villages and Aged Care Australia, key cash flow drivers are the recovery of occupancy rates and the controlling of operating expenses. For Bupa Chile, future cash flows are sensitive to local regulatory approval of assumed future insurance premium rate rises, claims volatility and the wider political and regulatory environment the business operates in.

Impairment of other intangible assets

As at 31 December 2021, other intangible assets with indefinite useful lives were tested for impairment with no impairment arising in the current year (2020: £nil).

A review of intangible assets that are subject to amortisation resulted in impairments of £11m (2020: £19m), of which £9m related to computer software assets and £2m to other intangibles. In 2020 this primarily related to a £10m impairment of a distribution rights asset in Hong Kong and an £8m impairment of computer software assets.

In addition, following the Australian Government's announcement of the future deregulation of bed licences from 1 July 2024, the Group assessed that bed licences no longer in use were impaired. This resulted in the recognition of a £10m impairment in the current year (2020: £nil).

Notes to the Consolidated Financial Statements 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.

	Freehold property £m	Right-of-use asset property £m	Leasehold improvements £m	Owned equipment £m	Right-of-use asset equipment £m	Total £m
2021						
Cost or valuation						
At beginning of year	**2,458**	**1,186**	**328**	**1,430**	**16**	**5,418**
Assets arising on business combinations	**17**	**2**	**-**	**2**	**-**	**21**
Additions	**33**	**48**	**20**	**140**	**4**	**245**
Transfer to assets held for sale	**(12)**	**(5)**	**(2)**	**(10)**	**-**	**(29)**
Disposals	**(43)**	**(42)**	**(20)**	**(67)**	**(5)**	**(177)**
Revaluations	**(60)**	**-**	**-**	**-**	**-**	**(60)**
Remeasurements	**-**	**42**	**-**	**-**	**-**	**42**
Other	**3**	**(5)**	**1**	**(6)**	**-**	**(7)**
Foreign exchange	**(100)**	**(55)**	**(14)**	**(65)**	**-**	**(234)**
At end of year	**2,296**	**1,171**	**313**	**1,424**	**15**	**5,219**
Depreciation and impairment loss						
At beginning of year	**35**	**270**	**144**	**819**	**6**	**1,274**
Depreciation charge for year	**40**	**139**	**25**	**122**	**4**	**330**
Transfer to assets held for sale	**-**	**(2)**	**(1)**	**(6)**	**-**	**(9)**
Disposals	**(1)**	**(32)**	**(17)**	**(55)**	**(4)**	**(109)**
Revaluations	**(24)**	**-**	**-**	**-**	**-**	**(24)**
Impairment loss	**-**	**4**	**1**	**1**	**-**	**6**
Other	**-**	**-**	**-**	**(5)**	**-**	**(5)**
Foreign exchange	**(2)**	**(15)**	**(6)**	**(37)**	**-**	**(60)**
At end of year	**48**	**364**	**146**	**839**	**6**	**1,403**
Net book value at end of year	**2,248**	**807**	**167**	**585**	**9**	**3,816**
Net book value at beginning of year	2,423	916	184	611	10	4,144
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

Notes to the Consolidated Financial Statements continued

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.

In 2021, the external triennial revaluation of properties in Spain was performed independently by Alia Tasaciones S.A. Directors' property valuations have been performed across all other geographies.

In valuing care home property, a judgement is made on the highest and best use of the property. In the majority of cases this leads to the property being valued as part of a group of assets making up a going-concern business using market valuations. The business is valued on a fair maintainable trade basis with the fair value thus calculated being allocated to plant and equipment and bed licences applicable at net book value (as a proxy for fair value), with the residual value being allocated to property.

The valuations of care homes across the Group (and hospitals in Spain and Poland) are therefore 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 a reasonably efficient operator 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 considered 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	94.2%	90.9%	83.4%	81.0%	N/A	N/A
Valuation assumptions: average capitalisation/ discount rate	14.0%	13.5%	10.9%	15.0%	6.9%	10.8%
Valuation assumptions: average price per square metre	N/A	N/A	£3,977	£2,022	N/A	N/A
Valuation assumptions: average yield	N/A	N/A	5.5%	5.0%	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 £(96)m/£100m (2020: £(90)m/£101m).

The table below shows the date at which freehold properties held as at 31 December 2021 were last subject to external valuation.

	2021 £m
Valuation - December 2021	236
Valuation - December 2020	939
Valuation - December 2019	979
Assets held at cost[1]	142
Cost or valuation	**2,296**

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. When a revaluation reverses losses taken to the Consolidated Income Statement in prior years, the credit is recognised in the Consolidated Income Statement.

In the current year, a £26m net revaluation deficit (2020: £5m deficit) has been recognised in the property revaluation reserve, with a revaluation loss of £10m (2020 gain: £1m) charged to the Consolidated Income Statement within other income and charges (see note 2.4).

Recognised in the carrying amount of freehold property is £70m (2020: £100m) in relation to freehold property in the course of construction.

Historical cost of the Group's revalued freehold property assets

	2020 £m	2020 restated[1] £m
Historical cost of revalued assets	**2,128**	2,204
Accumulated depreciation based on historical cost	**(423)**	(380)
Historical cost net book value	**1,705**	1,824
Depreciation charge for the year on historical cost	**43**	44

1. A correction has been made to the 2020 historical cost net book value, reducing the balance by £469m.

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. As there are no directly comparable sales from which values can be derived, the fair value of investment property is determined using inputs that are unobservable. Therefore the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with IFRS 13 Fair Value Measurement. These properties are valued using discounted cash flow projections based on reliable estimates of future cash flows.

	Note	2021 £m	2020 £m
At beginning of year		**627**	522
Additions		**37**	59
Disposals		**-**	(1)
Increase in fair value	2.5	**27**	25
Reclassification from property, plant and equipment		**1**	-
Foreign exchange		**(26)**	22
At end of year		**666**	627

In the current year, a revaluation surplus of £27m (2020: £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 £604m (2020: £564m) and Australia of £50m (2020: £51m). 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 £440m (2020: restated to £423m, an increase of £99m).

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%-15.5%
Capital growth rate	0.0%-3.5%
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 reasonably possible change in assumption while holding all other assumptions constant. In practice, changes in assumptions may be correlated.

Notes to the Consolidated Financial Statements continued

Australia and New Zealand	0.5% absolute increase	0.5% absolute decrease
Discount rate	£10m decrease	£11m increase
Capital growth rate	£15m increase	£14m decrease

Retirement villages

During the year ended 31 December 2021, the Group's retirement village portfolio in Australia and New Zealand generated £21m (2020: £16m) of income which was recognised as revenue in the Consolidated Income Statement. Total direct operating expenses of these retirement villages amounted to £16m (2020: £12m).

Note 6: Equity accounted investments

Equity accounted investments in brief

Equity accounted investments comprise associated companies and joint ventures 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 commences until the date that significant influence ceases.

The carrying amount of equity accounted investments is £905m (2020: £868m). 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	Insurance	43.25%	Saudi Arabia	Saudi Arabia
Highway to Health, Inc.	Insurance	49.00%	USA	USA
Niva Bupa Health Insurance Company Limited[1]	Insurance	44.75%	India	India

1. Niva Bupa Health Insurance Company Limited (Niva Bupa), previously known as Max Bupa Health Insurance Company Limited, was rebranded in the year.

During the year the Group received dividends of £34m (2020: £nil) from Bupa Arabia for Cooperative Insurance Company (Bupa Arabia).

In March 2021, the Group increased its shareholding from 44.42% to 44.75% for a consideration of £1m in Niva Bupa. During the year, the Group made further capital injections in Niva Bupa of £13m (2020: £5m). Distributions to shareholders are currently restricted by local regulatory requirements which are reassessed 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 policies.

	Bupa Arabia		Highway to Health		Niva Bupa	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Revenue	**2,058**	2,229	**157**	168	**154**	112
Cash and cash equivalents	**89**	123	**80**	106	**4**	2
Other current assets	**1,658**	1,532	**95**	54	**20**	13
Current assets	**1,747**	1,655	**175**	160	**24**	15
Non-current assets	**694**	586	**8**	9	**213**	142
Current liabilities	**(1,623)**	(1,480)	**(94)**	(79)	**(71)**	(57)
Non-current liabilities	**-**	-	**(3)**	(3)	**(96)**	(60)
Net assets	**818**	761	**86**	87	**70**	40

Reconciliation to carrying amounts

	Bupa Arabia		Highway to Health		Niva Bupa	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Opening net assets	**761**	618	**87**	85	**40**	33
Profit/(loss) for the year	**115**	150	**(5)**	3	**(15)**	(1)
Other comprehensive income	**14**	29	**-**	-	**-**	-
Dividends paid	**(79)**	-	**-**	-	**-**	-
Other reserve movements	**7**	(36)	**4**	(1)	**45**	8
Closing net assets	**818**	761	**86**	87	**70**	40
% Ownership	**43.25%**	43.25%	**49.00%**	49.00%	**44.75%**	44.42%
Reporting entity's share[1]	**354**	329	**42**	43	**24**	18
Goodwill	**274**	274	**175**	171	**20**	16
Carrying amount	**628**	603	**217**	214	**44**	34
Reporting entity's share of profit/(loss)[2]	**49**	55	**(3)**	1	**(7)**	-

1. Reported entity's share excludes subordinated debt recorded under equity for Niva Bupa as the Group has no rights over the debt.
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.

(ii) Individually immaterial equity accounted investments

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method. The aggregate carrying amount of these associates and joint ventures is £16m (2020: £17m). The Group's share of profit recognised during the year for these is £3m (2020: £nil).

Notes to the Consolidated Financial Statements continued

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.

(i) Amounts recognised in the Consolidated Income Statement

The amounts (credited)/charged to other operating expenses for the year are:

	2021 £m	2020 £m
Current service cost	**-**	10
Net interest on defined benefit liability/asset	**(7)**	(12)
Administrative expenses	**2**	1
Total amount credited to the Consolidated Income Statement	**(5)**	(1)

The charge to other operating expenses in respect of cash contributions to defined contribution schemes is £52m (2020: £45m).

(ii) Amounts recognised directly in other comprehensive income

The amounts charged/(credited) directly to equity are:

	2021 £m	2020 £m
Actual return less expected return on assets	**33**	(228)
(Gain)/loss arising from changes to financial assumptions	**(13)**	302
(Gain)/loss arising from changes to experience assumptions	**(25)**	36
Loss arising from changes to demographic assumptions	**10**	18
Total remeasurement losses charged directly to equity	**5**	128

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 My Bupa LifeSight Plan.

All other existing defined contribution arrangements in the UK, including The Bupa Retirement Savings Plan, which was in effect from 1 October 2002 to 31 December 2020 and several other contract-based defined contribution arrangements, were all 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 which has been closed to new entrants since 1 October 2002 and closed to future accrual on 31 December 2020. Contributions by employees and by Group companies were paid into separate funds administered by a corporate trustee. Following the closure of this scheme to future accrual, existing members will retain any ongoing salary link, with future benefits payable dependent upon member salary at the date of leaving or retirement. Any current employees who were members of The Bupa Pension Scheme were automatically enrolled into the 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, during 2020, the related deferred tax liability on the surplus was remeasured at the applicable rate of 35% of the surplus resulting in a one-off exceptional tax charge of £68m for the year ended 31 December 2020 (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.

The 1 July 2020 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.

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 2021 for the purposes of inclusion in the Group's Consolidated Financial Statements.

Scheme trustees are appointed for each scheme as determined by their respective trust documentation and trustees are required to act in the best interests of the schemes' beneficiaries. The long-term investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk.

Complete disclosure of these other, smaller 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 2021 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 2021 have been made in accordance with this latest valuation, which used the same principal assumptions as adopted as at 31 December 2021 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 2021 by an actuary employed by the Group using the same key assumptions as adopted as at 31 December 2021 under IAS 19 for The Bupa Pension Scheme.

Notes to the Consolidated Financial Statements continued

Assets and liabilities of schemes

	Pension schemes		Post-retirement medical benefit scheme		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Present value of funded obligations	**(1,969)**	(2,031)	**-**	-	**(1,969)**	(2,031)
Fair value of scheme assets	**2,499**	2,564	**-**	-	**2,499**	2,564
Net assets of funded schemes	**530**	533	**-**	-	**530**	533
Present value of unfunded obligations	**(51)**	(54)	**(6)**	(8)	**(57)**	(62)
Net recognised assets/(liabilities)	**479**	479	**(6)**	(8)	**473**	471
In the Consolidated Statement of Financial Position:						
Net liabilities					**(69)**	(76)
Net assets					**542**	547
Net recognised assets					**473**	471

(iii) Present value of schemes' obligations

The movements in the present value of the schemes' obligations are:

	Pension schemes		Post-retirement medical benefit scheme		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
At beginning of year	**2,085**	1,741	**8**	9	**2,093**	1,750
Current service costs	**-**	10	**-**	-	**-**	10
Interest on obligations	**30**	36	**-**	-	**30**	36
(Gain)/loss from changes to financial assumptions	**(13)**	301	**-**	1	**(13)**	302
(Gain)/loss from changes to experience assumptions	**(23)**	38	**(2)**	(2)	**(25)**	36
Loss from changes to demographic assumptions	**10**	18	**-**	-	**10**	18
Benefits paid	**(69)**	(61)	**-**	-	**(69)**	(61)
Foreign exchange	**-**	2	**-**	-	**-**	2
At end of year	**2,020**	2,085	**6**	8	**2,026**	2,093

(iv) Fair value of funded schemes' assets

The movements in the fair value of the funded schemes' assets are:

	2021 £m	2020 £m
At beginning of year	**2,564**	2,338
Interest income	**37**	48
Return on assets excluding interest income	**(33)**	228
Contributions by employer	**1**	9
Administration expenses	**(2)**	(1)
Benefits paid	**(67)**	(59)
Foreign exchange	**(1)**	1
At end of year	**2,499**	2,564

The market values of the assets of the funded schemes are as follows:

	2021 £m	2021 %	2020 £m	2020 %
Pooled investment funds	**1,215**	**49**	1,220	48
Corporate bonds	**802**	**32**	789	31
Cash/other assets	**233**	**9**	297	12
Government bonds	**156**	**6**	147	6
Loans	**69**	**3**	43	1
Derivatives	**14**	**1**	60	2
Equities	**10**	**-**	8	-
Total market value of the assets of the funded schemes	**2,499**	**100**	2,564	100

Aside from equities in the table above, no other 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 main return-seeking asset class in the scheme, including the underlying assets of the pooled investment funds, is credit; 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 Bupa Pension Scheme's investment strategy aims to hedge against interest and inflation risk as measured on a long-term funding basis, via a liability-driven investment strategy that utilises a combination of high-quality gilts and swaps. This means that on a funding valuation basis, assets will move broadly in the same direction as the liabilities, although this can differ under the IAS 19 valuation.

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. Holdings of corporate instruments are also highly diversified by issuer, economic sector and geography. 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	
	2021 %	2020 %	2021 %	2020 %
Inflation rate	**3.4**	3.0	**3.4**	3.0
Rate of increase in salaries	**3.8**	3.4	**-**	-
Rate of increase to pensions in payment	**3.2**	2.9	**3.8**	2.9
Rate of increase to pensions in deferment	**2.8**	2.4	**3.8**	2.4
Discount rate for scheme assets and obligations	**1.8**	1.4	**1.8**	1.4
Medical cost trend	**-**	-	**4.0**	4.4

Notes to the Consolidated Financial Statements continued

(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 rate of increase of pensions in deferment is set relative to the inflation rate assumption and adjusted for any relevant caps or collars.

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 £91m
Rate of inflation	Increase/decrease by 0.25%	Increase/decrease £69m
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 1 July 2020 triennial valuation. Assumptions have been adopted in line with this analysis for the purposes of IAS 19 valuation as at 31 December 2021.

The mortality tables adopted as at 31 December 2021 are the S3PA year of birth mortality tables using the CMI 2020 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 expectancy 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 expectancy 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 19 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.

	2021 £m	2020 £m
Non-current restricted assets	45	48
Current restricted assets	113	101
Total restricted assets	**158**	149

The non-current restricted assets balance of £45m (2020: £48m) consists of cash deposits held to secure a charge over the unfunded pension scheme obligations (see note 7). Included in current restricted assets is £111m (2020: £101m) in respect of claims funds held on behalf of corporate customers.

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 to all assets, as no significant increases in credit risk since initial recognition have been identified.

The measurement of ECL should reflect a probability-weighted outcome, the time value of money and the best available forward-looking information. An analysis of ECL provisions is provided in note 26.3.

Notes to the Consolidated Financial Statements continued

Financial investments are analysed as follows:

	Carrying value 2021 £m	Fair value 2021 £m	Carrying value 2020 restated[1] £m	Fair value 2020 restated[1] £m
Fair value through profit or loss				
Corporate debt securities and secured loans	**334**	**334**	342	342
Government debt securities	**45**	**45**	47	47
Pooled investment funds	**386**	**386**	301	301
Deposits with credit institutions	**-**	**-**	1	1
Other loans	**7**	**7**	8	8
Equities	**13**	**13**	12	12
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**66**	**66**	85	85
Government debt securities	**30**	**30**	38	38
Amortised cost				
Corporate debt securities and secured loans[1]	**774**	**776**	785	791
Government debt securities	**211**	**214**	103	106
Deposits with credit institutions[1]	**1,044**	**1,045**	1,142	1,149
Other loans	**1**	**1**	1	1
Total financial investments	**2,911**	**2,917**	2,865	2,881
Non-current	**831**	**833**	945	951
Current	**2,080**	**2,084**	1,920	1,930

1. Refer to note 1.5e for details of the restatement.

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 are 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
2021				
Fair value through profit or loss				
Corporate debt securities and secured loans	**36**	**297**	**1**	**334**
Government debt securities	**27**	**18**	**-**	**45**
Pooled investment funds	**96**	**277**	**13**	**386**
Deposits with credit institutions	**-**	**-**	**-**	**-**
Other loans	**-**	**-**	**7**	**7**
Equities	**-**	**-**	**13**	**13**
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**63**	**3**	**-**	**66**
Government debt securities	**30**	**-**	**-**	**30**
Amortised cost				
Corporate debt securities and secured loans	**523**	**253**	**-**	**776**
Government debt securities	**109**	**105**	**-**	**214**
Deposits with credit institutions	**-**	**1,045**	**-**	**1,045**
Other loans	**-**	**1**	**-**	**1**
Total financial investments	**884**	**1,999**	**34**	**2,917**

	Level 1 £m	Level 2 restated[1] £m	Level 3 £m	Total restated[1] £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[1]	621	170	-	791
Government debt securities	105	1	-	106
Deposits with credit institutions[1]	-	1,149	-	1,149
Other loans	-	1	-	1
Total financial investments	1,068	1,785	28	2,881

1. Refer to note 1.5e for details of the restatement.

Notes to the Consolidated Financial Statements continued

Transfers between fair value hierarchy levels

The Group's policy is to determine whether transfers have occurred between fair value hierarchy levels at the end of a reporting period. Classification is reassessed based on the lowest level input that is significant to the fair value measurement as a whole. £48m of government debt securities and corporate debt securities and secured loans have been transferred from Level 1 to Level 2 following a review of the level of market activity and readily available quoted prices in those investments. In addition, there were transfers of £13m from Level 2 to Level 1 and £1m from Level 2 to Level 3. There were no transfers between fair value hierarchy levels for the year ended 31 December 2020.

The Group currently holds Level 3 investments totalling £34m. The majority of Level 3 investments are unlisted equities and convertible notes valued at the recent subscription value and conversion price, which are considered to be unobservable inputs. Reasonably possible changes to the valuation assumptions applied could result in a change in fair value of plus or minus £2m.

The table below shows movement in the Level 3 assets measured at fair value.

Level 3	2021 £m	2020 £m
Opening balance	**28**	22
Additions	**2**	6
Net increase in fair value	**4**	-
Transfer between levels	**1**	-
Foreign exchange	**(1)**	-
At end of year[1]	**34**	28

1. All gains and losses are recognised in net financial expense in the Consolidated Income Statement.

Transfers into Level 3 financial assets reflected changes in the availability of observable inputs used in the valuation of those assets.

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:

	2021 %	2020 %
Sterling assets and liabilities	**0.9–1.1**	0.0–0.6
Australian dollar assets and liabilities	**0.3–1.4**	0.0–0.2
Euro assets and liabilities	**(0.7)–0.2**	(0.7)–(0.1)
US dollar assets and liabilities	**0.4–1.9**	0.1–1.7

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 26 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.

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.

	2021 £m	2020 £m
Derivative assets		
Non-current	**5**	8
Current	**36**	53
Total derivative assets	**41**	61
Derivative liabilities		
Non-current	**(18)**	(18)
Current	**(17)**	(59)
Total derivative liabilities	**(35)**	(77)

Notes to the Consolidated Financial Statements continued

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.

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	
	2021 £m	2020 restated[1] £m	**2021 £m**	2020 restated[1] £m	**2021 £m**	2020 restated[1] £m
Accelerated capital allowances	**64**	33	**(28)**	(36)	**36**	(3)
Post-employment benefits	**3**	3	**(175)**	(180)	**(172)**	(177)
Revaluation of properties to fair value	**2**	2	**(104)**	(91)	**(102)**	(89)
Employee benefits (other than post-employment)	**55**	52	**-**	-	**55**	52
Provisions	**145**	132	**(8)**	-	**137**	132
Taxation value of losses carried forward	**63**	41	**-**	-	**63**	41
Goodwill and intangible assets	**9**	9	**(207)**	(203)	**(198)**	(194)
Other	**14**	-	**(39)**	(44)	**(25)**	(44)
Deferred taxation (before allowable netting)	**355**	272	**(561)**	(554)	**(206)**	(282)
Allowable netting of deferred taxation	**(266)**	(223)	**266**	223	**-**	-
Deferred taxation – net	**89**	49	**(295)**	(331)	**(206)**	(282)

1. Refer to note 1.5 for details of the restatement.

Unrecognised deferred taxation assets

As at 31 December 2021, the Group had deductible temporary differences relating to trading losses of £100m (2020: £100m) and capital losses of £69m (2020: £59m) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

Movement in net deferred taxation (liabilities)/assets

	At beginning of year £m	Recognised in Consolidated Income Statement £m	Recognised in other comprehensive income £m	Acquisitions through business combinations £m	Disposals £m	Transfer from assets held for sale £m	Foreign exchange £m	At end of year £m
2021								
Accelerated capital allowances	**(3)**	**39**	**-**	**(1)**	**-**	**-**	**1**	**36**
Post-employment benefits	**(177)**	**2**	**2**	**1**	**-**	**-**	**-**	**(172)**
Revaluation of properties to fair value	**(89)**	**(23)**	**6**	**-**	**-**	**-**	**4**	**(102)**
Employee benefits (other than post-employment)	**52**	**7**	**-**	**-**	**-**	**-**	**(4)**	**55**
Provisions	**132**	**17**	**-**	**1**	**-**	**-**	**(13)**	**137**
Taxation value of losses carried forward	**41**	**26**	**-**	**-**	**-**	**-**	**(4)**	**63**
Goodwill and intangible assets	**(194)**	**(13)**	**-**	**(2)**	**-**	**-**	**11**	**(198)**
Other	**(44)**	**10**	**-**	**-**	**4**	**-**	**5**	**(25)**
Total	**(282)**	**65**	**8**	**(1)**	**4**	**-**	**-**	**(206)**
2020								
Accelerated capital allowances[1]	(17)	10	6	-	-	-	(2)	(3)
Post-employment benefits[2]	(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[1]	64	54	-	-	-	-	14	132
Taxation value of losses carried forward	38	5	-	-	-	-	(2)	41
Goodwill and intangible assets	(192)	6	-	-	-	-	(8)	(194)
Other	(47)	8	2	-	-	(2)	(5)	(44)
Total	(312)	24	13	-	-	(2)	(5)	(282)

1. Refer to note 1.5 for details of the restatement.
2. 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).

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 reinsurers' share of insurance provisions is discussed in note 19.

	Note	2021 £m	2020 £m
Insurance debtors	(a)	**1,116**	1,087
Reinsurers' share of insurance provisions	(b)	**33**	24
Deferred acquisition costs	(c)	**143**	138
Medicare rebate	(d)	**73**	76
Risk Equalisation Special Account Recoveries		**9**	20
Total assets arising from insurance business		**1,374**	1,345
Non-current		**7**	11
Current		**1,367**	1,334

The above balance is held net of provision for impairment losses of £27m (2020: £27m). Information regarding movement in the provision and the ageing of insurance debtors, Medicare rebate and Risk Equalisation Special Account Recoveries is shown in note 26.3.

Notes to the Consolidated Financial Statements continued

(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 recoverability 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 are deferred and recognised in the Consolidated Income Statement in the period in which the benefit is recognised, on a straight-line basis.

The movement in deferred acquisition costs is as follows:

	2021 £m	2020 £m
At beginning of the year	**138**	160
Acquisition costs deferred	**380**	380
Acquisition costs released to the Consolidated Income Statement	**(373)**	(403)
Foreign exchange	**(2)**	1
At end of year	**143**	138

Acquisition costs released to the Consolidated Income Statement include £19m (2020: £21m) 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 were £93m (2020: £126m). Inventory write-downs of £1m were made during the year (2020: £1m). The Group consumed £221m (2020: £240m) 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	2021 £m	2020 £m
Trade receivables	(a)	**319**	263
Other receivables	(a)	**123**	133
Service concession receivables	(b)	**30**	38
Prepayments		**100**	101
Contract costs	(c)	**5**	6
Accrued income		**47**	72
Total trade and other receivables		**624**	613
Non-current		**13**	25
Current		**611**	588

Trade and other receivables are carried at amortised cost net of provisions for ECLs. Trade receivables relate to consideration due from customer contracts. 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. 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 26.3.

The carrying value of trade and other receivables is a reasonable approximation of fair value.

(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 26.3. All impairment losses are recognised in the Consolidated Income Statement within net impairment loss on financial assets. Impairment losses on trade receivable of £8m have been recognised in the period (2020: £9m).

(b) Service concession receivables

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.

Notes to the Consolidated Financial Statements continued

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.

	2021 £m	2020 £m
Cash at bank and in hand	**1,247**	1,279
Short-term deposits	**492**	427
Total cash and cash equivalents	**1,739**	1,706

Bank overdrafts of £1m (2020: £1m) that are repayable on demand are reported within other interest-bearing liabilities in 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 the Consolidated Income Statement.

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

	2021 £m	2020 £m
Assets held for sale		
Goodwill and intangible assets	**17**	-
Property, plant and equipment	**20**	8
Trade and other receivables	**1**	-
Total assets classified as held for sale	**38**	8
Liabilities associated with assets held for sale		
Lease liabilities	**(2)**	(1)
Provisions for liabilities and charges	**(1)**	-
Trade and other payables	**(1)**	-
Total liabilities classified as held for sale	**(4)**	(1)
Net assets classified as held for sale	**34**	7

Net assets held for sale as at 31 December 2021 predominantly comprise the Dental Corporation New Zealand business, Dental Corporation Australia's 'Dental Lounge' business and a number of care homes and assets within Bupa Villages and Aged Care Australia. Net assets held for sale as at 31 December 2020 primarily comprised the rehabilitation business within 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	2021 £m	2020 £m
Subordinated liabilities			
Subordinated unguaranteed bonds	(a)	**997**	1,247
Total subordinated liabilities		**997**	1,247
Other interest-bearing liabilities			
Senior unsecured bonds	(b)	**642**	997
Fair value adjustment in respect of hedged interest rate risk		**(16)**	12
Bank loans and overdrafts	(c)	**196**	182
Total other interest-bearing liabilities		**822**	1,191
Total borrowings		**1,819**	2,438
Non-current		**1,623**	2,000
Current		**196**	438

	Subordinated liabilities		Other interest-bearing liabilities		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
At beginning of year	**1,247**	1,245	**1,191**	1,105	**2,438**	2,350
Arising on business combinations	**-**	-	**2**	1	**2**	1
Net (repayments)/proceeds	**(250)**	20	**(322)**	50	**(572)**	70
Interest payments	**(58)**	(72)	**(25)**	(28)	**(83)**	(100)
Accrued interest and amortisation	**58**	63	**24**	28	**82**	91
Fair value adjustment in respect of hedged risk	**-**	(9)	**(28)**	9	**(28)**	-
Transfer from/(to) liabilities associated with assets held for sale	**-**	-	**-**	18	**-**	18
Foreign exchange	**-**	-	**(20)**	8	**(20)**	8
At end of year	**997**	1,247	**822**	1,191	**1,819**	2,438

(a) Subordinated unguaranteed bonds

The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts was £997m (2020: £1,247m).

On 24 September 2021, Bupa Finance plc early redeemed £250m of £500m unguaranteed subordinated bonds originally due to mature on 25 April 2023. Maturity of the remaining £250m portion is unchanged and interest is payable on the bonds at 5.00% 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.

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% 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.

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 5.00% 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.

Notes to the Consolidated Financial Statements continued

(b) Senior unsecured bonds

On 17 June 2021, Bupa Finance plc repaid £350m of senior unsecured bonds. Interest was payable on the bonds at 3.375% per annum.

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% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £284m (2020: £300m). 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 2.00% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £298m (2020: £310m). 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 30 June 2012, Cruz Blanca Salud S.A., now Bupa Chile, issued UF1.6m (£44m) (Unidad de Fomento - an inflation-linked currency commonly used in Chile) of inflation-linked senior unsecured bonds which mature on 30 June 2033.

(c) Bank loans and overdrafts

Bank loans and overdrafts are £196m (2020: £182m), which includes a portfolio of loans held in Bupa Chile totalling £38m (2020: £128m) and a tri syndicated loan held in Especializada y Primaria L'Horta-Manises S.A.U. (part of Sanitas Hospitales and New Services) of £8m (2020: £14m).

In December 2021 the Group entered into a new £900m revolving credit facility which has a maturity of December 2026 with two, one-year extension options. The facility replaced an £800m revolving credit facility (2020: undrawn) and a separate £40m bilateral facility (2020: fully drawn down). The new facility was drawn down by £150m as at 31 December 2021. Drawings under the £900m 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 Sterling Overnight Index Average (SONIA) for sterling or equivalent for other currencies.

During the period the Group put in place a €30m bank facility in Spain, maturing in May 2022 which remains undrawn as at 31 December 2021.

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 of subordinated liabilities and senior unsecured bonds are calculated based on quoted prices.

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:

	2021			2020		
	Level 1 £m	**Level 2 £m**	**Total £m**	Level 1 £m	Level 2 £m	Total £m
Subordinated liabilities	**1,104**	**-**	**1,104**	1,424	-	1,424
Senior unsecured bonds	**608**	**44**	**652**	983	49	1,032
Bank loans and overdrafts	**-**	**196**	**196**	-	182	182
Total fair value	**1,712**	**240**	**1,952**	2,407	231	2,638

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 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. 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 reassessment 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 restoration costs, is typically depreciated on a straight-line basis over the lease term. 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 or less). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

Lease liabilities

	2021 £m	2020 £m
At beginning of the year	**1,016**	1,068
Additions arising on business combinations	**2**	2
Additions	**50**	47
Disposals	**(10)**	-
Remeasurement	**39**	5
Interest on lease liabilities	**47**	54
Repayments	**(177)**	(180)
Transfer to liabilities associated with assets held for sale	**(2)**	(1)
Foreign exchange	**(44)**	21
At end of year	**921**	1,016
Non-current	**794**	891
Current	**127**	125

See note 26.4 for maturity analysis of lease liabilities.

Expenses

The Consolidated Income Statement includes expenses relating to short-term leases of £5m (2020: £nil) and expenses relating to leases of low-value assets of £1m (2020: £1m). Depreciation of right-of-use assets is reported in note 4. Interest on lease liabilities is 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 are 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 the 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 2021, potential discounted future cash outflows of £347m (2020: £368m) have not been included in the lease liability because it is not reasonably certain that the extension option will be exercised.

Notes to the Consolidated Financial Statements continued

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 2021, potential discounted future cash outflows of £52m (2020: £51m) have not been included in the lease liability because it is not reasonably certain that the termination option will not be exercised.

Future lease commitments

The Group is committed to leases that have not yet commenced to the value of £26m as at 31 December 2021 (2020: £26m).

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 are estimated at £14m (2020: £13m).

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. A provision was established in 2020 in respect of Bupa Insurance Limited making a commitment to pass back to eligible customers any exceptional financial benefits experienced by the UK PMI business that ultimately arise as a result of COVID-19. At 31 December 2021, the return of premium provision held is £71m (2020: £145m). The net reduction in the provision reflects a £110m payment of rebates to eligible customers and an increase of £36m due to an increase in the best estimate of exceptional financial benefit during the year.

The return of premium provision reflects the best estimate of exceptional financial benefit ultimately arising from COVID-19 during the period 23 March 2020 to 31 December 2021. It is calculated by estimating the ultimate net reduction in claims costs due to the disruption caused by COVID-19, adjusted to take account of 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 estimated costs of deferred claims and COVID-19 related claims inflation expected to be incurred (£61m). The assumed level of deferred claims within the rebate is sensitive to the cost of healthcare and customer behaviour. A reasonably possible increase or decrease in this assumption results in a decrease/increase in the provision of £14m and an increase/decrease in profit before taxation by the same amount.

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.

As at 31 December 2021, an unexpired risk provision of £22m has been recognised (2020: £5m).

Provision for claims

The gross provision for claims represents the estimated liability arising from claims episodes 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. The provision includes an allowance for claims management and handling expenses. The gross provision for claims also includes a deferred claims provision 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.

The gross provision for claims across the Group is set in line with Bupa's Claims Reserving standards, at a level to achieve an appropriate probability of sufficiency and is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events.

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 level of prudence is set at a Group level, allowing the Group to benefit from a diversification benefit on the prudence margin held by the individual insurance entities in the Group.

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.

A deferred claims provision of £163m has been recognised as at 31 December 2021 (2020: £171m) in respect of the health insurance business in Australia, where the Australian prudential regulator (APRA) has mandated the need to provide for the 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 to pre-COVID-19 expectations. This has been recognised based on the central estimate, together with an allowance for claims handling costs and an additional risk margin. The deferred claims provision is expected to be materially fully utilised over the next 12 months.

The key assumption in determining the deferred claims is the assumed deferral rate. An increase in the deferral rate by 10% would reduce profit before taxation by £47m.

	2021			2020		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
General insurance business						
Provisions for unearned premiums	**2,104**	**(24)**	**2,080**	2,094	(17)	2,077
Provisions for claims	**1,093**	**(9)**	**1,084**	1,083	(7)	1,076
Long-term business						
Life insurance contract liabilities	**36**	**-**	**36**	35	-	35
Total insurance provisions	**3,233**	**(33)**	**3,200**	3,212	(24)	3,188
Non-current	**50**	**-**	**50**	52	-	52
Current	**3,183**	**(33)**	**3,150**	3,160	(24)	3,136

Reinsurers' share of insurance provisions is included within note 12.

(i) Analysis of movements in provisions for unearned premiums

	2021			2020		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At beginning of year	**2,094**	**(17)**	**2,077**	1,937	(15)	1,922
Additions arising on business combinations	**9**	**-**	**9**	-	-	-
Premiums deferred	**9,354**	**(109)**	**9,245**	8,909	(97)	8,812
Movement in return of premium provision	**(74)**	**-**	**(74)**	145	-	145
Deferred premiums released to income	**(9,228)**	**102**	**(9,126)**	(8,908)	95	(8,813)
Increase in unexpired risk provision	**19**	**-**	**19**	5	-	5
Foreign exchange	**(70)**	**-**	**(70)**	6	-	6
At end of year	**2,104**	**(24)**	**2,080**	2,094	(17)	2,077

Notes to the Consolidated Financial Statements continued

(ii) Analysis of movements in provisions for claims

	2021			2020		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At beginning of year	**1,083**	**(7)**	**1,076**	865	(9)	856
Additions arising on business combinations	**3**	**-**	**3**	-	-	-
Increase for current year claims	**7,386**	**(79)**	**7,307**	6,639	(56)	6,583
Cash paid to settle claims	**(7,266)**	**76**	**(7,190)**	(6,576)	58	(6,518)
Decrease for prior year claims	**(33)**	**1**	**(32)**	(32)	(1)	(33)
Movement in deferred claims provision	**1**	**-**	**1**	171	-	171
Foreign exchange	**(81)**	**-**	**(81)**	16	1	17
At end of year	**1,093**	**(9)**	**1,084**	1,083	(7)	1,076

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 taxation 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**
2021		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation[1]	£32m	£2m
2020		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation[1]	£28m	£2m

1. The deferred claims provision of £163m (2020: £171m) has been excluded from this sensitivity.

These variances would reduce the amount of profit before taxation 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.

	2021 £m	2020 £m
Reinsurers' deposits	**8**	8
Reinsurance creditors	**61**	67
Commissions payable	**39**	31
Other insurance payables	**105**	56
Total other liabilities arising from insurance business	**213**	162

Included within other insurance payables is £57m related to the return of COVID-19 savings to customers of Bupa Health Insurance, Australia. It is expected that these payments will have been made by the end of February 2022.

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	Provision for underpayment of employee entitlement[1] £m	Property restoration provision £m	NHS dental contract clawback provision £m	Other £m	Total £m
At beginning of year (restated)[1]	95	16	27	10	51	26	22	36	**283**
Interest on obligations	-	-	-	-	-	1	-	-	**1**
Charge for year	48	2	10	10	14	3	21	79	**187**
Released in year	-	(4)	(8)	-	-	(2)	(8)	(7)	**(29)**
Utilised in year	(39)	(6)	(12)	(11)	-	(1)	(14)	(66)	**(149)**
Transfer to liabilities held for sale	(1)	-	-	-	-	-	-	-	**(1)**
Foreign exchange	(8)	-	(1)	-	(3)	-	-	(1)	**(13)**
Total provisions for liabilities and charges	**95**	**8**	**16**	**9**	**62**	**27**	**21**	**41**	**279**
Non-current	23	1	5	6	-	25	1	21	**82**
Current	72	7	11	3	62	2	20	20	**197**

1. Refer to note 1.5a for details of the restatement.

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.

Deferred and 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.

Notes to the Consolidated Financial Statements continued

Provision for underpayment of employee entitlement

A provision has been established in respect of underpayments of employee entitlements affecting some current and former employees, following an extensive proactive pay compliance review carried out in Australia and New Zealand. Remediation payments are expected to be completed by the end of 2022.

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.

NHS dental contract clawback provision

A provision is held in respect of amounts that are expected to be deducted from future NHS contracts held by Bupa Dental Care UK, as a result of not meeting required treatment targets set by the NHS in the current contract period.

Other

Other provisions include regulatory provisions relating to levies payable to the Group's various regulators, provision for ongoing costs relating to businesses disposed of in prior years and restructuring costs, and a refund liability relating to an Australian book of insurance business.

Note 21: Trade and other payables

Trade and other payables in brief

Trade and other payables arise in the ordinary course of business.

	Note	2021 £m	2020 £m
Accruals		**822**	782
Refundable accommodation deposits	(a)	**449**	503
Trade payables		**242**	216
Other payables		**231**	249
Occupational right agreement liabilities	(b)	**302**	230
Deferred income and deferred revenue	(c)	**116**	109
Social security and other taxes		**54**	60
Total trade and other payables		**2,216**	2,149
Non-current		**66**	40
Current		**2,150**	2,109

Trade and other payables (excluding deferred revenue) are carried at amortised cost.

The carrying value of 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 26.4.

(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 £116m (2020: £109m) includes £81m (2020: £74m) 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:

	2021 £m	2020 £m
At beginning of year	74	64
Revenue recognised in the period	(155)	(144)
Deferred revenue in the period	165	151
Foreign exchange	(3)	3
At end of year	81	74

Revenue recognised in the period includes £65m (2020: £64m) of revenue that was deferred at the beginning of the year. £75m (2020: £65m) of revenue deferred as at 31 December 2021 will be recognised during 2022 as the performance obligations are satisfied. £6m (2020: £9m) of revenue deferred as at 31 December 2021 will be recognised over the remaining contract period.

Note 22: Restricted Tier 1 (RT1) notes

RT1 notes in brief

The RT1 notes meet the classification of equity and are presented as a separate category of equity in the Consolidated Statement of Financial Position at an amount equal to the proceeds of issue less transaction costs. RT1 coupons are recognised directly in the Consolidated Statement of Changes in Equity, net of tax, upon payment.

	2021 £m	2020 £m
Restricted Tier 1 notes	297	-

On 24 September 2021, Bupa Finance plc issued £300m of RT1 notes with a fixed coupon of 4.000% paid semi-annually in arrears. Transaction costs of £3m were recognised in respect of the issue. The total coupon paid during the year was £nil.

The RT1 notes are perpetual with no fixed maturity or redemption date. The notes have a first call date of 24 March 2032 and interest is payable at the sole and absolute discretion of Bupa Finance plc, with cancelled interest providing no rights to the holder of the notes nor being considered a default. The RT1 notes are therefore treated as equity. The notes are convertible to share capital of Bupa Finance plc on the occurrence of certain trigger events.

Note 23: Non-controlling interests

Non-controlling interests 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.

Notes to the Consolidated Financial Statements continued

Note 24: 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.

(a) 2021 acquisitions

During the period the Group made acquisitions for a total consideration of £48m, recognising net assets on acquisition of £62m.

In January 2021, the Group acquired Vitamedica, a health insurance provider in Mexico for a consideration of £16m. Net assets of £12m and resulting goodwill of £4m were initially recognised on acquisition; however, they were revised to £11m and £5m respectively following finalisation of the acquisition balance sheet in the second half of 2021.

In addition, the Group acquired the business and membership of Civil Service Healthcare Society Limited (CS Healthcare) in January 2021 for £nil consideration. Intangible assets consisting of customer relationships totalling £26m and other net assets totalling £16m have been recognised as part of the business combination. The resulting gain of £42m (initially £41m, adjusted upon finalisation of the acquisition balance sheet in the second half of 2021) has been recorded as a gain on acquisition of businesses within other income and charges (see note 2.4). This is gross of related transaction costs of £2m.

Further acquisitions were made in Poland for a total consideration of £32m of which £10m is deferred, largely to expand the Group's presence in outpatient clinics, diagnostic centres and hospitals. These included the acquisition of Citomed, an operator of outpatient facilities, diagnostic laboratories and a multi-specialist hospital in October, for a consideration of £19m; as well as the acquisition in September of an 88.7% controlling interest in Swissmed, a multi-specialist hospital for consideration of £11m. Total net assets of £9m were recognised for these acquisitions, with associated goodwill of £23m.

There was no adjustment to goodwill in respect of prior period acquisitions.

Included in the Group Consolidated Income Statement is revenue of £37m and a profit before taxation of £5m in relation to those businesses acquired in the year. If the acquisition date of the businesses acquired during the year had been 1 January 2021, revenue of £12,919m and a profit before taxation of £424m would have been recorded by the Group for the year ended 31 December 2021.

The following table summarises acquisitions recognised during the year:

	Fair value £m
Intangible assets	34
Property, plant and equipment	21
Financial investments	2
Cash and cash equivalents	25
Trade and other receivables	12
Current tax asset	1
Restricted assets	1
Other interest-bearing liabilities	(4)
Deferred taxation liabilities	(1)
Trade and other payables	(17)
Provisions under insurance contracts issued	(12)
Net assets acquired	**62**
Net assets acquired	62
Goodwill	28
Gain arising on acquisition	(42)
Consideration	**48**
Consideration satisfied by:	
Cash	38
Deferred and contingent consideration	10
Total consideration paid	**48**
Purchase consideration settled in cash	38
Cash acquired on acquisition	(25)
Net cash outflow on acquisition	**13**
Settlement of deferred and contingent consideration	6
Net cash outflow associated with acquisitions	**19**

(b) 2021 disposals

On 4 August 2021, the Group completed the sale of its 70% stake in Ginemed, a provision business in Spain for consideration of £51m, with a loss on disposal of £1m recognised.

During the year the Group completed the sale of its rehabilitation business in New Zealand, realising a gain on disposal of £5m and realised a £3m gain on disposal of an equity accounted investment in Australia.

Within aged care, the Group disposed of care homes businesses in Sanitas Mayores for a consideration of £11m resulting in a gain on disposal of £3m, while Bupa Villages and Aged Care Australia disposed of care homes for a consideration of £33m, realising a gain on disposal of £1m.

(c) 2020 acquisitions

Minor acquisitions were made in the year ended 31 December 2020 in Australia & 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, 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 Income Statement for the year ended 31 December 2020 is revenue of £5m and a loss before taxation of £1m in relation to those businesses acquired in 2020. If the acquisition date of the businesses acquired during the year had been 1 January 2020, revenue of £12,145m and a profit before taxation of £396m would have been recorded by the Group for the year ended 31 December 2020.

(d) 2020 disposals

During 2020 the Group disposed of three care home businesses in Australia for cash consideration of £23m, realising a net gain on disposal of £2m.

Notes to the Consolidated Financial Statements continued

Note 25: 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.

In the EU the Solvency II framework governs insurance industry regulation and prudential capital requirements. In the UK the Prudential Regulation Authority (PRA) continues to apply the Solvency II framework, following the end of the Brexit transition period on 31 December 2020.

The Group is subject to the requirements of the Solvency II framework 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 framework. Bupa has obtained approval from the 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. A data adjustment was applied in the calculation of 2020 loss experience in light of the exceptional volatility in claims experienced as a result of COVID-19. The adjustment methodology has been approved by the PRA.

The capital positions of the Group and its 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 external capital requirements. The ability of the Group's regulated entities to transfer funds to parent entities is subject to local solvency requirements.

The Group has target ranges for solvency, leverage and interest cover ratios with a view to maintaining a strong long-term senior credit rating for Bupa Finance plc with Fitch and 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 (£7.1bn) valued on a Solvency II basis, together with eligible subordinated liabilities, subject to adjustments for non-available assets and non-controlling interests.

As at 31 December 2021, the Group's eligible Own Funds, determined in accordance with the Solvency II valuation rules, were £4.5bn[1] (2020: £4.0bn), which was in excess of the Group estimated SCR of £2.5bn[1](2020: £2.5bn). This represented a solvency coverage ratio of 179%[1] (2020: 160%).

1. The Solvency II Capital Position (eligible Own Funds, SCR and coverage ratio) is estimated and unaudited.

Note 26: 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 48-53.

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 financial risks associated with its insurance business and from its use of financial instruments. These have been categorised into the following types of financial 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

26.1 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 of claims experience 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 depends 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.

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.

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.

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.

Notes to the Consolidated Financial Statements continued

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 movements in the provisions for claims.

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 over time 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 the 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.

(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 man-made 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 reinsurance provided by third-party reinsurers. Bupa's Group Actuarial function oversees and implements strategic improvements to ensure the overall adequacy of these arrangements.

26.2 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 the regulated entities in the UK and Australia. These assets totalled £632m as at 31 December 2021 (2020: £559m). 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).

26.2.1 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 presentational 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.

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 items include unearned premiums and deferred acquisition costs.

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, typically in the case of international private medical insurance.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2021	2020	**2021**	2020
Australian dollar	**1.83**	1.86	**1.86**	1.77
Brazilian real	**7.42**	6.61	**7.54**	7.10
Chilean peso	**1,045.64**	1,015.49	**1,152.93**	971.08
Danish krone	**8.65**	8.38	**8.84**	8.33
Euro	**1.16**	1.12	**1.19**	1.12
Hong Kong dollar	**10.69**	9.96	**10.55**	10.60
Mexican peso	**27.90**	27.53	**27.74**	27.19
New Zealand dollar	**1.95**	1.97	**1.98**	1.90
Polish zloty	**5.31**	4.99	**5.46**	5.10
Saudi riyal	**5.16**	4.82	**5.08**	5.13
Turkish lira	**12.22**	9.03	**17.97**	10.17
US dollar	**1.38**	1.28	**1.35**	1.37

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.

Notes to the Consolidated Financial Statements continued

(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.

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.

During the year, a correction to the cash flow hedge reserve of £21m has been recognised. The cash flow hedge reserve related to hedging of acquisitions and should have been reallocated to goodwill (£20m) and investments in associates (£1m) on initial application of IFRS 9 Financial Instruments. As at 31 December 2021, the cash flow hedge reserve amounts to £nil (2020: £21m).

(c) Net investment hedging

The Group hedges appropriate levels of its net asset exposures after taking into consideration key regulatory and financial metrics. To hedge the currency risk, the group designates the forward element of foreign currency forward and swap contracts as hedging instruments. The Group hedges the net investments only to the extent of the notional amount of the foreign exchange leg of the hedging derivative.

Changes in the fair value of the hedging instrument are initially recognised in other comprehensive income to the extent that the hedge is effective. Exchange differences arising on the consolidation of these net assets are deferred in equity until the foreign operation is disposed of or liquidated, when the differences are then recognised in the Consolidated Income Statement as part of the gain or loss on disposal.

To assess hedge effectiveness, the group determines the economic relationship between the hedging instrument and the hedged items by comparing changes in the fair value of the hedging derivative with changes in the fair value of a hypothetical derivative. An amount equal to the excess of the cumulative change in the fair value of the hedging derivative over the cumulative change in the fair value of the hypothetical derivative, is recorded in the Consolidated Income Statement as ineffectiveness. Ineffectiveness is expected to arise from the effect of counterparty and the Group's credit risk on the fair value of the derivative which is not reflected in the hypothetical derivative. Ineffectiveness could also arise from currency basis, which is present in the hedging derivative but excluded from the hypothetical derivative.

Effect of foreign exchange hedging transactions

The table below shows the notional amounts and carrying values of the currency contracts held by the group to hedge its net investment in foreign operations as at the end of the year, along with the impact of net investment currency hedging activity.

	2021 £m	2020 £m
Notional amounts	**1,479**	1,312
Carrying amount - Assets	**29**	14
Carrying amount - Liabilities	**(5)**	(33)
Financial statement line item	**Derivatives**	Derivatives
Change in value used for calculating hedge ineffectiveness	**63**	(62)
Hedging gains/(losses) recognised in other comprehensive income	**62**	(62)
Hedge ineffectiveness recognised in Consolidated Income Statement	**1**	-
Consolidated Income Statement line item (for ineffectiveness)	**Financial expense**	Financial expense
Amount reclassified from foreign exchange 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	**63**	(62)
Amounts in reserves for continuing hedges	**63**	(62)

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
2021			
Australian dollar	**2,402**	**(552)**	**1,850**
Euro	**909**	**(529)**	**380**
New Zealand dollar	**593**	**(242)**	**351**
US dollar	**271**	**(320)**	**(49)**
Other	**1,345**	**172**	**1,517**
Total foreign denominated net assets	**5,520**	**(1,471)**	**4,049**
Percentage of Group net assets	**74%**		**54%**

	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	80%		60%

The impact of a hypothetical strengthening/weakening of sterling against the currencies below, with all other variables constant, would have (decreased)/increased equity and profit by the amounts shown below. These tables consider both translation and transaction risk.

	Strengthening 10%		Weakening 10%	
	(Losses)/gains included in Consolidated Income Statement £m	(Losses)/gains included in Equity £m	Gains/(losses) included in Consolidated Income Statement £m	Gains/(losses) included in Equity £m
2021				
Australian dollar	**(17)**	**(168)**	**21**	**205**
Euro	**(14)**	**(35)**	**17**	**42**
New Zealand dollar	**(2)**	**(32)**	**2**	**39**
US dollar	**1**	**4**	**(1)**	**(5)**
Other	**(2)**	**(138)**	**3**	**169**
Total sensitivity	**(34)**	**(369)**	**42**	**450**

	Strengthening 10%		Weakening 10%	
	Losses included in Consolidated Income Statement £m	(Losses)/gains 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

26.2.2 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.

Notes to the Consolidated Financial Statements continued

The net asset balance on which the Group is exposed as at 31 December 2021 was £2,002m (2020: £2,184m). 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 £7m and profit by £6m (2020: decrease of £5m and £4m respectively). 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 2021 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. 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 bonds attributable to the hedged risk for the year ended 31 December 2021 amounted to a gain of £28m (2020: £nil). The fair value movement on the interest rate swaps amounted to a loss of £28m (2020: £nil) and the fair value and carrying value of this derivative is a £16m liability (2020: £12m asset).

26.2.3 IBOR reform

Interbank Offered Rates (IBORs), including the London Interbank Offered Rate (LIBOR), are widely accepted benchmark interest rates that represent the cost of unsecured short-term borrowing between large banks. IBORs are commonly referenced in loans, derivatives and other financial instruments, as well as being used by entities in their internal accounting processes.

A number of IBORs, in particular LIBOR, are subject to reform. The FCA announced that LIBOR rates would no longer be available beyond 31 December 2021. In 2019, the Group constituted a project team to assess the Group's exposure to those IBOR rates subject to reform. Actions were subsequently taken to remediate exposures prior to the withdrawal of reference rates. At 31 December 2021 the following milestones had been achieved:

- All exposures relating to IBORs subject to reform have been transitioned to alternative risk-free rates (Alternative RFRs). These include exposures to financial investments, derivatives, external debt and intra-group borrowings.
- Alternative RFRs are now used within actuarial processes.
- Alternative RFRs are now used in the calculation of incremental borrowing rates used for lease accounting.

During the year, the Group transitioned the swaps used as hedging instruments in its £600m fair value interest rate hedges from a LIBOR basis to a Sterling Overnight Index Average (SONIA) basis. As the changes made relate only to IBOR reform, this did not result in the discontinuation of existing hedging relationships or the designation of a new hedging relationship.

26.3 Credit risk

Credit risk is the risk that those that are in debt to the Group default on their obligations. 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:

	2021 £m	2020 restated[1] £m
Investment grade counterparties	**4,209**	4,221
Non-investment grade counterparties	**599**	499
Total	**4,808**	4,720

1. Refer to note 1.5e for details of the restatement.

Investment grade counterparties include restricted assets of £158m (2020: £149m). 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 £488m (2020: £432m restated), and cash and cash equivalents of £92m (2020: £73m restated).

Assets pledged as security include £158m (2020: £149m) 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
2021						
AAA	**75**	**196**	**-**	**-**	**1**	**76**
AA- to AA+	**41**	**176**	**527**	**-**	**-**	**604**
A- to A+	**-**	**378**	**449**	**-**	**155**	**908**
BBB- to BBB+	**61**	**11**	**20**	**-**	**2**	**58**
BB+ and below (below investment grade)	**66**	**79**	**49**	**1**	**-**	**93**
Total	**243**	**840**	**1,045**	**1**	**158**	**1,739**
Loss allowance[1]	**(2)**	**-**	**(1)**	**-**	**-**	**-**
Carrying amount	**241**	**840**	**1,044**	**1**	**158**	**1,739**

1. In addition a provision for expected credit losses on financial investments at FVOCI of £2m has been recognised.

	Government debt securities £m	Corporate debt securities and secured loans restated[1] £m	Deposits with credit institutions restated[1] £m	Other loans £m	Restricted assets £m	Cash and cash equivalents[1] £m
2020						
AAA	29	197	-	-	-	12
AA- to AA+	26	206	511	-	-	560
A- to A+	-	339	578	-	149	915
BBB- to BBB+	20	15	3	-	-	146
BB+ and below (below investment grade)	68	114	54	1	-	73
Total	143	871	1,146	1	149	1,706
Loss allowance[2]	(2)	(1)	(4)	-	-	-
Carrying amount	141	870	1,142	1	149	1,706

1. Refer to note 1.5e for details of the restatement.
2. In addition a provision for expected credit losses on financial investments at FVOCI of £4m has been recognised.

Information regarding the ageing and impairment of financial and insurance assets is shown below.

	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
2021						
Insurance debtors gross value	**1,076**	**97**	**24**	**14**	**14**	**1,225**
Bad debt provision	**(2)**	**(8)**	**(6)**	**(5)**	**(6)**	**(27)**
Insurance debtors net value[1]	**1,074**	**89**	**18**	**9**	**8**	**1,198**
Trade and other receivables gross value	**229**	**156**	**46**	**50**	**67**	**548**
ECL	**(3)**	**(3)**	**(4)**	**(4)**	**(15)**	**(29)**
Trade and other receivables net value[2]	**226**	**153**	**42**	**46**	**52**	**519**

	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
2020						
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	251	156	31	35	61	534
ECL	(2)	(3)	(1)	(5)	(17)	(28)
Trade and other receivables net value[2]	249	153	30	30	44	506

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.

Notes to the Consolidated Financial Statements continued

Information regarding the Expected Credit Loss allowance by class of financial investments held at fair value through other 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	
2021	**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	**143**	**(6)**	**871**	**(1)**	**1,146**	**(4)**	**1**	**-**	**534**	**(28)**	**1,210**	**(27)**	**149**	**-**	**1,706**	**-**
Recognition and settlement	**103**	**-**	**(23)**	**1**	**(62)**	**3**	**-**	**-**	**57**	**(4)**	**56**	**(1)**	**9**	**-**	**125**	**-**
Transfer from assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange and other	**(3)**	**2**	**(8)**	**-**	**(39)**	**-**	**-**	**-**	**(41)**	**3**	**(41)**	**1**	**-**	**-**	**(92)**	**-**
At end of year	**243**	**(4)**	**840**	**-**	**1,045**	**(1)**	**1**	**-**	**548**	**(29)**	**1,225**	**(27)**	**158**	**-**	**1,739**	**-**

	Government debt securities		Corporate debt securities and secured loans restated[3]		Deposits with credit institutions restated[3]		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	-	535	(46)	1,250	(18)	117	-	1,234	-
Recognition and settlement	(31)	(2)	216	-	251	(3)	-	-	(74)	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)	871	(1)	1,146	(4)	1	-	534	(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.
3. Refer to note 1.5e for details of the restatement.

Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

2021	**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	**41**	**-**	**41**	**(15)**	**(19)**	**7**
Derivative financial liabilities	**(35)**	**-**	**(35)**	**15**	**3**	**(17)**
Cash and cash equivalents	**1,939**	**(200)**	**1,739**	**-**	**-**	**1,739**
Total	**1,945**	**(200)**	**1,745**	**-**	**(16)**	**1,729**

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

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.

Notes to the Consolidated Financial Statements continued

26.4 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 a £900m revolving credit facility which has a maturity of December 2026 with two, one-year extension options. The facility replaced an £800m revolving credit facility (2020: undrawn) and a separate £40m bilateral facility (2020: fully drawn down). The new facility was drawn down by £150m as at 31 December 2021.

During the period the Group put in place a €30m bank facility in Spain, maturing in May 2022 which remains undrawn as at 31 December 2021.

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 2021 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 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
As at 31 December 2021								
2022	**(46)**	**(205)**	**(164)**	**(3,183)**	**(213)**	**(2,009)**	**(17)**	**(5,837)**
2023	**(291)**	**(15)**	**(147)**	**(50)**	**-**	**(18)**	**-**	**(521)**
2024	**(35)**	**(312)**	**(125)**	**-**	**-**	**(12)**	**(2)**	**(486)**
2025	**(35)**	**(9)**	**(107)**	**-**	**-**	**(7)**	**-**	**(158)**
2026	**(435)**	**(9)**	**(95)**	**-**	**-**	**-**	**-**	**(539)**
2027-2031	**(72)**	**(321)**	**(343)**	**-**	**-**	**-**	**(16)**	**(752)**
After 2031	**(400)**	**(8)**	**(233)**	**-**	**-**	**-**	**-**	**(641)**
Total	**(1,314)**	**(879)**	**(1,214)**	**(3,233)**	**(213)**	**(2,046)**	**(35)**	**(8,934)**
Carrying value in the Consolidated Statement of Financial Position	**(997)**	**(822)**	**(921)**	**(3,233)**	**(213)**	**(2,046)**	**(35)**	**(8,267)**

	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
As at 31 December 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 deposits and accruals detailed in note 21.

Interest payments are included in the cash flows for subordinated liabilities and other interest-bearing liabilities.

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), 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
As at 31 December 2021						
2022	**1,739**	**997**	**206**	**506**	**373**	**3,821**
2023	**-**	**43**	**33**	**169**	**-**	**245**
2024	**-**	**-**	**12**	**115**	**-**	**127**
2025	**-**	**5**	**1**	**95**	**-**	**101**
2026	**-**	**-**	**4**	**178**	**8**	**190**
2027-2031	**-**	**-**	**20**	**109**	**5**	**134**
After 2031	**-**	**-**	**12**	**23**	**-**	**35**
Total	**1,739**	**1,045**	**288**	**1,195**	**386**	**4,653**

	Cash and cash equivalents £m	Deposits with credit institutions restated[1] £m	Government debt securities £m	Corporate debt securities and other loans restated[1] £m	Pooled investment funds £m	Total £m
As at 31 December 2020						
2021	1,706	888	109	541	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	1,147	190	1,234	301	4,578

1. Refer to note 1.5e for details of the restatement.

Notes to the Consolidated Financial Statements continued

Note 27: Related party transactions

Related party transactions in brief

Related party transactions 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 2021 (2020: £nil) or at any time during the year. The remuneration of the Group's Directors is disclosed on pages 94-108 of this report.

The total remuneration of the Market Unit Chief Executive Officers is as follows:

	2021 £'000	2020 £'000
Short term employee benefits	**4,332**	3,489
Long Term Incentive Plan awards	**2,749**	3,551
Post-employment benefits	**101**	118
Total	**7,182**	7,158

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 unfunded 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 unfunded scheme and is secured by a charge over £45m (2020: £48m) of cash deposits (see note 8).

Note 28: Commitments and contingencies

Commitments and contingencies in brief

A commitment is future expenditure that is committed to as at 31 December 2021. 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 2021 but for which no provision has been made in the financial statements, amounted to £68m (2020: £122m). Of this, £67m (2020: £111m) relates to aged care facility and retirement village project commitments in Australia and New Zealand and care homes in the UK; specifically £29m (2020: £37m) in relation to property, plant and equipment and £38m (2020: £74m) in relation to investment property. A further £1m (2020: £9m) commitment relates to computer software projects, with £nil (2020: £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, consumer matters, other disputes, regulatory compliance (including data protection) and interpretation of law (including employment 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 2021

	Note	2021 £m	2020 restated[1] £m
Assets			
Intangible assets	A	**84**	84
Property, plant and equipment	B	**23**	29
Investment in subsidiaries	C	**200**	200
Post-employment benefit net assets	D	**541**	546
Trade and other receivables	E	**130**	138
Current taxation asset		**23**	20
Total assets		**1,001**	1,017
Liabilities			
Lease liability	F	**(6)**	(6)
Post-employment benefit net liabilities	D	**(60)**	(64)
Provision for liabilities and charges	G	**(9)**	(10)
Deferred taxation liabilities	H	**(143)**	(162)
Trade and other payables	I	**(170)**	(126)
Total liabilities		**(388)**	(368)
Net assets		**613**	649
Equity			
Income and expenditure reserve		**613**	649
Total equity		**613**	649

1. Balances have been restated for a £4m reduction in intangible asset amounts capitalised as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement', and £1m of related taxation impacts on deferred taxation liabilities. Refer to notes A and H for details.

Approved by the Board of Directors and signed on its behalf on 7 March 2022 by

Roger Davis

Chairman

James Lenton

Group CFO

The Company accounting policies are aligned with those of the Group, described in notes 1-28, except as described in notes A-L below.

Financial Statements of the Company continued

Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2021

The loss for the year recorded within the accounts of the Company, The British United Provident Association Limited (Bupa), is £30m (2020: £20m profit). 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 employees, including Executive Directors, employed by the Company during the year was 2,055 (2020: 1,960).

Statement of Cash Flows
for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Operating activities			
(Loss)/profit before taxation expense		**(62)**	84
Adjustments for:			
Depreciation, amortisation and impairment		**26**	26
Other non-cash items		**(7)**	4
Changes in working capital and provisions:			
Funded pension scheme employer contributions	D	**-**	(8)
Decrease in provisions for liabilities and charges		**(11)**	(9)
Decrease in trade and other receivables, and other assets		**19**	50
Increase/(decrease) in trade and other payables, and other liabilities		**55**	(106)
Cash generated from operations		**20**	41
Cash flow from investing activities			
Purchase of intangible assets	A	**(20)**	(34)
Purchase of property, plant and equipment	B	**-**	(8)
Proceeds from sale of property, plant and equipment		**-**	1
Net cash used in investing activities		**(20)**	(41)
Net change in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of year		**-**	-
Cash and cash equivalents at end of year		**-**	-

The Company accounting policies are aligned with those of the Group, described in notes 1-28, except as described in notes A-L below.

Statement of Changes in Equity
for the year ended 31 December 2021

	Note	Income and expenditure reserve £m	Total equity £m
2021			
Balance as at 1 January 2021		**649**	**649**
Loss for the year		**(30)**	**(30)**
Other comprehensive income/(expense)			
Remeasurement loss on pension schemes	D	**(9)**	**(9)**
Taxation credit on income and expense recognised directly in other comprehensive income	H	**3**	**3**
Other comprehensive expense for the year, net of taxation		**(6)**	**(6)**
Total comprehensive expense for the year		**(36)**	**(36)**
Balance as at 31 December 2021		**613**	**613**

	Note	Income and expenditure reserve £m	Total equity £m
2020			
Balance as at 1 January 2020, as previously reported		749	749
Opening balance adjustments[1]		(3)	(3)
Balance as at 1 January 2020, as restated		746	746
Profit for the 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 (restated)[1]		649	649

1. Opening balances have been restated by £3m reflecting a £4m reduction in historic software capitalisation as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement' and £1m related taxation benefit. Refer to notes A and H for details.

The Company accounting policies are aligned with those of the Group, described in notes 1-28, except as described in notes A-L below.

Financial Statements of the Company continued

A. Intangible assets

Intangible assets are non-physical assets held by the Company and consist of computer software only.

	2021 £m	2020 restated[1] £m
Cost		
At beginning of year[1]	147	176
Opening balance adjustment[1]	-	(7)
Additions	20	34
Disposals	(7)	(49)
Other	-	(7)
At end of year	160	147
Amortisation and impairment loss		
At beginning of year[1]	63	93
Opening balance adjustment[1]	-	(3)
Amortisation for year	20	19
Impairment loss	-	1
Disposals	(7)	(47)
Other	-	-
At end of year	76	63
Net book value at end of year	84	84
Net book value at beginning of year (restated)[1]	84	79

1. 2020 opening balances have been restated for a £4m reduction in intangible asset amounts capitalised as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement'.

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.

	2021				2020			
	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	21	42	69	6	18	59	83
Additions	-	-	-	-	-	3	5	8
Disposals	-	(5)	(7)	(12)	-	(1)	(21)	(22)
Other	-	-	-	-	-	1	(1)	-
At end of year	6	16	35	57	6	21	42	69
Depreciation and impairment loss								
At beginning of year	-	13	27	40	-	13	43	56
Depreciation charge for year	-	1	5	6	-	1	5	6
Disposals	-	(5)	(7)	(12)	-	(1)	(21)	(22)
At end of year	-	9	25	34	-	13	27	40
Net book value at end of year	6	7	10	23	6	8	15	29
Net book value at beginning of year	6	8	15	29	6	5	16	27

C. Investment in subsidiaries

Investments in subsidiary companies are carried at cost less impairment in the Company's accounts.

Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence of such an asset being impaired, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.

Dividends received from subsidiaries are recognised in the Income Statement when the right to receive the dividend is established.

As at 31 December 2021, the Company held investments in subsidiaries of £200m (2020: £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 2021, is disclosed after the Company financial statements.

D. Post-employment benefits

The Company operates defined benefit schemes 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 main defined benefit scheme is The Bupa Pension Scheme which was closed to new entrants from 1 October 2002. The scheme closed to future accrual as at 31 December 2020, although members retain any ongoing salary link, with future benefits payable dependent upon member salary at the date of leaving or retirement. Existing current employees who were members of the Bupa Pension Scheme were automatically enrolled into a 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, during 2020, the related deferred tax liability on the surplus was remeasured at the applicable rate of 35% of the surplus resulting in a one-off exceptional tax charge of £68m for the year ended 31 December 2020 (see note H).

Deficit reduction contributions of £1m per annum are due for the three years commencing 2022 in respect of the smaller defined benefit scheme.

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	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Present value of funded obligations	(ii)	**(1,887)**	(1,943)	**-**	-	**(1,887)**	(1,943)
Fair value of plan assets	(iii)	**2,425**	2,487	**-**	-	**2,425**	2,487
Net assets of funded schemes		**538**	544	**-**	-	**538**	544
Present value of unfunded obligations	(ii)	**(51)**	(54)	**(6)**	(8)	**(57)**	(62)
Net recognised assets/(liabilities)		**487**	490	**(6)**	(8)	**481**	482
Represented on the Statement of Financial Position:							
Net assets						**541**	546
Net liabilities						**(60)**	(64)
Net recognised assets						**481**	482

Financial Statements of the Company continued

(ii) Present value of the schemes' obligations

The movements in the present value of funded and unfunded schemes' obligations are:

	Pension schemes		Post-retirement medical benefit scheme		Total	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
At beginning of year	**1,997**	1,664	**8**	9	**2,005**	1,673
Current service costs	**-**	9	**-**	-	**-**	9
Interest on obligations	**29**	35	**-**	-	**29**	35
(Gains)/losses arising from changes to financial assumptions	**(10)**	290	**-**	1	**(10)**	291
(Gains)/losses arising from changes to experience assumptions	**(22)**	37	**(2)**	(2)	**(24)**	35
Losses arising from changes to demographic assumptions	**10**	19	**-**	-	**10**	19
Benefits paid	**(66)**	(57)	**-**	-	**(66)**	(57)
At end of year	**1,938**	1,997	**6**	8	**1,944**	2,005

(iii) Fair value of funded schemes' assets

The movements in the fair value of the funded schemes' assets are:

	2021 £m	2020 £m
At beginning of year	**2,487**	2,266
Interest income	**36**	47
Return on assets excluding interest income	**(33)**	222
Contributions by employer	**-**	8
Administration expenses	**(2)**	(1)
Benefits paid	**(63)**	(55)
At end of year	**2,425**	2,487

The market value of the assets of the funded schemes are as follows:

	2021 £m	2020 £m
Pooled investment funds	**1,181**	1,186
Corporate bonds	**799**	787
Cash/other assets	**226**	285
Government bonds	**139**	129
Loans	**66**	40
Derivatives	**14**	60
Total market value of the assets of the funded schemes	**2,425**	2,487

(iv) Amounts recognised in the Income Statement

The amounts charged/(credited) to other operating expenses for the year are:

	2021 £m	2020 £m
Current service costs	**-**	9
Net interest on defined benefit liability/asset	**(7)**	(12)
Administrative expenses	**2**	1
Total amount credited to the Income Statement	**(5)**	(2)

(v) Amounts recognised directly in other comprehensive income

The amounts charged/(credited) directly to equity are:

	2021 £m	2020 £m
Actual return less expected return on assets	**33**	(222)
(Gain)/loss arising from changes to financial assumptions	**(10)**	291
(Gain)/loss arising from changes to experience assumptions	**(24)**	35
Loss arising from changes to demographic assumptions	**10**	19
Total remeasurement losses charged directly to equity	**9**	123

E. Trade and other receivables

Trade and other receivables are carried at amortised cost less impairment losses.

	2021 £m	2020 £m
Amounts owed by subsidiary companies	100	103
Other receivables	1	11
Prepayments	29	24
Total trade and other receivables	**130**	138
Non-current	1	-
Current	129	138

There are currently no lifetime expected credit losses held in respect of these receivable balances. For further details see note J.

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.

The lease liability at the beginning and end of the year is £6m and is a non-current liability.

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	10
Charge for year	10
Utilised in year	(11)
At end of year	**9**
Non-current	6
Current	3

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	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Accelerated capital allowances	17	8	-	-	17	8
Post-employment benefits	-	-	(174)	(179)	(174)	(179)
Employee benefits (other than post-employment)	12	5	-	-	12	5
Provisions	2	1	-	-	2	1
Taxation value of losses carried forward	-	3	-	-	-	3
Deferred tax (before allowable netting)	31	17	(174)	(179)	(143)	(162)
Allowable netting of deferred tax	(31)	(17)	31	17	-	-
Net deferred taxation liability	**-**	-	**(143)**	(162)	**(143)**	(162)

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.

Financial Statements of the Company continued

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
2021				
Accelerated capital allowances	**8**	**9**	**-**	**17**
Post-employment benefits	**(179)**	**2**	**3**	**(174)**
Employee benefits (other than post-employment)	**5**	**7**	**-**	**12**
Provisions	**1**	**1**	**-**	**2**
Taxation value of losses carried forward	**3**	**(3)**	**-**	**-**
Total	**(162)**	**16**	**3**	**(143)**
2020				
Accelerated capital allowances[1]	4	4	-	8
Post-employment benefits[2]	(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	(92)	(76)	6	(162)

1. Opening balances have been restated for a £1m taxation impact arising from a reduction in historic software capitalisation as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement'.
2. 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.

	2021 £m	2020 £m
Amounts owed to subsidiary companies	**24**	25
Other payables	**2**	2
Accruals	**144**	99
Total trade and other payables	**170**	126
Non-current	**30**	29
Current	**140**	97

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 26. The risks of the Company are considered within those faced by the wider Group.

The Company monitors the credit quality of receivables, with provisions made for expected credit losses when appropriate. There are currently no expected credit losses held in respect of the Company's receivables and the Company considers the maximum credit risk exposure to be £30m (2020: £35m), which comprises total trade and other receivables. This excludes amounts owed by subsidiary companies; based on the Company's assessment, these are deemed to carry an insignificant credit risk.

The financial liabilities held by the Company comprise total trade and other payables and lease liabilities. The contractual maturities of these liabilities, including estimated interest payments, are £140m (2020: £97m) falling due within one year and £40m (2020: £38m) falling due after more than one year.

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 204-211).

(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 27. The total remuneration of key management personnel is included in staff costs.

(ii) Transactions in relation to the unfunded pension arrangements

These transactions are disclosed in note 27.

(iii) Transactions and balances with subsidiary companies

	2021 £m	2020 £m
Income Statement		
Management charges received	**280**	263
Expenses paid (including rental expense £5m (2020: £2m))	**(15)**	(12)
Dividends received	**52**	175

	Transactions during the year		**Balance at 31 December**	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Statement of Financial Position				
Amounts owed by subsidiary companies	**(3)**	(39)	**100**	103
Amounts owed to subsidiary companies	**1**	145	**(24)**	(25)

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 2021 but for which no provision has been made in the financial statements amounted to £nil (2020: £10m of which £1m related to property, plant and equipment and £9m in relation to computer software projects).

(ii) Guarantees

The Company has given guarantees in respect of senior unsecured bonds issued by Bupa Finance plc; specifically £300m senior unsecured bonds maturing in 2024 and £300m senior unsecured bonds maturing in 2027.

(iii) Contingent assets and liabilities

The Company is party to a £900m revolving credit facility. The revolving credit facility was drawn down by £150m as at 31 December 2021 (2020: £800m facility which was undrawn). Drawings under the facility are guaranteed by the Company, and the Company has joint and several liability for other overdraft facilities across the Group.

(iv) Pension contributions

The Company has an obligation to make deficit reduction contributions to the smaller defined benefit scheme amounting to £1m per annum for the years ending 31 December 2022-2024.

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 2021, 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 indirectly 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
Benefit Pocket Pty Ltd	AUD Ordinary
Bupa Aged Care Australasia Pty Limited	AUD Ordinary
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 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, Virgin Islands, British	
Altai Investments Limited	HKD1.00 Ordinary, 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
Suite 07-2, 08, 4F Fortune Financial Center, No 5 Dongsanhuan Zhong Road, Chaoyang District, Beijing, 100020, 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

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[2]	£1.00 Ordinary
Bupa LeaseCo. (Guernsey) Limited[2]	£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[3]	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
Jadeast Limited	HKD1.00 Ordinary
Jadison Investment Limited	HKD1.00 Ordinary
Jadway International Limited	HKD1.00 Ordinary
Megafaith International Limited	HKD1.00 Ordinary
Quality Healthcare Chinese Medicine Services Limited	HKD1.00 Ordinary
Quality HealthCare Dental Services Limited	HKD1.00 Ordinary
Quality Healthcare Group Limited	HKD1.00 Ordinary
Quality HealthCare Medical Centre Limited	HKD100.00 Ordinary
Quality Healthcare Medical Diagnostic & Imaging Services Limited	HKD1.00 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

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

Related Undertakings continued

Macao

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
Av. Xola 535, Piso 17, Col. Del Valle, Mexico City, CP 03100, Mexico	
Corporativo Vitamedica, S.A. De C.V.	MXN10.00 Ordinary
Servicios Vitamedica, S.A. De C.V.	MXN10.00 Ordinary
Vitamedica Administradora, S.A. De C.V.	MXN Class I, Series A (Fixed), MXN Class I, Series B (Fixed), MXN Class II, Series A (Variable)
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.	MXN Ordinary, MXN Ordinary (Variable)

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
Bupa Servicios Panama, S.A.	US$1.00 Common

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
Curie-Sklodowskiej 73 Street, 87-100, Torun, Poland	
Citomed Sp. z.o.o.	PLN1,000.00 Ordinary
Lecznice Citomed Sp. z.o.o.	PLN50.00 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
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.	PLN50.00 Ordinary
Rowninna 6 Street, 87-100 Torun, Poland	
Citomed Sp. z.o.o. Sp. k.	Partnership Interest
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 Foundation Dr. Joanny Perkowicz	Founder Contribution
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.	PLN50.00 Ordinary
Zygmunta Slominskiego, 5/U05 Street, Warsaw, Poland	
Smile Design Clinic Sp. z.o.o.	PLN100.00 Ordinary

Saint Kitts and Nevis

Name	Share Classes
Amory Building, Victoria Road, Basseterre, St. Kitts, Saint Kitts and Nevis	
Amedex Services Ltd.	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, 34750, Turkey	
Acıbadem Grubu Sigorta Aracilik Hizmetleri A.S.	TRY1.00 Ordinary
Bupa Acıbadem 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

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 (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 (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 Homes Investments (Holdings) Limited	£1.00 Ordinary
Bupa Care Services (Commissioning) Limited	£1.00 Ordinary
Bupa Care Services Limited	£0.20 Ordinary
Bupa Global Holdings Limited	€1.00 Ordinary, €0.01 Ordinary, £1.00 Ordinary
Bupa Finance plc[4]	£1.00 Ordinary
Bupa Foundation	Guarantee Membership Interest
Bupa Health at Work Limited	£1.00 Ordinary
Bupa Healthcare Services Limited	£1.00 Ordinary
Bupa Home Healthcare Pension Scheme Trustee 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

Related Undertakings continued

United Kingdom continued

Name	Share Classes
Bupa Investments Overseas Limited	AUD Redeemable Preference, CLP1.00 Redeemable Preference, £1.00 Ordinary
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
Cromwell Hospital Retirement Plan Trustee Limited	£1.00 Ordinary
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 (Property) Limited	£1.00 Ordinary
Richmond Care Villages Holdings 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
Apex Dental Care 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
Croft Dental Care 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

United Kingdom continued

Name	Share Classes
Hope Dental Practice Limited	£1.00 Ordinary £1.00 Ordinary B
Hospital Lane Dental Clinic 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
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
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
Stob Dearg Limited	£1.00 Ordinary
Stop the Clock 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 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
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
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

Related Undertakings continued

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. Strike off requested
3. 0.000001% held directly by the Company
4. 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

Bahrain

Name	Share Classes	Actual % held
Office 207, Building 114, Road 385, Block 304, Manama, 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	97.58
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	99.75
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	88.95
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
C-98 Lajpat Nagar, Part 1, New Delhi, 11002, India		
Niva Bupa Health Insurance Company Limited[1]	INR10.00 Ordinary	44.75

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
Goszczyńskiego 1, 02-616, Warsaw, Poland		
Hifu Clinic Sp. z.o.o.	PLN50.00 Ordinary	70.16
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	95.80
ul. Dluga 43, 05-510 Konstancin Jeziorna, Poland		
Lux Med Tabita Sp. z.o.o.	PLN100.00 Ordinary	88.00
Wileńska, 44 Street, 80-215, Gdańsk		
Fundacja Promedicine	Founder Contribution	100.00
Swissmed Centrum Zdrowia S.A.	PLN10.00 Ordinary	66.00
Swissmed Nieruchomosci Sp. z.o.o.	PLN500.00 Ordinary	100.00
Swissmed Opieka Sp. z.o.o.	PLN1,000.00 Ordinary	99.24

Saudi Arabia

Name	Share Classes	Actual % held
7764, Prince Sultan Street, Al Mohammediyah district, Jeddah, Saudi Arabia		
My Clinic International Medical Company Limited	SAR100.00 Ordinary	100.00
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
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
4th Floor, 167 Fleet Street, London, EC4A 2EA		
Healthbox Europe 1 LP	Partnership Interest	37.04
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	17.91

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 (unaudited)

The five-year financial summary is presented to better understand trends.

	2021 £m	2020 (restated)[1,2] £m	2019 (restated)[1] £m	2018 (restated)[1] £m	2017 (restated)[1] £m
Revenue – segmental analysis					
Bupa Asia Pacific (restated)[1,2]	**5,498**	5,249	5,136	5,069	5,326
Europe and Latin America	**4,004**	3,765	3,853	3,499	3,346
Bupa Global and United Kingdom	**3,396**	3,122	3,323	3,288	3,537
Other businesses (restated)[2]	**5**	6	4	4	41
Net reclassifications to other expenses or financial income and expenses	**-**	-	-	(1)	(1)
Consolidated total revenues	**12,903**	12,142	12,316	11,859	12,249
Claims and expenses					
Operating expenses (including claims)	**(12,410)**	(11,623)	(11,846)	(11,224)	(11,505)
Impairment of goodwill	**(6)**	-	(422)	(35)	(1)
Impairment of other intangible assets arising on business combinations	**(21)**	(19)	(21)	(4)	(16)
Other income and charges	**49**	1	(42)	(53)	(99)
Total claims and expenses	**(12,388)**	(11,641)	(12,331)	(11,316)	(11,621)
Profit/(loss) before financial income and expense	**515**	501	(15)	543	628
Net financial expense (restated)[2]	**(92)**	(105)	(63)	(41)	(8)
Profit/(loss) before taxation expense	**423**	396	(78)	502	620
Taxation expense (restated)[2]	**(62)**	(175)	(133)	(190)	(134)
Profit/(loss) for the year	**361**	221	(211)	312	486
Attributable to:					
Bupa	**358**	219	(213)	306	482
Non-controlling interests	**3**	2	2	6	4
Profit/(loss) for the year	**361**	221	(211)	312	486
Equity					
Property revaluation reserve	**655**	699	692	700	796
Income and expenditure reserve (restated)[2]	**6,502**	6,147	6,059	6,306	5,882
Cash flow hedge reserve	**-**	21	21	20	22
Foreign exchange translation reserve (restated)[2]	**(13)**	263	237	464	558
Equity attributable to Bupa	**7,144**	7,130	7,009	7,490	7,258
Restricted Tier 1 notes	**297**	-	-	-	-
Non-controlling interests	**17**	18	17	20	30
Total equity	**7,458**	7,148	7,026	7,510	7,288

1. Revenues have been restated to report Bupa Hong Kong as part of the Bupa Asia Pacific Market Unit following the updated organisational structure implemented during 2021.
2 Refer to note 1.5 for details of the restatements.

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